

# THE WILLIAM & FLORA HEWLETT FOUNDATION



*Annual Report 1978*

THE WILLIAM & FLORA  
HEWLETT FOUNDATION



*Annual Report 1978*

*Office of the Foundation:*

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The Hewlett Foundation, incorporated as a private foundation in the State of California in 1966, was established by the Palo Alto industrialist William R. Hewlett, his wife, Flora Lamson Hewlett, and their eldest son, Walter B. Hewlett. The Foundation's broad purpose, as stated in the articles of incorporation, is to promote the well-being of mankind by supporting selected activities of a charitable, religious, scientific, literary, or educational nature, as well as organizations or institutions engaged in such activities.

More particularly, to date the Foundation has concentrated its resources on activities in the performing arts and the humanities; education, particularly at the university and college level; population problems; and intelligent, life-enhancing uses of the environment. Some sub-areas of particular interest to the Foundation are listed in the Program Descriptions that follow;

others are in the process of definition. Special Projects outside these four broad areas may from time to time be approved by the Board of Directors. Although the Hewlett Foundation is a national foundation, with no geographic limit stipulated in its charter, a modest proportion of disburseable funds has been earmarked for projects in the San Francisco Bay Area. The Foundation does not make grants to individuals, nor does it normally fund basic research.

In its grant-making decisions as well as in its interests and activities, the Hewlett Foundation is wholly independent of the Hewlett-Packard Company.

The Foundation plans grant authorizations for 1979 of approximately \$7 million. Prospective applicants should consult the Program Descriptions and Advice to Applicants later in this Report.

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*Foreign graduate students receive training in the latest demographic techniques at university population centers in the United States.*



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*The Julian Theatre has been producing works by new playwrights continuously since 1965.*



## *President's Statement*

That America today abounds in special-interest groups has been widely observed. Yet along with legislators, governors, and the President of the United States, the staff of a foundation with a broad range of program interests is peculiarly well situated to appreciate the dimensions and costs of this phenomenon. Each week brings a large number of requests from such groups in every area of Foundation interest. The relations among them are typically highly competitive; on occasion, however, they appear to be unaware that the others exist.

We recognize that in many ways the present fragmentation can be seen as benign. A multiplicity of special-interest groups is consistent with a tradition of pluralism. The public good is often advanced by privately managed organizations supported by loyal, hard-working members, most of whom volunteer their time and energies. Membership in such organizations has given many men and women a sense of participation, and the realization that the efforts, ideas, and re-

sources of a few private citizens can make a difference. The public education efforts of many of these organizations have undoubtedly increased public understanding of important, complex issues. A healthy free society requires a lively community of private, not-for-profit associations that deliver public services, provide cultural opportunities, and monitor and influence government behavior.

Some effects of this multiplicity are less benign, particularly those engendered by single-issue, single-value groups that have as their main focus the influencing of government policy. Our most urgent problems are too complex to be defined in terms of single issues, and most solutions lie in reconciling differences and making trade-offs between competing values. The laborious and largely ineffective process, in relation to both need and urgency, by which the nation has arrived at a rudimentary energy policy illustrates the pathology of the present situation. Special-interest groups have effectively canceled one another out, thus immobilizing the problem-solving effort.

Elected representatives, including the most able and dedicated, find it less

rewarding, if not impossible, to seek the general welfare; they perceive their re-election to rest upon the erratic support of constantly changing coalitions. Single-issue candidates, by contrast, while finding it easier than formerly to get elected, are poorly equipped to deal with the broad range of responsibilities that confront them in office or to negotiate with others elected by a similarly single-minded constituency.

Another serious, unfortunate consequence of this fragmentation of our society into single-issue, single-value segments has been the gradual undermining of organizations with heterogeneous memberships. Traditionally such organizations have themselves been vehicles for consensus-building. Increasingly, however, these broadly based organizations are being weakened as groups formed by highly motivated factions of their membership grow stronger. Leaders of the broader organizations find themselves in a predicament analogous to that of the elected representative: their efforts to seek the collective good are often unsuccessful, as well as unappreciated, and their tenure in office is short.



A heterogeneous democracy requires organizations that provide broad representation of the public interest. Their absence guarantees a weakening of consensus, an indisposition to sacrifice for common purposes, and, ultimately, the loss of the mutual respect that is necessary if a complex society is to function effectively. The enormous investment we currently are making in litigation and other expensive, often sterile, forms of conflict resolution is further evidence of the seriousness of our present situation.

The reasons for this fragmentation are no doubt numerous and complicated. The failure of some omnibus organizations to reflect the needs and interests of all their members is one of them. The capture of bodies nominally responsible to a large constituency by a faction of the membership has prompted other factions to attempt similar feats. The pervasive modern emphasis on the primacy of individual desires has also been a factor. But whatever the reasons, it seems clear to us that the present processes are destructive, and that countervailing forces should be given strong, consistent support.

These considerations have led the Hewlett Foundation to give special attention to the needs of organizations that embrace larger concerns, that are engaged in consensus-building, that are committed to the delicate, artistic process of achieving a balance among worthwhile, significant objectives. This is not to derogate the value of special-interest groups. It is to say that their support does not seem to us to be where help is most urgently needed at the present time. Indeed, the very fractionalization process through which they are formed appears to make it easier for them to acquire funds, except where the contending parties have so divided the field that the constituency for each of them is too small. In such cases it seems even less appropriate to encourage them in their present course.


Of course, the Foundation does support groups that have a special interest or mission. We are supporting, for example, groups committed to population planning and to the conservation of our natural resources. The organizations that interest us most, however, are those that include members holding a variety of values; that recognize in their programs and procedures the

multifaceted nature of the problems with which they deal; that employ research methods that meet a high standard of objectivity; and finally, that show sensitivity to the complex processes by which our society must arrive at policies that promote the broad public interest. We have a particular interest in organizations whose main objective is the achievement of consensus.

We see encouraging signs that organizations with balanced views, respect for opposing ideas, and the capacity for credible fact-finding and analyses are increasingly being heeded by decision-makers. Their appraisals and advice are being sought partly because of the skepticism generated by the single-minded, often opinionated, sometimes self-righteous posture of an ever-increasing number of special-interest groups. But these hopeful indications are only that; they are fragile and require nurturance.

For precisely the reasons that specialized groups are flourishing, less narrowly committed organizations have difficulty obtaining support. Dispassionate analysis, the careful canvassing of opinions that differ in their impact

on a variety of desired ends—these are not tasks that excite a fervent following. The overriding goal set forth in the Foundation's first Annual Report, for 1977, is to help make ours an effective society—one in which the institutions *work*. We continue in that goal. It is our belief that the institutions in our society most in need of strengthening are those that, while they may espouse a special interest, consistently show in policy and practice an awareness of other interests and of purposes larger than their own.



# *Program Descriptions*



*Fifty schools and companies enjoy the information, publicity, and coordination services of the San Francisco Bay Area Dance Coalition.*

The program statements that follow contain certain objectives of the Hewlett Foundation. Other goals are general; they underlie all the programs and all the funding choices the Foundation makes. First, the Foundation has a strong basic commitment to the voluntary, nonprofit sector, to the sector that lies between industry and government. Institutions and organizations in this category serve purposes very important to the society, and their health and effectiveness is a major concern. Accordingly, the Foundation intends to assist efforts to improve their financial base and their efficiency.

Second, the Foundation also believes that private philanthropy is of great value to the society. Support from individuals, businesses, or foundations can supplement government funding, and in some important cases provide a benign and fruitful alternative. The Foundation considers the nation's habits of philanthropy, individual and corporate, less healthy than they should be, and therefore will be particularly receptive to proposals that show promise of stimulating private philanthropy.

A great many excellent organizations meet both the general criteria sug-



gested here and the specifications set forth in the statements that follow. Competition for the available funds is intense. The Foundation can respond favorably to only a small proportion of the worthwhile proposals it receives.

The primary goal of the Arts and Humanities Program is the encouragement and preservation of excellence over the long term. The program's main focus is on the performing arts—music, dance, theater. The Foundation also has an interest in museums, libraries, and special collections of unusual value in the arts and humanities. The Hewlett Foundation hopes to make a strong contribution to the cultural life of its home community, the San Francisco Bay Area, but will also consider requests from organizations outside the region that have a national impact or play a unique role in the country's cultural life.

Performing arts groups are gaining in number and quality, yet the most promising young artists continue to experience a critical need for the often costly advanced training programs and special projects that would enable them to develop their talents to the fullest. To ensure the continued emergence of performing artists of the highest caliber, proposals for the identification, training, and development of gifted young professional artists are particularly welcome. Again with a long-term view to the cultural life of the nation, the Foundation assists in the preserva-

tion of the works of living masters for future generations. The first in this series of grants has supported a week-long festival dedicated to the performance of works by Ernst Krenek.

The Foundation continues to seek ways to foster the effective management of arts organizations. We will consider proposals for management training and technical assistance, including projects aimed at the development of alternative sources of funding for the arts. The Foundation is also interested in the development of artistic leadership in cultural organizations.

Although open to requests from individual groups, the Foundation has a special interest in projects and organizations that assist all or most of the groups in a particular category. The grant to the San Francisco Bay Area Dance Coalition is illustrative. Proposals for general operating expenses, special projects, and, under special circumstances, capital improvements will be given consideration. We welcome proposals for joint funding of projects with other foundations and with corporations.

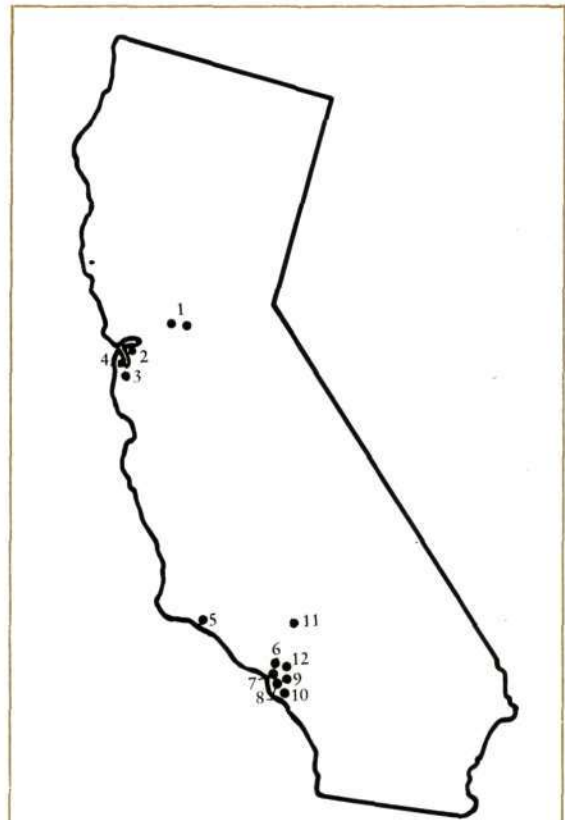
The Foundation's interests in the humanities are still being defined. In 1978, a grant was made to the Folger Shake-



speare Library for building renovations that will ensure the preservation of the Library's unique collection of manuscripts and rare books. This grant exemplifies our interest in assisting institutions of national cultural importance. In 1979, the Foundation will continue to investigate opportunities for grants in the humanities, and we therefore welcome letters of inquiry and suggestion.

We regret that we cannot consider proposals in the following areas: crafts, the visual arts, and literature; independent projects of individual artists or individual exhibitions; arts programs of public school districts and recreational or therapeutic programs of social service agencies; independent radio, television, or film projects except as they involve one of the other program interests described in this Report.

*Twelve MESA (Mathematics, Engineering, Science Achievement) centers throughout California support efforts to interest pre-college minority students in careers in engineering and the sciences.*



1. Capitol: University of California, Davis/  
California State University, Sacramento
2. East Bay: University of California, Berkeley
3. San Jose State University
4. Stanford University
5. University of California, Santa Barbara
6. California State University, Northridge
7. UCLA
8. USC
9. California State University, Los Angeles
10. California State University, Long Beach
11. Harvey Mudd College, Claremont
12. Council of Black Professional  
Engineers, Los Angeles

In its Education Program, the Hewlett Foundation will continue to work primarily with the selective liberal arts colleges, the predominantly black colleges, and the major research universities. In general the Foundation is interested in proposals that aim at strengthening the institution and that seem likely to have effects beyond a single institution, rather than requests to meet immediate, highly specific needs.

In recent years severe financial pressures have eroded the ability of the leading liberal arts colleges to maintain their vitality and responsiveness. In late 1978, the Hewlett Foundation and the Andrew W. Mellon Foundation agreed to co-sponsor a program to promote self-renewal at these colleges. The \$8 million committed by the two foundations will be disbursed over the next five years to approximately forty-five colleges, as challenge grants to endow presidential discretionary funds. The grants are intended to be used principally but not exclusively for faculty and curriculum development. The program will involve the stronger and larger liberal arts colleges. In selecting participants, the foundations will be assisted by an advisory committee. To minimize unrewarded effort on the part of

applicants, participation will be by invitation only.

With regard to the predominantly black colleges, although they have educated a disproportionately high percentage of the nation's black college graduates, they suffer a disproportionately low rate of financial support from their alumni. Stronger support from increasingly successful alumni would provide these colleges with a stable source of long-term funding. In 1977 the Bush Foundation of St. Paul, Minnesota, invited the Hewlett Foundation to help extend its challenge grant program for alumni giving at black colleges. Initiated by Bush in 1976 with grants to three colleges in the southeastern United States, the program has been a marked success. In the first year, the number of alumni contributors to the three original schools more than doubled, and the number of dollars contributed increased by 75 percent. The program was extended the following year to eleven other colleges in the United Negro College Fund. In 1978, the Hewlett Foundation committed \$900,000 to this program, which will permit the participation of an additional ten colleges.

The Foundation will focus its assistance to research universities in two



areas: the research libraries and international studies. With respect to the first, Hewlett has joined eight other foundations in assisting the Council on Library Resources. The Council, in cooperation with the Library of Congress and the National Commission on Libraries and Information Science, is engaged in a multi-year, multi-million-dollar series of related projects that, upon completion, will provide a number of the essential elements in a comprehensive computerized bibliographic system for the nation's libraries. In 1979, the Foundation will make an additional grant to help research libraries organize to provide the special services their users require while responding to increasingly severe financial constraints.

With the expectation of making grants for international education in 1979, the Foundation staff has been investigating ways to strengthen the international programs of research universities, particularly foreign area studies. The staff is also considering opportunities to increase public awareness and understanding in international affairs.

The Foundation is in the third year of a five-year commitment to MESA (Mathematics, Engineering, Science

Achievement), a program intended to correct the underrepresentation of minorities in engineering and the sciences. The program's activities are focused on the motivation and preparation of pre-college minority students within California. Initiated at the University of California, Berkeley, by the fall of 1978 MESA had twelve centers working with forty-five high schools and over a thousand students throughout the state. Numerous private corporations have also made substantial contributions to the program.

Two grants were made in 1978 in support of the Foundation's interest in moral and theological education. Other grants may from time to time be made in this area, but requests from individual theological schools or seminaries will not be accorded high priority. The Foundation does not encourage requests to fund student aid, construction, basic research, health research, or health education programs. Nor can it consider requests involving kindergarten through twelfth grade except as these may explicitly relate to other Foundation objectives. Support for applied research will be given consideration only insofar as the project in question is relevant to other Foundation interests.

The Environment Program of the Hewlett Foundation is designed to encourage intelligent, life-enhancing uses of man's natural environment for education, conservation, and development. Because land acquisition projects are enormously expensive, the Foundation can consider such projects only when they involve areas of unique ecological value that are demonstrably suited to educational purposes. We therefore

encourage proposals involving land acquisition only from organizations that are equipped both to document the ecological value of a given site and to plan and implement educational programs of scientific merit once the land is acquired. These interests were expressed in 1978 through a grant to the National Wildlife Federation toward the acquisition of Lava Lakes Ranch in northern California; the Fed-



*At the foot of Mount Shasta, Lava Lakes Ranch, a 3,000-acre wildlife refuge, will be developed as a nature education center by the National Wildlife Federation and the Audubon Society.*



eration will establish a wildlife refuge and education center on the site.

It is increasingly clear that major environmental questions are not simple issues and in the long run are not best resolved by impassioned side-taking either in the political arena or in the courts. The Foundation will therefore support policy-oriented studies that promise to improve the objectivity and thoughtfulness of decision-making on environmental issues. We welcome proposals from organizations that have established, or show the capacity to establish, a record of sound, dispassionate, policy-related analysis of environmental issues. Among the grants in this area for 1978 were those to the Conservation Foundation, in support of its policy-related work on major land-use and other environmental issues, and to the Public Lands Institute, to enable that organization to seek solutions to public lands problems, particularly through analyses related to the responsibilities of the Bureau of Land Management.

The intensifying struggle over numerous environmental issues has confirmed the Foundation in its intentions to encourage new mechanisms to avert or

resolve conflicts over environmental questions. Accordingly, the Foundation has encouraged proposals from organizations that can play a third-party role in the management of disputes. This year several small grants were made for this purpose; in future years, the Foundation plans to extend its support in this area. We continue to welcome proposals from organizations that would apply methods of conflict management developed in other fields to environmental problems, or would develop new mechanisms for resolving environmental disputes in a less divisive manner than currently prevails.

Environmental education is of continuing interest to the Foundation. In 1978 this interest resulted in grants to the Student Conservation Association, the Environmental Volunteers, and the Marian Peterson High School. We particularly welcome environmental education proposals that relate to our interests in the acquisition of ecologically unique areas, policy, and the management of conflict. In addition, we encourage environmental education programs that demonstrate community support and make effective use of volunteers.

Despite progress in many countries toward reducing birthrates, the significance of population growth as a worldwide problem remains undiminished. If present trends continue, world population will be at least twice its present

size in the next century, and within fifty years the populations of most countries will have outstripped the food and energy resources available to them. The Hewlett Foundation will therefore continue to allocate substantial resources



*A women's literacy class in Haiti, sponsored by the Pathfinder Fund, seeks to enable women to choose a variety of rewarding roles beyond the traditional ones of wife and mother.*

JULIA G. KAHL



to projects in the population field, particularly those involving the less developed countries, where most of the unsustainable population growth will occur.

Within this broad field, the Foundation has specific interests in the following areas: the training of population experts; policy-related research on population issues, particularly the relationship of socioeconomic factors to fertility; the support of comprehensive family planning services and other fertility-reducing programs; and education in human sexuality.

The first two interests were expressed in 1978 in grants to the Population Council and to five university population centers engaged in demographic research of the highest caliber and in the training of population experts from abroad. We plan continued support not only for analyses of the key variables affecting fertility behavior in a specific region and the way they interact, but also for efforts to implement fertility-reducing development policies. The Foundation will look to organizations that show an awareness of the complex relations between motivation, social and economic development, and fer-

tility behavior, and that have an appreciation for the importance of both societal and personal approaches to population questions. These interests were expressed, to choose one example, in the Foundation's grant to the Women's Division of the Pathfinder Fund.

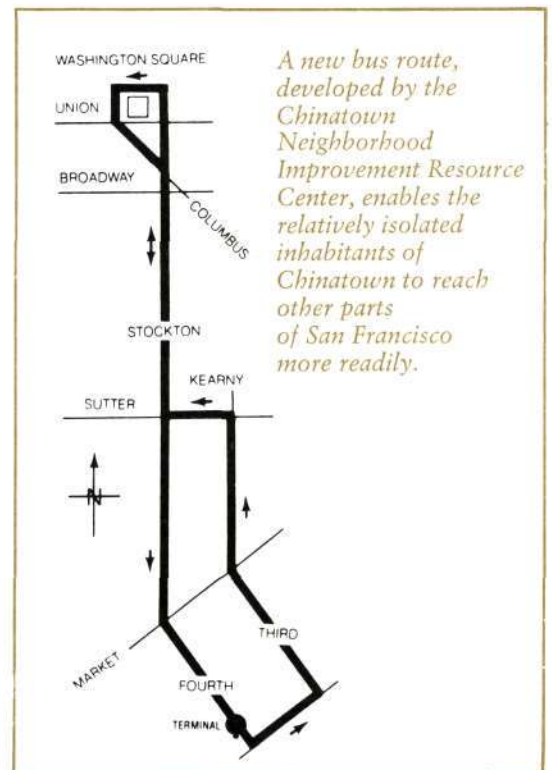
The Foundation's interest in the provision of comprehensive family planning services was reflected in the past year in grants to the Association for Voluntary Sterilization and to several Planned Parenthood affiliates. The Foundation hopes to support innovative approaches to education in human sexuality and other programs directed toward the fertility-related behavior of the nation's eleven million sexually active teenagers. Within the United States, support for locally based organizations that provide direct services has been limited to Planned Parenthood affiliates in and near the San Francisco Bay Area.

The Foundation will not consider support for biomedical research on reproduction or the development of contraceptives; nor will it fund population education programs directed toward the general public.

Through the Regional Grants Program, the Hewlett Foundation responds to requests from organizations in the San Francisco Bay Area serving local residents in need of assistance. The Foundation has a special interest in projects that would promote community and social development, improved human services, and new solutions to significant social problems. We will consider proposals for general, program, and project support, for periods of one to three years. We welcome opportunities to co-sponsor programs with other funding sources.

The twenty-seven grants made under the Regional Grants Program in 1978 may be divided into three categories: grants to human service organizations, illustrated by an award to Advocates for Women for the training and placement of women in non-traditional jobs; grants to community development organizations, such as the award to the East Bay Asian Local Development Corporation for acquisition and renovation of a Resource Center building in Oakland's Chinatown; and grants to organizations in these categories seeking to strengthen their management, exemplified by the supplementary

grant to Big Sisters of East Palo Alto/East Menlo Park. Other major grants went to La Raza Information Center and the Community Justice Program. Three grants were made to organizations in the community development field in 1978. Like their counterparts elsewhere, the grant recipients in this category are community-based organizations that seek to reverse a downward



social or economic trend in a defined urban area by conducting, or stimulating others to conduct, physical and social programs that will make the neighborhood a better place in which to live and do business. As catalysts for responsive social change, community development corporations are attractive in concept. In practice, the problems they confront are complex, often intractable, and usually systemic, and the corporations' failure rate is high. Although we are mindful of the risks involved, we plan to continue our investigation of the needs of such organizations in the coming year because we believe that their potential for a significant impact is high when they are well managed and adequately funded.

So that the Regional Grants Program might remain flexible enough to respond to local needs as they arise, we have preferred not to delineate too rigidly the Foundation's areas of interest. Yet because barely a tenth of the formal requests received in 1978 could be supported, we do not encourage proposals involving physical or mental health; law and related fields; criminal justice or juvenile delinquency; public school education; drug and alcohol addiction; or the problems of the elderly and the handicapped.

*Authorizations and  
Disbursements*

*1978*



*The installation of climate and fire control systems will ensure the preservation of the Folger Shakespeare Library's beautiful building and its unique collection of manuscripts and rare books.*



# ARTS & HUMANITIES

	1978		UNPAID DEC. 31, 1978	
	UNPAID DEC. 31, 1977	GRANTS AUTHORIZED		PAYMENTS MADE
CAZADERO MUSIC CAMP FUND, BERKELEY <i>To support program for talented students</i>		\$ 15,000	\$ 15,000	
UNIVERSITY OF CALIFORNIA, SANTA BARBARA <i>To support Krenek Festival</i>		25,000	\$ 25,000	
CENTER FOR THE VISUAL ARTS, OAKLAND <i>To establish experimental gallery for local artists</i>		35,000	35,000	
CENTER FOR WORLD MUSIC, SAN FRANCISCO <i>For general support</i>		5,000	5,000	
COMMUNITY ART RESOURCE, SAN FRANCISCO <i>To match grant from National Endowment for the Arts</i>		8,500	8,500	
COMMUNITY MUSIC CENTER OF SAN FRANCISCO— <i>For community orchestra and development office</i>		64,000	44,000	20,000
EAST BAY CENTER FOR PERFORMING ARTS, RICHMOND, CALIFORNIA— <i>For building renovation and equipment purchases</i>		48,000	48,000	
FOLGER SHAKESPEARE LIBRARY, WASHINGTON, D.C.— <i>For building renovation</i>		200,000	200,000	
FOOTHILL COLLEGE, LOS ALTOS HILLS, CALIFORNIA— <i>For Master Sinfonia Chamber Orchestra performance at California Music Educators Association</i>		3,025	3,025	
FORT MASON FOUNDATION, SAN FRANCISCO <i>For building renovation</i>		100,000	100,000	
GOLDEN GATE UNIVERSITY, SAN FRANCISCO <i>For stipends to interns in arts organizations</i>		25,000	13,000	12,000
GOODWILL INDUSTRIES, SAN FRANCISCO / CIVIC CHORALE, SAN RAFAEL <i>For a cooperative community concert</i>		2,500	2,500	
HOLY NAMES COLLEGE, OAKLAND <i>To support Kodaly program of music instruction</i>		300,000	100,000	200,000
JULIAN THEATRE, SAN FRANCISCO— <i>For administrative expenses and New Playwrights Series</i>		5,000	5,000	

	UNPAID DEC. 31, 1977	1978		UNPAID DEC. 31, 1978
		GRANTS AUTHORIZED	PAYMENTS MADE	
PALACE OF ARTS AND SCIENCES FOUNDATION, SAN FRANCISCO— <i>For support of the Exploratorium</i>	\$ 75,000		50,000	25,000
PERFORMING ARTS SERVICES, SAN FRANCISCO <i>To support voucher plan</i>		40,000	20,000	20,000
PERFORMING ARTS WORKSHOP, SAN FRANCISCO— <i>For continuance of community outreach program</i>		15,000	15,000	
RED BALLOON, SAN FRANCISCO <i>For summer performance and workshop series</i>		5,000	5,000	
SAN FRANCISCO BAY AREA DANCE COALITION— <i>For general support</i>		5,000	5,000	
SAN FRANCISCO PERFORMING ARTS CENTER <i>Toward construction of Concert Hall, Rehearsal Hall</i>	200,000			200,000
TALENT BANK FOUNDATION, SAN FRANCISCO <i>For Opera Participation Project in Mission District schools</i>		5,000	5,000	
SCHOLAR OPERA, PALO ALTO <i>To assist expanded 1977-78 season</i>		3,000	3,000	
YOUNG AUDIENCES OF THE BAY AREA, SAN FRANCISCO— <i>For administrative support</i>	12,475		9,514	2,961
<b>Subtotal, Arts and Humanities</b>	<b>\$287,475</b>	<b>\$909,025</b>	<b>\$491,539</b>	<b>\$704,961</b>



# EDUCATION

	UNPAID DEC. 31, 1977	1978		UNPAID DEC. 31, 1978
		GRANTS AUTHORIZED	PAYMENTS MADE	
AMERICAN COUNCIL ON EDUCATION, WASHINGTON, D.C.— <i>For Commission on Military-Higher Education Relations</i>		15,000	15,000	
<i>For general support</i>		225,000		225,000
ASSOCIATION OF THEOLOGICAL SCHOOLS, VANDALIA, OHIO— <i>For scholarship and professional development</i>		75,000	37,500	37,500
BUSH FOUNDATION, ST. PAUL, MINNESOTA <i>For College Alumni Challenge Grant Program for predominantly black colleges</i>		900,000		900,000
UNIVERSITY OF CALIFORNIA, BERKELEY <i>For graduate fellowships</i>	5,000		5,000	
<i>For Mathematics, Engineering, Science Achievement (MESA) program, to encourage minority enrollment in engineering and the sciences</i>	50,000	217,500	167,500	100,000
<i>For special briefing of newly elected California congressmen</i>		2,000	2,000	
UNIVERSITY OF CALIFORNIA, SANTA BARBARA <i>For the International Committee for the Study of Educational Exchange</i>		7,000	7,000	
CALIFORNIA COUNCIL ON THE HUMANITIES IN PUBLIC POLICY, SAN FRANCISCO <i>For conference of Bay Area liberal arts college presidents and board chairmen</i>		1,500	1,500	
COPUS RESEARCH PROJECT, WASHINGTON, D.C. <i>For the Coalition of Independent College and University Students</i>		5,000	5,000	
COUNCIL FOR FINANCIAL AID TO EDUCATION, LA JOLLA, CALIFORNIA— <i>To support the "California Plan"</i>		10,000	10,000	
COUNCIL ON LIBRARY RESOURCES, WASHINGTON, D.C.— <i>For development of a nationwide computerized bibliographical system</i>		300,000		300,000
FUND FOR THEOLOGICAL EDUCATION, PRINCETON, NEW JERSEY— <i>For fellowship program</i>		75,000	37,500	37,500

*Fund-raisers at Xavier College, New Orleans, map strategy to match their Black Alumni Challenge Grant.*



	UNPAID DEC. 31, 1977	1978		UNPAID DEC. 31, 1978
		GRANTS AUTHORIZED	PAYMENTS MADE	
GRADUATE THEOLOGICAL UNION, BERKELEY <i>For Common Library fund</i>	500,000			500,000
MASSACHUSETTS INSTITUTE OF TECHNOLOGY <i>Toward start-up costs for the College of Science, Technology and Society</i>	500,000		125,000	375,000
MEMORIAL UNIVERSITY OF NEWFOUNDLAND <i>For biological research</i>	50,000		50,000	
RESEARCH CORPORATION, NEW YORK CITY <i>For research grants to faculty of liberal arts colleges</i>		150,000	50,000	100,000
WORLD AFFAIRS COUNCIL OF SAN FRANCISCO <i>For building remodeling</i>		50,000	50,000	
<b>Subtotal, Education</b>	<b>\$1,105,000</b>	<b>\$ 2,033,000</b>	<b>\$563,000</b>	<b>\$2,575,000</b>

	UNPAID DEC. 31, 1977	1978		UNPAID DEC. 31, 1978
		GRANTS AUTHORIZED	PAYMENTS MADE	
UNIVERSITY OF CALIFORNIA, BERKELEY <i>For research on stability of eco-systems</i>		5,000	5,000	
UNIVERSITY OF CALIFORNIA, SAN DIEGO <i>For conference on conservation biology</i>		3,000	3,000	
CALIFORNIA TOMORROW, SAN FRANCISCO <i>For Environmental Intern program</i>	50,000		50,000	
<i>For general support</i>		60,000	60,000	
COLORADO SCHOOL OF MINES / RESOURCES FOR THE FUTURE, GOLDEN, COLORADO <i>For field institute on western energy problems, opportunities, and policy issues</i>		41,500	41,500	
CONSERVATION FOUNDATION, WASHINGTON, D.C.— <i>For general support</i>		180,000	60,000	120,000
CONSERVATION TRAINING NETWORK, SAN FRANCISCO— <i>To deal with effects of Proposition 13 on major environmental and social programs</i>		1,000	1,000	
ENVIRONMENTAL VOLUNTEERS, PALO ALTO <i>To support volunteer environmental education training program</i>		20,000	10,000	10,000
FILOLI CENTER, WOODSIDE, CALIFORNIA <i>Interest-free loan for land acquisition</i>	500,000		100,000	400,000
FRONTIER ARTS INSTITUTE / SLIDE RANCH, SAUSALITO, CALIFORNIA— <i>For improvements in environmental education site and program</i>		10,000	10,000	
LEWIS & CLARK UNIVERSITY, PORTLAND <i>To Northwestern School of Law, for Environmental Fellowship Program</i>	25,000		25,000	
MARINE ECOLOGICAL INSTITUTE, REDWOOD CITY, CALIFORNIA— <i>To support management review, fund-raising campaign</i>		54,300	54,300	
NATIONAL WILDLIFE FEDERATION, WASHINGTON, D.C. <i>Toward purchase of wildlife preserve in Siskiyou County, California</i>	40,000		40,000	
<i>Toward acquisition of Lava Lakes Ranch, Siskiyou County, California</i>		100,000	100,000	



	UNPAID DEC. 31, 1977	1978		UNPAID DEC. 31, 1978
		GRANTS AUTHORIZED	PAYMENTS MADE	
MARIAN A. PETERSON HIGH SCHOOL, SUNNYVALE, CALIFORNIA— <i>For Monte Bello Ridge program</i>		1,000	1,000	
PUBLIC LANDS INSTITUTE, DENVER <i>For general support</i>		120,000	40,000	80,000
RESOLVE, PALO ALTO— <i>For environmental conflict avoidance</i>		15,000	15,000	
RESOURCES FOR THE FUTURE, WASHINGTON, D.C.— <i>For conference on public policy issues relating to safety, economics, and regulation of drinking water</i>		12,000	12,000	
STUDENT CONSERVATION ASSOCIATION, CHARLESTOWN, NEW HAMPSHIRE <i>For general support</i>		15,700	15,700	
TRUSTEES FOR ALASKA, ANCHORAGE <i>For nonlitigation activities</i>		10,000	10,000	
UNITED NATIONS ASSOCIATION OF THE USA, NEW YORK CITY— <i>For the Center for International Environment Information</i>		5,000	5,000	
URBAN ENVIRONMENT FOUNDATION, WASHINGTON, D.C.— <i>For conference on minority education and careers in environmental professions</i>		15,000	15,000	
YOSEMITE NATURAL HISTORY ASSOCIATION <i>For study of impact of fire control on bird communities</i>		5,000	5,000	
<b>Subtotal, Environment</b>	<b>\$615,000</b>	<b>\$673,500</b>	<b>\$678,500</b>	<b>\$610,000</b>

# POPULATION

	UNPAID DEC. 31, 1977	1978		UNPAID DEC. 31, 1978
		GRANTS AUTHORIZED	PAYMENTS MADE	
ASSOCIATION FOR VOLUNTARY STERILIZATION, NEW YORK CITY— <i>To support activities in Latin America</i>		90,000	30,000	60,000
ALAN GUTTMACHER INSTITUTE, NEW YORK CITY— <i>For general support</i>	300,000		100,000	200,000
BROWN UNIVERSITY, POPULATION STUDIES AND TRAINING CENTER— <i>For general support</i>		150,000		150,000
FLORIDA STATE UNIVERSITY, CENTER FOR THE STUDY OF POPULATION, TALLAHASSEE <i>For Center's library</i>		47,000		47,000
UNIVERSITY OF MICHIGAN, POPULATION STUDIES CENTER, ANN ARBOR <i>For general support</i>		150,000		150,000
PATHFINDER FUND, CHESTNUT HILL, MASSACHUSETTS— <i>To support Women's Division, Fertility Services Division, and Human Resources / Rapid Response Program</i>		130,000	32,500	97,500
PLANNED PARENTHOOD, CALIFORNIA <i>To Marin County affiliate, for move to more suitable location</i>		10,000	10,000	
<i>To Monterey County affiliate, toward purchase of new facility</i>		20,000	20,000	
<i>To San Mateo County affiliate, for general support</i>		30,000	10,000	20,000
<i>To Santa Clara County affiliate, for general support</i>		30,000	10,000	20,000
POPULATION COUNCIL, NEW YORK CITY <i>For fellowship program to train population experts in social science, demography, and program management</i>		300,000	100,000	200,000
POPULATION CRISIS COMMITTEE, WASHING- TON, D.C.— <i>For Population Parliamentarians Project</i>		60,000	30,000	30,000
PRINCETON UNIVERSITY, OFFICE OF POPULATION RESEARCH— <i>For general support</i>		150,000		150,000
YALE UNIVERSITY, ECONOMIC GROWTH CENTER— <i>For general support</i>		90,000		90,000
<b>Subtotal, Population</b>	<b>\$300,000</b>	<b>\$1,257,000</b>	<b>\$342,500</b>	<b>\$1,214,500</b>

# REGIONAL GRANTS

	1978		UNPAID DEC. 31, 1978	
	UNPAID DEC. 31, 1977	GRANTS AUTHORIZED		PAYMENTS MADE
ADVOCATES FOR WOMEN, SAN FRANCISCO <i>For job training and placement program</i>		15,000	15,000	
BIG SISTERS OF EAST PALO ALTO/EAST MENLO PARK <i>For coordinator's salary</i>	13,440		8,960	4,480
<i>For management and consulting services</i>		680	680	
BAY AREA LAWYERS FOR THE ARTS, SAN FRANCISCO— <i>For general support</i>		10,000	10,000	
CENTER FOR INDEPENDENT LIVING, BERKELEY— <i>Toward purchase of building</i>		38,000	38,000	
CHINATOWN NEIGHBORHOOD IMPROVEMENT RESOURCE CENTER, SAN FRANCISCO <i>For general support</i>		63,000	32,000	31,000
COMMUNITY ASSOCIATION FOR THE RETARDED, PALO ALTO— <i>To assist infants with mentally retarded or marginally intelligent parents</i>		7,812	7,812	
COMMUNITY JUSTICE PROGRAM, SAN FRANCISCO— <i>For general support</i>		20,000	20,000	
COMMUNITY TRAINING AND DEVELOPMENT PROJECT, SAN FRANCISCO— <i>For expenses incurred in offering management assistance courses</i>		5,000	5,000	
EAST BAY ASIAN LOCAL DEVELOPMENT CORPORATION, OAKLAND— <i>For general support</i>		120,000	30,000	90,000
FAMILY SERVICE AGENCY OF SAN FRANCISCO <i>To support child abuse and neglect treatment program</i>		7,500	7,500	
FAMILY SERVICE AGENCY, SAN MATEO <i>For in-home care program</i>	15,000			15,000
FAMILY SERVICE ASSOCIATION, PALO ALTO <i>Toward building-expansion fund</i>	10,000		10,000	
FILIPINOS FOR AFFIRMATIVE ACTION, OAKLAND— <i>For Filipino Senior Citizens Center</i>		5,000	5,000	
FLORENCE CRITTENTON SERVICES, SAN FRANCISCO— <i>To support Palo Alto program for single mothers</i>	10,000		10,000	

	UNPAID DEC. 31, 1977	1978		UNPAID DEC. 31, 1978
		GRANTS AUTHORIZED	PAYMENTS MADE	
FRIENDS TO PARENTS, SAN FRANCISCO <i>For general support and management and fund-raising assistance</i>		15,000	15,000	
INSTITUTIONAL DEVELOPMENT CORPORATION, OAKLAND— <i>For Cities in Schools Project</i>		47,000	23,500	23,500
INTERNATIONAL INSTITUTE OF SAN FRANCISCO— <i>To support coastside program</i>		8,500	8,500	
JUNIOR ACHIEVEMENT, SAN JOSE— <i>To support Project Business in local junior high schools</i>	20,000		8,000	12,000
LA COALICION COMMUNITY SERVICE CENTER, WATSONVILLE— <i>For development of Watsonville Swap Market</i>		10,000		10,000
LA RAZA INFORMATION CENTER, SAN FRANCISCO— <i>For expansion of direct service delivery program</i>		30,000	30,000	
MENTAL HEALTH ASSOCIATION OF SAN MATEO COUNTY— <i>For parental stress service</i>		7,500	7,500	
NAIROBI DAY SCHOOL, EAST PALO ALTO <i>For general support</i>		60,000	14,000	46,000
O.B.E.C.A. ARRIBA JUNTOS CENTER, SAN FRANCISCO— <i>For College Day, 1978</i>		2,000	2,000	
REALTY HOUSE WEST, SAN FRANCISCO <i>For rehabilitation of Cadillac Hotel</i>		50,000	50,000	
RESOURCE CENTER FOR WOMEN, PALO ALTO <i>For general support</i>		18,000	18,000	
SAN FRANCISCO FOUNDATION— <i>For expansion of Youth Project to East Palo Alto and Oakland</i>		5,000	5,000	
SANTA CLARA COUNTY BAR ASSOCIATION LAW FOUNDATION, SAN JOSE <i>For small claims court project</i>		28,740	28,740	
SENIOR COORDINATING COUNCIL, PALO ALTO— <i>For senior day care</i>	8,000		8,000	
STANFORD-MIDPENINSULA URBAN COALITION <i>For core support</i>		60,000	20,000	40,000



	UNPAID DEC. 31, 1977	1978		UNPAID DEC. 31, 1978
		GRANTS AUTHORIZED	PAYMENTS MADE	
STANFORD UNIVERSITY— <i>To support Action Research Liaison Office (ARLO)</i>		5,000	5,000	
VOLUNTEER BUREAU/VOLUNTARY ACTION, PALO ALTO— <i>For program to place recovering mental patients in volunteer jobs</i>	8,000		8,000	
WOMAN'S ALLIANCE, SAN JOSE <i>For operation of new shelter for battered women and their children</i>		30,000	15,000	15,000
<i>For Grantsmanship Center workshop fee</i>		650	650	
<b>Subtotal, Regional Grants</b>	<b>\$ 84,440</b>	<b>\$669,382</b>	<b>\$466,832</b>	<b>\$286,980</b>



*Battered women and their children are given temporary shelter, job and housing assistance, and personal counseling at the new shelter founded by the Woman's Alliance, San Jose, California.*

# SPECIAL PROJECTS

	1978		UNPAID DEC. 31, 1978	
	UNPAID DEC. 31, 1977	GRANTS AUTHORIZED		PAYMENTS MADE
AMERICAN ACADEMY OF ARTS AND SCIENCES, WESTERN CENTER, STANFORD <i>For general support</i>		5,000	5,000	
UNIVERSITY OF CALIFORNIA, BERKELEY <i>To support Institute of Governmental Studies' inventory of research relating to Proposition 13</i>		10,000	10,000	
CLOSE UP FOUNDATION, WASHINGTON, D.C. <i>To enable needy Bay Area high school students and teachers to attend Washington program</i>		2,500	2,500	
COUNCIL ON SCIENCE AND TECHNOLOGY FOR DEVELOPMENT, WASHINGTON, D.C. <i>For general support</i>		10,000	10,000	
FORMER MEMBERS OF CONGRESS, WASHINGTON, D.C.— <i>For general support</i>		20,000	20,000	
FOUNDATION FOR THE STUDY OF PRESIDENTIAL AND CONGRESSIONAL TERMS, WASHINGTON, D.C.— <i>To support Foundation's studies</i>		7,500	7,500	
GREATER PITTSBURGH CHARITABLE TRUST, PITTSBURGH, PENNSYLVANIA— <i>Support for documentary on ComPAC</i>		30,000	30,000	
MONTEREY INSTITUTE FOR RESEARCH IN ASTRONOMY, CARMEL, CALIFORNIA <i>Toward development of spectrophotometer system</i>		15,000	15,000	
NATIONAL URBAN FELLOWS PROGRAM, NEW YORK CITY— <i>For Urban Fellowship Program</i>		100,000	50,000	50,000
OVERSEAS DEVELOPMENT COUNCIL, WASHINGTON, D.C.— <i>For general support</i>		225,000	75,000	150,000
PALO ALTO MEDICAL RESEARCH FOUNDATION— <i>For renovation and construction of animal facilities</i>		20,000	20,000	
POTOMAC INSTITUTE, WASHINGTON, D.C. <i>For Committee for the Study of National Service</i>		10,000	10,000	

	UNPAID DEC. 31, 1977	1978		UNPAID DEC. 31, 1978
		GRANTS AUTHORIZED	PAYMENTS MADE	
WOMEN'S ACTION ALLIANCE, NEW YORK CITY— <i>For convocation of foundations, corporations, and women's organizations</i>		5,000	5,000	
WORK IN AMERICA, SCARSDALE, NEW YORK <i>To support San Francisco regional symposium on "Work in America: The Decade Ahead"</i>		31,000	31,000	
Subtotal, Special Projects	- 0 -	\$491,000	\$291,000	\$200,000
TOTAL GRANTS	2,391,915	6,032,907	2,833,381	5,591,441
Less program-related commitment and loan to Filoli Center, included above	-500,000		-100,000	-400,000
NET GRANTS	\$1,891,915	\$6,032,907	\$2,733,381	\$5,191,441

*Advice to Applicants*



Because the Program Descriptions are incomplete and under continuing review, the most efficient means of initial contact with the Foundation is a letter of inquiry, addressed to the President at Two Palo Alto Square. The letter should contain a brief statement of the applicant's need for funds and enough factual information to enable the staff to determine whether or not the application falls within the Foundation's areas of preferred interest or warrants consideration as a Special Project.

There is no fixed minimum or maximum with respect to the size of grants; applicants should provide a straightforward statement of their needs and aspirations for support, taking into account other sources of funding.

Because the Foundation prefers to conduct its affairs with a small staff, response time will in some cases be slow. Applicants who have not had a reply after a reasonable period should feel free to make a follow-up inquiry. The Foundation recognizes that significant programs require time to demonstrate their value. It is therefore willing to consider proposals covering several years of support. While the Foundation will entertain specific

projects in its areas of interest and will on occasion provide general support for organizations of special interest, it expects to work primarily through program support of organizations active in its main areas of interest. One general exception is the Regional Grants Program, under which the Foundation expects to make numerous relatively small grants, in many cases for specific projects that meet an immediate community need. Like most foundations, the Hewlett Foundation is unwilling to assume responsibility for the long-term support of any organization or activity.

All inquiries are reviewed first by the relevant program officer. He or she will either (1) in consultation with the President, decline those requests which seem unlikely to result in a project the Foundation can support; (2) request further information if a decision cannot be made on the basis of the initial inquiry; or (3) present the request to the rest of the staff for discussion.

Applicants who receive a favorable response to their initial inquiry will be invited to submit a formal proposal. Special supporting materials may be

requested in some cases, but normally the proposal should include:

1. A concise statement of the purpose of the request, its significance or uniqueness in relation to other work being done in the field, and the results sought.
2. A budget for the program; an indication of other prospective funding sources and the amount requested of each; and a statement of the sponsoring organization's total budget and financial position. Applicants should indicate how they would continue a successful program once support from the Hewlett Foundation ceased.
3. The identity and qualifications of the key personnel to be involved.
4. A list of members of the governing body.
5. Evidence of tax-exempt status.
6. A statement to the effect that the proposal has been reviewed by the applicant's governing body and specifically approved for submission to the Hewlett Foundation.

Normally the Foundation will not consider grants for basic research, endowment funds, or general fund-raising drives. It will not make grants intended directly or indirectly to support candidates for political office or to influence legislation.

Grants must be approved by the Board of Directors, which meets quarterly. Meeting dates are available upon request, but applicants should realize that even proposals which are to be recommended for Board approval cannot in every case be reviewed at the first meeting following their receipt. All inquiries and proposals are reported to the Board, including both those that lie clearly outside the Foundation's declared interests and those declined at the staff level.



*Two Spanish-speaking women await the assistance of the bilingual staff at La Raza Information Center in San Francisco.*



# *Financial Statements*





555 CALIFORNIA STREET  
SAN FRANCISCO, CALIFORNIA 94104  
415-393-8500

March 9, 1979

*The Board of Directors of  
The William and Flora Hewlett Foundation*

*In our opinion, the accompanying balance sheet and the related statement of income, expenses, grants and fund balance present fairly the financial position of The William and Flora Hewlett Foundation as of December 31, 1978, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles consistently applied during the period and on a basis consistent with the preceding year except for the change, with which we concur, in the method of accounting for investments made as of January 1, 1978, as described in Note 2 to the financial statements. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of The William and Flora Hewlett Foundation for the year ended December 31, 1977, were examined by other independent accountants whose report dated March 6, 1978, expressed an unqualified opinion on those statements.*

*Price Waterhouse & Co.*

# BALANCE SHEET

A S S E T S	December 31	
	1978	1977
Investments ( <i>Notes 2 and 3</i> ):		
Hewlett-Packard Company stock	\$36,682,931	\$24,245,125
Other securities	11,507	20,850
Cash:		
Commercial accounts	251,195	51,545
Time account and certificates of deposit	4,693,789	901,165
Interest receivable	77,115	
Office equipment, automobile and leasehold improvements, net of accumulated depreciation and amortization of \$19,416 and \$6,534 ( <i>Note 1</i> )	69,590	55,617
Program-related loans ( <i>Note 4</i> )	190,000	90,000
Other assets	2,180	2,170
	<u>\$41,978,307</u>	<u>\$25,366,472</u>

## LIABILITIES AND FUND BALANCE

Grants payable ( <i>Note 5</i> )	\$ 5,191,441	\$ 1,891,915
Accounts payable and accrued liabilities	10,282	9,363
Federal excise tax payable ( <i>Note 6</i> )	6,454	12,557
Deferred federal excise tax payable ( <i>Note 6</i> )	733,569	
	<u>5,941,746</u>	<u>1,913,835</u>
Fund balance	36,036,561	23,452,637
	<u>\$41,978,307</u>	<u>\$25,366,472</u>

See accompanying notes to financial statements.

# STATEMENT OF INCOME, EXPENSES, GRANTS AND FUND BALANCE

	<i>Year ended December 31</i>	
	1978	1977
Income:		
Interest	\$ 141,267	\$ 117,198
Dividends	204,373	163,528
	<u>345,640</u>	<u>280,726</u>
Expenses:		
General and administrative expenses	487,303	291,513
Federal excise tax	6,400	10,700
	<u>493,703</u>	<u>302,213</u>
Income (loss) available for grants	(148,063)	(21,487)
Grants authorized	<u>6,032,907</u>	<u>2,519,928</u>
Excess of expenses and grants over income	(6,180,970)	(2,541,415)
Increase in market value of investments, net of deferred federal excise tax of \$135,764	6,652,447	
Contributions received	7,070,000	438
Increase (decrease) in fund balance before cumulative effect of a change in accounting principles	7,541,477	(2,540,977)
Cumulative effect on prior years of a change in accounting principles to recording investments at market value, net of deferred federal excise tax of \$597,805 ( <i>Note 2</i> )	5,042,447	
Fund balance at beginning of year	<u>23,452,637</u>	<u>25,993,614</u>
Fund balance at end of year	<u><u>\$36,036,561</u></u>	<u><u>\$23,452,637</u></u>

*See accompanying notes to financial statements.*



# NOTES TO FINANCIAL STATEMENTS

**NOTE 1: ACCOUNTING POLICIES**—The accounts are maintained on the accrual basis. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets.

**NOTE 2: CHANGE IN ACCOUNTING PRINCIPLES**—In 1978, the Foundation changed its accounting policy for recording investments to market value. Prior to 1978, investments were shown at market value on the date of their receipt by the Foundation or at cost if purchased. The cumulative effect of the change in 1978 on prior years (net of deferred federal excise tax of \$597,805) was to increase fund balance by \$5,042,447. Had this accounting policy been in effect for 1977, the Foundation would have recognized a decrease in market value of investments for 1977 of \$5,601,488, net of deferred federal excise tax benefit of \$114,316.

**NOTE 3: INVESTMENTS**—The market value of investments held at year end were as follows:

	<i>December 31</i>	
	<i>1978</i>	<i>1977</i>
Hewlett-Packard Company stock (408,155 shares)	\$36,682,931	\$29,897,354
Hexcel Corp. stock (622 shares in 1978 and 467 shares in 1977)	11,507	8,873
	<u>\$36,694,438</u>	<u>\$29,906,227</u>

The value of investments at market value on the date of their receipt by the Foundation or at cost if purchased were as follows:

	<i>December 31</i>	
	<i>1978</i>	<i>1977</i>
Hewlett-Packard Company stock (408,155 shares)	\$24,245,125	\$24,245,125
Hexcel Corp. stock (622 shares in 1978 and 467 shares in 1977)	20,850	20,850
	<u>\$24,265,975</u>	<u>\$24,265,975</u>

**NOTE 4: PROGRAM-RELATED LOANS**—During 1977, the Foundation made an interest-free loan commitment of \$550,000 to Filoli Center, Inc., which qualifies as a public charity under Internal Revenue Code Sec. 501(c)(3), with an initial payment to the Filoli Center of \$50,000 in 1977 and annual installments of \$100,000 from 1978 through 1982. Terms of the loan agreement require complete repayment by December 1, 1984. At December 31, 1978, the Foundation had advanced \$150,000 on this commitment.

During 1976, a program-related loan in the amount of \$40,000 was made by the Foundation to the Tseyi' Federal Credit Union. The loan is a qualifying distribution as its use is for charitable purposes. The loan has a 4% interest rate and repayment of the loan is subject to annual extensions upon review by the Foundation Board.

**NOTE 5: GRANTS PAYABLE**—Grants authorized by the Board of Directors but unpaid as of December 31 are accrued. The Foundation ordinarily makes its grants to organizations that qualify as public charities under the Internal Revenue Code. When distributions are made to non-qualifying organizations, the

Foundation assumes the responsibility for ultimate public charity use.

Grants authorized but unpaid at December 31, 1978, are payable as follows:

<i>Year payable</i>	<i>Amount</i>
1979	\$2,687,441
1980	1,589,000
1981	915,000
	<u>\$5,191,441</u>

**NOTE 6: FEDERAL EXCISE TAX**—In accordance with the provisions of the Internal Revenue Code, the Foundation is liable for an excise tax (2% in 1978 and 4% in 1977) on net investment income. Gains on dispositions of investments for excise tax purposes are calculated using the donor's basis of the investment.

Deferred excise tax arises from unrealized gains on investments. Deferred excise tax related to the cumulative effect on prior years of the change in accounting principles for investments has been provided at the rate currently in effect as opposed to the rate in effect at the time the unrealized gain occurred. Commencing January 1, 1978, deferred excise tax is provided at the rate in effect at the time the unrealized gains or losses are recognized.

The accompanying financial statements reflect provisions for current and deferred excise tax as follows:

	1978	1977
Current	\$ 6,400	\$10,700
Deferred	135,764	
	<u>\$ 142,164</u>	<u>\$10,700</u>

The Internal Revenue Code also requires that the greater of net income or 5% of the average monthly investment balance at market value less the excise tax of 2% be distributed within one year to avoid additional tax. At December 31, 1978 and 1977, no additional distributions were required.

The Foundation's tax returns for the years ended December 31, 1975 and prior have been examined by the Internal Revenue Service. No significant assessments resulted from those examinations.

**NOTE 7. CONTINGENCY**—The William and Flora Hewlett Foundation is the residuary beneficiary of the Will of Flora L. Hewlett, and will receive a significant bequest when final distribution of the assets of the Estate of Flora L. Hewlett takes place.