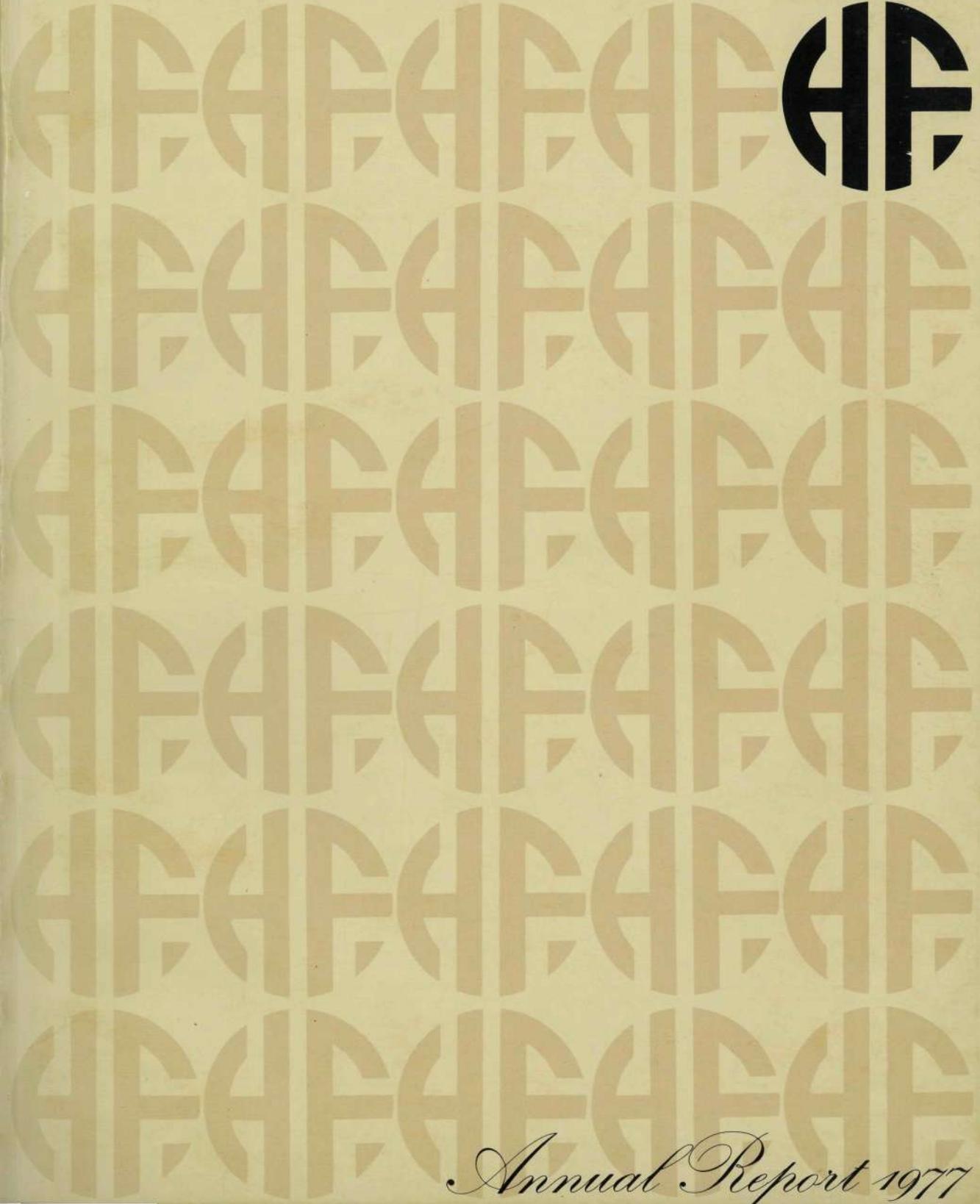


THE WILLIAM & FLORA HEWLETT FOUNDATION



Annual Report 1977

THE WILLIAM & FLORA
HEWLETT FOUNDATION



Annual Report 1977

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The Hewlett Foundation was incorporated as a private foundation in the State of California in 1966. Its 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 arts and humanities; education, particularly at the university and college level; population problems; and preservation 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; such projects will be announced separately. 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 1978 of approximately \$6 million. Prospective applicants should consult the Program Descriptions and Advice to Applicants later in this Report.

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Palo Alto, California 94304
(415) 493-3665

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Flora Lamson Hewlett, 1914-77



Flora Lamson Hewlett lived unobtrusively among her Palo Alto neighbors for over thirty-five years, raising her five children, helping to govern her church, and accompanying her husband, William R. Hewlett, on his worldwide travels. Yet she allowed neither her dedication to family and church nor the accession to wealth to create a barrier between her and the world whose simple joys she savored. Rather, her private commitments became bridges to roles of public trust, roles she assumed with increasing confidence and strength in the last decade of her life. When in 1966 she joined her husband and their eldest son in establishing the Hewlett Foundation, she brought to their joint enterprise discerning intelligence, an openness to new ideas, a quiet tenacity of purpose, and a disciplined desire to work and to learn.

Many institutions in the San Francisco Bay Area sought her services as a board member. It took courage for this reserved, essentially private woman, who assumed no responsibility lightly, to say yes. It also took courage for this gracious, gentle person to say no. She learned to say yes only when she be-

lieved her participation could make a difference. Her thorough preparation and considered judgment made her a valued member of every board on which she served.

In a period of disorienting change and confusion of values, Flora Hewlett's life was all of a piece. Never happier than when she returned with family and old friends to the Sierra Nevada of her girlhood summers, she worked to preserve the mountains' beauty and majesty for people she would never know. A proud alumna of the University of California, she helped make first-rate education available to students who would otherwise have missed the opportunity she treasured. Most comfortable with traditional religious practice, she nevertheless joined her church's work with its counterparts in the neighboring black community and supported other unorthodox ventures in the service of old values. She knew how to make a commitment, and having made one, she bore its consequences with steadfastness, imagination, and gallantry. In the words of George Wilson, her pastor and friend, the life of Flora Hewlett exemplified both common and uncommon grace.

The hand fools the eye: an experiment in optical illusion at the Exploratorium, Palace of Arts & Sciences, San Francisco



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President's Statement

During the past year, the Board of Directors and staff of the William and Flora Hewlett Foundation have been re-examining the Foundation's philanthropic programs in anticipation of substantially increased disbursements. Our goal has been to define programs and establish objectives that show promise of realizing the aspiration of the founders: to promote the well-being of mankind. We began from the assumption that making ours an effective democratic society, a society whose institutions *work*, is essential to human welfare not only in the United States but throughout the world. As private servants of the public interest, foundations can be helpful in ways that are inappropriate or impossible for agencies of government despite the latter's far greater resources. Foundations are in a unique position to nurture fragile ideas that have promise, to help anticipate significant problems, and to provide the sustained support required to address such problems. Even while we must be willing on occasion to tackle an immediate issue or treat a symptom, we know that it is especially important for us to take the

long view, to work against current trends and immediate pressures when basic values are at stake.

We thus have a sense of mission: foundations have a special contribution to make to our national life. At the same time, our sense of our own importance is tempered by an awareness that our judgment is fallible, and by the realization that measured against the problems we face, the resources at our disposal are too small to make a difference without very careful aiming and a lot of help from others. That we do not have a monopoly of wisdom does not dismay us. Foundations are of value precisely because their support extends the rich diversity of views that can be brought to bear on our most pressing problems. With a small staff, the Hewlett Foundation will consult widely and frequently, drawing heavily as it has in the past on the knowledge and experience of people working in other foundations, in government, and above all in the nation's remarkable network of private institutions and associations. Within our resources, we will do all we can to ensure the continued vitality of that network, and in particular those institutions and asso-

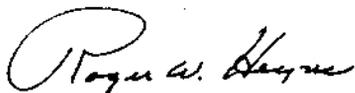
ciations within it of the highest accomplishment and most constructive influence.

As a West Coast foundation with national interests, we expect to play a useful role in our region and at the same time to support programs of national scope. After extensive discussions with knowledgeable practitioners in fields eligible for support, as well as thorough review by the Board, we have elected to concentrate on four main interest areas: Arts and Humanities, Education, Environment, and Population. A fifth program, Regional Grants, is the only one with geographic limits; it reflects our desire to be a contributing member of the local philanthropic community.

On pp. 17-21 of this Report, the reader will find brief Program Descriptions. Two points should be made about them. The first is that they are not final; indeed, they may never be. The process of staff investigation and Board review is a continuing one, and revisions, excisions, and deletions will undoubtedly be made. The program areas are broad, and in many cases the Foundation has not yet determined

how it will work within them, the relative emphasis to be given sub-areas as they are defined, or the precise objectives to be pursued.

Second, it remains the Board's explicit desire not to limit its funding considerations exclusively to the five program areas. A small proportion of the annual grants budget has therefore been set aside for Special Projects, activities of special significance or promise that fall outside the Foundation's five regular programs. Such projects will be announced separately, and applications then invited. In part this reflects our belief that foundations should respond to needs as they are identified by creative men and women working in the field and at the same time be in a position to help anticipate major issues. As broker and catalyst, the Hewlett Foundation wants to help others make the most of their knowledge, insights, and opportunities. The end, we hope, will be the intelligent choices that will bring about a society more rewarding to all its members.

A handwritten signature in cursive script, reading "Roger W. Hewlett". The signature is written in dark ink and is positioned at the bottom center of the page.

Authorizations and Disbursements

1977

1977 was a transitional year for the Hewlett Foundation. Midway through the year, the Board of Directors began a review of the Foundation's programs and its special interests within them. The following list of grants authorized and paid in 1977 should therefore not be taken as a definitive indication of the Foundation's future course.

*Architect's model of the new Concert Hall,
now under construction at the future
San Francisco Performing Arts Center.*



ARTS AND HUMANITIES

	1977			UNPAID DEC. 31, 1977
	UNPAID DEC. 31, 1976	GRANTS AUTHORIZED	PAYMENTS MADE	
BERKELEY PROMENADE ORCHESTRA <i>For general support</i>		\$1,000	\$1,000	
CALIFORNIA MUSIC CENTER, PALO ALTO <i>For summer program for young musicians</i>		3,000	3,000	
COMMUNITY MUSIC CENTER OF SAN FRANCISCO— <i>For community orchestra</i>	\$9,624		9,624	
COUNCIL FOR THE ARTS, PALO ALTO <i>Toward cost of Scholar Opera</i>	2,000		2,000	
FOOTHILL COLLEGE, LOS ALTOS HILLS, CALIFORNIA— <i>For Summerekery Theater</i>		500	500	
FORT MASON FOUNDATION, SAN FRAN- CISCO— <i>Toward cost of refurbishing space</i>		25,000	25,000	
MAGIC THEATRE, SAN FRANCISCO <i>For general support</i>		7,500	7,500	
PALACE OF ARTS & SCIENCES FOUNDATION, SAN FRANCISCO <i>For support of the Exploratorium</i>		150,000	75,000	\$75,000
SAN FRANCISCO PERFORMING ARTS CENTER— <i>Toward construction of Concert Hall, Rehearsal Hall</i>	300,000	200,000	300,000	200,000
SAN FRANCISCO SYMPHONY ASSOCIATION— <i>To match grant from National Endowment for the Arts</i>		10,000	10,000	
SAN MATEO COMMUNITY COLLEGE FOUNDATION— <i>For Masterworks Chorale</i>		1,000	1,000	
WESTBORO MUSIC FESTIVAL, SAN FRANCISCO— <i>For summer music festival</i>		15,000	15,000	
YOUNG AUDIENCES OF THE BAY AREA, SAN FRANCISCO— <i>Administrative support for booking of small performing arts groups at local schools</i>		13,500	1,025	12,475

Students in the Mathematics, Engineering, Science Achievement (MESA) program at California State University, Long Beach, learn to use a hydraulic universal testing machine to measure stress-strain relationships in standard tensile specimens.



EDUCATION

	1977			UNPAID DEC. 31, 1977
	UNPAID DEC. 31, 1976	GRANTS AUTHORIZED	PAYMENTS MADE	
THE ATHENIAN SCHOOL, DANVILLE, CALIFORNIA— <i>To augment Harriet Eliel Scholarship fund</i>		100,000	100,000	
UNIVERSITY OF CALIFORNIA, BERKELEY <i>For graduate fellowships</i>	10,000		5,000	5,000
<i>For Mathematics, Engineering, Science Achievement (MESA) program, to encourage minority enrollment in engineering & the sciences</i>		185,019	135,019	50,000
<i>For Professional Development Program, for women & minority students</i>		20,000	20,000	
CORNELL UNIVERSITY— <i>To College of Human Ecology, for follow-up study on early childhood program experiments</i>		49,199	49,199	
GRADUATE THEOLOGICAL UNION, BERKELEY— <i>For Common Library fund</i>	500,000			500,000
JOHN F. KENNEDY UNIVERSITY, ORINDA, CALIFORNIA— <i>Toward faculty salaries</i>	150,000		150,000	
LONE MOUNTAIN COLLEGE, SAN FRANCISCO— <i>For presidential search committee</i>		2,500	2,500	
MASSACHUSETTS INSTITUTE OF TECHNOLOGY— <i>Toward start-up costs for the College of Science, Technology, and Society</i>		500,000		500,000
MEMORIAL UNIVERSITY OF NEWFOUNDLAND— <i>For black fly research</i>	100,000		50,000	50,000
NATIONAL FUND FOR MINORITY ENGINEERING STUDENTS, NEW YORK CITY— <i>For financial aid to minority engineering students</i>		20,000	20,000	
UNIVERSITY OF SAN FRANCISCO, SCHOOL OF LAW— <i>For High School Law Project</i>		13,000	13,000	

	1977			UNPAID DEC. 31, 1977
	UNPAID DEC. 31, 1976	GRANTS AUTHORIZED	PAYMENTS MADE	
STANFORD UNIVERSITY				
<i>For fellowships, professorships, the library</i>	30,673		30,673	
<i>To Bing Nursery School, for bilingual program</i>		15,000	15,000	
<i>To Sleep Disorders Foundation, for study of adolescents</i>		15,000	15,000	
VALLEY CHRISTIAN SCHOOLS, SARATOGA, CALIFORNIA				
<i>Toward cost of a new well</i>		10,000	10,000	



ENVIRONMENT

	1977			UNPAID DEC. 31, 1977
	UNPAID DEC. 31, 1976	GRANTS AUTHORIZED	PAYMENTS MADE	
CALIFORNIA TOMORROW, SAN FRANCISCO— <i>For Environmental Intern Program</i>	25,000	100,000	75,000	50,000
FILOLI CENTER, WOODSIDE, CALIFORNIA <i>For planning seminar</i>		2,000	2,000	
<i>Interest-free loan for land acquisition</i>		550,000	50,000	500,000
LEWIS & CLARK UNIVERSITY, PORTLAND <i>To Northwestern School of Law, for Environmental Fellowship Program</i>	43,000		18,000	25,000
NATIONAL WILDLIFE FEDERATION, WASHINGTON, D.C.— <i>Toward purchase of wildlife preserve in Siskiyou County, California</i>		40,000		40,000
THE NATURE CONSERVANCY, SAN FRANCISCO— <i>Toward purchase of Big Creek Ranch, south of Big Sur, California</i>		300,000	300,000	
SAN FRANCISCO FOUNDATION <i>For open space study</i>		1,000	1,000	
SIERRA CLUB FOUNDATION <i>Toward construction of hiker's hut, in Coast Range, near San Francisco</i>		1,000	1,000	
WILDERNESS SOCIETY, WASHINGTON, D.C.— <i>For field representative in California</i>	6,000		6,000	
YOSEMITE NATURAL HISTORY ASSOCIATION— <i>For bird and plant population study</i>	5,000		5,000	

Acquired through The Nature Conservancy, Big Creek Ranch will be administered by the University of California as a natural reserve for research and teaching in marine biology, botany, and wildlife ecology; for land-management research; and for environmental education programs. Public and private institutions outside the University of California system also have access to the reserve, located on the central California coast, south of Big Sur.

POPULATION

	UNPAID DEC. 31, 1976	1977		UNPAID DEC. 31, 1977
		GRANTS AUTHORIZED	PAYMENTS MADE	
ALAN GUTTMACHER INSTITUTE, NEW YORK CITY— <i>For general support</i>		300,000		300,000
ASSOCIATION FOR VOLUNTARY STERILIZATION, NEW YORK CITY <i>For training programs in Latin America</i>		25,000	25,000	
INTERNATIONAL COMMITTEE ON THE MANAGEMENT OF POPULATION PROGRAMMES, THE PHILIPPINES <i>For program support</i>	75,000		75,000	
PLANNED PARENTHOOD OF SAN MATEO COUNTY, SAN MATEO, CALIFORNIA <i>To alleviate deficits of six affiliates</i>		36,000	36,000	



Research at the Alan Guttmacher Institute, New York City, has pinpointed the need for reproductive education programs aimed specifically at teenagers.

REGIONAL GRANTS

	UNPAID DEC. 31, 1976	1977		UNPAID DEC. 31, 1977
		GRANTS AUTHORIZED	PAYMENTS MADE	
BAY AREA BIG SISTERS, SAN FRANCISCO <i>For coordinator's salary, East Palo Alto- East Menlo Park chapter</i>		26,880	13,440	13,440
BERKELEY YOUTH ALTERNATIVES <i>To support programs combatting juvenile delinquency</i>		31,200	31,200	
DISPLACED HOMEMAKERS, INC., OAKLAND— <i>For Mills College project to help divorced or widowed housewives find employment</i>		5,000	5,000	
EAST OAKLAND YOUTH DEVELOPMENT PROJECT— <i>Toward construction costs</i>		75,000	75,000	
FAMILY SERVICE AGENCY, SAN MATEO, CALIFORNIA— <i>For in-home-care program</i>	30,000		15,000	15,000
FAMILY SERVICE ASSOCIATION, PALO ALTO— <i>Toward building-expansion fund</i>		10,000		10,000
FLORENCE CRITTENTON SERVICES, SAN FRANCISCO— <i>To support Palo Alto program</i>		10,000		10,000
INTERNATIONAL INSTITUTE OF SAN FRANCISCO— <i>For social worker in rural area</i>	8,500		8,500	
JUNIOR ACHIEVEMENT, SAN JOSE <i>To support Project Business in local junior high schools</i>		20,000		20,000
LEAGUE OF WOMEN VOTERS, SAN FRANCISCO— <i>For study of California welfare programs</i>		2,850	2,850	
MENTAL HEALTH ASSOCIATION OF SAN MATEO— <i>For parental stress service</i>		10,000	10,000	
MOTHERS FOR EQUAL EDUCATION, EAST PALO ALTO— <i>For general support</i>		500	500	
PALO ALTO ADOLESCENT SERVICES CORPORATION— <i>Toward support of group home for adolescents</i>		3,500	3,500	



Over a thousand women a month find vocational and educational assistance at the Resource Center for Women, Palo Alto.



Ravenswood City School District Superintendent Luther Seabrook and California State Superintendent of Public Instruction Wilson Riles discuss accountability in education at forum sponsored by the Stanford-Midpeninsula Urban Coalition.

	1977		UNPAID DEC. 31, 1977	
	UNPAID DEC. 31, 1976	GRANTS AUTHORIZED		PAYMENTS MADE
POOR PEOPLE'S RADIO, SAN FRANCISCO <i>Toward cost of broadcasting Board of Supervisors campaign</i>		5,000	5,000	
QUALITY OF LIFE, INC., PALO ALTO <i>For parental stress hotline</i>		5,000	5,000	
RESOURCE CENTER FOR WOMEN, PALO ALTO— <i>For general support</i>	2,000		2,000	
SAN FRANCISCO REGIONAL CANCER FOUNDATION— <i>To provide specialized consultative services to physicians and medical scientists</i>		5,000	5,000	
SENIOR ADULT FORUM, SAN JOSE <i>For staffing support</i>	3,000		3,000	
SENIOR ADULTS LEGAL ASSISTANCE, PALO ALTO— <i>Toward budget deficit</i>		5,280	5,280	
SENIOR COORDINATING COUNCIL, PALO ALTO— <i>For day care for aged men and women</i>	20,000		12,000	8,000
SENSORY AIDS FOUNDATION (PREVIOUSLY OPTACON FUND), PALO ALTO— <i>For employment development program for the blind</i>		20,000	20,000	
STANFORD-MIDPENINSULA URBAN COALITION— <i>For Community Forums in Education</i>		9,000	9,000	
SUICIDE PREVENTION CENTER, SAN MATEO— <i>For training program for volunteers</i>	6,250		6,250	
SUICIDE PREVENTION AND CRISIS CENTER, BURLINGAME— <i>For program to identify and aid suicidal adolescents</i>		26,000	26,000	
VOLUNTEER BUREAU, PALO ALTO <i>For program to place recovering mental patients in volunteer jobs</i>		16,000	8,000	8,000

OTHER GRANTS

	UNPAID DEC. 31, 1976	1977		UNPAID DEC. 31, 1977
		GRANTS AUTHORIZED	PAYMENTS MADE	
BROOKINGS INSTITUTION <i>Toward study of United States foreign aid policies</i>		15,000	15,000	
COUNCIL ON LIBRARY RESOURCES, WASHINGTON, D.C. <i>Toward study of national resource-sharing system and national periodicals center</i>		15,000	15,000	
THE FOUNDATION CENTER, NEW YORK CITY — <i>Toward establishment of Bay Area Foundation Reference Center</i>		2,500	2,500	
ROBERT R. MOTON MEMORIAL INSTITUTE — <i>To support move of Moton Center for Independent Studies from New York City to Washington, D.C.</i>		15,000	15,000	
NATIONAL ACADEMY OF SCIENCES, INSTITUTE OF MEDICINE <i>Toward completion of Medical Injury Compensation study</i>		15,000	15,000	
NATIONAL COMMITTEE ON UNITED STATES-CHINA RELATIONS, NEW YORK CITY — <i>Toward expenses of Chinese educators delegation in the United States</i>		10,000	10,000	
SUBTOTALS	1,326,047	3,069,928	2,004,060	2,391,915
Less program-related commitment and loan to Filoli Center, included above		-550,000	-50,000	-500,000
NET GRANTS	\$1,326,047	\$2,519,928	\$1,954,060	\$1,891,915

Program Descriptions

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 suggested 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.

ARTS AND HUMANITIES

With the Arts and Humanities Program, the Hewlett Foundation hopes to help foster, particularly but not exclusively in the San Francisco Bay Area, the lively artistic and intellectual climate essential to the good life and to a civilized society.

The Foundation will continue its support of performing arts groups (music, dance, theater) of established excellence. It will also entertain requests from semi-professional groups, whether aspiring to professional status or frankly based on talented amateurs. It welcomes proposals aimed at improving the management capabilities and the financial base of arts organizations. The Foundation is also interested in arts education, and will therefore consider proposals from museums

and other institutions that specialize in training in the arts.

Although open to requests from individual groups, the Foundation has a special interest in organizations and projects that would assist all or most of the groups in a particular category.

EDUCATION

In its Education Program, the Hewlett Foundation expects to work with research universities, selective liberal arts colleges, and the predominantly black colleges.

In terms of problems to be addressed, the Foundation has identified several particular concerns. One is the plight of research libraries; the Foundation will support consortium efforts to develop more effective systems of acquiring, cataloguing, and storing materials. A second is the ability of liberal arts colleges to retain their traditional vitality and responsiveness; the Foundation plans to announce later in 1978 a program to support self-renewal at these institutions. Another concern is for the low minority representation in engineering and the sciences. Support in this area is focused on preparation

and motivation of minority students at the pre-college level within California.

The Foundation is also interested in moral, ethical, and values education, including religious education, and in improving international studies programs in universities and public understanding of international issues. The particular approaches to be taken in these two areas have not yet been determined.

As a relative newcomer to national philanthropy, the Foundation hopes to take a fresh look at the numerous opportunities and problem areas in higher education. For this reason, the staff welcomes letters of inquiry within the broader areas of declared interest, as well as brief problem statements or conceptual papers.

The Foundation does not encourage general fund-raising appeals from educational institutions, or requests to fund student aid, construction, basic research, or medical education. Nor can it consider requests involving kindergarten through twelfth grade except as these may explicitly relate to other Foundation objectives.

ENVIRONMENT

The Environment Program of the Hewlett Foundation is designed to encourage intelligent, life-enhancing uses of man's natural environment for recreation, economic development, conservation, and education.

Because land acquisition projects are enormously expensive, the Foundation can consider such projects only when they involve areas of unique ecological value or areas particularly well-suited to specialized educational purposes.

The Foundation will also consider for support policy-oriented studies that promise to improve the quality of decision-making about environmental issues. Opposing groups on most issues have developed substantial analytical resources and political power, while organizations that seek policy options or integrated solutions to the complex trade-off questions involved have less strength and moral support. Accordingly, the Foundation is interested in supporting organizations that have established, or show the capacity for establishing, a record of sound, objective, policy-related analyses of environmental issues.

The Foundation has a special interest in encouraging new mechanisms to avert or resolve conflicts over environmental questions. It therefore particularly welcomes proposals from organizations that would apply methods of conflict avoidance or conflict resolution developed in other areas to environmental problems, or would develop new mechanisms for resolving environmental disputes in a less divisive manner than currently prevails.

POPULATION

In the conviction that population problems pose a major threat to human happiness and fulfillment, the Hewlett Foundation will allocate substantial resources to projects in the population field that show promise of having more than local impact. The Foundation will support activities in four areas: the training of population experts, population research, family planning programs of broad scope, and policy research. It has a strong interest in international programs.

The Foundation will consider 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 promote fertility-reducing development policies. The Foundation will look to organizations that show an awareness of the complex relations between motivation, economic development, and fertility behavior, and that appreciate the importance of both societal and personal approaches to population questions.

At present, the Foundation will not fund projects that involve reproductive science or the development of contraceptives; nor will it fund programs directed toward public education on population issues.

REGIONAL GRANTS

Through the Regional Grants Program, the Hewlett Foundation will continue to give attention to special needs in the San Francisco Bay Area. A portion of the Foundation's disbursements has accordingly been designated for relatively small grants to organizations working to improve the well-being of local residents in need of assistance. The Foundation particularly welcomes proposals that would promote community and social devel-

opment, improved social services, and new solutions to significant social problems.

In support of these goals, the Foundation is interested in projects designed to (1) stimulate institutional change and more responsive public policy; (2) promote equal opportunity for all segments of the population; (3) test promising new modes of conflict resolution; and (4) improve the management of nonprofit institutions, strengthen their financial base, and encourage their cooperation with one another and with relevant government agencies in the interests of the people they all serve.

The Bay Area is fortunate in having many organizations working energetically to meet the needs of the community. With limited resources, the Foundation can fund only a few of them. A statement more precisely delineating sub-areas of preferred interest within the Regional Grants Program is currently in preparation; it will be available in the fall of 1978.

The Foundation will not consider for support projects involving health care and related fields, or projects whose main focus is capital construction.

Fort Mason, formerly a military facility, is now part of the Golden Gate National Recreation Area, San Francisco. The Fort has been refurbished to serve as a community recreation and cultural center.



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 possible sources of funding.

The staff will do its best to reply promptly, and will request further information if a decision cannot be made on the basis of the initial letter.

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 of time 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 im-

mediate community need. Like most foundations, the Hewlett Foundation is unwilling to assume responsibility for the long-term support of any organization or activity.

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 William & Flora Hewlett Foundation.

Normally the Foundation will not consider grants for basic research or broad-based 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 requests, including both those that lie clearly outside the Foundation's declared interests and those declined at the staff level, are reported to the Board.

Financial Statements

Main Lafrentz & Co.
certified public accountants

McLintock Main Lafrentz
International

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

We have examined the balance sheet of The William and Flora Hewlett Foundation as of December 31, 1977 and 1976 and the related statement of income, expenses, grants, and fund balance for the years then ended. Our examinations were 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.

In our opinion, such financial statements present fairly the financial position of The William and Flora Hewlett Foundation at December 31, 1977 and 1976 and its income, expenses, grants, and fund balances for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*San Francisco, California
March 6, 1978*

Main Lafrentz & Co.

BALANCE SHEET

A S S E T S	December 31	
	1977	1976
Investments (Note 2)		
Hewlett-Packard Company stock	\$24,245,125	\$24,245,125
Other securities	20,850	20,850
Cash		
Commercial accounts	51,545	1,826
Time account and certificates of deposit	901,165	3,026,462
Office equipment, automobile, and leasehold improvements, net of accumulated depreciation and amortization of \$6,534 and \$1,838 (Note 1)	55,617	6,553
Program-related loans (Note 3)	90,000	40,000
Other assets	2,170	50
	<u>\$25,366,472</u>	<u>\$27,340,866</u>

LIABILITIES & FUND BALANCE

Grants payable (Note 4)	\$ 1,891,915	\$ 1,326,047
Accounts payable and other accrued liabilities	9,363	1,327
Federal excise tax payable (Note 4)	12,557	19,878
Fund balance	23,452,637	25,993,614
	<u>\$25,366,472</u>	<u>\$27,340,866</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF INCOME, EXPENSES, GRANTS AND FUND BALANCE

	<i>Year ended December 31</i>	
	1977	1976
Income		
Interest	\$ 117,198	\$ 240,652
Dividends	163,528	119,089
	<u>280,726</u>	<u>359,741</u>
General and administrative expenses	291,513	91,742
	<u>(10,787)</u>	<u>267,999</u>
Income (loss) before excise taxes		
	(10,787)	267,999
Excise tax on investment income (<i>Note 4</i>)	10,700	19,878
	<u>10,700</u>	<u>19,878</u>
Income (loss) available for grants	(21,487)	248,121
Grants authorized	2,519,928	3,848,553
	<u>2,519,928</u>	<u>3,848,553</u>
Excess of expenses and grants over income	(2,541,415)	(3,600,432)
Contributions received	438	2,797,000
	<u>438</u>	<u>2,797,000</u>
Decrease in fund balance	(2,540,977)	(803,432)
Fund balance at beginning of year	25,993,614	26,797,046
	<u>25,993,614</u>	<u>26,797,046</u>
Fund balance at end of year	<u>\$23,452,637</u>	<u>\$25,993,614</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

1. **ACCOUNTING POLICIES**—The accounts are maintained on the accrual basis. Tax returns are filed on the basis of cash receipts and disbursements. Depreciation and amortization are computed on the straight-line method.

2. **INVESTMENTS**—Investments are shown at the market value on the date of their receipt by the Foundation or at cost if purchased. The market values at December 31 were as follows:

	1977	1976
Hewlett-Packard Company stock (408,155 shares)	\$29,897,354	\$35,611,524
Hexcel Corp. stock (467 shares)	8,873	7,239
	<hr/> \$29,906,227	<hr/> \$35,618,763

Subsequent to December 31, 1977, there was a significant reduction in the market value of the Foundation's major investment. The market value of the Hewlett-Packard Company stock as of March 6, 1978, was \$26,172,939.

3. **PROGRAM-RELATED LOANS**—During 1977, a secured, no interest loan in the amount of \$50,000 was made by the Foundation to Filoli Center Inc., which qualifies as a public charity under Internal Revenue Code Sec. 501(c)(3). An additional \$500,000 was committed by the Foundation payable in annual installments of \$100,000 from 1978 through 1982. Terms of the loan agreement require complete repayment by Dec. 1, 1984.

During 1976, a program-related loan in the amount of \$40,000 was made by the Foundation to the Tseyi' Federal Credit Union (formerly known as the Pinon Coop Federal Credit

Union). This transaction was originally classified as a grant; the 1976 financial statements have been restated to reflect the \$40,000 disbursement as a program-related loan. The loan is a qualifying distribution as its use is for charitable purposes. The loan has a 4% interest rate. Repayment of the loan is subject to annual extensions upon review by the Foundation's Board.

4. **GRANTS PAYABLE AND FEDERAL EXCISE TAX 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. The Code requires that the greater of net income or 5% of the average monthly investment balance at market value less the excise tax of 4% be distributed within one year to avoid tax. At December 31, 1977 and 1976, 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 these examinations.

5. **CONTINGENCY**—Flora L. Hewlett, wife of William R. Hewlett, died on February 9, 1977. 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.

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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 possible sources of funding.

The staff will do its best to reply promptly, and will request further information if a decision cannot be made on the basis of the initial letter.

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 of time 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 im-