Statistics of Income

Compendium of Studies of Tax-Exempt Organizations, 1974-87

Department of the Treasury
Internal Revenue Service
Publication 1416 (7-91)
Catalog Number 10313 C

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This report presents information from studies in the exempt organization area. Included are articles and tabulations of data on nonprofit charitable organizations (primarily charitable, religious, educational, and health organizations), private foundations, charitable trusts, and unrelated business income of exempt organizations. The data covers the time period 1974-1987, emphasizes important issues within the nonprofit sector, and includes both previously published *SOI Bulletin* articles and papers published by the American Statistical Association and the Independent Sector Research Forum.

By request, additional unpublished information for the studies is available and special tabulations can be produced, both on a reimbursable basis. Requests for these services should be addressed to the Director, Statistics of Income Division, R:S, Internal Revenue Service, 1111 Constitution Ave., NW, Washington, DC 20224.

Alicia L. Meckstroth and Robert A. Wilson, both of the Statistics of Income Division, were the technical editors and were assisted by Clementine Brittain, Nat Shaifer, and Bettye Jamerson. Any views expressed in the articles are those of the authors and do not necessarily represent the views of the Treasury Department.

Suggested Citation
Internal Revenue Service
Statistics of Income
Compendium of Studies of Tax-Exempt Organizations, 1974-87
U.S. Government Printing Office
Washington, DC 1991

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BUSINESS SOURCE BOOKS:

- *Corporation Source Book, 1987,* **Publication 1053 -- Price $175.00**

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  This 291-page document shows key partnership data, for 1957 through 1983, by major and minor industries. It includes a historical definition of terms section and a summary of legislative changes affecting the comparability of partnership data during that period. Tables show:

  o Number of partnerships
  o Number of partners
  o Business receipts
  o Depreciation
  o Taxes paid deductions
  o Interest paid deductions
  o Payroll
  o Payments to partners
  o Net income less deficits

  (A magnetic tape containing the tabular statistics for partnerships can be purchased for $300 from the National Technical Information Service, U.S. Department of Commerce, Springfield, VA 22161.) More recent partnership data are published annually in the *Statistics of Income Bulletin.*

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  o Number of businesses
  o Business receipts
  o Depreciation
  o Taxes paid deductions
  o Interest paid deductions
  o Payroll deductions
  o Net income less deficits

A magnetic tape containing the tabular statistics can be purchased for $245. As with partnerships, more recent (nonfarm) sole proprietorship data are published annually in the *Statistics of Income Bulletin.*

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  Partnership Returns, 1978-1982, Publication 369 -- Price $22.00

  This report presents previously unpublished *Statistics of Income* data for 1980, 1981 and 1982, as well as data previously issued in the *SOI Bulletin* and in other publications. Features include:

  o Number of partnerships
  o Limited partnerships
  o Receipts
  o Cost of sales and operations
  o Deductions
  o Net income
  o Capital gains

  Data presented by--
  - industry
  - size of total assets
  - State
  - number of partners

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- **Other Unpublished Tabulations**

Unpublished tabulations are also available from *Statistics of Income (SOI),* including detailed tables underlying those published in the *SOI Bulletin.* Special tabulations may also be produced, depending on the availability of SOI computer programming resources.

OTHER PUBLICATIONS:

The following *Statistics of Income* publications are available from the Superintendent of Documents, U.S. Government Printing Office. For copies write:

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Stock Number 748-005-00000-5 -- Subscription price, $20.00; Single copy price, $7.50

Provides the earliest published financial statistics from individual and corporation income tax returns. The *Bulletin* also includes annual data on nonfarm sole proprietorships and on partnerships, as well as from periodic or special studies of particular interest to tax analysts and administrators and to economists. Historical tables include data from *SOI* as well as on tax collections and refunds by type of tax.

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Presents information on--
- o Receipts
- o Deductions
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- o Taxable income
- o Income tax
- o Tax credits
- o Assets
- o Liabilities

Data classified by--
- industry
- accounting period
- size of total assets
- size of business receipts

Statistics of Income--1987, Individual Income Tax Returns, **Publication No. 1304**
Stock number 048-004-02296-6 -- Price $9.00

This report presents more comprehensive and complete data on individual income tax returns for 1987 than those published earlier in the *SOI Bulletin.*

o Presents information on--
- o Sources of income
- o Exemptions
- o Itemized deductions
- o Tax computations

o Data presented by--
- size of adjusted gross income
- marital status

Statistics of Income

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The SOI Bulletin is published quarterly and is available from the Superintendent of Documents, U.S. Government Printing Office. For additional information about the SOI program or about the selected services available from the Statistics of Income Division of IRS write Director, Statistics of Income Division (R:S), Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, DC 20224.

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The following topics are among those that have been described and analyzed in the SOI Bulletin:

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- Corporation income tax returns (Preliminary data)
- Estate tax returns
- Exempt organizations
- Fiduciary income tax returns
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- High income returns
- Historical summary of income and taxes
- Income by age or sex of taxpayer
- Individual income tax returns (Preliminary data)
- International boycott participation
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- Possessions corporations
- Private activity tax-exempt bonds
- Private foundations
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APPENDIX

USER SURVEY

SOI Bulletin Articles

Eleven of the articles included in *The Compendium* represent articles reprinted from the *Statistics of Income (SOI) Bulletin*.

ARTICLE	REFERENCE
"Statistics of Income Domestic Special Studies"	Pages 41-61 Vol. 8, No. 2 Fall 1988
"Nonprofit Charitable Organizations, 1975-1978"	Pages 6-38 Vol. 1, No. 2 Fall 1981
"Nonprofit Charitable Organizations, 1982"	Pages 21-40 Vol. 5, No. 3 Winter 1985-86
"Nonprofit Charitable Organizations, 1983"	Pages 31-42 Vol. 6, No. 4 Spring 1987
"Nonprofit Charitable Organizations, 1985"	Pages 53-65 Vol. 9, No. 2 Fall 1989
"An Examination of Private Foundations for 1979"	Pages 9-29 Vol. 2, No. 2 Fall 1982
"Private Foundation Information Returns, 1982"	Pages 1-27 Vol. 5, No. 2 Fall 1985
"A Private Foundation Profile for 1983"	Pages 11-24 Vol. 6, No. 3 Winter 1986-87
"Private Foundation Returns, 1985"	Pages 27-43 Vol. 9, No. 1 Summer 1989
"Private Foundation Returns, 1986-87"	Vol. 10, No. 4 Spring 1991
"Exempt Organization Business Income Tax Returns, 1987"	Vol. 11, No. 1 Summer 1991

Section 1

Overview of Studies of Tax-Exempt Organizations

Introduction

The Compendium of Studies of Tax-Exempt Organizations, 1974-1987 assembles all of the articles written on tax-exempt organizations by the Statistics of Income Division (SOI) of the Internal Revenue Service. In addition, it includes one article written by another area of the IRS, with significant input from SOI. Since the mid 1970's, SOI has extensively studied those organizations classified as exempt under subsection 501 (c)(3) of the Internal Revenue Code. This volume primarily includes articles written on those tax-exempt organizations, primarily nonprofit charitable organizations, private foundations, and exempt organizations that earn business income unrelated to their exempt purpose. The articles cover the period 1974-1987. The volume includes articles, tabulations of data, and facsimiles of tax forms and instructions for the most recent years studied. Included in the volume are three primary sections, each preceded by an introduction that outlines major topics and significant tax form changes.

Currently, SOI conducts annual statistical studies for both private foundations and nonprofit charitable organizations. Studies began in these two areas in 1974 and 1975, respectively. SOI also has conducted a study of charitable trusts and recently completed its first study of exempt organizations that earn and pay a tax on unrelated business income. Of the articles in this volume, many appear in quarterly editions of the *SOI Bulletin,* one is part of a previously published SOI report, and others represent special works written for either the American Statistical Association (ASA) or the Independent Sector Research Forum. In addition, the volume includes an article written by the Employee Plans and Exempt Organizations (EP/EO) area of the IRS on private foundation administrative expenses. SOI contributed much of the information and data for the EP/EO study.

To tabulate and subsequently analyze the information contained in these studies, SOI collects data from a sample of tax returns filed annually by exempt organizations. These include "Form 990, Return of Organization Exempt from Income Tax," "Form 990-PF, Return of Private Foundation," and "Form 990-T, Exempt Organization Business Income Tax Return." Specific information on sampling procedures and variability and on nonsampling data limitations is presented in each of the *SOI Bulletin* articles under the subheading "Data Sources and Limitations." In addition, an article outlining a "General Description of Statistics of Income (SOI) Sample Procedures and Data Limitations" is found in the Appendix to this volume.

This compendium is organized so as to include the following primary topic areas:

1. Nonprofit charitable organizations
2. Private foundations
3. Unrelated business income of exempt organizations

In addition, this volume contains one article, written for the 75th SOI Anniversary edition of the *SOI Bulletin,* that highlights each area of SOI tax-exempt research, and another, written for the Independent Sector Research Forum, that highlights SOI's present and future data collection plans for tax-exempt organizations. The two articles follow this introduction.

Tables of data supplement the articles. For the most part, the tabulations for the different articles in each topic area correspond in format. Also, facsimiles of tax forms and instructions for the most recent years studied can be found at the end of the volume. As tax forms can provide a helpful source for understanding the Internal Revenue Code requirements, the reader may find it useful to consult the sections on tax form changes in the introductions to each section.

This volume represents all of the published material produced by SOI in the tax-exempt area. As SOI supplies extensive data in this area, *The Compendium* represents a useful reference source on tax-exempt organizations. For interested parties, SOI can produce special tabulations on a reimbursable basis. Also available for purchase are the more recent data tapes for both private foundations and nonprofit charitable organizations. Requests for these services should be addressed to the Director, Statistics of

Income, R:S, Internal Revenue Service, 1111 Constitution Ave., NW, Washington, DC. 20224.

Tax-Exempt Sector Trends

The tax-exempt organizations studied in this compendium primarily include nonprofit charitable organizations and private foundations, both exempt under subsection 501(c)(3) of the Internal Revenue Code. The nonprofit charitable organizations primarily represent public charities, churches and religious groups, schools and educational groups, and hospitals. These organizations generally receive funding from a wide variety of sources within the general public. Conversely, private foundations generally originate and receive funding from a single, wealthy family or individual.

Tax-exempt organizations represent a significant sector within the U.S. economy. Since the mid-1970's these organizations have grown considerably in terms of number, asset size, and charitable contributions both given and received [1]. From 1975-1986, nonprofit charitable organizations increased by 38 percent in number. The total constant dollar amount of contributions received by these groups increased from $28.8 billion in 1975 to $52.8 billion in 1986, an increase of 83 percent. The total amount of assets held by these organizations increased significantly from $183.0 billion in 1975 to $429.9 billion in 1986, an increase of 135 percent.

Likewise, from 1974-1987 private foundations increased by 34 percent in number. Contributions received by foundations increased from $2.3 billion in 1974 to $4.5 billion in 1987, an increase of 100 percent. The fair market value of total private foundation assets increased by 71 percent, from $56.8 billion in 1979 to $97.4 billion in 1987. Market value data was first available for 1979. Charitable distributions by foundations also increased, from $4.7 billion in 1974 to $7.0 billion in 1987, an increase of 49 percent.

In comparison to the significant growth in both nonprofit charitable organizations and private foundations, the Gross National Product has increased by much less. While total assets of nonprofit charitable organizations increased by 135 percent from 1975-1986, the GNP increased by only 38 percent. Total foundation assets increased by 71 percent from 1979-1987, while the GNP increased by 41 percent. The tax-exempt sector, obviously, has realized a significant level of growth in relation to the entire American economy. The articles that follow will help to explain the growth in the tax-exempt sector in relation to the changes in both the economy and the Internal Revenue Code tax law.

[1] All figures and percent changes are derived using 1982 constant dollars from the GNP implicit price deflator. Please refer to the *Economic Report of the President*, U.S. Government Printing Office, Washington, DC, February 1990, Table C-3.

Statistics of Income Domestic Special Studies

By Daniel F. Skelly and John A. Kozielec*

The Statistics of Income Division regularly conducts more than 40 studies of tax return data [1]. While the basic studies of individual and corporation income tax returns are well known, the studies of international income and taxes and the various domestic special studies are generally less well known. To remedy this, an article on the international statistics program was published in 1986 [2]. The present article is a sequel to that article and takes a look at the many domestic special studies that are currently underway or in the planning stages. Many of these studies are conducted annually, whereas others are conducted less frequently or even on a one-time basis.

Statistics of Income (SOI) domestic special studies covered by this article can be classified into three groups:

- *Tax-Exempt Organizations Studies.*—This group includes annual studies of returns filed by private foundations, nonprofit charitable and other organizations exempt under Internal Revenue Code section 501(c), exempt organizations with "unrelated business income," and tax-exempt private activity bonds. Also included are periodic studies of returns filed by nonexempt charitable and split-interest trusts and farmers' cooperatives. A one-time study of private foundation grant-administrative expenses is also included in this category.

- *Estate Tax and Wealth Studies.*—Besides the basic annual study based on data from estate tax returns, studies are conducted periodically to estimate personal wealth and to look at the intergenerational transfers of wealth through inheritance. Occasional studies involving fiduciary and gift tax returns are also included in this category.

- *Excise Tax Studies.*—Currently this group includes studies of returns relating to the quarterly crude oil windfall profit tax and the environmental excise tax on certain hazardous substances (i.e., the so-called "Superfund Tax").

As is true of most SOI studies, the main users of these statistical reports are the Office of Tax Analysis in the Office of the Secretary of Treasury and the Congressional Joint Committee on Taxation. In addition, detailed information is provided to other Government agencies— notably the Environmental Protection Agency, the Federal Reserve Board, and the Bureau of Economic Analysis in the Department of Commerce. Partial funding of the effort to compile statistics on tax-exempt organizations is provided by the Independent Sector, a nonprofit coalition of corporations, foundations, and voluntary organizations whose mission is to encourage giving, volunteering, and not-for-profit initiatives.

Exhibit 1 shows the estimated population and the size of statistical samples underlying the data, as well as the content and frequency of each of the studies. To meet the growing need for data, the Statistics of Income Division plans, in the near future, to initiate new statistical services in the personal wealth and tax-exempt areas that will provide university scholars, research organizations, and others with expanded access to the information.

TAX-EXEMPT ORGANIZATIONS STUDIES

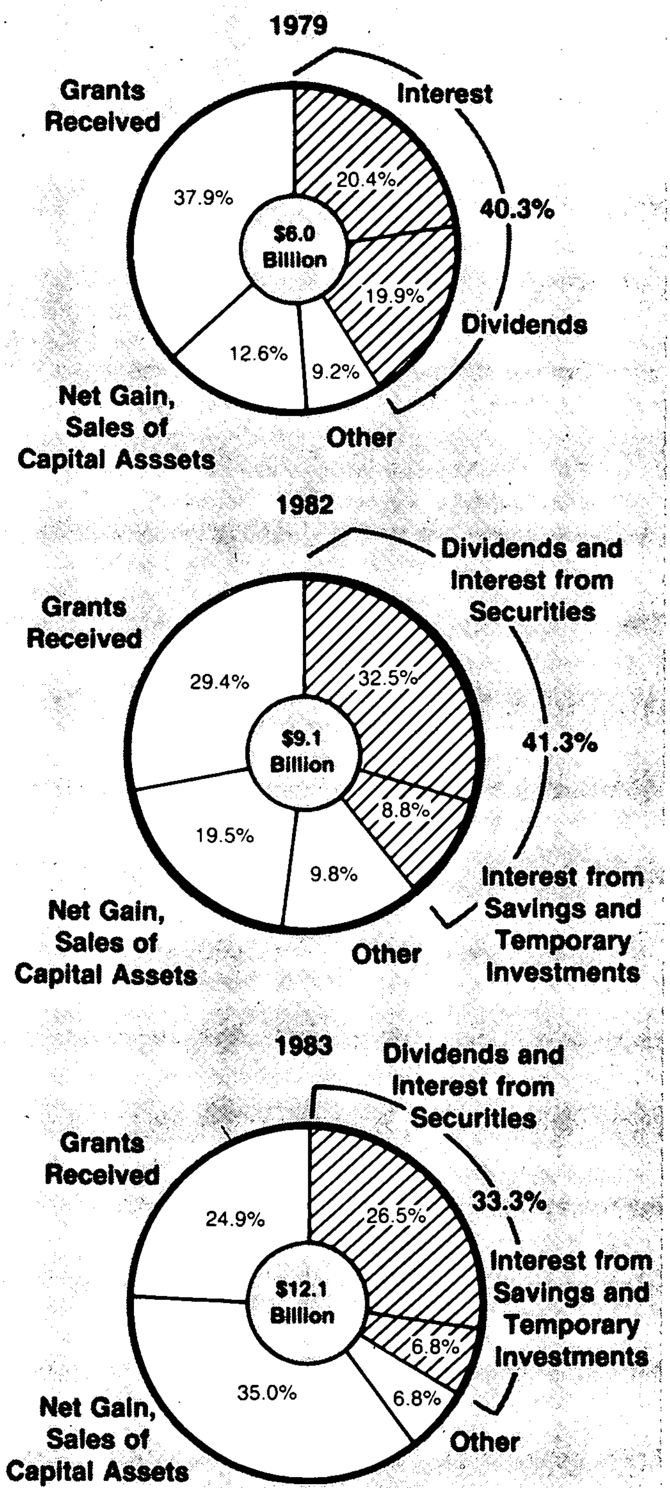
This broad area currently consists of those exempt studies mentioned previously. SOI data indicate that the growth of tax-exempt organizations has kept pace with the national economy as a whole, or even exceeded it, during the past decade. For example, while the real Gross National Product (GNP) nearly doubled in the period from 1974 to 1983 (increasing by 92 percent), the receipts of private foundations, adjusted for inflation, increased by 125 percent. The total revenue of other charitable organizations exempt from income tax under Code section 501(c)(3) also grew by 95 percent from 1975 (the first recent year for which statistics were produced) to 1983.

Private Foundations

A private foundation is a nonprofit corporation, association, or trust with a narrow source of funds which supports

* Daniel F. Skelly is Chief, Foreign Statistics Branch. John A. Kozielec is a member of the Foreign Special Projects Section in that Branch.

Figure A.
Sources of Private Foundation Revenue, 1979, 1982, and 1983



NOTE: For 1979, interest income from securities was combined and reported with other sources of interest income. Beginning with 1981, foundations were required to combine interest income from securities with stock dividends and report it separately from all other interest income.

social, educational, scientific, charitable, religious, or other programs dedicated to improving the general welfare of society. These organizations qualify for tax-exempt status under section 501(c)(3). The primary difference between private foundations and other tax-exempt charitable organizations is that foundations usually receive their funds from an individual, family, or corporation, while other nonprofit charitable organizations (described below) derive their funds from a large number of sources within the general public. In addition, private foundations generally do not operate their own charitable programs.

The first SOI studies of information returns filed by private foundations were published for 1974–1978 and 1979 [3,4]. Then in 1982 the study was redesigned as an annual series which will form a longitudinal data base (i.e., essentially the same organizations will be observed over time) [5,6]. Included in the annual samples are the returns of all private foundations with total assets (book value) of $10 million or more (about 700 returns in 1983, the most recent year for which data are available) [7]. These 700 returns accounted for 70 percent of the total assets of all private foundations and formed approximately half of the 1,375 sampled returns used for the study. The returns in the other half of the sample were randomly selected at various rates, ranging from 0.7 percent to 10 percent, depending on the book value of total assets.

Private foundation revenue more than doubled between 1979 and 1983. Figure A illustrates the significant shifts in sources of foundation income which occurred during this period. By 1983, substantial increases in net gains from sales of capital assets established this component as the leading source of foundation revenue, displacing both dividend and interest income and grants received, which were traditionally the major revenue sources. A fast-paced securities investment environment and a 1981 tax law change (which eliminated the requirement that foundations pay out as charitable distributions all of their investment income) may have encouraged the restructuring of foundation investment portfolios and may have been primary contributors to these shifts.

Figure B shows selected financial data by size of total fair market value of assets for 1983. Nearly 30,000 foundations filed returns, 5.4 percent more than 1982, with total revenue of $12.1 billion reported, a 33 percent increase.

Charitable and Split-Interest Trusts

Nonexempt trusts are legal instruments established by an individual or organization with either income or remainder interests (or both) devoted to charitable purposes. There are two types of nonexempt trusts: purely charitable trusts, which are intended exclusively for charitable purposes, and split-interest trusts, which have both charitable and noncharitable beneficiaries. Both types of trusts are

Figure B.—Private Foundations by Size of Total Assets, 1983

[All figures are estimates based on samples—money amounts are in millions of dollars]

Item	Total	Size of total fair market value of assets				
		Under [1] $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $25,000,000	$25,000,000 under $100,000,000	$100,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns	29,863	24,717	4,237	543	273	93
Total fair market value of assets	$71,935	$4,163	$14,054	$8,207	$12,897	$32,614
Total book value of assets	56,768	3,769	11,874	6,484	10,541	24,099
Total revenue	12,132	1,159	2,602	1,125	2,006	5,240
Net gain (loss) from sales of capital assets	4,249	86	418	282	487	2,976
Interest and dividend income	4,034	281	846	487	761	1,659
Grants received	3,025	759	1,052	286	584	344
Total expenses	5,883	934	1,560	721	1,073	1,595
Total qualifying grants paid	4,363	822	1,092	550	756	1,143

[1] Includes foundations with zero assets and unreported assets.

NOTE: Detail may not add to total because of rounding.

nonexempt in the sense that they do not have to be formally recognized as tax-exempt under the Internal Revenue Code. Although they are exempt from income taxation, they are treated by Internal Revenue Service (IRS) as foundations and taxed on their income not distributed to charities.

The most recent data available for nonexempt charitable trusts and split-interest trusts are for 1979. As noted in Exhibit 1, a study in this area is planned for 1989 and every third year thereafter.

In 1979 there were 15,846 nonexempt trusts, including 2,103 charitable trusts with reported assets of $894 million and 13,743 split-interest trusts with reported assets of $2.5 billion. The charitable contributions of these trusts totaled $118 million, including $56 million given by charitable trusts and $61 million by split-interest trusts [8]. Split-interest trusts contributed only 33 percent of their revenue to charities as compared to almost 58 percent for charitable trusts.

Nonprofit Charitable and Other Organizations Tax-Exempt under Code section 501(c)

The Statistics of Income Division's study of nonprofit charitable organizations includes all organizations exempt from Federal income tax under Code section 501(c)(3), except private foundations (discussed previously). These organizations are principally religious, educational, health-related, scientific, and literary organizations. As indicated previously, they differ from private foundations in that they derive their funds from the general public.

The most recent financial data available for nonprofit charitable organizations are for 1983 [9]. Of the approximately 280,000 organizations recognized by the IRS as nonprofit charities in that year, an estimated 89,000 were required to file returns (Form 990). Organizations with gross receipts of $25,000 or less, and churches, were not required to file. The sample returns used for the statistics for 1983 on nonprofit charitable organizations consisted of all organizations with total assets (book value) of $10 million or more (approximately 4,500 for 1983), plus a random stratified sample of approximately 500 returns from the remaining population of 84,500 returns. Data were also published for these section 501(c)(3) organizations for 1982 [10].

Earlier data, however, for the period 1975-1978, included all section 501(c) organizations, charitable as well as other organizations [11]. The three major groups in terms of numbers of organizations in 1975 (excluding section 501(c)(3) organizations) were civic leagues, social welfare organizations, and local associations of employees—section 501(c)(4); labor, agricultural, and horticultural organizations—section 501(c)(5); and social and recreational clubs—section 501(c)(7).

Future plans call for annual studies beginning with 1985 which will grow larger in size and scope. Beginning with 1988, the study will be expanded to again include all 501(c) organizations. The sample returns used will be increased from 5,500 for 1985 to 35,000 for 1988.

One of the dominant characteristics of the nonprofit sector and, in particular, of charitable organizations has been the concentration of financial resources among a small number of large organizations (see Figure C). Organizations (other than private foundations) with assets of $10 million or more filed only 5 percent of the returns for 1983, but accounted for 80 percent of total assets. In contrast, approximately 40 percent of the returns were filed by organizations with asset holdings under $100,000. Yet these nearly 35,000 small organizations accounted for only 0.3 percent of the total assets of all nonprofit charitable organizations.

Figure C.—Nonprofit Charitable Organizations by Size of Total Assets, 1983

[All figures are estimates based on samples—money amounts are in millions of dollars]

Size of total assets	Number of returns	Total assets
Total, all organizations	89,052	$331,227
Under $100,000 [1]	34,650	1,153
$100,000 under $500,000	23,625	4,651
$500,000 under $1,000,000	10,574	7,237
$1,000,000 under $10,000,000	15,433	53,027
$10,000,000 under $50,000,000	3,653	84,167
$50,000,000 or more	1,113	180,992

[1] Includes returns with zero assets or assets not reported.

NOTE: Detail may not add to total because of rounding.

As shown in Figure D, program service revenue (fees collected to administer charitable programs) was the largest component of total revenue for 1983, accounting for nearly two-thirds ($147.5 billion) of total revenue of all nonprofit charitable organizations. A look at the 1983 data by type of charitable organization shows that program service revenue accounted for 90 percent ($93.8 billion) of total receipts for hospitals and 60 percent ($24.2 billion) of total receipts for educational institutions. Program service revenue includes a broad spectrum of revenue sources such as hospital charges for patient care (whether paid by the patient or through third-party reimbursement); tuition, fees, and day-care charges at educational institutions; admissions to museums, concerts, and other performing arts events; educational workshop fees; charges for athletic programs and housing facilities at YMCA's; and payments received for insurance and retirement coverage by pension and annuity fund companies.

However, while program service revenue was the major source of revenue for the large nonprofit charities, contributions (received directly from the public, or indirectly through fundraising campaigns and from Government grants) comprised the major portion of the revenues of the smaller organizations. For 1983, contributions represented 60 percent ($13.1 billion) of the total revenues ($21.8 billion) of organizations with assets of less than $1 million. Contributions received by educational organizations accounted for 24.8 percent ($10.2 billion) of total receipts and only 2.4 percent ($2.5 billion) of total receipts for hospitals. The remainder of the revenue received by charities was in the form of dues and assessments, interest, dividends, and other investment income.

Figure D.—Nonprofit Charitable Organizations, 1975, 1982, and 1983

[All figures are estimates based on samples— money amounts are in billions of dollars]

Item	1975	1982	1983
	(1)	(2)	(3)
Number of returns	82,048	75,738	89,052
Total assets	$108.5	$279.6	$331.2
Total revenue	65.5	196.3	224.0
Contributions, gifts, and grants	17.1	41.3	46.4
Dues and assessments	1.5	2.5	3.1
Program service revenue	n.a.	124.4	147.5
Total expenses	62.6	181.3	207.5
Program service expenses	36.8	151.7	173.6
Fundraising expenses	1.4	1.7	1.8
Management and general expenses	n.a.	27.4	31.8

n.a. - Not available.
NOTE: Year-to-year comparability is affected by tax law changes.

Organizations receiving tax-exempt status under section 501(c)(3) represent the largest group of organizations with tax-exempt status. For 1975, when the minimum filing requirement was more than $10,000 in gross receipts, they represented 37 percent of all returns filed and accounted for 68 percent of the total assets of all tax-exempt organizations. (Labor organizations and civic leagues followed in terms of the numbers of returns filed.) Since then, the filing requirement has been increased to more than $25,000, so exact comparisons are not possible. However, the most recent data from the IRS Business Master File indicate that the organizations exempt under section 501(c)(3) still outnumber all other types of tax-exempt organizations. For 1986, returns filed by these charitable organizations represented 48 percent of the returns filed by all tax-exempt organizations and accounted for 63 percent of the total assets reported.

Exempt Organizations' Unrelated Business Income

In 1950, Congress imposed a tax on the income of tax-exempt organizations from a trade or business not substantially related to an organization's exempt purpose or function. The law's purpose was to restrict the potential for unfair competition between nonprofits and taxable, for-profit, businesses that provide the same services. The Tax Reform Act of 1969 revised and expanded this tax on "unrelated business income".

In more recent years, with Federal cutbacks in funding for social programs, there has been a major focus on the movement of exempt organizations into commercial activities and the resulting impact on for-profit businesses. In 1984, the Small Business Administration issued a report, "Unfair Competition for Nonprofit Organizations With Small Business: An Issue for the 1980's," that was critical of exempt organizations operating commercial activities [12]. In September 1986, the Ways and Means Committee of the House of Representatives began a comprehensive review of the Federal tax treatment of commercial and other income-producing activities of tax-exempt organizations. Hearings were held in the summer of 1987, with recommendations to follow [13]. It is anticipated that the Subcommittee on Oversight will call for expanded information to be reported on the Form 990 regarding taxable and nontaxable subsidiaries, as well as additional information on related and unrelated business activities of exempt organizations [14].

Against this backdrop of intensifying interest and concern regarding the possible conflict between the private sector and the income-producing activities of the nonprofit sector, the Statistics of Income Division is undertaking a major new annual study. This study, for 1987, is based on a sample of approximately 5,000 returns selected from an estimated population of 30,000 tax returns filed by exempt organizations with unrelated business income. Presently, data from the IRS Master File System for 1985 and 1986 are being analyzed for possible use in the study. Figure E shows the most recent information available from exempt organizations' business income tax returns (Form 990-T).

Figure E.—Exempt Organization Unrelated Business Income Tax Returns: Number of Returns and Unrelated Business Income Tax Collections, Fiscal Years 1985-1987

[Money amounts are in thousands of dollars]

Fiscal year	Number of returns	Unrelated business income tax
1985	24,103	30,208
1986	32,224	54,943
1987	33,286	119,875

NOTE: Fiscal Year 1984 covers returns filed in October 1983 through September 1984. Data for other years are similarly defined.
SOURCE: Business Master File Reports of Revenue Receipts, Internal Revenue Service. Unpublished annual reports.

Private Foundation Grant-Administrative Expenses

As part of the Tax Reform Act of 1984, Congress mandated a one-time study of the expenses of private foundations in administering grants. The purpose was to assess the impact of current provisions of the Internal Revenue Code governing the treatment of such expenses. This information collected by the Statistics of Income Division will enable the Office of Tax Analysis to report its findings and recommendations to Congress so that statutory or regulatory changes to the private foundation tax provisions of the Internal Revenue Code can be made if they are deemed necessary. A subsample of approximately 800 returns from the SOI 1985 private foundation study is being used in this study. The results will be provided to the Office of Tax Analysis for use in its report to Congress due in January 1990.

Farmers' Cooperatives

The Statistics of Income Division periodically publishes statistics on farmers' cooperatives. The last published study was for 1963 [15]. A more recent study on tax-exempt (under Code section 521) as well as nonexempt farmers' cooperatives, however, was conducted for 1977 with the assistance of the Department of Agriculture. Results will be published in an SOI compendium on exempt organizations scheduled for release in the fall of 1988. Figure F compares data for exempt and nonexempt cooperatives for 1963 and 1977. Although the number of exempt cooperatives dropped by almost half between 1963 and 1977, their total assets increased by approximately 44 percent. Total assets of nonexempt cooperatives, which were reported on Form 1120, the corporation income tax return, up until 1982, increased more than tenfold over the same period. Information for nonexempt cooperatives are now reported on Form 990-C, the same form filed by tax-exempt cooperatives.

Figure F.—Exempt and Nonexempt Farmers' Cooperatives, 1963 and 1977

[Figures for nonexempt cooperatives are based on samples—money amounts are in millions of dollars]

Item	1963		1977	
	Exempt cooperatives	Nonexempt cooperatives	Exempt cooperatives	Nonexempt cooperatives
	(1)	(2)	(3)	(4)
Number of returns	5,574	3,021	2,933	3,175
Total assets (book value)	$4,065	$1,927	$ 5,854	$20,377
Total receipts	8,940	4,937	15,340	34,471
Total deductions	8,919	4,908	15,330	34,298
Net income (less deficit)	21	29	12	172
Net income	42	40	54	201
Income subject to tax	7	36	25	177
Income tax after credits	2 [1]	13	6 [1]	61

[1] Exempt farmers' cooperatives are not exempt from income tax but are taxed at the same corporate rates (as are nonexempt cooperatives). However, exempt cooperatives are allowed to deduct from earnings dividends paid on capital stock and distributions of any net margins from nonpatronage business (which includes income from investments, sales of capital assets and the like). Nonexempt cooperatives may not deduct these two items, which in the case of exempt farmers' cooperatives totaled $31 million for 1963 and $23 million for 1977.

NOTE: Detail may not add to totals because of rounding. Year-to-year comparability is affected by tax law changes.

The next farmers' cooperative study is planned to coincide with the 1992 quinquennial economic census. Plans are to obtain most of the data from information already transcribed for tax administration purposes and included in the IRS Master File system. These data will be augmented by data abstracted from the returns processed for statistical purposes only. The Department of Agriculture is expected to help with the 1992 study as it did for the 1977 study.

Tax-Exempt Private Activity Bonds

Private activity tax-exempt bonds are issued by State and local Governments or their authorized agents for the direct benefit of private businesses, organizations, and individuals. The original intent of the Federal income tax exemption for interest earned on State and local bonds was to provide a subsidy for Government projects (such as highways) by making it possible to obtain funding at lower interest costs. However, there was nothing to prevent State and local Governments from also issuing private-purpose bonds to promote economic development and housing within their jurisdictions, while incurring little or no costs themselves. As a result, investment dollars were shifted away from other taxable, interest-producing alternatives which could lead to a significant loss in Federal tax receipts. The shifting of bonds toward these non-Government uses recently prompted the Federal Government to reexamine its policies in this area. The dollar volume of these bonds accounted for 54 percent of the $119.4 billion of total long-term tax-exempt bond volume for 1985 [16].

The Tax Equity and Fiscal Responsibility Act of 1982 required State or local Government issuers of private-purpose tax-exempt bonds to file information returns with the IRS describing the nature and uses of the bonds. Data obtained from these returns (Form 8038) for bonds issued in 1983 through 1985 have been published annually [17].

While the number of bond issues reported each year has remained steady at just under 15,000, the dollar volume of new issuances shot up from $49.9 billion in 1983 to $99.4 billion in 1985 (see Figure G). Figure G shows the massive growth in this 3-year period of private exempt entity bonds, in particular.

Figure G.—New Issue Private Activity Bond Volume, by Type of Bond, 1983-85

[Billions of dollars]

Selected type of bond	New issue volume			Percentage change, 1983 to 1985
	1983	1984	1985	
Total	$49.9	$65.8	$99.4	99.2%
Student loan bonds	3.1	1.4	2.8	-8.5
Private exempt entity bonds	8.2	9.0	26.1	218.0
Mortgage bonds [1]	10.8	13.9	13.4	24.5
Industrial development bonds	27.8	41.5	57.1	105.1

[1] Data for 1983 and 1984 are based on information compiled by the Department of Housing and Urban Development; for 1985, the data were compiled by IRS, based on Form 8038, Information Return for Private Activity Bond Issues.

NOTE: Year-to-year comparability is affected by tax law changes.

Future Plans in the Tax-Exempt Area

Although exempt organizations received little direct attention in the Tax Reform Act of 1986, several of the provisions dealing with individuals and taxable corporations will have a major impact on the operation and well-being of exempt organizations.

Basically, the 1986 Act increases the after-tax cost of charitable giving for several reasons. First, taxpayers whose marginal tax rates are decreased under the 1986 Act will realize a smaller tax benefit from their deductions for charitable contributions, while taxpayers subject to a higher marginal tax rate (due to changes in provisions dealing with tax shelters and the alternative minimum tax) will find the Government subsidizing a larger portion of their charitable giving. However, since the majority of taxpayers will have lower marginal tax rates, overall charitable giving is projected to decline. In addition, a provision enacted in 1981 permitting individuals who did not itemize their deductions to deduct part or all of their charitable contributions expired after 1986 and was not reinstated by the Tax Reform Act of 1986. Thus, these nonitemizers must again bear the entire cost of charitable contributions they make after 1986 (the same as they did before 1981) [18]. Finally, a number of other changes are expected to reduce the number of itemizers, further reducing the tax incentive to make charitable donations. This expected fall in donations may force nonprofit organizations to increasingly move into commercial activities in which they typically compete with for-profit firms in order to finance their programs.

There seems to be a general agreement among the users of SOI data on exempt organizations that there is a strong need to expand the data bases available so that policymakers can make more informed decisions in this area. Thus, if reimbursement can be obtained, the Statistics of Income Division will greatly expand its data on exempt organizations. Already, SOI studies of private foundations and nonprofit charitable organizations are being resumed on an annual basis, beginning with Tax Year 1985. Second, SOI plans to substantially increase the sample sizes for both the private foundation and nonprofit charitable organization studies beginning with 1987. Third, beginning with Income Year 1988, the exempt organization study will be expanded to include all section 501(c) organizations (rather than just 501(c)(3) organizations) and the sample will be increased from approximately 5,500 to 35,000 exempt organizations. Fourth, the study of the exempt organization unrelated business income tax, which is being conducted for the first time for 1987, will be done on an annual basis. Fifth, periodic studies (at least every 3 years) will be conducted on farmers' cooperatives, charitable and split-interest trusts, and also on excise taxes paid by private foundations and public charities.

SOI also is working on a compendium of exempt studies which will be available in the fall of 1988. The one-volume compendium will be comprised chiefly of articles published in the *Statistics of Income Bulletin* and in the *Proceedings of the American Statistical Association,* along with facsimiles of tax forms and instructions. Also included will be other research papers and previously unpublished articles and tables. This material will serve as a reference source for statisticians, economists, and researchers. However, the compendium represents only a sampling of the available statistical information that might be of value to interested parties. Some microdata files are already available for public use, and efforts are underway to determine whether additional microdata files can be provided while protecting the identity of individual organizations wherever required under the law. Unpublished or special tabulations are also available on a cost-reimbursable basis [19].

ESTATE TAX AND WEALTH STUDIES

The Statistics of Income Division conducts five studies relating to estate taxes and its direct and indirect effects on transfers of wealth. To look at the direct effects, SOI analyzes estate and fiduciary taxation. Studies which focus on the indirect effects include those of personal wealth estimated from estate data (described in the Personal Wealth Estimates Section, below), intergenerational wealth transfers, and the relationship between income and wealth.

Perhaps the most important change in this area in recent years was the increase in the filing requirement for estate tax returns. From 1942 to 1976, the floor for the estate filing requirement was $60,000 in gross estate. The Tax Recovery Act of 1976 and the Economic Recovery Tax Act of 1981 (ERTA) mandated a series of increases in the filing requirement which doubled this floor for 1977 decedents and then further increased it for each of the next 10 years (see below). The filing requirement is scheduled, at least for now, to remain constant at $600,000 beginning with estates of taxpayers who died in 1987 and thereafter. Not surprisingly, the filing requirement changes have resulted in a dramatic decline in the number of returns. Just 68,000 returns were filed in 1985, 66 percent less than the nearly 201,000 returns filed in 1977 [20].

Year of death	Size of gross estate filing requirement
1976	$ 60,000
1977	120,000
1978	134,000
1979	147,000
1980	161,000
1981	175,000
1982	225,000

1983	275,000
1984	325,000
1985	400,000
1986	500,000
1987 and later	600,000

The rapid rise in the estate tax filing requirement has also narrowed the group of individuals whose personal wealth can be estimated from estate data. Nonetheless, estimates can still be generated for the richest 1 or 2 percent of the population, which still includes a significant portion of the Nation's wealth. For example, estimates of personal wealth in 1982 showed that there were approximately 4.5 million Americans with gross assets of $325,000 or more. Although these individuals represented only 2.8 percent of the Nation's adult population, their net worth (the value of their assets after reduction for debts) made up approximately 30 percent of the wealth in the United States held by U.S. households [21].

Each of the studies in the estate tax/wealth area is described in greater detail in the sections that follow. SOI plans for a major expansion of studies in this area are also highlighted.

Estate Tax

Statistics from estate tax returns are periodically published in the *Statistics of Income Bulletin*; the most recently published data were for 1983 [22]. (Limited data for returns filed in 1984 and 1985 are available directly from the Statistics of Income Division.)

Despite major changes in the estate tax law in recent years, taxation of estates continues to be based primarily on the total value of the decedent's property and not upon the shares received by the individual beneficiaries (although the liberalization of the marital deduction, described below, is an important change here). When a citizen or resident of the United States dies, a Form 706 must be filed by the executor or administrator of the estate if the value of the decedent's gross estate exceeds the filing threshold [23]. As noted already, the filing threshold which stood at $60,000 in 1976 has now increased to $600,000.

Estate tax return data available for 1982 through 1985 for decedents with gross estates of at least $300,000 show the impact of ERTA on estate taxation, exclusive of the changes in the filing requirement [20]. The liberalization of the marital deduction that was enacted as part of ERTA resulted in a significant decrease in the estate tax liability, even though the number of estate tax returns filed and particularly the size of total gross estate each increased. The total estate tax liability dropped by nearly 25 percent, from $6.2 billion in 1982 to $4.7 billion in 1984, before increasing to $5.0 billion in 1985. (The 1985 increase would have been more substantial if it were not for the aforementioned increases in the filing requirement for 1984 and 1985 decedents.) The liberalization of the marital deduction resulted from eliminating the monetary ceiling on the deduction for estates of decedents dying after 1981. Thus, unlimited amounts of property, except for certain terminable interests, could be transferred between spouses free of estate or gift taxes.

The number of estate tax returns with gross estate of $300,000 or more increased between 1982 and 1985 from approximately 60,000 to 68,000, while total reported gross estate grew by almost 40 percent (see Figure H). The major reasons for these increases were the overall expansion in the economy, accompanied by lower interest rates, both of which contributed to an increase in the value of residential and commercial real estate, and investment portfolios. For these reasons and with the moderate increase in inflation over this time period, more and more estates grew in size to the point that they exceeded the increased filing threshold.

Figure H.—Gross Estates of $300,000 or More, by Filing Year, 1982–1985

[All figures are estimates based on samples—money amounts are in millions of dollars]

Filing Year	Number of returns	Gross estate	Total deductions	Taxable estate	Estate tax after credits
	(1)	(2)	(3)	(4)	(5)
1982	59,597	$45,412	$17,897	$27,568	$6,226
1983	63,251	50,390	24,322	26,235	5,170
1984	60,316	49,954	25,553	26,421	4,667
1985	67,961	62,805	31,364	31,645	5,035

NOTE: Returns were not required for decedents who died in 1984 or 1985 with gross estates under $325,000 or $400,000, respectively. Year-to-year comparability is also affected by other tax law changes. Returns filed each year primarily reflect deaths that occurred during the preceding year.

Personal Wealth Estimates

The estate tax return requires a great deal of information to be reported concerning the financial and demographic characteristics of the decedent. This includes data on assets and liabilities, as well as on age, sex, marital status, and State of residence. The extent and quality of these data are such that, since 1962, the personal wealth of the richest Americans has been estimated as a by-product of the SOI program generating estate tax return statistics [24,25].

The underlying assumption in making these estimates is that death draws a random sample of the living population. The technique used to derive the estimates, called the "estate multiplier," relies on the fact that for the general population the mortality rate is known for each age and sex group. Therefore, if the number that died in each age/sex group is known, and the mortality rate for each group is known, then the population is the inverse of the mortality rate times the number of deaths in each group. The estate multiplier technique for certain data sets may yield more accurate data than sample survey methods which suffer from problems of nonresponse and inexact responses.

The estate multiplier technique assumes that estate tax returns provide a representative sample of the living population for the purpose of estimating the personal wealth of that segment of the population which holds a substantial portion of the wealth of all individuals. The wealth of the living population can be estimated from those returns by using the mortality rates of wealthy individuals to develop multipliers to weight the data up to the living population [26].

In order to improve the accuracy of the personal wealth estimates, the SOI sample design was restructured beginning in 1982 to select returns based on the year of the taxpayer's death rather than on the year in which the estate tax return was filed. Returns filed during a 1-year period include returns for more than a single year of death. In addition, a core group of returns is selected without regard to the year of death. This enables estate tax return data to continue being produced on a filing-year basis (thus preserving the historical SOI time series) and, at the same time, allows for periodic estimates of wealth to be produced based on deaths in a specific year. Limited personal wealth data based on the returns filed each year are also prepared annually [27].

As shown in Figure I, the number of Americans with a net worth of $5 million or more grew more than tenfold between 1962 and 1984. Between 1981 and 1984 alone, the number almost doubled. These are among the statistics derived from the estate returns using the technique described above.

Figure I.—Number of Individuals with Net Worth of $5 Million or More, 1962–1984

[All figures are estimates based on samples]

Year	Number of individuals
1962	4,500
1969	9,300
1972	11,300
1981	24,100
1982	32,000
1983	40,200
1984	46,300

Figure J shows the contrast in composition of assets between the "very wealthy" (persons with net worth of $5 million or more) and for the "moderately wealthy" (persons with net worth between $250,000 and $500,000). More than a third of the assets of the very wealthy were represented by corporate stock, compared to 14 percent for the moderately wealthy. For the moderately wealthy, real estate accounted for nearly 43 percent of total assets, compared to less than 14 percent of the assets of the very wealthy.

Revised personal wealth estimates for 1982 based on estate tax returns filed between 1982 and 1984 are published in the *1987 Proceedings of the American Statistical Association* and in more detail elsewhere [28, 29].

A number of efforts are underway to improve SOI personal wealth estimates. Comparisons are being made, for example, between pre- and post-audit values, by asset type, from a sample of estate tax returns. This will allow the issue of undervaluation of assets reported on estate tax returns to be addressed. Second, comparisons are currently being made between certain published financial and demographic information from outside sources and SOI demographic data and wealth estimates [30]. Direct comparisons of information from outside sources with that reported on estate tax returns may provide information about the types of assets and amounts of wealth not captured by the estate multiplier technique.

Figure J.—Percentage of Estimated Personal Wealth, by Asset Type and by Selected Sizes of Net Worth, 1982

[All figures are estimates based on samples]

Type of asset	Size of net worth: $250,000 under $500,000	Size of net worth: $5 million or more
All asset types	100.0%	100.0%
Corporate stock	14.3	35.9
Real estate	42.8	13.6
Bonds	1.5	9.6
Noncorporate business assets	8.5	9.5
Cash	6.6	4.2
Notes and mortgages	4.0	4.2
Life insurance	2.7	0.2
Other assets	19.6	22.7

NOTE: Detail may not add to totals because of rounding.

Other research relating to personal wealth being pursued includes an examination of mortality rates of estate tax decedents, compared with the general population, based on actual experience to see if revisions to the SOI multipliers are needed. The Statistics of Income Division is also working closely with representatives from the Federal Reserve Board (FRB) who have produced wealth estimates from survey data collected during the 1983 Survey of Consumer Finances [31]. By studying both IRS and FRB data, improvements in SOI wealth estimates can be made. Survey data also allow analyses to be made of the distribution of wealth for individuals with assets totaling less than the estate tax filing requirement.

Intergenerational Wealth Transfers

The Statistics of Income Division has begun a long-term research project involving all estate tax returns filed since the inception of the estate tax in 1916 [32]. This study will focus on the changes in the concentration of wealth and on the transfer of wealth from one generation to another. Emphasis will be placed on asset composition, demographic information available from the returns, and information about the beneficiaries of the estates.

Data have thus far been abstracted from all estate tax returns of decedents who died from 1916 through 1945. Information from estate tax returns will enable a match to be made between heirs of an estate and the estate tax returns that may eventually be filed for those heirs. For the estates of decedents who died after 1945, information will be obtained only for decedents with gross estates in excess of an annually increasing amount.

Detailed asset information has been obtained from estate tax returns for a sample of decedents for 1916 to 1920 and for 1928 to 1930. Similar data will also be picked up for returns filed for decedents who died in the following years: 1938 to 1940, 1944, 1948 to 1950, 1953, 1958 to 1960, 1968 to 1970, and 1978 to 1980. Groups of 3 years have been selected to center around years ending with a 9 (e.g., 1928 to 1930 centers on 1929) in order to coincide with years for which income data are available from the Bureau of the Census. The single years 1944 and 1953 were included so that a comparison could be made between SOI wealth estimates based on weights applied to individual estate tax records and estimates produced by Horst Mendershausen for 1944 and Robert Lampman for 1953 [33].

Data from the intergenerational wealth study have been published for estate tax returns with years of death between 1916 and 1931 [34]. Additional data for 1932 through 1945 will be available in the spring of 1989. No data are yet available, however, on linking beneficiaries and heirs; this will be covered in a later phase of this project.

Estate Collation

This study is another by-product of the basic estate tax return statistics program. The purpose of the collation study is to generate data that will be useful for conducting research on the relationship between income and wealth. This is done by matching the estate tax return with the income tax returns for a given decedent and each beneficiary of the estate. For decedents, income tax returns for the year of death and the 2 preceding years, and for beneficiaries, the returns for the year prior to the decedent's death and 3 years after the decedent's death, are collated with the estate tax returns. This permits comparisons to be made of the wealth and income levels of decedents with the income levels of their beneficiaries, both before and after the year of death of the benefactor or at the point at which the transfer of wealth occurred.

Estate collation studies have been done for 1976 and for 1982. For the 1982 study, fiduciary income tax returns were included when a trust was listed as a beneficiary. Also included were gift tax returns filed by the decedent for the 2 years preceding death. This collation study will be repeated again for 1989.

Some significant results from these collation studies have been produced by Steuerle and Greenwood [35, 36]. In particular, Steuerle noted that for the very wealthy the rate of return on all financial assets was much less than if their funds had been invested in savings accounts. Steuerle also noted that the rate of return on all assets was found to be around 2 percent (see Figure K). Even when wage income was added to capital income, the amount of realized income was still less than 4 percent of the total value of assets.

Figure K also shows Steuerle's observation that the realized rate of return varies inversely with the size of the estate. The realized rate of return differs from the economic rate by the amount of unrealized income or other capital income not reported on the tax return. Thus, without adjustments, realized income as shown on the Form 1040 individual income tax return is not a very reliable measure of wealth for the richest people.

Figure K.—Realized Rates of Return on Assets, 1982

Type of asset	Size of gross estate		
	$60,000 under $362,000	$362,000 under $840,000	$840,000 or more
	(1)	(2)	(3)
Closely-held business (noncorporate)	2.22%	1.78%	0.47%
Corporate stock:			
Total	0.81	2.18	1.24
Closely-held	0.21	2.26	0.93
Non-closely-held	4.14	2.10	2.27
All assets (capital income only)	3.24	3.33	1.29
All assets (capital and wage income)	6.57	4.67	2.99

NOTE: The percentages represent weighted average rates of return (income divided by the value of assets). Estate classes were split so as to provide equal sample sizes in each class.
SOURCE: See footnote 36 at the end of this article.

Greenwood noticed that realized rates of return on financial assets varied not only with the level of assets, but also with the taxpayer's age, and with the marginal tax rate on income. Both Steuerle and Greenwood have suggested using capitalization of income as another approach to estimating wealth. In this approach, wealth is derived by dividing realized income from a particular asset by an expected rate of return and adjusting for unrealized gains and losses.

Fiduciary Income

Fiduciary income tax returns are filed by the person or institution that has power and control over the property of an estate or trust to report its income and tax when gross income is $600 or more. The most recent detailed statistics from fiduciary returns are for 1982 [37]. As shown in Figure L, over 1.6 million fiduciary income tax returns were filed for 1982, an increase of nearly 30 percent over 1974, the last previous year for which detailed data are available. Total income (less loss) almost tripled over the same period. In constant (1972) dollars, the increase was 60 percent using the GNP implicit price deflator developed by the Bureau of Economic Analysis.

Figure L.—Fiduciary Income Tax Returns for Estates and Trusts, Tax Years 1974 and 1982

[All figures are estimates based on samples—money amounts are in thousands of dollars]

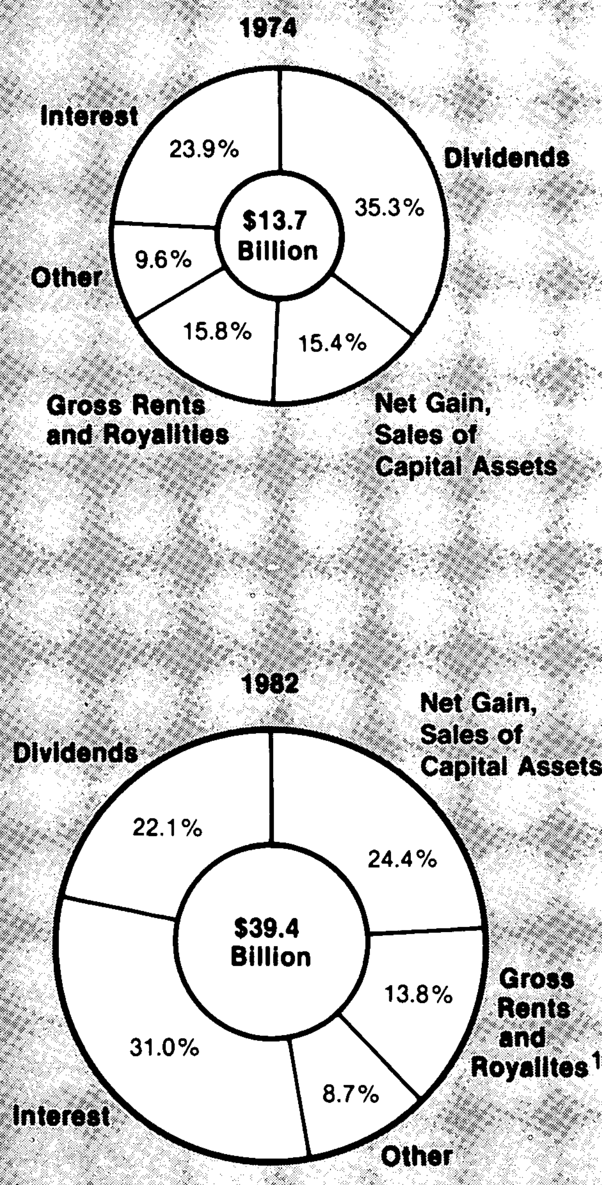
Item	1974	1982	Percentage increase
	(1)	(2)	(3)
Number of estates and trusts, total	1,258,116	1,631,645	29.7%
Estates	336,475	422,734	25.6
Trusts	921,641	1,208,911	31.2
Number of taxable estates and trusts, total	403,886	597,100	47.8
Estates	139,963	168,441	20.3
Trusts	263,923	428,659	62.4
Total income (less loss)	$13,737,886	$39,410,572[1]	186.9
Taxable income	2,403,040	7,353,461	206.0
Total tax	835,575	2,617,771	213.3

[1] Total income (less loss) from 1982 tax returns was $36,677,858,000. This figure includes net (rather than gross) rent and royalty income. To facilitate comparison with 1974, when gross rents and royalties were included in total income (less loss), total income for 1982 has been adjusted to include the gross amounts. See also footnote 1, Figure M.

NOTE: Grantor trusts are not included in these statistics. Year-to-year comparability is affected by tax law changes.

Figure M.

Income Reported on Fiduciary Income Tax Returns, 1974 and 1982



[1]To make data comparable between 1974 and 1982, depreciation, depletions and other expenses were added to the 1982 figures.

Figure M shows the changes in the major sources of estate or trust income for 1974 and 1982 as reported on fiduciary income tax returns (Forms 1041). Interest and net gains (less losses) from sales of capital assets increased sharply as percentages of total income, while dividends decreased correspondingly.

Future Plans in the Estate Tax and Personal Wealth Areas

The Statistics of Income Division is mounting a large research effort aimed at improving the quality and usefulness of estate tax data. Specific issues being addressed include the treatment of jointly-owned property, the special use valuation of certain business assets, the valuation of non-corporate business assets, and the timing of estate valuations. Projects which have already begun include a review of audited returns, among others.

Other plans will be implemented in the future. Consideration is being given to exploring the feasibility of retrieving a small sample of estate tax returns from years for which wealth estimates have been made so that valuation issues can be studied in detail. As a follow-up to the 1982 estate collation study, an extension of the tracking of the beneficiaries listed on the estate tax returns in the SOI sample is being considered. Beginning with 1986, the estate data file contains the name and social security number for each beneficiary. This will make it possible to trace individual income information for the beneficiaries over time. Additional analysis of matched income tax data and estate tax data is also planned in order to develop better estate tax multipliers (for use in wealth estimation techniques) that will be differentiated by wealth [38]. In addition, a study is needed to compare income and estate tax data for given individuals collected at several points in time in order to study and adjust for the decrease in wealth which often occurs around the time of death [39].

A cooperative effort of interested parties, including the IRS, Federal Reserve Board, Social Security Administration, and many academicians will, it is hoped, lead to significant advancements in the measurement of wealth and its distribution. The Statistics of Income Division, at the request of the Office of Tax Analysis, designed the high-income supplemental sample for the 1983 Survey of Consumer Finances used by the University of Michigan's Survey Research Center. Since then the Division has been closely involved with both the University of Michigan and the Federal Reserve Board in designing the methodologies employed in weighting the supplemental and the cross-sectional samples [40].

At this point in the evaluation of wealth data for 1982 based on estate tax returns and results of the 1983 Survey of Consumer Finances, it appears that the survey record and estate multiplier technique approaches to measuring wealth have distinct advantages and disadvantages. The goal should be to combine both methodologies in order to arrive at the best possible way of measuring wealth for the Nation as a whole. The Statistics of Income Division would like to utilize both survey data and administrative records for conducting a wealth study for 1989. In particular, the Division may again be involved in the design of the high-income supplemental sample for the 1989 Survey of Consumer Finances. If possible, the objective would be to arrive at a sample size of perhaps as many as 2,500 high-income individuals. From estate tax returns, plans are to improve the capture of information on assets held by trusts and closely-held businesses.

In order to develop a complete picture of wealth, plans are to examine closely the gift and trust behavior of wealthy individuals in both the high-income supplemental sample and the estate/personal wealth sample. To carry out this study, the gift tax returns filed by decedents before death and the gift tax returns filed by individuals in the supplemental sample will be examined. This will provide an insight into the relationship between wealth transferred inter vivos (during life) and that transferred by bequest (will). A trust study based on fiduciary income tax returns is also planned in conjunction with the supplemental high-income and estate samples. Trusts will be identified on estate returns and in the supplemental sample; copies of the fiduciary and related estate and gift tax returns will then be obtained. The objective is to examine the role and importance of trusts and the distribution of trust income in the overall wealth generation process.

The most significant change mandated by the Tax Reform Act of 1986 to the unified Federal estate and gift transfer tax system may be the revival of the generation-skipping transfer tax. This tax was originally established in 1976 to tax trusts which provided for the distribution of benefits to beneficiaries assigned to more than one generation. The new tax, which applied to transfers occurring after October 22, 1986, also covered direct gifts and bequests made to recipients at least two generations younger than the donor. Since generation-skipping transfer tax returns are filed with the estate tax return, a review will be made of these returns as part of the regular SOI estate tax study. An assessment will then be made of the impact of the new tax and of plans for future studies of it.

Finally, a compendium on wealth and wealth-related studies will be published in the fall of 1989. This compendium will contain, in one volume, results of all recent SOI studies conducted in those areas. The material will be composed chiefly of articles published in the *Statistics of Income Bulletin* and in the *Proceedings of the American Statistical Association*, along with facsimiles of the tax forms and instructions. Other research papers and previously unpublished articles and tables will also be included. In addition, efforts are underway to investigate how to release microdata files in such a way that the identity of the taxpayers is protected. Unpublished or special tabulations will continue to be available on a cost-reimbursable basis [41].

EXCISE TAX STUDIES

The Statistics of Income Division currently conducts two studies on excise taxes each year. One study is on the windfall profit tax, an excise tax on oil producers and royalty owners of crude oil. The other covers environmental taxes, which are imposed on crude oil and petroleum, certain chemicals, and hazardous wastes. The latter taxes are often referred to as the "Superfund taxes."

Total excise tax collections declined slightly from 1981 to 1985 as shown in Figure N. This fall was due primarily to the reduction in windfall profit tax revenue. Fiscal Year 1981 was the first full year that the windfall profit tax was collected. The revenues amounted to $16.9 billion, almost 42 percent of the year's total excise tax revenue of $40.4 billion. However, by Fiscal Year 1985, windfall profit tax revenues had fallen to approximately $5.1 billion (14 percent of the year's total excise taxes) because of reduced tax rates and lower crude oil prices. In contrast, environmental tax payments averaged only about $235 million annually from 1981 to 1985 [42].

Figure N.—Gross Excise Tax Collections By Type, Fiscal Years 1981 and 1985
(Billions of dollars)

Type of excise tax	Fiscal Year 1981	Fiscal Year 1985
Total	$40.4	$37.0
Alcohol taxes	5.7	5.4
Tobacco taxes	2.6	4.5
Gasoline taxes	4.0	9.1
Manufacturers' excise taxes (except gasoline)	2.1	0.9
Windfall profit tax	16.9	5.1
Environmental taxes	0.1	0.3
Retailers, special fuels and unclassified excise taxes	6.2	6.1
All other miscellaneous excise taxes	2.8	5.6

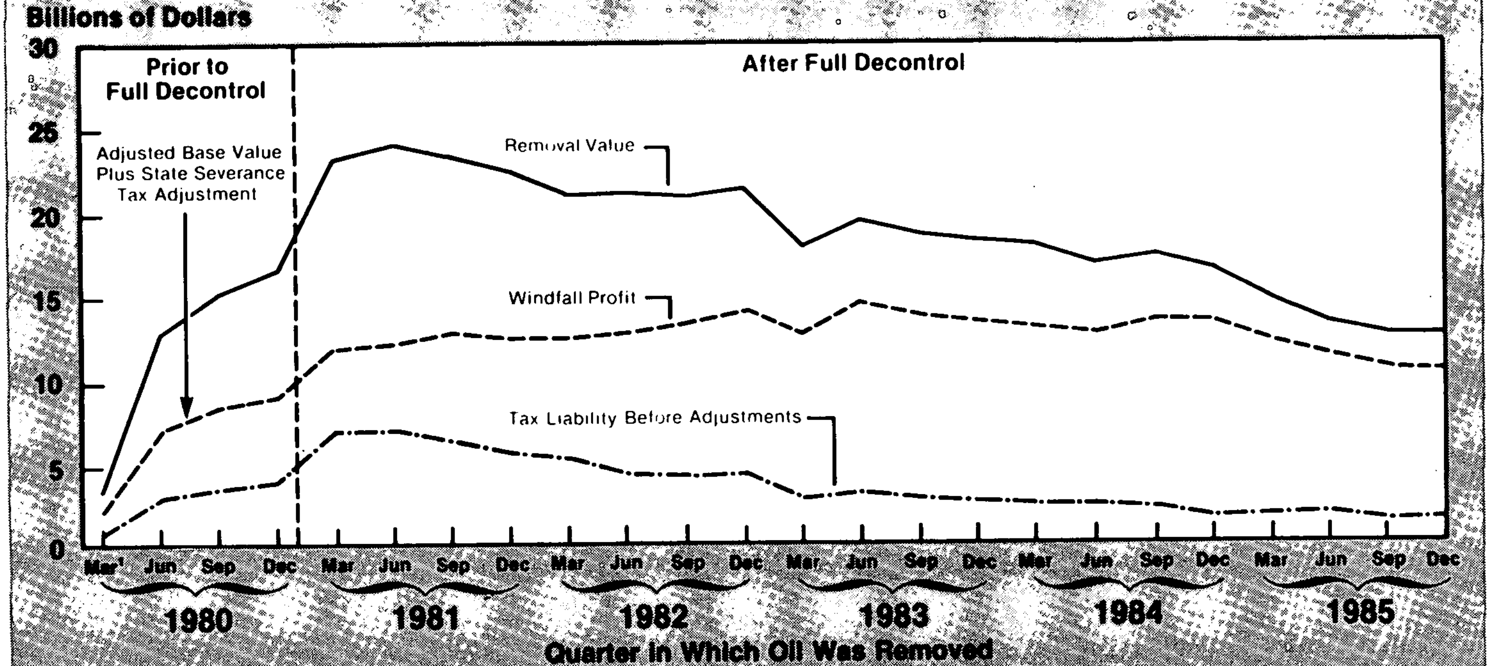
NOTE: Year-to-year comparability is affected by tax law changes.
SOURCE: U.S. Department of Treasury, Internal Revenue Service, *Annual Report, Commissioner and Chief Counsel, Internal Revenue Service.* See reports for Fiscal Years 1981 and 1985

Windfall Profit Tax

The Crude Oil Windfall Profit Tax Act of 1980 imposed a Federal excise tax on domestic crude oil extracted on or after March 1, 1980. The tax was enacted in response to the planned phaseout of Federal price controls on domestic crude oil. Congress mandated that the tax be temporary, with a 33-month gradual phaseout. This phaseout was to begin in January 1988 if $227.3 billion in net revenue had been realized by then; otherwise, it was to begin no later than January 1991.

The windfall profit tax is reported on the Quarterly Federal Excise Tax Return, Form 720, and Form 6047, Windfall Profit Tax, which is filed as an attachment to Form 720. SOI tabulations are based only on the population of Forms 6047 that show a tax liability. Therefore, since not all oil production is

Figure O.
Components of Windfall Profit Tax Liability Before Adjustments: Aggregate Values by Quarter in Which Oil Was Removed, 1980-1985



NOTE: Some returns report windfall profit tax liability only; therefore, data for removal value, adjusted base value and state severance tax adjustment have been adjusted to reflect totals as if all returns reported this detail.
[1]One month only.

taxable, total domestic production is somewhat understated in the statistics. The sample includes all returns with a tax liability before adjustments of $1 million or more and a 10-percent sample of returns with a tax liability less than $1 million.

As shown in Figure O, windfall profit tax before adjustments declined from a high of $7.2 billion for the quarter ending June 1981 to $1.2 billion for the quarter ending December 1985. This decline was principally a result of a decrease in the price of oil. Almost $84 billion in taxes before adjustments was reported during this period; the amount after adjustments was nearly $78 billion [43]. The data in Figure O are not altogether comparable with the data on windfall profit tax collections in Figure N because of the difference between the year in which the tax liability was incurred and the year in which the returns were filed, processed, and recorded on the IRS Business Master File, and also because tax in Figure N is after adjustments while tax in Figure O is before adjustments [44].

Environmental Excise Tax

The Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) called for the creation of a $1.6 billion Hazardous Substance Response Fund, commonly referred to as the Superfund. The initial law, which took effect on April 1, 1981, and expired on September 30, 1985, imposed an excise tax on the sale or use of petroleum and 42 chemicals. (The law was reinstated for 1987.)

In addition to the Superfund, CERCLA established the Post-closure Liability Trust Fund. This Fund was financed by the Hazardous Waste Tax, an excise tax which took effect on October 1, 1983, and was based on the receipt of hazardous waste at a qualified hazardous waste disposal facility.

Figure P shows that for the period from June 1981 to September 1985, approximately $1.2 billion in environmental taxes were reported to IRS. Two-thirds of the excise taxes were derived from the tax on petrochemicals, while 18 and 15 percent, respectively, were derived from the tax on inorganic chemicals and petroleum. Only 1.3 percent was derived from the tax on hazardous waste [45]. The tax rates for each chemical were formulated so that the tax liability would reflect the respective percentages in which the substances were found in the hazardous waste sites [46]. Again, the data in Figure P are not altogether comparable with the data in Figure N. Excise tax collections as reported on Form

720, are entered onto the IRS Business Master File (BMF) each quarter as the returns are received, regardless of tax period. Because the interval between the close of the tax period and the recording of the return onto the BMF often varies, the BMF totals may represent more than one taxable period.

Figure P.—Environmental Excise Taxes by Category, Tax Years 1981-1985
[Millions of dollars]

Tax year	Total [1]	Petro-chemicals	Inorganic chemicals	Petroleum	Hazardous waste [2]
	(1)	(2)	(3)	(4)	(5)
All years	$1,181.8	$780.6	$208.3	$176.2	$15.6
1981 [3]	198.8	131.4	36.2	31.2	—
1982	232.3	153.3	41.3	37.6	—
1983	258.8	173.3	44.8	38.7	1.8
1984	280.9	183.3	49.6	39.3	8.7
1985 [4]	210.0	139.3	36.4	29.4	5.0

[1] Includes taxes not allocable to a specific category. For this reason, and also because of rounding, detail will not add to totals.
[2] The Post-closure Liability Trust Fund Tax was levied on hazardous waste received at a qualified hazardous waste disposal facility. This tax did not go into effect until October 1, 1983.
[3] 1981 data are for quarters ending June through December 1981.
[4] 1985 data are for quarters ending March through September 1985.
NOTE: Year-to-year comparability is affected by tax law changes.

Future Plans in the Excise Tax Area

There has been renewed interest in recent years in excise taxes as a source of expanded revenue to help alleviate the Nation's budget deficit. Current plans are to continue the two existing excise tax studies and to mount one or two major new efforts.

While the environmental excise taxes (as imposed by CERCLA) on petroleum, chemicals, and hazardous wastes expired on September 30, 1985, a new Superfund Amendments and Reauthorization Act of 1986 reinstated some of these taxes. Effective after 1986, taxes on crude oil received at a U.S. refinery and petroleum products were reimposed at increased rates. In addition, the tax on taxable chemicals sold by producers, manufacturers, or importers was reimposed at prior rates, except that the tax on xylene was increased. After 1988, a new tax on certain imported taxable substances manufactured or produced from taxable chemicals will be imposed. Finally, for tax years beginning after 1986 and before 1992, a corporation is liable for an environmental excise tax equal to 0.12 percent of "the modified alternative minimum taxable income" in excess of $2 million.

Since the Tax Reform Act of 1986 did not affect the crude oil windfall profit tax, plans are to continue generating quarterly windfall profit tax statistics; however, the data will be published only once a year in the *Statistics of Income Bulletin*. The same will be true for statistical studies of environmental excise taxes. Plans are to continue producing quarterly tabulations which will be summarized once a year in the *Statistics of Income Bulletin*.

While current plans do not call for publishing a separate compendium or providing a special statistical service for excise taxes, unpublished tables or special tabulations are available on a cost-reimbursable basis [47].

NOTES AND REFERENCES

[1] These regularly conducted studies are listed and briefly described in Jamerson, Bettye, "New SOI Statistical Services, 1985-86," *Statistics of Income Bulletin*, Spring 1986, Volume 5, Number 4, pp. 1-8.

[2] Skelly, Daniel F., and Hobbs, James R., "Statistics of Income Studies of International Income and Taxes," *Statistics of Income Bulletin*, Fall 1986, Volume 6, Number 2, pp. 1-20.

[3] Skelly, Daniel F., *Statistics of Income—1974-1978, Private Foundations*, U.S. Department of Treasury, Internal Revenue Service, Washington, DC, 1981.

[4] See Petska, Thomas B., "An Examination of Private Foundations for 1979," *Statistics of Income Bulletin*, Fall 1982, Volume 2, Number 3, pp. 9-29.

[5] For an analysis of the 1982 study data, see Riley, Margaret, "Private Foundation Information Returns, 1982," *Statistics of Income Bulletin*, Fall 1985, Volume 5, Number 2, pp. 1-27. For a further discussion of the 1982 study results, see Riley, Margaret, "A Survey of Private Foundations," *Working Papers*, Independent Sector and The United Way Institute, 1986. (Certain data published for 1982 have been revised and are available upon request from the Director, Statistics of Income Division TR:S, Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, DC 20224.)

[6] The Statistics of Income Division will carry out annual studies of private foundations provided sufficient resources are available. Resource limitations caused the 1984 study to be cancelled.

[7] See Riley, Margaret, "A Private Foundation Profile for 1983," *Statistics of Income Bulletin*, Winter 1986-87, Volume 6, Number 3, pp. 11-24.

[8] For more detail about charitable and split-interest trusts, see Petska, Thomas B., "Charitable Trusts: An IRS Examination of Nonexempt Philanthropic Organizations," *1983 Proceedings of the American Statistical Association, Section on Survey Research Methods.*

[9] Hilgert, Cecelia, "Nonprofit Charitable Organizations, 1983," *Statistics of Income Bulletin*, Spring 1987, Volume 6, Number 4, pp. 31-42.

[10] Heuchan, Laura M., "Nonprofit Charitable Organizations, 1982," *Statistics of Income Bulletin*, Winter 1985-

86, Volume 5, Number 3, pp. 21–40..

[11] Sullivan, John, and Coleman, Michael, "Nonprofit Organizations, 1975–1978," *Statistics of Income Bulletin*, Fall 1981, Volume 1, Number 2, pp. 6–38.

[12] The Small Business Administration report concluded, among other things, that the traditional rationale for granting Federal tax-exempt status to nonprofit organizations was no longer applicable to many so-called "commercial" nonprofit groups established during the past 20 years. A commercial nonprofit organization was defined as one that receives little or no income from donations, but rather derives all or nearly all of its income from prices charged for the goods or services it produces. See U.S. Small Business Administration, Office of Advocacy, "Unfair Competition by Nonprofit Organizations with Small Business: An Issue for the 1980's," November 1983, pp. 1–16.

[13] Broaddus, Will, "Crying Foul," *Foundation News*, July/August 1984, The Council on Foundations, pp. 56, 57, and 61.

[14] See Statement of O. Donaldson Chapoton, former Deputy Assistant Secretary (Tax Policy), U.S. Department of the Treasury, before the Subcommittee on Oversight of the Committee on Ways and Means, U.S. House of Representatives, June 22, 1987.

[15] Scheuren, Fritz J., *Statistics of Income—1963, Farmers' Cooperative Income Tax Returns*, U.S. Department of Treasury, Internal Revenue Service, Washington, DC, 1966.

[16] See Clark, Phillip, "Private Activity Tax-Exempt Bonds, 1985," *Statistics of Income Bulletin*, Spring 1987, Volume 6, Number 4, pp. 31–43.

[17] See Clark, Phillip, "Private Activity Tax-Exempt Bonds, 1985," *Statistics of Income Bulletin*, Spring 1987, Volume 6, Number 4, pp. 31–43; "Private Activity Tax-Exempt Bonds, 1984", *Statistics of Income Bulletin*, Winter 1985-86, Volume 5, Number 3, pp. 55–64; and "Private Activity Tax-Exempt Bonds, 1983", *Statistics of Income Bulletin*, Summer 1984, Volume 4, Number 1, pp. 97–108.

[18] Chiechi, Carolyn P., Atkinson, Robert E., Jr., and Galston, Marian, "Impact of the 1986 Tax Reform Act on Exempt Organizations," *Journal of Taxation*, June 1987, pp. 344–351.

[19] Requests for these tabulations should be sent to the Director, Statistics of Income Division, TR:S, Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, DC 20224.

[20] Most returns filed in 1977 were for taxpayers who died in 1976, when a return had to be filed by the executor of an estate if the value of the gross estate at time of death exceeded $60,000. Estimates for 1985 were for decedents with gross estate of $300,000 or greater. Most returns filed in 1985 were for decedents who died the previous year when the filing requirement was $325,000. A small number of returns filed in 1985 were for decedents who died in 1983 when the filing requirement was $275,000. Thus, a small number of returns filed in 1985 for decedents with less than $300,000 of gross estate are not included in estimates for that year.

[21] Marley, Marcia, and Wolff, Edward N., "Long-term Trends in U.S Wealth Inequality: Methodological Issues and Results," paper presented at the National Bureau of Economic Research Conference on Research on Income and Wealth, March 1987.

[22] See Bentz, Mary F., "Estate Tax Returns, 1983," *Statistics of Income Bulletin*, Fall 1984, Volume 4, Number 2, pp. 1–12.

[23] In addition, a U.S. estate tax return (Form 706 NA) must be filed by the personal representative of a nonresident alien's estate if the value of the decedent's gross estate located in the United States exceeded $60,000 at the date of death. A nonresident alien decedent is an individual whose domicile at the time of death was not within the United States and who was not a U.S. citizen. Returns were filed on behalf of 169 nonresident aliens who died in 1982 whose estates exceeded $60,000. For more detail, see Sutton, Bill, and Hobbs, James, "U.S. Estate Tax Returns of Nonresident Aliens, 1983" *Statistics of Income Compendium of Studies of International Income and Taxes, 1979–1983*, Washington, DC, 1985, pp. 437–442.

[24] See Scheuren, Fritz, *Statistics of Income—1962, Personal Wealth Estimated from Estate Tax Returns.* This report includes detailed explanations of personal wealth terminology, as well as of the statistical technique (the "estate multiplier") used to derive estimates of personal wealth of certain segments of the living population based on estate tax return data. Other separate reports were also published on this topic. See Crossed, Charles, *Statistics of Income—1969, Personal Wealth Estimated from Estate Tax Returns* and Gilmour, Keith, *Statistics of Income—1972, Personal Wealth Estimated from Estate Tax Returns.*

[25] See Gilmour, Keith, and Schwartz, Marvin, "Changes in the Composition and Concentration of Personal Wealth in the United States," *1983 Proceedings of the American Statistical Association, Section on Survey Research Methods*, and Schwartz, Marvin, "Trends in

Personal Wealth, 1976–1981," *Statistics of Income Bulletin*, Summer 1983, Volume 3, Number 1, pp. 1–26. These two articles present an analysis of the 1976 and preliminary 1981 personal wealth data.

[26] McCubbin, Janet, and Scheuren, Fritz, "Piecing Together Personal Wealth Distributions," *1987 Proceedings of the American Statistical Association, Section on Survey Research Methods*. Also available in *Statistics of Income and Related Administrative Record Research: 1986–1987*, U.S. Department of the Treasury, Internal Revenue Service, 1987.

[27] Schwartz, Marvin, "Preliminary Estimates of Personal Wealth, 1982: Composition of Assets," *Statistics of Income Bulletin*, Winter 1984-85, Volume 4, Number 3, pp. 1–18. For additional information, see also Schwartz, Marvin, "Trends in Personal Wealth, 1976–1981," *Statistics of Income Bulletin*, Summer 1983, Volume 3, Number 1, pp. 1-26.

[28] Schwartz, Marvin, "Further Estimates of Personal Wealth in the United States Using the Estate Multiplier Technique," *1987 Proceedings of the American Statistical Association, Section on Survey Research Methods*. Also available in *Statistics of Income and Related Administrative Research: 1986–1987*, U.S. Department of the Treasury, Internal Revenue Service, 1987.

[29] More detailed results of the personal wealth estimates for 1982 based on estate tax returns classified by year of death and filed in 1982–1984 will be published in the fall of 1989 in the *Statistics of Income Compendium on Wealth and Wealth-Related Studies*. The one-volume compendium will be composed chiefly of articles published in the *Statistics of Income Bulletin* and in Proceedings of the American Statistical Association.

[30] McCubbin, Janet, "Improving Wealth Estimates Derived From Estate Tax Data," *1987 Proceedings of the American Statistical Association, Section on Survey Research Methods*. Also available in *Statistics of Income and Related Administrative Record Research; 1986–1987*, U.S. Department of the Treasury, Internal Revenue Service, 1987.

[31] Data on wealth have recently become available from the 1983 Survey of Consumer Finances. This study was jointly sponsored by the Board of Governors of the Federal Reserve System and six other Federal agencies (including the Internal Revenue Service). For further information, see Avery, Robert B., Elliehausen, Gregory E., Canner, Glenn B., and Gustafson, Thomas A., "Survey of Consumer Finances, 1983," *Federal Reserve Bulletin*, September 1984, pp. 679–692; and December 1984, pp. 857-868. See also McCubbin, Janet, and Scheuren, Fritz, "Piecing Together Personal Wealth Distributions," op. cit., 1987, where issues of comparability are covered.

[32] For a description of the plans for the creation and future use of a linked intergenerational estate tax return archive, see Bentz, Mary, "The Intergenerational Wealth Study: Prospects for Data Analysis and Methodological Research," *Multi-National Tax Modelling Symposium Proceedings*, Revenue Canada Taxation, 1985.

[33] Lampman, Robert J., *The Share of Top Wealthholders in National Wealth*, 1922–56, Princeton University Press, 1962; and Mendershausen, Horst, "The Pattern of Estate Tax Wealth," Volume III, *A Study of Savings in the United States*, ed. Raymond D. Goldsmith, Princeton University Press, 1956.

[34] Medve, Kathy, "Estate Tax Returns Revisited, 1916–31," *Statistics of Income Bulletin*, Spring 1987, Volume 6, Number 4, pp. 51–58, and "The Intergenerational Wealth Study: Preliminary Findings and Future Plans," *1987 Proceedings of the American Statistical Association, Section on Survey Research Methods*. Also available in *Statistics of Income and Related Administrative Record Research: 1986–1987*, U.S. Department of the Treasury, Internal Revenue Service, 1987.

[35] Steuerle, C. Eugene, "The Relationship Between Realized Income and Wealth," *Statistics of Income Bulletin*, Spring 1983, Volume 2, Number 4, pp. 29–34.

[36] Greenwood, Daphne, "Rates of Return Realized on Financial Assets: An Empirical Analysis," unpublished paper prepared for the Statistics of Income Division, 1984.

[37] Estep, Gary J., "Fiduciary Income Tax Returns, 1982," *Statistics of Income Bulletin*, Spring 1985, Volume 4, Number 4, pp. 39–59.

[38] Scheuren, Frederick, "Historical Perspectives on IRS Wealth Estimates With Prospectives for Improvements," paper presented at the May 2, 1975, National Bureau of Economic Research Workshop on Estate Multiplier Estimates, May 2, 1975.

[39] Caldwell, Steven, and Diamond, Theodore, "Income Differentials in Mortality: Preliminary Results Based on IRS-SSA Linked Data," *Statistical Uses of Administrative Records: Recent Research and Present Prospects*, U.S. Department of Treasury, Internal Revenue Service, July 1984; pp. 539–547.

[40] Heeringa, Steven G., and Curtin, Richard T., "Household Income and Wealth: Sample Design and Estimation for the 1983 Survey of Consumer Finances," *1987*

Proceedings of the American Statistical Association, Social Statistics Section. Also available in *Statistics of Income and Related Administrative Record Research: 1986-1987,* U.S. Department of the Treasury, Internal Revenue Service, 1987.

[41] See footnote 19.

[42] For more detail on excise taxes reported, see U.S. Department of the Treasury, Internal Revenue Service, *Annual Report, Commissioner and Chief Counsel, Internal Revenue Service,* for each fiscal year, 1981-1985.

[43] Adjustments amounted to $6.0 billion since the Crude Oil Windfall Profit Tax Act was enacted on March 1, 1980. These adjustments were corrections to the windfall profit tax liability for over- and under-withholding in previous quarters and corrections to the tax liability because the net income limitation (limits the windfall profit to 90 percent of the net income per barrel of oil).

[44] For more detail on the oil volume, removal value, adjustments, type of oil, tax liability, data sources and limitations, see Chung, Edward, "Crude Oil Windfall Profit Tax, 1985", *Statistics of Income Bulletin,* Fall 1986, Volume 6, Number 2, pp. 88-89. Additional quarterly statistics on the windfall profit tax were shown in each issue of the *Statistics of Income Bulletin,* beginning with the Fall 1981 issue and ending with the Fall 1986 issue. Annual totals will continue to be published in the *Statistics of Income Bulletin.* Data for 1986 will be published in the Spring 1988 issue.

[45] For more detail, see Belal, Rashida, "Environmental Taxes, 1981-1985", *Statistics of Income Bulletin,* Spring 1987, Volume 6, Number 4, pp. 31-42.

[46] U.S. Senate, *Report of the Committee of Finance on S.51,* Report 99-73, May 23, 1985.

[47] See footnote 19.

EXHIBIT 1.—Programs for Selected Domestic Special Studies:
Current and Planned Studies

Project	Sample size and scope of study	Frequency and content
	Part I - TAX-EXEMPT ORGANIZATIONS STUDIES	
Private Foundations	The sample for 1985 is approximately 1,800 returns selected from an estimated population of 30,000. The sample will increase in stages to about 5,000 returns for 1989 selected from an estimated population of about 36,000.	This study is to be conducted annually and includes tabulations of various data from the balance sheet and income statement. The last complete study was for 1983. The next study, for 1985, should be completed by the end of 1988.
Charitable and Split-Interest Trusts	The sample size for 1989 is expected to be approximately 6,000 returns selected from a population estimated at approximately 35,000 for both types of trusts.	This is a periodic study to be done at least every 3 years. The next study, planned for Tax Year 1989, will include primarily balance sheet and income statement information.
Nonprofit Charitable Organizations and "Other" Tax-Exempt Organizations (filing Form 990)	The stratified sample for 1985 will be approximately 5,500 returns selected from an estimated population of approximately 100,000. The sample will be increased to about 8,000 for 1987. For 1988 the sample will be expanded to about 35,000 returns and will represent all section 501(c) organizations (estimated at about 280,000 returns).	This study is to be conducted annually beginning with Tax Year 1985 data. It includes tabulations of balance sheets and and income statements for only those organizations classified as tax-exempt under section 501(c)(3) of the Internal Revenue Code. However, for Tax Year 1988, the study will be expanded to include all 501(c) organizations. The next study, for 1985, should be completed in the spring of 1989.
Exempt Organizations' Unrelated Business Income	The sample size will be approximately 5,000 returns selected from a population estimated at 27,000.	This is planned as an annual study. The first study, for Tax Year 1987, will be published in 1989 and will include tabulations of exempt organizations' unrelated business income and deductions. Plans are to link this file with the Form 990 file of organizations tax-exempt under section 501(c).

EXHIBIT 1.—Programs for Selected Domestic Special Studies: Current and Planned Studies (Continued)

Project	Sample size and scope of study	Frequency and content
	Part I - TAX-EXEMPT ORGANIZATIONS STUDIES (Continued)	
Private Foundation Grant-Administrative Expenses	The sample will include approximately 800 private foundation returns for Tax Year 1985 selected from a population of about 30,000 returns.	This is a one-time study mandated by Congress in the Tax Reform Act of 1984 to assess the impact of current provisions of the Internal Revenue Code. Results will be provided to the Office of Tax Analysis for its report to Congress in 1990.
Farmers' Cooperatives	The sample will include all of the approximately 6,000 exempt and nonexempt farmers' cooperative returns.	This is a periodic study planned for every 3 years. The next farmers' cooperative study is planned for 1992. The last complete study was for Tax Year 1977; results of the 1977 study will be published in the SOI Exempt Organization Compendium in the fall, 1988.
Tax-Exempt Private Activity Bonds	The sample will include all of the approximately 7,000 information returns for private activity bond issues filed for 1986. The population is expected to increase in 1987 when information on public-purpose bonds will be required for the first time.	This is an annual study providing information on industrial development bonds, private exempt entity bonds, student loan bonds, and qualified mortgage bonds, by industry, type of property financed, size of face amount, and State. Starting in 1987, information on public-purpose bonds will also be available. The next study of private activity bonds, for Tax Year 1986, will be completed in the spring, 1988.

EXHIBIT 1.—Programs for Selected Domestic Special Studies: Current and Planned Studies (Continued)

Project	Sample size and scope of study	Frequency and content
	Part II - ESTATE TAX AND WEALTH STUDIES	
Estate Tax	The 1989 estate study will include a sample of approximately 18,000 estate returns selected over a 3-year period. The sample for 1986 will be approximately 4,500 returns selected from an estimated population of 62,000; the sample for 1987 will be about 9,500 returns selected from an estimated population of 35,000 returns; and for 1988, a sample of 3,500 returns will be selected from an estimated population of about 35,000 returns.	Basic data from estate tax returns are produced annually by year in which returns are filed. This report includes tabulations of gross estate and its composition, deductions, and tax, as well as information on age, sex, and marital status of decedents. Other statistics will be available on a year-of-death basis (approximately every 3 years). The most recent estate tax data available are for returns filed in 1985. Final data for returns filed in 1986 will be available in the summer, 1988.
Personal Wealth Estimates	This study is a by-product of the estate study. The sample for the 1982 study includes estate tax returns of decedents with year of death 1982 filed in 1982–1984. The sample is augmented with returns filed in 1982–1984 for decedents with gross estates of $5 million or more and decedents under 45 years of age regardless of year of death.	This is a periodic study done every 3 or 4 years. It includes estimates of personal wealth based on estate tax return data, using the "estate multiplier" technique and both the filing year and year-of-death estate data bases. The most recent data available are based on returns filed in 1983. Final personal wealth estimates based on individuals who died in 1982 will be available in the spring, 1988.

EXHIBIT 1.—Programs for Selected Domestic Special Studies: Current and Planned Studies (Continued)

Project	Sample size and scope of study	Frequency and content
	Part II - ESTATE TAX AND WEALTH STUDIES (Continued)	
Intergenerational Wealth Transfers	The sample includes all estate tax returns filed between 1916 and 1945. For the post-1945 studies, the sample will be based on an artificial filing threshold.	This is a one-time study focusing on the changes in the concentration of wealth and on the intergenerational transfer of wealth, as well as on the history of the estate tax. Asset composition, demographic information, and an analysis of the beneficiaries of the estates will be emphasized. Selected information about wealth concentration from the first phase of this study (1916–31) was published in the Spring 1987 issue of the *Statistics of Income Bulletin*. Results of the next phase (1932–45) are planned for publication in 1989.
Estate Collation	The sample includes estate returns with year of death 1982 filed in 1982 or 1983 with gross estate of $1 million or more.	This periodic study provides a means of examining the relationship between personal income and wealth. Information from the estate tax return is associated with income tax return data. Realized rates of return are produced based on correlating information from the estate return with data from income tax returns. The most recent study was for 1982 decedents. The next study is planned for 1989 decedents.
Fiduciary Income Tax	The sample for the 1989 study of fiduciary income tax returns will be approximately 1,000 returns.	This study is periodic, covering data on estate and trust income, deductions, and taxes. The last complete study was for Tax Year 1982. The next study is planned for 1989, to coincide with the 1989 estate study.

EXHIBIT 1.—Programs for Selected Domestic Special Studies: Current and Planned Studies (Continued)

Project	Sample size and scope of study	Frequency and content
	Part III - EXCISE TAX STUDIES	
Gift Tax	The sample for the 1989 study of gift taxes will be approximately 3,000 returns.	This study is a periodic study covering data on the types of gifts, deductions, and taxes. The last complete study was for 1965. The next study is planned for 1989, to coincide with the 1989 estate study.
Windfall Profit Tax	The sample for Filing Year 1985 was approximately 75 returns per quarter, consisting of all returns with a tax liability of $1 million or more and a 10-percent sample of all other returns.	Detailed information is published annually on numbers of barrels of oil, removal value, adjusted base value, and the tax, by type and oil "tier" for first purchasers of oil. The last complete study was for oil removed in 1985. The next complete study, for oil removed in 1986, will be available in the spring, 1988.
Environmental Excise Tax	The sample for Filing Year 1985 included all environmental tax forms filed, or approximately 400 each quarter.	This study is published annually and summarizes environmental excise tax data from the quarter ended June 1981, the first quarter the tax was in effect, to the present. It includes data on environmental taxes by source and by type of substance. The most recent study was for 1985. Another study is planned for taxes beginning with 1987 as authorized by the Superfund Amendments and Reauthorization Act of 1986. The next complete study, for Filing Year 1987 returns, will be available in the winter, 1988.

DATA COLLECTION PLANS FOR THE NONPROFIT SECTOR: WHAT DO WE NEED TO KNOW?

by

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Prepared for the 1988 Spring Research Forum
"Looking Forward to the Year 2000:
Public Policy and Philanthropy"

San Francisco, California
March 17-18, 1988

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1. Introduction: The Need for Better Data

An increased demand for data on the nonprofit sector has come from various sources in recent years. Nonprofit sector leaders, faced with declining government support and tax law changes which reduce the tax advantages to giving, require data that will allow them to more effectively target donors, while pursuing other sources of revenue, such as sales. In addition, Congress is confronting increasingly controversial policy issues regarding the nonprofit sector, such as the proper tax treatment of nonprofit commercial activities and limits on lobbying by nonprofit organizations. Third, the Internal Revenue Service is examining ways to facilitate administration of tax laws with respect to nonprofits. Finally, academic researchers--economists, lawyers, political scientists, sociologists and others--have shown an increased interest in the behavior of the nonprofit sector. All of these groups have been frustrated with the lack of a reliable and comprehensive data base for nonprofit organizations.

The need for improved data on the part of policy analysts is perhaps most clear in the case of the unrelated business income tax (UBIT). House Ways and Means Committee hearings in June and July 1987 focused on potential tax law changes to limit the extent of competition from nonprofits in activities traditionally carried out by for-profit firms. However, it is difficult to evaluate such changes without basic descriptive information, such as the extent and types of commercial activities engaged in by various categories of exempt organizations, or the number of nonprofits with for-profit subsidiaries.

Both Congress and the Treasury Department have been frustrated by the lack of information available. In testimony before the Ways and Means Committee, Assistant Treasury Secretary for Tax Policy O. Donaldson Chapoton stated that "the lack of detailed information about the exempt sector prevents us from fully evaluating changes that may appear appropriate from a purely theoretical or conceptual standpoint." 1/ Ways and Mean Oversight Subcommitte Chairman Pickle echoed this sentiment, saying that "it is clear we need better information regarding compliance and enforcement of the UBIT." 2/

The need for improved data has been made apparent in other policy contexts as well. For instance, during Senate Finance Committee hearings on the tax treatment of foundations, questions on the assets, income and expenses of foundations were forced to go largely unanswered. Recent restrictions on lobbying by nonprofit organizations also makes it imperative that a reliable data base on nonprofit expenditures be made available.

Investigation by the House Ways and Means Subcommittee on Oversight concluded that "the IRS isn't set up to identify lobbying or political activities violations very systematically, nor to act on allegations of misconduct in a timely manner.....While the Form 990 is quite lengthy, it is not very helpful to the IRS as an audit tool, nor very helpful to the public as a document disclosing actual tax-exempt lobbying or political activities." 3/

At an even more basic level, our lack of understanding of the behavior of nonprofit organizations in general greatly limits our ability to make policy prescriptions. Such understanding is dependent on the availability of extensive, reliable data. Simply assuming that nonprofits will respond to policy changes in the same manner as would for-profit firms is probably not satisfactory.

Finally, the difficulty involved in the administration of tax laws can also be illustrated by the UBIT. Only slightly more than 26,000 exempt organizations filed Form 990-T returns for unrelated business income in 1985, and the total tax revenue raised from the UBIT came to less than $40 million. (This compares to gross receipts of exempt organizations of over $250 billion in 1985.) It seems likely that a significant amount of unrelated income goes unreported by exempt organizations. Last year, the IRS randomly audited 3,000 Form 990-T returns, and found that one-third had deficiencies of between 30 and 50 percent. 4/ These audits were based solely on information supplied on the Form 990; there is no independent audit program for the Form 990-T. Improved data collection would allow the exempt organization examination personnel to develop a more systematic approach to selecting exempt organization returns for audit.

The remainder of this paper describes the data collection plans of the Statistics of Income (SOI) Division of the Internal Revenue Service. We begin, in Section 2, by decribing the statistical studies undertaken by SOI in recent years. In Section 3, we discuss potential expansion of and improvements in data collection and analysis. Finally, we propose changes in the tax forms filed by nonprofit organizations in Section 4.

2. The Curent Data Collection Program

The IRS has two methods of data collection in the tax-exempt area. First, some data are gathered from the population of all exempt organization returns. These data are processed for administrative purposes to a master file of records. While most information from the income statement is captured, only a few items from the balance sheet are gathered. The information on this master file is subject to only limited testing, so that its quality is questionable.

Second, the Statistics of Income Division of IRS has conducted a number of studies of exempt organizations in recent years, all based on samples of returns. All income statement, balance sheet and other financial data as well as most of the non-financial information on the exempt returns are collected for SOI studies. These data are subject to detailed testing and error correction procedures to ensure that the data are of high quality. These data are, therefore, appropriate for analytical purposes.

SOI conducted studies of private foundations in 1974, 1979, 1982 and 1983. Nonprofit charitable organizations--those exempt under 501(c)(3) other than private foundations--were studied in both 1982 and 1983. A study of all organizations exempt under Section 501(c) was conducted in 1975. In 1984, planned studies of nonprofit charitable organizations were cancelled due to budgetary constraints. These studies have been restarted for 1985 and it is hoped that they will be continued on an annual basis. A study of tax-exempt farmers' cooperatives was conducted (in conjunction with the Department of Agriculture) in 1977. Finally, non-exempt charitable trusts and split-interest trusts were analyzed in 1979.

Selected Results from Past Studies

The 1983 Nonprofit Charitable Organizations Study was based on a random sample of 1983 unaudited information returns (Form 990) stratified by asset level. 5/ Returns reporting $10 million or more in assets were selected at a rate of 100%, while smaller organizations were sampled at declining rates. Resource constraints necessitated a small sample of approximately 5,000 returns. Despite this relatively small size, the study provided much information of interest to nonprofit sector leaders, policy-makers and academicians alike.

One general result of the 1983 study is the heavy reliance that nonprofit charitable organizations have on program service revenue, as opposed to contributions from either private donors or government. In 1983, program service revenue accounted for an estimated $147.5 billion, or two-thirds of total nonprofit sector revenue. Some of this represents revenues from activities in which nonprofits compete with for-profit firms, and such competition has been of increased concern to policy-makers as well as to leaders of the small business community.

The importance of various revenue sources varies by size of organization. Charitable organizations with less than $100,000 of assets relied on contributions for 65 percent of their total revenues, while contributions accounted for only 12 percent of the revenues of organizations with more than $50 million of assets. For hospitals, which represented almost half of total assets in the sample, contributions make up only 2 percent of revenues. On average, contributions accounted for 21 percent of total revenues of 501(c)(3) organizations. Of those contributions, 47 percent came from government grants, up from 46 percent in the 1982 study. Thus, even in the light of cutbacks in federal support for social welfare programs, the government continues to be a major source of revenue for charitable groups.

The 1983 Private Foundations Study indicates that revenue for these organizations increased by 78 percent over 1982, due largely to a dramatic increase in the sale of capital assets. In total, an estimated 29,863 foundations spent $5.2 billion for charitable purposes in 1983, with 85 percent of this being grants to other tax-exempt organizations. Approximately 80 percent of all nonoperating foundations made qualifying contributions equal to or in excess of the minimum required by law.

Given this type of information, one can begin to piece together a picture of the nonprofit sector. However, the statistical studies, despite their high quality, have had a number of shortcomings. First, as noted, samples have been quite small. This is a problem in particular for analyzing subgroups, such as particular nonprofit industries. In addition, samples have been stratified by the assets of the organization. Thus, they tend to provide more reliable information for large than small organizations. Stratifying by assets has also had the effect of oversampling hospitals and universities. Previous samples have also typically been narrow in their focus. SOI studies have primarily focused on 501(c)(3) organizations. There has not been a study of all 501(c) nonprofits since 1975. This has not been due to a lack of interest in the other types of exempt organizations; rather, SOI has been constrained by the limited financial resources available to the exempt statistical program. Finally, studies have not been carried out on a regular basis. Thus, it has not been possible to develop a reliable time series data base for many variables of interest. In addition, it has not been possible to follow organizations over time, in order to construct a panel of data.

The proposed improvements in data collection and nonprofit tax form design aim to address these shortcomings. We turn first to the proposals for improved data collection.

3. An Improved Data Collection Program

An improvement in the data collection program for exempt organizations could proceed either by expanding the scope of information captured from all returns for the master file or by enhancing the statistical program. The former approach, however, would be prohibitive in cost. This approach would also suffer from the problem that master file data are not as reliable as one would like. A study of the master file data, with SOI data as the quality standard, indicated that approximately 50 percent of the records contained at least one error. This would greatly limit the usefulness for either tax administration or policy analysis of an expanded master file.

An expansion and reorientation of the exempt organization statistical program would be preferable. It would be far more useful to have a complete and reliable data set for a significant, scientifically designed sample of exempt organizations than a set of questionable data on a more limited number of items for the population of all such organizations.

The Statistics of Income Division and the Office of Tax Analysis have proposed the following improvements in the data collection program:

o Studies of private foundations and nonprofit charitable organizations would be conducted on an annual basis.

Conducting these studies on an annual basis would allow the development of a panel of data which would be of great use in learning about the behavior of exempt organizations. Annual studies would allow SOI to estimate changes over time in certain key variables not currently available from the master file. This would enable us to learn how the role of foundations and other nonprofit organizations has been changing, whether the importance of various revenue sources--such as commercial activities--has been changing in systematic ways, etc.

o Sample sizes for both the private foundation and nonprofit charitable organization studies would be increased. The private foundation sample would increase from 1,700 returns for Tax Year 1985 to 5,000 for Tax Year 1989 and beyond. The sample of nonprofit charitable organizations will grow from 5,000 returns to 35,000 by Tax Year 1988. (See Attachment for details.) Larger samples would be of particular use for examining subsectors of the nonprofit sector, and for generating reliable data on small organizations.

o Sample selection criteria would be changed. Stratifying the sample by assets leads to an over-representation of hospitals and universities. We have proposed to stratify the sample based on receipts and subsection code as well as assets.

o Beginning with Tax Year 1988, the exempt organization study would be expanded to include all 501(c) organizations, rather than just 501(c)(3) charities. This would allow us to get a far more complete picture of the nonprofit sector. Many of the most pressing policy issues involve other than c(3) organizations. For instance many nonprofits that apparently receive significant amounts of commercial, and potentially unrelated, income, such as trade associations are not c(3) organizations.

o The study of exempt organization unrelated business income (Form 990-T), which is being conducted for the first time for 1987, would be conducted annually. This will remain an area of interest for some time to come. Annual studies of the Form 990-T returns would allow matching of these returns with the organizations' Form 990 returns. Basic questions could then be answered, such as what sorts of nonprofit firms are most likely to engage in unrelated business activities.

o Studies of farmer's cooperatives, charitable and split-interest trusts and exempt organization excise taxes would be conducted at least once every three years.

A proposed timetable for the completion of these proposed studies is included as part of the Attachment.

4. Improvements in Nonprofit Tax Forms

For the data collection improvements just described to be of maximum benefit, it must be ensured that the data that are of greatest interest are available from the tax forms filed by exempt organizations. At the same time, we must be careful not to make reporting requirements onerous for nonprofit organizations, particularly smaller ones. The following changes in those forms have been recommended:

o Activity codes would be added to Forms 990 and 990-PF. These activities should be self-coded by the exempt organization and should be based on the system of classification developed by the Independent Sector. In addition to the activity codes, a written description of the principal activity should be required, and the organization should be asked to indicate whether its activities have changed from the previous year.

This addition will provide a more complete description of what an organization does, allowing greater disaggregation of the nonprofit sector. The disaggregation would improve our ability to target samples in areas of particular interest. In addition, it would enable us to better understand the forces that lead a nonprofit to change its primary activity.

o Unrelated business activity codes from the Form 990-T would be abstracted from the master file system. This would enable us to match organizations' Form 990 activity codes with their unrelated business codes, thus identifying common combinations of activities. We could, for instance, determine whether there are large numbers of universities in publishing, hospitals with drug stores, etc. It is likely that there are a small number of exempt/unrelated activity combinations which dominate the picture. The matched data would also aid in understanding the behavior of nonprofits engaged in unrelated activities.

o A new schedule would be added to the Form 990, for summary information from for-profit subsidiaries and other nonprofits to be provided. Much of the income earned by nonprofits from unrelated activities is earned by for-profit subsidiaries, and there are important and difficult issues of cost allocation between exempt and for-profit activities. Additional information regarding affiliation with other nonprofits would be of use in understanding lobbying and political activities.

o A new schedule could be added for transactions between exempts and their controlled organizations.

o Some reporting should be required of commercial activities of nonprofits that are claimed to be related to their exempt purpose. Much of the recent concern over "unfair competition" involves activities the income from which never appears on a Form 990-T. Taking a broader view, by monitoring all commercial activities of nonprofits--whether currently considered unrelated or not--would allow more effective auditing of nonprofits, particularly those not filing a Form 990-T. At present, only the commercial activites of exempt organizations that file a Form 990-T are audited.

It is important to separate sales to individuals of non-program related goods or services from both sales of program-related goods and services to individuals and sales to government via purchases-of-service contracts. Sales of non-program goods and services should be included in a broad measure of commercial, though not necessarily legally "unrelated," activities. Part 1, line 10a, of the current Form 990 "Gross sales minus returns and allowances" attempts to pick up legally related commercial activities, while program revenues, from government or individuals, is meant to be recorded on line 2. The distinction between commercial and program-related sales should be made clear in the instructions for the 990. In addition, it would be desirable to have separate lines for program service revenue from individuals and program service revenue from government. Government purchases of service are more like contributions or grants, in that a third party (here the government) finances some service provided to a client.

o The possibilty of separate schedules added to Schedule A of Form 990 for universities and hospitals should be considered. These types of nonprofits have been the focus of much of the controversy regarding unrelated business income. The advantage of having separate schedules is that the organizations could be asked about specific commercial activities. For instance, on the university tax return, the organization could be asked whether it operated a travel service, bookstore, etc.

Footnotes

1/ House Ways and Means Subcommittee on Oversight hearing, June 22, 1987.

2/ Letter from Oversight Subcommittee Chairman Pickle to Ways and Means Committee Chairman Rostenkowski, July 17, 1987, cited in Daily Tax Report, July 23, 1987, G-3.

3/ House Ways and Means Subcommittee on Oversight hearing, March 12, 1987.

4/ According to Howard Schoenfeld of IRS, at the IRS Commissioner's Advisory Group on Exempt Organizations meeting, September 16, 1987.

5/For details, see Cecilia Hilgert, "Nonprofit Charitable Organizations, 1983," Statistics of Income Bulletin, 1983, p.36.

Attachment

SOI Studies of Tax Exempt Organizations: Measures of Population, Sample, Completion Dates, and Cost Estimates by Tax Year

	1985	1986	1987	1988	1989	1990	1991	1992
Organizations Exempt From Income Tax (Form 990)								
Population	100,000 1/	107,000 1/	115,000 1/	353,100 2/	359,500 2/	365,900 2/	372,200 2/	378,300 2/
Sample	5,500	5,500	8,000	35,000	35,000	36,000	36,500	37,000
Data Capture								
Start	1/88	11/88	11/89	3/90	3/91	3/92	3/93	3/94
Finish	12/88	10/89	3/91	8/91	8/92	8/93	8/94	8/95
Tape and Tabulations	3/89	1/90	6/91	11/91	11/92	11/93	11/94	11/95
Staff Years	8.7	8.7	11.5	23.8	25.0	25.0	25.0	25.0
$ Amount	$270,000	$270,000	$355,000	$735,000	$770,000	$780,000	$790,000	$800,00
Private Foundations (Form 990PF)								
Population	29,300	29,000	30,000	30,400	30,700	31,100	31,500	31,900
Sample	1,700	1,800	3,900	3,900	5,000	5,000	5,000	5,000
Data Capture								
Start	1/88	10/88	10/89	7/89	10/91	10/92	10/93	10/94
Finish	7/88	6/89	6/90	4/91	6/92	6/93	6/94	6/95
Tape and Tabulations	10/88	9/89	9/90	7/91	9/92	9/93	9/94	9/95
Staff Years	5.1	5.5	8.0	7.5	7.5	7.5	7.5	7.5
$ Amount	$160,000	$170,000	$250,000	$230,000	$260,000	$265,000	$270,000	$275,00
Exempt Organization Business Income Tax (Form 990T)								
Population	--	--	28,500	29,300	30,100	30,900	31,600	32,400
Sample	--	--	5,000	5,500	6,000	6,500	7,000	7,500
Data Capture								
Start	--	--	10/88	6/89	6/90	6/91	6/92	6/93
Finish	--	--	5/89	7/90	7/91	7/92	7/93	7/94
Tape and Tabulations	--	--	8/89	10/90	10/91	10/92	10/93	10/94
Staff Years	--	--	10.5	11.5	12.0	12.0	12.5	12.5
$ Amount	--	--	$325,000	$355,000	$370,000	$375,000	$385,000	$390,000

SOI Studies of Tax Exempt Organizations: Measures of Population, Sample, Completion Dates, and Cost Estimates by Tax Year--continued

	1985	1986	1987	1988	1989	1990	1991	1992
Nonexempt Charitable Trust (Form 990PF)								
Population	--	--	--	--	30,000	--	32,000	--
Sample	--	--	--	--	3,000	--	3,500	--
Data Capture								
Start	--	--	--	--	10/91	--	10/93	--
Finish	--	--	--	--	6/92	--	6/94	--
Tape and Tabulations	--	--	--	--	9/92	--	9/94	--
Staff Years	--	--	--	--	7.5	--	7.5	--
$ Amount	--	--	--	--	$215,000	--	$220,000	--
Split-Interest Trusts (Form 5227)								
Population	--	--	--	--	3,000	--	--	3,000
Sample	--	--	--	--	3,000	--	--	3,000
Data Capture								
Start	--	--	--	--	TBD	--	--	TBD
Finish	--	--	--	--	TBD	--	--	TBD
Tape and Tabulations	--	--	--	--	TBD	--	--	TBD
Staff Years	--	--	--	--	7.5	--	--	7.5
$ Amount	--	--	--	--	$150,000	--	--	$160,000
Excise Tax on Charities (Form 4720)								
Population	--	--	--	--	1,000	--	--	1,250
Sample	--	--	--	--	1,000	--	--	1,250
Data Capture								
Start	--	--	--	--	TBD	--	--	TBD
Finish	--	--	--	--	TBD	--	--	TBD
Tape and Tabulations	--	--	--	--	TBD	--	--	TBD
Staff Years	--	--	--	--	3.5	--	--	3.5
$ Amount	--	--	--	--	$110,000	--	--	$115,000

SOI Studies of Tax Exempt Organizations: Measures of Population, Sample, Completion Dates, and Cost Estimates by Tax Year--continued

	1985	1986	1987	1988	1989	1990	1991	1992
Farmers' Cooperatives (Form 990C)								
Population	--	--	--	--	6,000	--	--	6,000
Sample	--	--	--	--	6,000	--	--	6,000
Data Capture								
Start	--	--	--	--	TBD	--	--	TBD
Finish	--	--	--	--	TBD	--	--	TBD
Tape and Tabulations	--	--	--	--	TBD	--	--	TBD
Staff Years	--	--	--	--	4.0	--	--	4.0
$ Amount	--	--	--	--	$125,000	--	--	$135,000

1/ 501(c)(3) Organizations only; 1986 will have redistributed sample to obtain a better representation of social welfare organizations.
2/ Includes all subsection codes
TBD To Be Developed

Section 2

Nonprofit Charitable Organizations

This section presents the articles written on nonprofit charitable organizations by the Statistics of Income Division (SOI) of the IRS. It includes four articles and corresponding tables published in the *SOI Bulletin,* along with a summary of the upcoming 1986 article, three articles presented to and published by the American Statistical Association (ASA), and, finally, one article written for the Independent Sector Research Forum.

The articles contained in this section primarily represent analyses of data from the 1975-1986 period. The data originates from the Form 990, Return of Organization Exempt from Income Tax. The *SOI Bulletin* articles represent studies for the years 1975, 1982, 1983, and 1985 [1]. The Independent Sector article, "A Survey of Nonprofit Charitable Organizations," represents an analysis of 1982 data. One of the ASA articles, "Nonprofit Organizations in America: An Examination of Information Return Filings with IRS," contains data from 1946. The other two, "Focus on Nonprofit Organizations" and "Nonprofit Charitable Organizations: A Decade of Change," provide analyses of data from 1982 and the period 1975-1985, respectively.

SOI has developed a comprehensive exempt organization plan for the future. Schiff and Grimes describe this plan, along with other data collection issues, in their article entitled, "Data Collection Plans for the Nonprofit Sector: What Do We Need to Know?" This article addresses some of the following issues: the future integration of the Independent Sector's new National Taxonomy of Exempt Entities into the statistical sample of Form 990 organizations; the expansion of the Form 990 project to include not only those organizations exempt under subsection 501(c)(3) (primarily charitable, religious, educational, and health organizations), but also those exempt under subsections 501(c)(4) through 501(c)(9), and eventually, all other subsection codes; and, finally, the matching of organizations filing the Form 990-T for unrelated business income tax with their corresponding Form 990 (or, in a smaller number of cases, Form 990-PF).

Form 990

A 1986 Form 990 and its corresponding instructions can be found in the "Forms and Instructions" section. Beginning in 1913, the United States Congress passed tax provisions exempting certain organizations from taxation on income. Regarding filing requirements for these organizations in 1975, the year of the initial SOI study of Form 990 filers, IRS required all organizations earning over $5,000 in gross receipts to file Form 990. In 1977 this minimum filing requirement increased to $10,000 in gross receipts, and in 1982 to $25,000. The analyses in the articles describe the effects of these changes on the number of filers. In addition, Form 990 filers exempt under subsection 501(c)(3) must complete Schedule A in order to provide supplementary information on their operations and activities.

Over the last fifteen years the Form 990 has expanded in terms of the amount and detail of information required. Although most of the changes to the Form 990 represent additions, IRS did eliminate two requirements on the form. First, in 1975, organizations indicated three activity codes that characterized primary areas of charitable focus. However, in following years IRS eliminated this requirement. Instead, it required that the organizations describe, but not code, their activities and revenue. Second, by 1982, the Form 990 no longer required that the organizations separate the different types of investments on the balance sheet. In previous years organizations separated "Investments-securities" into the following four categories: 1) United States government obligations, 2) state and local government obligations, 3) nongovernmental bonds, and 4) corporate stock.

In the late 1970's the IRS expanded the income statement to provide optional columns for separating "restricted/nonexpendable" amounts from "unrestricted/expendable" amounts. In addition, organizations were required to more explicitly allocate expenses into the following categories: 1) fundraising, 2) program service activities, and 3) management and general expenses. In addition, the IRS required organizations to indicate, on the balance sheet, the type of accounting method used.

By 1982 two additional changes had been added to the Form 990. First, nonexempt charitable trusts, characterized under Internal Revenue Code subsection 4947(a)(1), had the option of filing Form 990. Second, the form included an expanded balance sheet, that, like the income statement, provided optional columns for separating restricted/nonexpendable amounts from unrestricted/expendable amounts.

From 1982-1987 the Form 990 remained basically unchanged. However, in 1988, two additional sections were added to the form. Through these sections the IRS intends to gather information on: 1) unrelated business income and the manner in which exempt function income producing activity relates to the accomplishment of the organization's exempt purpose, and 2) the nature of any monetary transactions with noncharitable exempt organizations. Information on these topics will be available in future issues of the *SOI Bulletin*. As the form is amended and new sections added, SOI will continue to collect and analyze new data filed by these organizations.

[1] The 1975 article also includes some reference to and analysis of IRS Master File data for the years 1976-1978.

NONPROFIT ORGANIZATIONS IN AMERICA: AN EXAMINATION OF INFORMATION RETURN FILINGS WITH IRS

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Prepared for the Annual Meetings of the American Statistical Association, 1981

This paper discusses nonprofit organizations that have received tax-exempt status from the Internal Revenue Service. Tabular summaries are provided from information (and related) returns filed for 1975, 1977, and 1978 [1]. Some summary data for 1946 [2] are also included to provide a long-range perspective on the growth of these organizations in terms of numbers and receipts. The most comprehensive data in this paper are shown for Tax Year 1975. (Unless otherwise specified, the tabulations and the text discussion refer only to those exempt organizations filing Forms 990, and do not include private foundations and farmers' cooperatives which file Forms 990-PF and 990-C, respectively.)

There are six main sections to the paper. Section 1 contains a discussion of the background on tax law. Section 2 deals with historical trends of exempt organizations between 1946 - 1975. Section 3 shows financial concentration data. Section 4 is the conclusion and future studies. Section 5 shows acknowledgements, notes and references and Section 6 contains basic tables.

1. BACKGROUND ON TAX LAW

Congress has historically accorded special privileges to organizations that engage in charitable, educational, religious and certain other "not-for-profit" activities. The exemption from income tax, as well as the deduction from income allowed to contributing individuals and businesses, have been the major fiscal incentives Congress has provided to encourage such activities.

Provisions of the 1913 Federal tax law (as well as succeeding Federal tax laws enacted by Congress) exempted from taxation income of certain organizations which, in the absence of such exemption, would have been required to pay tax upon items otherwise constituting taxable income. The first year that taxpayers could make contributions to these "tax-exempt" organizations and deduct those contributions from their income was 1917. Since income tax rates were being raised to help pay World War I defense expenditures, Congress felt that voluntary contributions to charitable organizations might decline unless a tax incentive was provided.

Many State governments enacted legislation similar to the federal legislation granting tax-exempt status to the same types of organizations. Some of the other benefits enjoyed by certain tax-exempt organizations include reduced postal rates for publications and mail solicitations, State retail sales tax exemption, and State property tax exemption. Also, the federal government provides certain nonprofit organizations with surplus food products, particularly for overseas philanthrophy, and even, in some cases, gifts of government surplus property.

Prior to 1950, Federal Courts had held that the source of an exempt organization's income was inconsequential to the determination of its exempt status; it was the ultimate use of the income that was important [3]. However, investigations and Congressional hearings revealed that certain organizations were involved in "profit making" schemes (essentially using their tax-exempt status as a means to engage in income producing activities not related to their exempt purpose). As a result, Congress enacted (as part of the Revenue Act of 1950) a tax on the unrelated business income of certain types of tax-exempt organizations. The Tax Reform Act of 1969 extended these provisions to include all exempt organizations except for certain corporations organized under an Act of Congress.

The tax-exempt status of an organization does not assure that individuals or businesses making contributions to that organization may deduct the contributions from their income for tax purposes. Carrying out charitable purposes does not assure that an organization has tax-exempt status. These are two common misconceptions regarding nonprofit organizations [4].

Generally, individuals or businesses may deduct from their income contributions to the following types of tax-exempt organizations: a State, a U.S. possession, a Community Chest, a private foundation, a war veterans organization, a church or other religious organization, a nonprofit hospital, most educational organizations, a nonprofit volunteer fire company, a civil defense organization, a domestic fraternal society (if the contributions are to be used for charitable purposes), and a nonprofit cemetery company [5].

2. SOME HISTORICAL TRENDS

Until the 1970's, the only detailed IRS statistical studies of the exempt organizations sector (including farmers cooperatives) were those made in the 1940's [2]. A separate Statistics Division publication, on farmers cooperatives, a subset of tax-exempt organizations was released for 1963, [6]. A first time report on private foundations for

1974-78 has recently been released by the Statistics Division [7]. Data from this latter report are one of the sources used in the next paper at this session [8].

This section of the paper will discuss historical data for exempt organizations between 1946 - 1975.

Total Receipts

Table 1 shows that for 1946 a total of 93,458 returns were filed by tax-exempt organizations and that they reported total receipts of $4 billion. Farmers cooperatives are excluded from the 1946-1975 comparison since no data for 1975 are available.

For 1975, tax-exempt organizations (excluding farmers cooperatives) filed 247,086 returns and reported total receipts of $118 billion.

Exempt Organizations Excluding Private Foundations and Farmers Cooperatives

The top five types of organizations in terms of returns filed for 1975 were: charitable, religious, educational and scientific organizations (hereafter referred to as "charitable")-44 percent, labor, agricultural, and horticultural organizations (hereafter referred to as "labor")-11 percent, civic leagues, social welfare and local associations of employees (hereafter referred to as "civic leagues')-11 percent, social and recreational clubs (hereafter referred to as "social")-7 percent, business leagues, chambers of commerce and real estate boards (hereafter referred to as "leagues")-7 percent. These five types of organizations represented 81 percent of all returns filed and accounted for 84 percent of total receipts. It is interesting to note that all of the preceding organizations except "leagues" were in the top five types of organizations for returns filed in 1946.

"Charitable" organizations received 58 percent of total receipts for all organizations in 1975 and "civic leagues" received 17 percent. None of the other prominent types of tax-exempt organizations received more than 4 percent of total receipts. For 1946, "Charitable," organizations received 30 percent of total receipts, mutual savings banks-17 percent, "labor"-12 percent, "Civic leagues"-9 percent, "leagues"-7 percent, "social"-7 percent, Corporations organized under an Act of Congress-7 percent, and state chartered credit unions-6 percent. None of the remaining tax-exempt organizations received more than 2 percent of total receipts.

Dues and assessments were largest for "civic leagues" in 1975-- about 44 percent of dues and assessments for all organizations. Contributions, gifts and grants were largest for "charitable" organizations--84 percent of the total received by all organizations. As was the case in 1946, these "charitable" organizations received the largest percentage of contributions, gifts and grants since they were, in general, the only types of organizations that businesses and individuals could contribute to and deduct the contributions from their income.

Exempt private foundations included in table 1 (see footnote 1) are shown as part of 501(c)(3) organizations. (Until 1969, private foundations were never separately defined in the Internal Revenue Code although there was a general notion of what these organizations were.) Private foundations filed 26,889 returns and reported total receipts of $3.3 billion for 1974. "Foundation" data were not tabulated separately for 1946.

3. FINANCIAL CONCENTRATION DATA

Tables 2 and 3 show selected income statement and balance sheet items by size of assets/receipts.

Based on table 2, on the average (1975, 1977 and 1978) approximately 40 percent of the returns were filed by organizations with asset holdings under $25,000, while organizations with assets of $1,000,000 or more filed 10 percent of the returns, but held 92 percent of total assets. These latter organizations also had the highest concentration of total receipts (86 percent), the greatest amount of contributions received (70 percent), and expended the largest amount of all direct fees for soliciting contributions (48 percent).

Based on table 3, on the average (1975, 1977 and 1978), approximately 65 percent of the returns were filed by organizations with receipts under $100,000; organizations with receipts of $1,000,000 or more filed less than 8 percent of all returns, but had 88 percent of all receipts. These latter organizations also had the greatest amount of contributions received (77 percent), held the largest amount of all assets (86 percent) and expended the largest amount of all direct fees for soliciting contributions.

"Sales and other receipts" (exclusive of dues, assessments, contributions, gifts, and grants) comprised the largest component of total receipts for all years. This item represented 65 percent of total receipts in 1975, 72 percent in 1977, and 75 percent in 1978. "Contributions, gifts and grants" represented 18 percent of total receipts in 1975, 14 percent in 1977, and 13 percent in 1978. "Dues and assessments" represented 17 percent of total receipts in 1975, 14 percent in 1977, and 12 percent in 1978.

Organizations with receipts of $10 million or more accounted for over 60 percent of total receipts for all years. These organizations had 60 percent of all receipts in 1975, 68 percent in 1977, and 72 percent in 1978. The same organizations had the largest amount of total assets for all years. In 1975, they held 55 percent of all assets, 64 percent in 1977, and 69 percent in 1978.

4. CONCLUSION AND FUTURE STUDIES

The decades since the end of World War II have witnessed a tremendous growth in tax-exempt organizations. In the period 1946-1975, exempt organization filings have almost tripled, while receipts have grown, from $4 billion to $118 billion. Judging from past growth, the nonprofit sector will continue to represent a significant part of the economy.

For Tax Years 1982 - 1985 the Statistics Division plans to publish selected income statement and balance sheet data from the Exempt Organization Master File for private foundations and other tax-exempt organizations separately. These data will be supplemented by detailed data edited from a small sample of private foundations and other tax-exempt organizations with large asset holdings [9]. A new Statistics Division publication, The SOI Bulletin, will be the primary source for these data.

Data Limitations

Data for 1977 and 1978 were obtained from extracts of the Exempt Organization Master File (EOMF) and, in general, represented exempt organization returns that were processed in 1978 and 1979, respectively. The EOMF is a computerized tape file containing limited information for all exempt organization returns that are processed to this file for administrative purposes. Unlike the data for 1975, which were given special statistical treatment, the data for 1977 and 1978 were subjected only to essential validity checks conducted during the revenue processing of the returns.

5. ACKNOWLEDGEMENTS, NOTES AND REFERENCES

The authors would like to thank Ted Bozovich and Bob Gardiner of the IRS Exempt Organizations Division for their helpful comments in the preparation of this paper. From the IRS Statistics Division constructive comments were received from Wendy Alvey, Beth Kilss, John Kozielec, Tom Petska, and Dan Skelly. Table preparation and data verification were performed by Brenda Harrison and Elnora Mason of IRS. Typing assistance was provided by Mary Haigler, Wanda Thomas, Cathy Robinson and Nancy Robinson of IRS.

[1] Data for 1975 were obtained from unpublished Statistics Division tabulations on Tax-Exempt Organizations (Excluding Private Foundations and Farmers Cooperatives). Data for 1977 and 1978 were obtained from Exempt Organization Master File Tabulations.

[2] Data for 1946 were obtained from U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income--1946, Supplement, Part 2, Returns of Organizatons Exempt from Income Tax Under Section 101 Internal Revenue Code.

[3] Trinidad V. Sagrada Orden de Predicadores, 263 U.S. 578, T.D. 3548, III-1 C.B. 270 (1924).

[4] U.S. Department of the Treasury, Internal Revenue Service, How To Apply For And Retain Exempt Status For Your Organization, IRS Publication 557, U.S. Government Printing Office, 1979.

[5] U.S. Department of the Treasury, Internal Revenue Service, Charitable Contributions, IRS Publication 526, U.S. Government Printing Office, 1979.

[6] U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income--1963, Supplemental Report, Farmers' Cooperative Income Tax Returns, Publication 386, U.S. Government Printing Office, 1966. See also Statistics of Income--1953, Farmers' Cooperative Income Tax Returns, Publication 386, U.S. Government Printing Office, 1957.

[7] U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income--1974 -1978, Private Foundations, Publication 1073, U.S. Government Printing Office, 1981.

[8] Petska, Thomas B., and Skelly, Daniel, "Private Foundations, Federal Tax Law, and Philanthropic Activity: An IRS Perspective," American Statistical Association 1981 Proceedings, Section on Survey Research Methods.

[9] U.S. Department of the Treasury, Internal Revenue Service Statistics Division, Proposed Multi-Year Operating Plan, FY 1981-86, January, 1981.

Note: A discussion written in response to this paper and the paper entitled, "Private Foundations, Federal Tax Law, and Philanthropic Activity: An IRS Perspective," can be found on page 229 of the Compendium. It was written by Gabriel Rudney for the 1981 American Statistical Association (ASA) Conference.

Table 1.--Returns of Tax-Exempt Organizations (Excluding Farmers Cooperatives) for 1946 and 1975: Number of Returns and Receipts by Type of Organizations

[Money amounts are in thousands of dollars--Data for 1946 are based on all returns--data for 1975 are estimates based on samples]

1954 Code	Type of Organization	1946 Total Returns	1946 Total Receipts	1946 Gross Dues and Assessments	1946 Gross Contributions, Gifts and Grants	1946 All Other Sources	1975 Total Returns	1975 Total Receipts	1975 Gross Dues and Assessments	1975 Gross Contributions, Gifts and Grants	1975 All Other Sources
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
501(c)1	Corporations organized under act of Congress	6,270	278,581	140	118	278,323	665	527,018	26,590	10,712	489,716
2	Title holding companies	1,449	17,647	1,439	2,123	14,085	3,263	489,950	22,807	22,669	444,474
3	Charitable, religious, educational, and scientific organizations (including private foundations)	14,424	1,249,291	61,990	446,227	741,074	1/ 108,937	1/ 68,807,580	1/ 1,530,659	1/ 18,326,410	1/ 48,950,500
4	Civic leagues, social welfare and local associations of employees	10,342	371,812	67,797	39,989	264,026	28,064	19,558,022	8,556,313	680,546	10,321,157
5	Labor, agricultural, and horticultural organizations	27,235	521,387	421,809	37,046	62,532	28,258	5,028,232	3,233,684	119,571	1,674,976
6	Business leagues, chambers of commerce, and real estate boards	7,206	299,541	203,543	20,665	75,333	17,530	3,896,717	2,155,722	230,020	1,510,973
7	Social and recreational clubs	11,474	285,105	85,644	5,456	194,005	18,228	2,535,390	1,081,785	31,952	1,421,649
8	Fraternal beneficiary societies			RETURN NOT REQUIRED TO BE FILED			12,066	2,134,477	719,610	45,617	1,369,247
9	Certain mutual and beneficiary associations	590	63,306	27,295	6,423	29,588	4,285	6,806,336	1,648,112	1,925,523	3,232,700
10	Domestic fraternal societies			RETURN NOT REQUIRED TO BE FILED			4,674	507,370	94,487	21,327	391,554
11	Teachers retirement fund associations	8	2,059	175	101	1,783	49	100,280	*4,062	*5,911	90,307
12	Local benevolent life insurance associations	2,984	91,468	4,596	158	86,714	4,975	3,725,366	154,357	16,640	3,554,369
13	Cemetery companies	1,399	32,958	245	1,196	31,517	1,518	254,554	1,931	5,076	247,546
14	State chartered credit unions	7,673	233,680	626	86	232,968	1,610	2,259,284	8,265	*1,225	2,249,794
15	Certain mutual insurance companies or associations	1,558	35,653	1,336	14	34,303	864	58,908	25,254	*1	33,653
16	Farmers cooperatives organized to finance crop operations	27	4,058	1,315	-	2,743	36	53,892	*12,123	*18,460	23,309
17	Supplemental unemployment benefit trusts			NOT IN EXISTENCE			496	958,620	65,411	244,362	648,847
18	Employee funded pension trusts			NOT IN EXISTENCE			*42	*12,628	*23	*6,684	*5,921
19	War veterans organizations			NOT IN EXISTENCE			1,921	130,313	23,089	6,848	100,375
	Organizations not specified	102	14,202	240	551	13,411	9,605	308,519	63,092	62,078	183,347
Sub-total		92,741	3,500,748	878,190	560,153	2,062,405			NOT APPLICABLE		
	Mutual savings banks 2/	602	725,185	1	1	725,183			NOT APPLICABLE		
	United States employee beneficiary associations 3/	115	6,692	3,346	2	3,344			NOT APPLICABLE		
Total		93,458	4,232,625	881,537	560,156	2,790,932	247,086	118,153,453	19,427,376	21,781,631	76,944,413

1/ Private foundation data included in this line are for 1974. Comparable data for 1975 are not available.
2/ Repealed by Section 313(a) of 1951 Revenue Act.
3/ Internal Revenue Code 501(c)(10) as enacted in the 1954 Code was repealed by Section 121(b)(5) of the Tax Reform Act of 1969 and present IRC 501(c)(10) enacted effective for taxable years beginning after December 31, 1969.

* Estimate should be used with caution because of the small number of sample returns on which it is based.

NOTE: Detail may not add to total because of rounding.

Table 2.--Returns of Tax-Exempt Organizations With Total Receipts of $10,000+: Selected Income Statement and Balance Sheet Items by Size of Total Assets, 1975, 1977-1978

[Money amounts are in thousands of dollars]

Item and Year	Total	Size of Total Assets: Under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of returns: 1/							
1975	179,052	75,226	40,772	37,995	9,100	13,404	2,555
1977	191,526	76,849	44,636	41,523	9,689	15,309	3,520
1978	215,701	84,531	50,244	47,441	11,286	17,585	4,614
Total receipts:							
1975	114,585,998	3,228,374	3,761,945	8,128,388	4,843,896	25,448,126	69,175,269
1977	176,462,097	3,498,257	4,315,182	9,693,570	5,815,706	31,589,952	121,549,429
1978	238,388,877	4,140,196	5,110,930	11,771,564	7,285,633	37,400,119	172,680,431
Selected receipts:							
Contributions, gifts, and grants:							
1975	20,518,184	1,029,975	1,254,410	2,487,372	1,366,713	5,368,976	9,010,737
1977	23,972,436	1,137,582	1,435,564	3,123,055	1,680,662	6,420,849	10,174,722
1978	31,332,171	1,428,127	1,792,570	4,021,265	2,200,359	8,005,951	13,883,900
Dues and assessments:							
1975	19,305,390	989,627	1,108,704	2,206,360	1,192,476	3,538,467	10,269,755
1977	24,698,914	1,036,517	1,228,310	2,532,381	1,404,006	4,272,832	14,224,869
1978	29,045,873	1,139,438	1,364,290	2,907,913	1,682,033	5,082,255	16,869,941
Sales and other receipts:							
1975	74,762,370	1,208,754	1,398,816	3,434,641	2,284,705	16,540,677	49,894,774
1977	127,790,747	1,324,158	1,651,308	4,038,134	2,731,038	20,896,271	97,149,838
1978	178,010,833	1,572,631	1,954,070	4,842,386	3,403,241	24,311,912	141,926,593
Selected deductions:							
Cost of goods sold:							
1975	8,546,098	190,902	282,308	616,259	418,254	2,476,503	4,561,872
1977	12,001,553	236,044	330,307	689,638	427,491	2,949,397	7,368,674
1978	15,457,565	289,684	371,815	814,159	599,809	3,200,700	10,181,400
Direct fees paid for contributions, gifts, and grants:							
1975	56,355	7,549	7,405	6,900	2,491	21,750	10,260
1977	70,165	7,910	7,137	16,740	5,032	21,246	12,103
1978	87,745	13,257	9,746	18,883	8,473	21,431	15,952
Total assets:							
1975	175,533,077	628,834	2,210,622	8,623,336	6,415,010	39,959,493	117,695,783
1977	250,616,142	673,599	2,426,433	9,430,383	6,844,812	46,542,376	184,698,536
1978	346,375,726	743,225	2,726,520	10,800,912	7,946,918	53,195,885	270,962,266
Total liabilities (excluding net worth)							
1975	75,549,032	158,337	495,272	2,239,554	1,955,615	16,449,459	54,250,795
1977	100,318,288	174,059	560,667	2,593,002	2,159,348	18,824,883	76,006,327
1978	127,063,904	1,205,891	649,394	3,015,219	2,545,859	21,997,423	97,650,115

1/ Data for 1977 and 1978 are based on the population of returns processed to the Exempt Organization Master File during 1978-1979. Data for 1975 are estimates based on a stratified sample of Form 990 returns processed in 1976.

Note: Detail may not add to total because of rounding.

Table 3.--Returns of Tax-Exempt Organizations With Total Receipts of $10,000+: Selected Income Statement and Balance Sheet Items by Size of Total Receipts, 1975, 1977-1978

[Money amounts are in thousands of dollars]

Item and Year	Total	Size of Total Receipts					
		Under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of returns: 1/							
1975	179,052	55,800	64,404	39,448	8,188	9,544	1,668
1977	191,526	55,974	67,834	43,485	9,512	12,275	2,446
1978	215,701	59,502	76,340	50,445	11,208	15,020	3,186
Total receipts:							
1975	114,585,998	907,436	3,364,290	8,719,741	5,767,112	26,897,027	68,930,392
1977	176,462,097	921,800	3,546,966	9,628,831	6,713,444	34,903,658	120,747,398
1978	238,388,877	993,022	4,008,262	11,229,002	7,884,752	43,407,049	170,866,790
Selected receipts:							
Contributions, gifts, and grants:							
1975	20,518,184	166,548	764,965	2,478,555	1,597,919	5,936,680	9,573,517
1977	23,972,436	167,360	799,122	2,768,980	1,951,433	7,663,015	10,622,526
1978	31,332,171	181,941	926,383	3,343,969	2,389,378	9,881,283	14,609,216
Dues and assessments:							
1975	19,305,390	342,122	1,098,402	2,258,507	1,299,237	3,321,493	10,985,630
1977	24,698,914	347,168	1,145,224	2,451,463	1,473,833	4,292,178	14,989,048
1978	29,045,873	364,094	1,248,663	2,772,895	1,702,480	5,420,424	17,537,318
Sales and other receipts:							
1975	74,762,370	398,751	1,500,900	3,982,668	2,869,953	17,638,853	48,371,244
1977	127,790,747	407,272	1,602,620	4,408,388	3,288,178	22,948,465	95,135,824
1978	178,010,833	446,987	1,833,216	5,112,138	3,792,894	28,105,342	138,720,256
Selected deductions:							
Cost of goods sold:							
1975	8,546,098	61,349	270,398	627,437	449,669	2,891,007	4,246,239
1977	12,001,553	73,162	314,143	697,849	464,803	3,377,620	7,073,976
1978	15,457,565	84,197	347,329	793,923	526,241	4,037,047	9,668,828
Direct fees paid for contributions, gifts, and grants:							
1975	56,355	2,403	5,910	10,834	6,862	20,721	9,625
1977	70,165	941	8,632	16,287	9,924	25,162	9,219
1978	87,745	133	9,160	21,014	20,164	24,375	12,899
Total assets:							
1975	175,533,077	1,739,287	6,124,513	15,851,669	9,700,560	44,773,780	97,343,268
1977	250,616,142	1,917,095	6,160,344	16,377,261	10,642,506	54,946,130	160,572,806
1978	346,375,726	2,040,093	6,710,032	18,536,834	12,874,215	68,177,908	238,036,644
Total liabilities (excluding net worth)							
1975	75,549,032	362,319	1,992,652	6,552,451	3,838,818	17,580,429	45,227,838
1977	100,318,288	487,736	1,798,218	8,091,182	4,298,999	21,864,672	63,777,481
1978	127,063,904	460,307	3,053,880	7,978,045	5,821,772	28,007,299	81,742,600

1/ Data for 1977 and 1978 are based on the population of returns processed to the Exempt Organization Master File during 1978-1979. Data for 1975 are estimates based on a stratified sample of Form 990 returns processed in 1976.

Note: Detail may not add to total because of rounding.

Nonprofit Organizations, 1975-1978

By John Sullivan and Michael Coleman*

Congress has historically accorded special privileges to organizations that engage in charitable, educational, religious and certain other "not-for-profit" activities. The exemption from income tax, as well as the deduction from income allowed to contributing taxpayers, have been the major fiscal incentives Congress has provided to encourage such activities.

Provisions of the 1913 Federal tax law (as well as succeeding Federal tax laws enacted by Congress) exempted from taxation income of certain organizations which, in the absence of such exemption, would have otherwise constituted taxable income. The first year that taxpayers could make contributions to these "tax-exempt" organizations and deduct them from their income was 1917.

The tax-exempt status of an organization does not assure that individuals or corporations making contributions to that organization may deduct those contributions from their income for tax purposes. Carrying out charitable purposes does not assure that an organization has tax-exempt status. These are two common misconceptions regarding nonprofit organizations.

Although an organization has been recognized as tax-exempt, it may nevertheless have to report its financial activities to the IRS annually. Some organizations, however, do not have to file a return every year because they are also exempt from that requirement either by the nature of their activities (such as churches or State-operated organizations) or because they do not meet the minimum filing requirements. For these and other reasons, the number of returns filed in any one year is not equivalent to the number of exempt organizations.

Over the last three decades, there has been a substantial increase in tax-exempt organizations as evidenced by the change in the number of returns filed--from 99,467 for 1946 to 237,617 for 1977. Factors contributing to this increase include the public's "social awareness" in the 1960's and 1970's which encouraged the creation of organizations providing for social needs and a sharp rise in employee welfare activity.

Tax-exempt organizations can be divided into three major categories: private foundations [1], farmers' cooperatives [2], and all other types [3]. Organizations in this last category account for the majority of returns filed and are the focus of this article. Between 1975 and 1978, the number of returns filed by these "other" tax-exempt organizations, with total receipts of $10,000 or more, increased by 20 percent.

Income Year	Returns Filed	Total Receipts (Billions)
1975	179,052	$114.6
1977	191,526	176.5
1978	215,701	238.4

The figures for 1977 and 1978 represent all returns filed (except those for private foundations and farmers' cooperatives). For 1975, there were a total of 220,197 returns filed; the additional 41,145 returns (above the number shown) were those with total receipts between $5,000 and $10,000. Beginning with 1977, only organizations with $10,000 or more in total receipts were required to file. Therefore, the 41,145 returns were excluded for comparability with the other years. These returns, however, accounted for only $300 million of the total $114.9 billion in receipts reported for 1975.

TYPE OF ORGANIZATION

The type of tax-exempt organization is determined by the section of the Internal Revenue Code under which an organization qualifies for tax-exempt status. A description, general nature of activities, and examples for most types are shown in Figure 1. (Private foundations and farmers' cooperatives are listed in Figure 1 for the sake of completeness, even though they are not included in the data.)

Organizations receiving tax-exempt status under Code section 501(c)(3)--charitable, religious, educational, and scientific entities--probably best exemplify the entire "tax-exempt" group, and for good reason. For 1975, these organizations dominated all financial aspects.

Type of Organization	Total Receipts (Billions)	Total Assets (Billions)	Net Worth (Billions)
Total	$114.9	$176.3	$100.6
501(c)(3) ...	65.5	108.5	72.2
All other ...	49.4	67.8	28.4

The 82,048 returns filed by 501(c)(3) organizations represented 37.3 percent of all returns and were the single largest segment. (Labor organizations and civic leagues, each with about 28,000 returns, were the next closest.) More significantly, charitable organizations accounted for 57 percent of total receipts, over 61 percent of total assets, and over 71 percent of net worth.

The financial growth of 501(c)(3) organizations has been substantial in the period 1975-1978, as evidenced by the gains in receipts, assets, and net worth. Since charitable, educational, and religious organizations include schools and hospitals, the growth in total receipts may, in part, be attributed to increases in tuition and hospital costs.

Income Year	Total Receipts (Billions)	Total Assets (Billions)	Net Worth (Billions)
1975	$65.5	$108.5	$72.2
1977	95.4	139.0	89.4
1978	127.0	174.1	115.2

*Wealth and Tax-Exempt Statistics Section. Prepared under the direction of John DiPaolo, Chief, Statistics of Income Branch II.

Internal Revenue Code Sections 501 and 521, 1978

Figure 1.--Descriptions and the General Nature of Activities of Tax-Exempt Organizations

Organization Reference Chart

Section of 1954 Code	Description of organization	General nature of activities	Example of organization
501(c)(1)*	Corporations organized under Act of Congress (including Federal Credit Unions)	Instrumentalities of the United States.	Federal Deposit Insurance Corp.
501(c)(2)	Title holding corporation for exempt organization	Holding title to property of an exempt organization.	Naugatuck Masonic Building Corp.
501(c)(3)*	Religious, educational, charitable, scientific, literary. Testing for public safety, fostering certain national or international amateur sports competition, or prevention of cruelty to children or animals organizations. Includes private foundations.	Activities of nature implied by description of class of organization.	American Heart Association, Inc. Ford Foundation
501(c)(4)	Civic leagues, social welfare organizations, and local associations of employees	Promotion of community welfare, charitable, educational, or recreational.	Lions Clubs
501(c)(5)	Labor, agricultural, and horticultural organizations	Educational or instructive, the purpose being to improve conditions of work, and to improve products and efficiency.	AFL-CIO
501(c)(6)	Business leagues, chambers of commerce, real estate boards, etc.	Improvement of business conditions of one or more lines of business.	Chamber of Commerce National Football League
501(c)(7)	Social and recreation clubs	Pleasure, recreation, social activities.	Ocean Ski Club, Inc.
501(c)(8)	Fraternal beneficiary societies and associations	Lodge providing for payment of life, sickness, accident, or other benefits to members.	Knights of Columbus
501(c)(9)	Voluntary employees' beneficiary associations (including federal employees' voluntary beneficiary associations formerly covered by section 501(c)(10))	Providing for payment of life, sickness, accident, or other benefits to members.	Warren Firefighters Fund Assoc.
501(c)(10)	Domestic fraternal societies and associations	Lodge devoting its net earnings to charitable, fraternal, and other specified purposes. No life, sickness, or accident benefits to members.	Knights Templar of the US 33 Natick Commandery
501(c)(11)	Teachers' retirement fund associations	Teachers' association for payment of retirement benefits.	
501(c)(12)	Benevolent life insurance associations, mutual ditch or irrigation companies, mutual or cooperative telephone companies, etc.	Activities of a nature similar to those implied by the descriptions of class of organization beneficial to members.	Salem Rural Water Corp.
501(c)(13)*	Cemetery companies	Burials and incidental activities for members.	Williamson Cemetery Assoc.
501(c)(14)	State chartered credit unions, mutual reserve funds	Loans to members. (Exemption for building and loan associations and cooperative banks repealed by Revenue Act of 1951, affecting all years after 1951.)	Williamson County Catholic Credit Union

Internal Revenue Code Sections 501 and 521, 1978

Figure 1.--Descriptions and the General Nature of Activities of Tax-Exempt Organizations--Continued

Organization Reference Chart

Section of 1954 Code	Description of organization	General nature of activities	Example of organization
501(c)(15)	Mutual insurance companies or associations	Providing insurance to members substantially at cost (limited to organizations with gross income of $150,000 or less).	Sand-Clay Mutual Burial Assoc.
501(c)(16)	Cooperative organizations to finance crop operations	Financing crop operations in conjunction with activities of a marketing or purchasing association.	
501(c)(17)	Supplemental unemployment benefit trust	Payment of supplemental unemployment compensation benefits.	Dayton Malleable Iron Company, Ohio Malleable Div.
501(c)(18)	Employee funded pension trust	Payment of benefits under a pension plan funded by employees (created before June 25, 1959).	
501(c)(19)*	Post or organization of war veterans	Activities implied by nature of organization.	American Legion Posts
501(c)(20)	Trusts for prepaid group legal services	Forms part of a qualified group legal service plan or plans. (Applicable to taxable years beginning after December 31, 1976.)	
501(c)(21)	Black Lung Trusts	Satisfies claims for compensation under Black Lung Acts. (Generally, applicable to taxable years beginning after December 31, 1977.)	
501(d)	Religious and apostolic associations	Regular business activities; communal religious community.	
501(e)*	Cooperative hospital service organizations	Enumerated cooperative services for hospitals.	
501(f)*	Cooperative service organizations of operating educational organizations	Collective investment services for educational organizations.	
521(a)	Farmers' cooperative associations	Cooperative marketing and purchasing for agricultural producers.	Land O' Lakes, Inc.

*Generally, contributions under this Code subsection are tax deductible. Other organizations not asterisked could establish trusts under Code subsection 501(c)(3) which may receive tax deductible contributions.

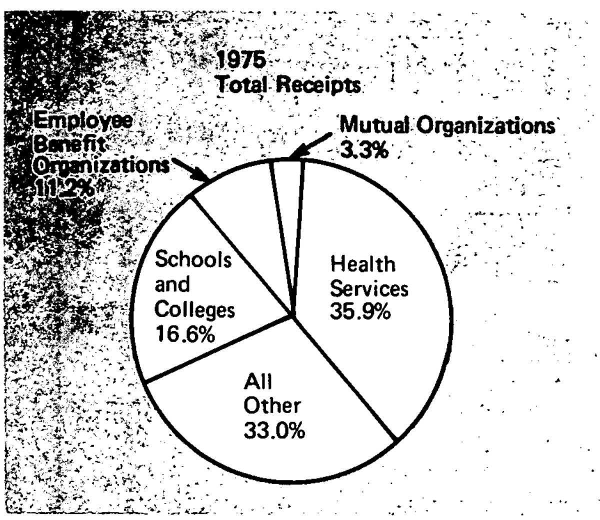
NOTE: Examples are not shown for organizations tax-exempt under Code subsections 501(c)(11), (16), (18), (20), (21), 501(d), 501(e), and 501(f) because there is very little activity.

Section 501(c)(3) organizations are the primary type of organization to which tax-deductible contributions can be made. While contributions to these organizations increased by 47 percent over the three years, 1975-1978, total receipts almost doubled and fund-raising expenses quadrupled.

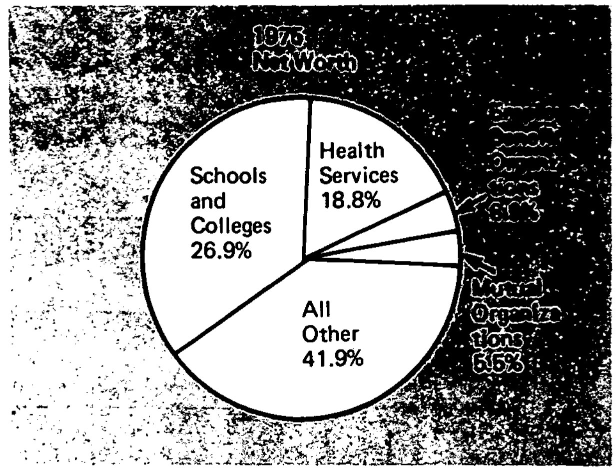
Income Year	Total Receipts (Billions)	Contributions Received (Billions)	Fund Raising Expenses (Billions)
1975	$65.5	$17.1	$1.4
1977	95.4	18.9	3.6
1978	127.0	25.2	6.6

ACTIVITY CLASSIFICATION

Tax-exempt organizations are also classified according to their exempt activities. These activities were provided by the exempt organizations on the return forms and were indicated as their principal exempt function. A discussion of activity classification appears in Data Sources and Limitations at the end of this article. "Major" activities are aggregates of exempt organizations whose principal activities are similar. The following is based on major exempt activities.



Health services, which accounted for the majority of total receipts ($41 billion), include nonprofit hospitals ($21 billion) and health insurance organizations ($10 billion). Schools and colleges reported receipts of $19 billion.



Schools and colleges reported the largest amount for net worth with $31 billion, followed by health services with $21 billion, employee benefit organizations, $8 billion, and mutual organizations with $6 billion.

BASIC TABLE INFORMATION

Table 1 shows selected income statement items, total assets, and net worth, by type of organization, for 1975. These data are shown separately for nineteen different types of exempt organizations. Table 2, also for 1975, shows selected income statement items, total assets, and net worth, by principal activity. These data are classified by over 200 principal activities. Table 3 presents data for the same items shown in Table 2, by major activity and size of total receipts. Tables 4 and 5 provide summary information on selected income statement and balance sheet items for 1975-1978 for organizations with receipts of $10,000 or more, classified by size of receipts and assets, respectively.

Information on the sample and the population used for the statistics, definitions of exempt organizations, exempt activity classifications, sampling and nonsampling error, and law changes may be found immediately following Table 5.

Organizations Exempt From Income Tax, 1975

Table 1.—All Returns: Selected Income Statement Items, Total Assets, and Net Worth, by Type of Organizations Exempt Under Section 501(c) of the Internal Revenue Code

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Type of organization	Total returns	Total receipts	Receipts from— Gross dues and assessments: Number of returns	Gross dues and assessments: Amount	Gross contributions, gifts, and grants: Number of returns	Gross contributions, gifts, and grants: Amount	All other sources: Number of returns	All other sources: Amount	Total deductions: Number of returns	Total deductions: Amount	Deductions for— Expenses attributable to contributions, gifts, and grants paid: Number of returns	Expenses attributable to contributions, gifts, and grants paid: Amount	Disbursements for exempt purposes: Number of returns	Disbursements for exempt purposes: Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Total	**220,197**	**114,890,102**	**140,402**	**19,424,262**	**107,952**	**20,564,692**	**192,380**	**74,901,115**	**217,727**	**111,273,373**	**23,132**	**1,644,869**	**177,140**	**66,880,427**
Corporations organized under Act of Congress	665	527,018	439	26,590	271	10,712	513	489,716	658	492,162	57	4,310	590	50,150
Title holding companies	3,263	489,950	901	22,807	1,007	22,669	3,075	444,474	3,262	485,602	329	1,390	2,048	173,729
Charitable, religious, educational, and scientific organizations	82,048	65,544,229	28,500	1,527,545	64,791	17,109,471	70,911	46,907,202	81,121	62,645,373	13,791	1,383,616	66,250	36,770,380
Civic leagues, social welfare and local associations of employees	28,064	19,558,022	22,206	8,556,313	12,974	680,546	25,780	10,321,157	27,596	19,698,430	2,987	56,787	23,288	13,593,249
Labor, agricultural, and horticultural organizations	28,258	5,028,232	26,193	3,233,684	3,047	119,571	22,226	1,674,976	27,950	4,912,505	488	9,752	25,332	4,440,461
Business leagues, chambers of commerce, and real estate boards	17,530	3,896,717	15,910	2,155,722	4,451	230,020	15,295	1,510,973	17,498	3,899,654	606	128,917	14,899	2,666,473
Social and recreational clubs	18,228	2,535,390	16,381	1,081,785	3,720	31,952	16,120	1,421,649	18,177	2,524,329	911	7,119	12,572	861,722
Fraternal beneficiary societies	12,066	2,134,477	11,366	719,610	6,771	45,617	11,361	1,369,247	11,866	2,043,416	1,222	5,626	10,284	1,158,722
Certain mutual and beneficiary associations	4,285	6,806,336	2,151	1,648,112	1,452	1,925,523	4,106	3,232,700	4,275	6,688,717	98	17,667	4,133	4,706,647
Domestic fraternal societies	4,674	507,370	4,312	94,487	2,513	21,327	3,925	391,554	4,563	480,481	425	3,116	3,735	191,508
Teachers retirement fund associations	49	100,280	*18	*4,062	*8	*5,911	49	90,307	49	84,221	1	41	42	20,987
Local benevolent life insurance associations	4,975	3,725,366	2,273	154,357	929	16,640	4,687	3,554,369	4,958	3,565,498	289	6,190	2,996	949,895
Cemetery companies	1,518	254,554	148	1,931	601	5,076	1,510	247,546	1,518	227,996	*120	*1,700	804	98,151
State chartered credit unions	1,610	2,259,284	147	8,265	*72	*1,225	1,583	2,249,794	1,608	1,870,006	*14	*1,226	1,131	308,772
Certain mutual insurance companies or associations	864	58,908	644	25,254	*2	*1	851	33,653	864	51,718	*5	*231	686	35,408
Farmers cooperatives organized to finance crop operations	36	53,892	*12	*12,123	*10	*18,460	33	23,309	36	48,144	–	–	22	31,720
Supplemental unemployment benefit trusts	496	958,620	39	65,411	311	244,362	469	648,847	489	1,143,255	26	7,630	478	608,759
Employee funded pension trusts	*42	*12,628	*25	*23	*8	*6,684	*42	*5,921	*42	*8,104	–	–	*42	*7,807
War veterans organizations	1,921	130,313	1,721	23,089	785	6,848	1,915	100,375	1,915	122,886	195	1,022	1,663	43,442
Organizations not specified	9,605	308,519	7,016	63,092	4,229	62,078	7,929	183,347	9,282	280,877	1,568	8,529	6,145	162,445

Type of organization	Deductions for—Continued Cost of sales and operations: Number of returns	Cost of sales and operations: Amount	Cost and expenses of assets sold: Number of returns	Cost and expenses of assets sold: Amount	Other expenses: Number of returns	Other expenses: Amount	Net income (less deficit): Number of returns	Net income (less deficit): Amount	Net income: Number of returns	Net income: Amount	Total assets: Number of returns	Total assets: Amount	Net worth
	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)
Total	**49,271**	**8,566,880**	**14,986**	**13,817,437**	**87,883**	**20,363,748**	**217,671**	**3,616,729**	**138,648**	**6,643,504**	**220,197**	**178,288,448**	**100,561,377**
Corporations organized under Act of Congress	*72	*4,662	*9	*423	117	432,618	661	34,856	375	36,744	665	6,017,352	210,875
Title holding companies	150	13,707	129	67,098	1,544	229,678	3,041	4,347	1,597	35,870	3,263	1,650,326	797,393
Charitable, religious, educational, and scientific organizations	16,350	4,034,701	8,302	5,714,926	31,642	14,741,745	80,710	2,898,856	52,430	4,198,755	82,048	108,508,657	72,173,398
Civic leagues, social welfare and local associations of employees	10,070	1,286,043	1,638	3,416,752	14,557	1,345,597	27,814	–140,409	17,262	404,253	28,064	12,727,346	3,581,556
Labor, agricultural, and horticultural organizations	1,233	45,727	467	204,175	4,804	212,388	28,193	115,727	16,537	267,681	28,258	4,052,011	3,534,255
Business leagues, chambers of commerce, and real estate boards	1,701	228,869	678	301,583	6,292	573,812	17,428	–2,936	10,763	240,771	17,530	3,468,646	1,935,405
Social and recreational clubs	7,579	562,494	722	53,237	9,397	1,039,755	18,105	11,061	10,884	112,391	18,228	3,379,389	2,217,587
Fraternal beneficiary societies	5,903	207,175	733	479,183	5,390	192,710	12,020	91,061	8,110	125,517	12,066	6,296,592	2,021,621
Certain mutual and beneficiary associations	223	214,429	433	1,582,085	861	167,890	4,241	117,618	2,571	414,502	4,285	4,301,564	2,794,135
Domestic fraternal societies	689	121,863	88	79,341	2,085	84,653	4,664	26,889	3,282	39,055	4,674	1,202,932	802,737
Teachers retirement fund associations	*8	*2,896	2	58,665	*7	*1,632	49	16,058	35	16,332	49	236,721	205,578
Local benevolent life insurance associations	1,256	1,641,333	737	93,860	2,523	874,219	4,906	159,868	3,499	218,010	4,975	10,723,199	2,604,459
Cemetery companies	339	26,718	205	43,984	766	57,441	1,515	26,558	1,155	34,796	1,518	1,044,161	822,287
State chartered credit unions	*30	*2,659	*33	*1,277,488	887	279,861	1,484	389,278	1,187	393,045	1,610	11,156,481	5,852,380
Certain mutual insurance companies or associations	*25	*659	*11	*790	361	14,629	861	7,190	648	8,865	864	115,065	108,231
Farmers cooperatives organized to finance crop operations	*3	*2,112	–	–	*17	*14,312	33	5,748	18	8,177	36	214,318	55,445
Supplemental unemployment benefit trusts	45	90,849	165	429,590	254	6,427	494	–184,635	273	29,474	496	292,046	215,088
Employee funded pension trusts	*25	*19	–	–	*32	*278	*42	*4,525	*42	*4,525	*42	*112,393	111,513
War veterans organizations	1,323	36,547	248	3,400	1,311	38,476	1,890	7,427	1,140	12,121	1,921	167,478	137,097
Organizations not specified	2,247	43,419	386	10,858	5,036	55,626	9,520	27,642	6,840	42,621	9,605	619,773	380,337

*Estimate should be used with caution because of the small number of sample returns on which it was based.

NOTE: Detail may not add to total because of rounding.

Organizations Exempt From Income Tax, 1975

Table 2.—All Returns: Selected Income Statement Items, Total Assets, and Net Worth, by Principal Activity

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Principal activity	Total returns	Total receipts	Receipts from— Gross dues and assessments: Number of returns	Receipts from— Gross dues and assessments: Amount	Receipts from— Gross contributions, gifts, and grants: Number of returns	Receipts from— Gross contributions, gifts, and grants: Amount	Receipts from— All other sources: Number of returns	Receipts from— All other sources: Amount	Total deductions: Number of returns	Total deductions: Amount	Deductions for— Expenses attributable to contributions, gifts, and grants paid: Number of returns	Deductions for— Expenses attributable to contributions, gifts, and grants paid: Amount	Deductions for— Disbursements for exempt purposes: Number of returns	Deductions for— Disbursements for exempt purposes: Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
All activities	220,197	114,890,102	140,402	19,424,262	107,952	20,564,692	192,380	74,901,115	217,727	111,273,373	23,132	1,644,869	177,140	66,880,427
Religious activities:														
Churches, synagogues, and like organizations	1,103	196,992	103	4,517	894	59,589	712	132,885	1,096	182,485	206	7,305	938	69,004
Associations or conventions of churches	320	91,826	77	3,106	287	23,958	271	64,762	320	89,062	46	608	266	35,167
Religious orders	339	99,473	168	1,694	312	15,282	211	82,498	337	92,312	*59	*782	317	15,670
Church auxiliaries	215	36,779	59	2,690	159	12,392	201	21,698	215	33,448	42	471	185	24,223
Missions	421	50,654	*31	*1,189	411	34,081	274	15,384	421	46,024	133	4,522	376	34,819
Missionary activities	594	160,420	49	1,921	565	112,215	428	46,284	594	152,296	142	8,883	531	119,738
Evangelism	826	192,018	57	3,381	788	134,226	518	54,411	741	178,871	211	8,155	631	141,815
Religious publishing activities	290	59,416	79	2,094	280	12,204	290	45,118	290	55,882	61	1,067	233	15,220
Other religious activities	2,070	350,784	665	22,767	1,675	165,164	1,614	162,853	2,069	310,759	530	14,109	1,546	203,681
Schools, colleges, and related activities:														
Schools, colleges, and trade schools, except special schools for the handicapped, nursery schools, and private schools	4,392	13,994,541	816	169,030	3,346	4,602,422	4,089	9,223,089	4,388	13,336,269	632	116,974	3,525	10,682,281
Special schools for the handicapped	1,865	675,176	642	27,075	1,710	284,955	1,703	363,146	1,865	628,100	331	21,752	1,609	398,635
Nursery schools	1,240	65,511	418	4,554	436	22,941	1,098	38,017	1,240	63,786	65	2,103	783	37,841
Faculty groups	315	41,899	292	14,485	64	3,147	211	24,268	315	42,971	*8	*1,084	278	18,341
Alumni associations or groups	830	86,324	452	15,435	424	32,226	792	38,662	825	77,857	142	3,127	675	39,317
Parent or parent-teachers associations	1,422	23,244	1,244	6,463	738	2,303	1,417	14,478	1,422	24,127	*262	*545	1,346	14,187
Fraternities or sororities	3,549	190,274	2,905	102,242	762	4,015	2,932	84,016	3,537	186,582	149	982	2,741	138,906
Other student societies or groups	239	47,324	198	7,544	92	9,777	232	30,003	239	46,606	1	1	138	28,841
School or college athletic associations	160	65,580	99	6,034	74	5,817	150	53,729	160	62,458	*34	*241	141	33,367
Scholarships for children of employees	*26	*63,630	1	32	*17	*632	*26	*62,965	*26	*63,146	*11	*20	*25	*517
Scholarships (other)	2,481	264,212	1,187	13,276	1,658	115,916	2,339	135,020	2,284	218,838	605	9,396	1,991	111,891
Student loans	332	119,701	104	2,719	257	19,336	331	97,647	332	111,284	*27	*623	194	21,326
Student housing activities	391	32,071	128	1,626	199	1,248	391	29,196	391	33,207	*41	*317	215	12,875
Other student aid	96	9,351	*60	*455	76	4,335	45	4,561	96	9,281	*7	*105	96	6,354
Student exchanges with foreign countries	225	30,487	115	10,246	131	6,501	225	13,740	225	29,396	2	187	221	23,092
Student operated businesses	60	15,968	*12	*676	*19	*1,135	58	14,157	60	16,334	*6	*75	47	4,216
Private schools	258	115,009	42	5,413	240	18,652	227	90,944	258	107,565	42	4,101	139	72,747
Other school related activities	1,228	3,225,045	570	48,993	753	156,444	970	3,019,608	1,228	3,191,572	196	13,272	1,028	2,259,507
Cultural and historical activities:														
Museum, zoo, planetarium, and like organizations	1,187	970,446	912	25,558	1,137	232,404	1,104	712,484	1,182	893,605	209	8,852	941	276,798
Libraries	964	210,588	237	7,938	801	101,816	823	100,834	878	203,983	102	2,719	761	150,336
Historical sites, records or reenactments	475	79,610	348	2,896	438	30,968	472	45,746	475	66,055	53	1,663	413	33,458
Monuments	*6	*1,735	–	–	*6	*443	*6	*1,293	*6	*1,818	*3	*237	*6	*227
Commemorative events (centennial, festivals, pageants, and like events)	211	35,094	86	1,341	174	18,739	177	15,014	211	31,282	*18	*393	189	19,913
Fairs	504	93,841	150	6,993	265	6,770	504	80,079	504	86,678	*35	*830	384	44,462
Community theatrical groups	793	77,325	387	4,392	683	25,766	725	47,167	793	75,268	201	3,069	553	37,509
Singing societies or groups	1,089	29,580	929	4,248	444	5,183	1,089	20,148	997	27,264	*42	*145	815	14,739
Cultural performances	1,771	468,114	656	9,555	1,560	162,374	1,653	296,185	1,770	456,330	339	5,733	1,422	227,623
Art exhibits	271	40,117	207	3,792	256	17,475	238	18,850	271	32,811	81	1,551	201	20,198
Literary activities	187	18,541	69	2,849	70	5,144	181	10,548	187	17,162	*16	*205	72	8,632
Cultural exchanges with foreign countries	220	33,285	203	3,246	131	15,572	133	14,467	220	31,363	*98	*1,329	133	19,523
Genealogical activities	*124	*3,029	*118	*1,268	*32	*402	*124	*1,358	*124	*2,404	*6	*34	*38	*387
Other cultural or historical activities	1,230	137,288	942	15,376	856	53,521	975	68,391	1,230	126,418	234	3,653	1,095	77,539

Footnotes at end of table.

Organizations Exempt From Income Tax, 1975

Table 2.—All Returns: Selected Income Statement Items, Total Assets, and Net Worth, by Principal Activity—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Principal activity	Total returns	Total receipts	Receipts from— Gross dues and assessments: Number of returns	Gross dues and assessments: Amount	Gross contributions, gifts, and grants: Number of returns	Gross contributions, gifts, and grants: Amount	All other sources: Number of returns	All other sources: Amount	Total deductions: Number of returns	Total deductions: Amount	Deductions for— Expenses attributable to contributions, gifts, and grants paid: Number of returns	Expenses attributable to contributions, gifts, and grants paid: Amount	Disbursements for exempt purposes: Number of returns	Disbursements for exempt purposes: Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Other instruction and training activities:														
Publishing activities	643	488,269	331	159,021	451	68,316	515	260,932	643	468,120	112	3,119	541	335,515
Radio or television broadcasting	212	215,799	54	14,914	179	178,522	198	22,362	212	210,269	65	24,956	191	165,020
Producing films	95	9,246	*32	*359	94	4,236	95	4,650	95	8321	*32	*29	95	5,372
Discussion groups, forums, panels, lectures, and like events	1,366	126,409	1,044	29,792	717	43,788	1,145	52,831	1,366	121,212	176	4,369	1,139	84,342
Study and research (nonscientific)	461	163,664	183	19,071	345	78,336	332	66,257	461	158,292	86	9,432	423	113,705
Giving information or opinions	190	31,537	124	9,032	134	10,261	158	12,244	190	30,236	57	1,949	175	20,610
Apprentice training	935	124,880	625	33,236	355	36,545	854	55,099	935	111,824	*110	*184	912	78,325
Other instruction and training	1,315	252,244	732	34,935	904	104,693	1,107	112,616	1,315	260,295	115	15,835	1,175	193,748
Health services and related activities:														
Hospitals	2,683	21,085,688	273	24,866	2,159	951,925	2,662	20,108,897	2,656	20,389,114	293	35,972	1,426	8,067,912
Hospital auxiliaries	1,043	150,345	845	1,722	711	24,500	1,011	124,123	1,043	137,825	103	3,613	1,017	35,045
Nursing or convalescent homes	678	708,523	98	18,344	560	63,055	675	627,124	678	684,306	89	5,160	415	339,308
Care and housing for the aged	750	546,761	145	21,892	678	102,098	721	422,770	748	520,750	80	5,442	533	291,310
Health clinics	924	339,547	131	12,392	791	178,483	790	148,672	924	324,951	195	23,236	695	230,569
Rural medical facilities	111	20,444	*6	*40	105	7,877	105	12,526	111	18,896	*35	*910	83	11,375
Blood banks	150	116,739	52	1,653	94	6,425	150	108,661	150	112,593	*8	*241	55	28,275
Cooperative hospital service organizations	250	399,837	130	48,152	135	19,842	230	331,843	250	416,167	45	5,437	210	357,179
Rescue and emergency services	608	44,998	203	2,562	524	18,105	549	24,331	608	40,132	215	1,569	504	24,302
Nurses registers or bureaus	54	16,978	*10	*314	51	3,420	48	13,245	54	15,855	*8	*113	42	8,808
Aid to the handicapped	1,777	543,245	663	20,218	1,528	221,997	1,637	301,029	1,774	523,215	355	25,769	1,491	292,094
Scientific research (diseases)	870	604,068	361	49,651	791	431,816	790	122,602	868	534,914	165	40,677	822	417,125
Other medical research	300	187,135	97	13,561	207	73,935	291	99,639	299	172,296	47	5,754	244	106,730
Health insurance (medical, dental, and optical, etc.)	460	10,278,245	218	4,854,952	128	369,163	441	5,054,130	459	10,516,383	*16	*611	418	7,178,424
Prepaid group health plans	187	4,976,361	73	2,633,162	87	47,851	145	2,295,347	187	5,064,014	*18	*4,130	157	3,950,932
Community health care	591	173,461	116	7,989	546	126,078	380	39,394	588	170,027	121	16,331	509	124,186
Mental health care	1,251	531,110	301	7,780	1,129	310,855	1,036	212,475	1,243	509,837	147	23,892	1,104	365,125
Group medical practice associations	104	51,350	72	17,484	37	2,193	95	31,673	104	48,592	*10	*858	89	34,499
In-faculty group practice associations	3	10,503	1	40	2	1,671	3	8,792	3	8,924	1	415	2	8,446
Hospital pharmacies, parking facilities, food services, and like organizations	103	8,721	*12	*12	*90	*1,296	78	7,413	103	8,164	*3	*1	77	4,676
Other health services	1,334	504,705	412	37,596	1,080	156,676	1,143	310,434	1,334	484,339	230	14,542	1,066	332,001
Scientific research activities:														
Contract or sponsored scientific research for industry	109	532,103	35	124,159	84	114,128	83	293,817	108	493,584	4	419	97	360,163
Scientific research for Government	112	613,033	33	11,437	88	187,111	96	414,485	112	600,579	*12	*7,288	86	329,473
Other scientific research activities	435	344,338	296	21,189	310	169,890	329	153,259	434	324,461	49	2,013	409	211,688
Business and professional organizations:														
Business promotion (chamber of commerce, business league), and like organizations	4,806	1,277,957	4,309	847,260	1,375	85,630	4,033	345,066	4,806	1,290,844	147	7,146	4,170	1,051,026
Real estate associations	492	47,181	465	29,396	49	939	482	16,846	492	45,342	*4	*215	363	32,903
Boards of trade	39	14,494	37	8,820	*8	*1,525	37	4,149	39	14,131	*4	*1,162	33	9,678
Regulating business	66	74,426	63	16,773	2	1,139	66	56,514	66	69,683	*2	*39	58	19,208
Better business bureaus	95	15,285	95	12,288	40	2,439	82	558	95	15,008	*6	*28	71	12,034
Professional associations	4,816	1,052,249	4,603	447,722	1,769	28,804	3,882	575,722	4,791	1,021,186	129	108,677	4,341	544,675
Professional association auxiliaries	199	11,500	199	4,882	*6	*30	187	6,589	199	10,402	–	–	190	5,616
Industry trade shows	29	25,358	24	6,755	*2	*390	29	18,213	29	24,468	*2	*390	24	13,936
Convention displays	*8	*2,693	*8	*1,299	–	–	*8	*1,394	*8	*2,587	–	–	*5	*769
Research, development and testing	129	53,153	89	26,015	36	6,900	120	20,238	129	51,481	*13	*1,245	105	36,692
Professional athletic leagues	*16	*15,827	*7	*10,827	*11	*1,730	*15	*3,270	*16	*16,084	1	12	*15	*4,856
Underwriting municipal insurance	*103	*2,608	*14	*81	–	–	*103	*2,527	*103	*2,304	–	–	*103	*1,548
Assigned risk insurance activities	51	144,322	49	33,142	–	–	50	111,180	51	177,684	–	–	18	49,233
Tourist bureaus	34	10,604	28	2,490	34	6,901	28	1,213	34	10,407	–	–	34	10,039
Other business or professional groups	2,921	391,868	2,728	237,798	624	29,112	2,646	124,957	2,895	376,341	78	1,742	2,620	281,284

Footnotes at end of table.

Organizations Exempt From Income Tax, 1975

Table 2.—All Returns: Selected Income Statement Items, Total Assets, and Net Worth, by Principal Activity—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Principal activity	Total returns	Total receipts	Receipts from— Gross dues and assessments: Number of returns	Receipts from— Gross dues and assessments: Amount	Receipts from— Gross contributions, gifts, and grants: Number of returns	Receipts from— Gross contributions, gifts, and grants: Amount	Receipts from— All other sources: Number of returns	Receipts from— All other sources: Amount	Total deductions: Number of returns	Total deductions: Amount	Deductions for— Expenses attributable to contributions, gifts, and grants paid: Number of returns	Deductions for— Expenses attributable to contributions, gifts, and grants paid: Amount	Deductions for— Disbursements for exempt purposes: Number of returns	Deductions for— Disbursements for exempt purposes: Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Farming and related activities:														
Farming	141	5,408	*107	*2,022	*33	*538	141	2,847	141	5,426	*88	*541	*30	*2,858
Farm bureaus	1,692	116,328	1,682	56,420	86	3,028	1,482	56,879	1,692	108,973	*6	*1	1,660	80,246
Agricultural groups	321	43,370	263	15,262	168	5,812	283	22,296	314	42,470	*20	*1,031	255	27,831
Horticultural groups	*21	*5,162	*19	*999	*9	*864	*21	*3,299	*21	*4,959	*3	*106	*18	*2,123
Farmers cooperative marketing or purchasing	37	62,491	15	13,470	–	–	35	49,021	37	61,251	0	0	24	25,425
Financing crop operations	*7	*12,526	*4	*3,282	*3	*112	*7	*9,131	*7	*8,574	–	–	*5	*1,614
Dairy herd improvement associations	161	13,967	86	3,288	*25	*5	153	10,674	161	13,731	0	0	107	8,513
Breeders associations	200	32,743	106	11,356	43	317	200	21,069	200	31,752	*2	*3	108	21,538
Other farming and related activities	226	35,636	154	19,191	67	3,601	208	12,845	226	33,228	*31	*142	158	26,580
Mutual organizations:														
Mutual ditch, irrigation, telephone, electric company, or like organizations	1,883	2,281,533	574	98,529	66	4,228	1,705	2,178,776	1,883	2,188,776	1	739	1,048	523,783
Credit unions	1,348	750,262	89	2,707	*14	*352	1,346	747,203	1,347	472,963	*10	*480	1,049	248,446
Reserve funds or insurance for domestic building and loan associations, cooperative banks, or mutual savings banks	5	47,061	2	1,153	–	–	5	45,907	5	41,346	–	–	4	2,485
Mutual insurance companies	561	49,050	391	21,418	1	6	548	27,626	561	41,323	*5	*231	386	26,700
Corporations organized under an Act of Congress	130	593,421	62	28,329	40	30,438	111	534,655	130	545,187	4	8,161	94	51,653
Other mutual organizations	215	29,514	193	16,516	*93	*35	183	12,964	215	28,923	1	2,319	202	20,742
Employee or membership benefit organizations:														
Fraternal beneficiary societies, orders, or associations	14,651	2,185,285	13,708	786,353	7,362	58,614	13,270	1,340,314	14,508	2,093,893	1,384	6,511	12,326	1,194,394
Improvement of conditions of workers	11,270	1,848,605	10,979	1,385,419	879	36,287	8,944	426,898	11,040	1,792,599	190	3,872	10,202	1,611,916
Associations of municipal employees	678	89,695	567	56,207	181	9,683	514	23,804	678	83,241	*29	*347	566	73,125
Associations of employees	3,952	1,744,638	3.675	707,957	638	88,564	3,234	948,118	3,915	1,737,675	51	2,206	3,547	1,554,794
Employee or member welfare associations	1,551	2,113,807	817	665,906	527	539,746	1,510	908,155	1,551	2,051,363	25	6,583	1,494	1,615,730
Sick, accident, death, or similar benefits	1,461	1,914,798	832	728,502	458	504,855	1,417	681,441	1,459	1,853,306	24	4,156	1,410	1,427,407
Strike benefits	81	33,355	81	27,964	*7	*487	74	4,904	81	34,558	–	–	49	31,286
Unemployment benefits	473	1,584,149	18	46,380	312	301,188	452	1,236,581	466	1,818,450	27	7,244	460	761,915
Pension or retirement benefits	128	441,882	90	35,357	32	18,237	122	388,288	128	396,905	3	56	120	300,557
Vacation benefits	305	402,970	127	99,852	121	156,118	304	147,001	298	410,555	*4	*114	296	296,412
Other services or benefits to members or employees	1,644	554,854	1,351	154,020	306	68,105	1,546	332,730	1,644	538,732	*16	*934	1,478	245,859
Sports, athletic, recreational and social activities:														
Country clubs	1,968	1,030,757	1,930	478,404	179	2,677	1,946	549,676	1,961	1,018,469	*11	*1,179	1,024	268,045
Hobby clubs	249	13,677	234	4,024	*152	*2,730	230	6,923	249	12,670	*86	*90	202	8,081
Dinner clubs	570	223,862	527	79,458	59	686	518	143,718	570	223,507	1	19	361	44,265
Variety clubs	79	16,593	79	5,253	*35	*300	79	11,040	79	15,367	*3	*2	54	2,776
Dog clubs	153	12,004	153	79	*50	*48	153	11,877	153	11,565	–	–	128	9,811
Women's clubs	1,033	30,005	1,033	9,944	638	2,222	1,027	17,838	1,033	28,666	*105	*188	843	11,185
Hunting or fishing clubs	644	22,429	617	8,800	127	670	629	12,959	644	20,818	*16	*128	547	7,981
Swimming or tennis clubs	1,204	80,517	1,181	53,402	160	1,845	1,107	25,270	1,204	77,527	*18	*223	948	41,710
Other sports clubs	942	73,267	907	28,716	288	1,777	902	42,773	942	70,587	*15	*304	695	22,704
Community centers	776	142,585	379	17,656	611	83,198	574	41,731	776	132,465	64	4,374	688	105,808
Community recreational facilities	787	63,323	524	18,246	430	15,895	764	29,182	787	57,137	83	1,461	703	39,892
Training in sports	294	16,770	208	4,856	172	5,799	291	6,115	294	16,915	*35	*1,194	212	10,863
Travel tours	40	12,860	32	1,707	*17	*1,162	33	9,990	40	11,835	-	-	33	2,573
Amateur athletic associations	477	29,709	365	8,089	311	2,200	471	19,420	477	27,220	*93	*54	197	18,565
Fund raising athletic or sports events	125	19,790	60	791	65	1,205	123	17,795	125	19,105	*15	*54	123	8,720
Other sports or athletic activities	975	79,711	648	23,076	265	4,264	957	52,370	975	80,731	*33	*455	576	38,339
Other recreational activities	930	82,457	795	38,531	251	7,713	730	36,212	844	76,281	*96	*1,007	636	43,770
Other social activities	1,637	143,721	1,414	45,414	427	9,731	1,424	88,575	1,630	141,816	*37	*685	1,067	43,528

Footnotes at end of table.

Organizations Exempt From Income Tax, 1975

Table 2.—All Returns: Selected Income Statement Items, Total Assets, and Net Worth, by Principal Activity—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Principal activity	Total returns	Total receipts	Receipts from— Gross dues and assessments: Number of returns	Receipts from— Gross dues and assessments: Amount	Receipts from— Gross contributions, gifts, and grants: Number of returns	Receipts from— Gross contributions, gifts, and grants: Amount	Receipts from— All other sources: Number of returns	Receipts from— All other sources: Amount	Total deductions: Number of returns	Total deductions: Amount	Deductions for— Expenses attributable to contributions, gifts, and grants paid: Number of returns	Deductions for— Expenses attributable to contributions, gifts, and grants paid: Amount	Deductions for— Disbursements for exempt purposes: Number of returns	Deductions for— Disbursements for exempt purposes: Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Youth activities:														
Boy scouts, girl scouts, and like organizations	1,270	399,133	529	28,814	1,107	150,953	1,134	219,365	1,270	383,520	264	5,136	1,174	232,436
Boys club, little league, and like organizations	2,203	151,579	1,458	12,902	1,609	67,429	2,117	71,247	2,203	141,959	243	4,107	1,956	87,700
FFA, FHA, 4-H clubs, and like organizations	272	22,141	69	2,662	209	8,581	258	10,897	272	20,644	*15	*379	232	14,764
Key clubs	*31	*791	*31	*270	-	-	*31	*520	*31	*780	-	-	*31	*746
YMCA, YWCA, YMHA, and like organizations	1,065	531,735	917	121,583	1,005	181,173	1,034	228,979	1,065	503,542	157	8,122	920	352,199
Camps	356	48,673	101	1,958	334	20,300	334	26,415	356	46,239	61	4,311	272	29,017
Care and housing of children	1,143	403,152	312	8,119	857	181,344	974	213,689	1,143	371,302	158	9,174	893	248,989
Prevention of cruelty to children	32	23,046	*10	*184	30	10,742	32	12,120	32	22,271	2	62	32	13,281
Combat juvenile delinquency	317	37,957	*43	*1,223	288	28,823	187	7,912	317	37,974	82	4,808	244	29,737
Other youth organizations or activities	1,442	104,822	1,013	15,242	1,031	51,841	1,304	37,739	1,442	100,267	313	5,456	1,194	68,704
Conservation, environmental, and beautification activities:														
Preservation of natural resources	471	103,642	347	27,194	305	32,590	431	43,858	464	91,221	108	4,978	440	50,909
Combatting or preventing pollution	77	11,352	*34	*1,780	43	6,261	67	3,312	77	11,393	*18	*1,584	67	8,574
Land acquisition for preservation	81	43,631	*33	*592	81	34,519	73	8,520	81	25,152	*4	*139	79	18,203
Soil or water conservation	*48	*5,500	*14	*2,685	*3	*77	*48	*2,738	*48	*4,816	-	-	*46	*3,050
Preservation of scenic beauty	*68	*6,534	*28	*228	*15	*3,400	*68	*2,906	*68	*6,313	*7	*232	*68	*4,043
Wildlife sanctuary or refuge	125	24,117	83	1,173	72	14,140	118	8,804	125	22,041	*10	*1,569	124	14,890
Garden clubs	110	4,508	110	1,083	97	822	110	2,602	110	3,509	*3	*24	91	1,300
Other conservation, environmental or beautification activities	226	28,938	82	2,602	205	21,102	189	5,234	226	23,956	*14	*366	220	19,989
Housing activities:														
Low-income housing	621	135,462	*15	*113	190	24,627	609	110,721	621	150,784	*19	*3,061	309	70,399
Low and moderate income housing	387	85,466	*14	*3	118	13,044	379	72,419	386	91,760	*30	*1,857	222	49,905
Housing for the aged	650	215,134	168	20,458	352	23,062	647	171,615	650	211,632	26	396	430	108,675
Instruction and guidance on housing	33	16,458	*3	*177	31	13,843	24	2,438	33	12,153	*15	*6,151	26	4,884
Other housing activities	212	53,391	79	3,712	151	30,003	188	19,676	212	52,856	*35	*1,792	162	41,140
Inner city or community activities:														
Area development, redevelopment or renewal	346	137,915	77	2,204	235	106,270	262	29,441	345	86,460	49	3,432	255	69,423
Homeowners associations	741	35,721	732	25,213	*190	*503	557	10,005	741	33,641	*3	*52	617	21,027
Other activities aimed at combatting community deterioration	297	55,600	217	2,092	240	41,226	253	12,282	297	52,876	23	4,448	285	42,143
Attracting new industries or retaining industries in an area	458	44,319	162	3,593	86	11,978	444	28,748	458	38,795	*31	*497	350	24,769
Community promotion	348	32,266	251	5,918	120	11,734	346	14,614	348	32,550	*12	*181	307	22,050
Loans or grants for minority businesses	54	23,181	*5	*63	43	19,886	43	3,231	54	22,938	*12	*1,162	44	18,971
Crime prevention	87	12,604	*18	*809	72	9,029	71	2,766	87	13,576	*8	*2,282	87	10,893
Volunteer firemens organizations or auxiliaries	1,086	48,494	658	1,091	844	15,660	1,086	31,742	1,073	39,298	137	981	955	24,397
Community service organizations	7,497	543,639	6,526	58,034	4,447	331,128	6,625	154,475	7,472	518,492	1,281	48,028	6,636	359,621
Other inner city or community benefit activities	281	47,002	163	2,765	192	33,855	248	10,383	281	44,474	*26	*4,222	227	33,703
Civil rights activities:														
Defense of human and civil rights	172	43,018	95	10,332	169	29,257	150	3,429	172	40,100	*18	*4,350	171	34,534
Elimination of prejudice and discrimination	136	35,798	48	2,504	126	29,794	106	3,500	136	35,377	56	1,980	123	29,894
Lessen neighborhood tensions	2	1,935	-	-	2	1,935	-	-	2	2,069	1	856	1	1,213
Other civil rights activities	*6	*454	-	-	*6	*105	*6	*349	*6	*638	*6	*216	–	–
Litigation and legal aid activities:														
Public interest litigation activities	37	13,645	2	721	37	11,827	25	1,097	37	13,060	*7	*211	37	12,277
Other litigation or support of litigation	3	5,581	2	3,964	2	1,141	2	476	3	4,756	-	-	3	4,522
Legal aid to indigents	269	90,372	26	697	250	81,671	108	8,004	269	88,042	20	7,684	240	77,479
Providing bail	–	–	–	–	–	–	–	–	–	–	–	–	–	–

Footnotes at end of table.

Organizations Exempt From Income Tax, 1975

Table 2.—All Returns: Selected Income Statement Items, Total Assets, and Net Worth, by Principal Activity—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Principal activity	Total returns	Total receipts	Receipts from— Gross dues and assessments: Number of returns	Receipts from— Gross dues and assessments: Amount	Receipts from— Gross contributions, gifts, and grants: Number of returns	Receipts from— Gross contributions, gifts, and grants: Amount	Receipts from— All other sources: Number of returns	Receipts from— All other sources: Amount	Total deductions: Number of returns	Total deductions: Amount	Deductions for— Expenses attributable to contributions, gifts, and grants paid: Number of returns	Deductions for— Expenses attributable to contributions, gifts, and grants paid: Amount	Deductions for— Disbursements for exempt purposes: Number of returns	Deductions for— Disbursements for exempt purposes: Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Legislative and political activities:														
Propose, support, or oppose legislation	122	21,379	107	12,888	*23	*7,127	70	1,364	122	19,937	*6	*818	112	18,209
Voter information on issues or candidates	*6	*1,513	*6	*923	-	-	*6	*590	*6	*1,571	*3	*3	*3	*930
Voter education	*15	*752	-	-	*15	*370	*15	*381	*15	*691	*2	*23	*15	*505
Support, oppose, or rate political candidates	*7	*182	*7	*12	*7	*(1)	*7	*170	*7	*147	*7	*8	*7	*9
Provide facilities or services for political campaign activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other legislative and political activities	79	6,710	*22	*1,954	*31	*2,988	79	1,768	79	6,185	*27	*532	*48	*4,913
Advocacy:														
Firearms control	*12	*545	*6	*47	*12	*315	*6	*182	*12	*501	-	-	*12	*336
Selective service systems	-	-	-	-	-	-	-	-	-	-	-	-	-	-
National defense policy	2	2,568	1	800	2	985	2	784	2	1,876	1	46	1	687
Weapons systems	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Government spending	*6	*1,790	*2	*519	*4	*621	*3	*649	*6	*1,761	-	-	*6	*1,761
Taxes or tax exemption	*27	*1,241	*25	*398	*27	*794	*2	*50	*27	*1,175	*2	*78	*27	*1,006
Separation of church and state	1	1,265	-	-	1	652	1	612	1	1,201	-	-	-	-
Government aid to parochial schools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
U.S. foreign policy	*7	*2,751	*2	*340	*7	*2,184	*7	*227	*7	*2,415	*6	*476	*7	*1,787
U.S. military involvement	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacifism and peace	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic-political system of U.S.	*3	*982	-	-	*3	*912	*2	*71	*3	*1,141	*3	*644	*3	*430
Anticommunism	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Right to work	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Zoning or rezoning	*27	*672	*25	*448	*2	*13	*2	*211	*27	*798	-	-	*27	*798
Location of highway or transportation systems	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rights of criminal defendants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital punishment	*3	*444	-	-	*3	*444	-	-	*3	*443	-	-	*3	*443
Stricter law enforcement	*8	*776	*7	*159	*8	*527	*8	*91	*8	*740	1	138	*8	*582
Ecology or conservation	*41	*1,540	*39	*261	*34	*496	*9	*783	*41	*1,704	-	-	*41	*1,471
Protection of consumer interests	*26	*19,432	*17	*1,292	*12	*787	*11	*17,353	*26	*22,382	*5	*722	*20	*2,544
Medical care systems	*28	*1,783	*21	*678	*22	*879	*22	*226	*28	*1,623	*6	*6	*28	*1,550
Welfare systems	*2	*286	-	-	*2	*286	-	-	*2	*298	-	-	*2	*298
Urban renewal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Busing students to achieve racial balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Racial integration	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Use of intoxicating beverages	79	9,127	*24	*63	66	6,825	64	2,239	79	8,271	*8	*344	64	6,426
Use of drugs or narcotics	81	7,582	*14	*581	74	4,137	*45	*2,864	81	6,952	*9	*428	79	6,140
Use of tobacco	1	723	1	557	1	98	1	68	1	565	-	-	1	565
Prohibition of erotica	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sex education in public schools	*34	*2,783	-	-	*34	*2,333	*34	*451	*34	*1,742	*27	*67	*34	*1,586
Population control	31	21,245	1	1	31	17,673	28	3,571	31	19,722	*11	*44	31	16,197
Birth control methods	*20	*8,606	*2	*6	*20	*6,838	*16	*1,762	*20	*8,762	*4	*62	*20	*7,341
Legalized abortion	*177	*1,523	*177	*373	*177	*441	*177	*708	*177	*2,545	-	-	*92	*2,049
Other matters	162	15,425	*24	*987	*153	*13,946	154	492	162	15,416	*5	*143	160	14,713
Other activities directed to individuals:														
Supplying money, goods or services to the poor	1,249	899,738	413	4,887	1,053	839,159	906	55,692	1,249	927,212	154	28,009	1,175	854,577
Gifts or grants to individuals (other than scholarships)	308	80,647	149	2,092	270	43,060	300	35,495	308	73,295	46	1,979	305	41,347
Other loans to individuals	*11	*10,159	-	-	*11	*1,505	*11	*8,654	*4	*8,256	-	-	*4	*5,129
Marriage counseling	255	58,594	48	731	254	39,158	229	18,705	255	57,306	36	586	214	49,018

Footnotes at end of table.

Organizations Exempt From Income Tax, 1975

Table 2.—All Returns: Selected Income Statement Items, Total Assets, and Net Worth, by Principal Activity—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Principal activity	Total returns	Total receipts	Receipts from— Gross dues and assessments: Number of returns	Gross dues and assessments: Amount	Gross contributions, gifts, and grants: Number of returns	Gross contributions, gifts, and grants: Amount	All other sources: Number of returns	All other sources: Amount	Total deductions: Number of returns	Total deductions: Amount	Deductions for— Expenses attributable to contributions, gifts, and grants paid: Number of returns	Expenses attributable to contributions, gifts, and grants paid: Amount	Disbursements for exempt purposes: Number of returns	Disbursements for exempt purposes: Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Other activities directed to individuals—Continued														
Family planning	197	71,704	*44	*87	172	53,232	158	18,384	197	69,182	46	3,643	149	53,651
Credit counseling and assistance	74	9,231	*43	*1,134	69	2,931	64	5,167	74	7,633	*3	*417	55	5,543
Job training, counseling, or assistance	378	133,147	76	5,018	330	93,203	256	34,925	375	128,792	45	17,825	313	86,428
Draft counseling	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Vocational counseling	41	16,422	*7	*482	39	7,581	41	8,359	41	15,645	1	17	37	11,836
Referral services (social agencies)	281	113,844	61	1,135	269	37,640	252	75,068	281	113,245	38	1,961	258	44,273
Rehabilitating convicts or exconvicts	183	30,027	36	404	181	23,405	133	6,217	183	28,626	61	1,833	172	23,073
Rehabilitating alcoholics, drug abusers, compulsive gamblers, etc.	750	145,203	179	1,252	697	106,939	502	37,012	750	141,267	79	4,416	677	114,590
Day care centers	1,630	258,343	268	3,373	1,375	170,250	1,402	84,720	1,628	244,547	170	16,925	1,069	184,304
Services for the aged	544	100,828	153	2,638	460	69,516	400	28,674	535	96,018	105	7,945	416	69,321
Activities directed to organizations not elsewhere classified:														
Community chest, United givers fund, and like organizations	1,632	1,032,191	107	7,874	1,516	961,130	1,198	63,187	1,547	995,853	645	44,865	1,524	925,491
Booster clubs	271	5,841	*220	*451	231	1,726	271	3,663	271	5,249	–	–	258	2,826
Gifts, grants, or loans to other organizations	3,191	1,693,293	836	14,215	2,173	919,702	2,581	759,375	3,149	1,556,540	764	51,579	2,921	972,286
Nonfinancial services or facilities to other organizations	477	123,845	263	23,529	264	57,264	422	43,053	477	118,567	29	12,330	442	83,662
Other purposes and activities:														
Cemetery or burial activities	1,334	212,072	328	8,338	541	4,250	1,313	199,484	1,334	189,813	*120	*1,700	749	77,009
Perpetual care funds cemetery, columbarium, and like organizations	157	17,047	–	–	91	1,411	157	15,636	157	14,141	–	–	125	6,154
Emergency or disaster aid funds	*18	*24,403	–	–	*18	*15,651	*17	*8,752	*18	*24,252	–	–	*18	*23,414
Community trusts or components	96	52,293	*28	*1,126	55	28,412	96	22,754	96	47,006	*32	*92	94	30,156
Government instrumentalities or agencies	133	146,353	52	8,156	94	49,418	85	88,779	133	110,418	27	4,498	116	93,675
Testing products for public safety	*15	*48,778	*11	*5,154	*3	*367	*13	*43,257	*15	*44,036	–	–	*14	*6,557
Consumer interest groups	51	20,023	35	6,272	42	10,009	38	3,743	51	19,532	*12	*124	38	15,201
Veterans activities	4,919	303,777	4,360	40,516	2,587	41,276	4,907	221,984	4,803	286,985	731	17,033	4,081	94,047
Patriotic activities	201	18,016	186	4,204	152	2,637	201	11,175	201	17,969	*24	*274	177	6,983
Nonexempt trusts	*3	*5,029	*2	*5	–	–	*3	*5,024	*3	*4,938	–	–	*3	*261
Domestic organizations with activities outside U.S.	27	27,651	*4	*793	17	21,386	26	5,472	27	27,159	*12	*1,546	20	20,916
Foreign organizations	15	27,903	*7	*576	*14	*18,752	8	8,575	15	24,456	2	1,668	*14	*19,496
Title holding corporations	1,195	283,720	159	3,629	173	20,339	1,161	259,752	1,195	270,351	*16	*338	824	97,268
Prevention of cruelty to animals	384	75,826	260	2,212	341	27,786	372	45,828	384	68,769	67	2,063	290	36,672
Achievement prizes or awards	295	6,243	*176	*577	292	1,509	295	4,157	295	5,980	*180	*649	*192	*1,557
Erection or maintenance of public buildings or works	157	82,082	*3	*706	*12	*1,936	157	79,441	157	65,318	*9	*10	126	51,211
Cafeterias, restaurants, snack bars, food services, and like organizations	50	53,586	27	2,056	*11	*4,230	50	47,301	50	51,925	–	–	29	9,878
Thrift shops, retail outlets, and like organizations	80	10,327	*26	*159	29	642	80	9,525	80	9,694	*3	*15	76	3,298
Book, gift or supply stores	123	69,785	45	2,283	36	2,864	123	64,638	123	65,956	2	65	54	17,692
Advertising	2	2,096	2	2,096	–	–	–	–	2	2,165	–	–	2	2,165
Associations of employees	55	7,927	55	4,735	*9	*156	49	3,036	55	7,739	–	–	55	7,371
Loans or credit reporting	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Endowment funds or financial services	*17	*17,098	–	–	*17	*4,867	*17	*12,231	*17	*22,490	*8	*388	*15	*6,779
Indians (tribes, cultures, and like groups)	36	10,422	–	–	*30	*4,869	*21	*5,554	36	6,997	*2	*733	*30	*3,275
Traffic or tariff bureaus	*17	*8,600	*17	*3,373	*3	*347	*17	*4,879	*17	*8,466	–	–	*14	*6,811
No activity reported	51,026	15,884,996	33,390	2,559,458	20,078	2,352,379	43,197	10,973,152	49,998	15,213,553	4,805	557,145	37,852	7,776,254

Footnotes at end of table.

Table 2.—All Returns: Selected Income Statement Items, Total Assets, and Net Worth, by Principal Activity—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Principal activity	Deductions for—Continued: Cost of sales and operations: Number of returns	Deductions for—Continued: Cost of sales and operations: Amount	Deductions for—Continued: Cost and expenses of assets sold: Number of returns	Deductions for—Continued: Cost and expenses of assets sold: Amount	Deductions for—Continued: Other expenses: Number of returns	Deductions for—Continued: Other expenses: Amount	Net income (less deficit): Number of returns	Net income (less deficit): Amount	Net income: Number of returns	Net income: Amount	Total assets: Number of returns	Total assets: Amount	Net worth
	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)
All activities	**49,271**	**8,566,880**	**14,986**	**13,817,437**	**87,883**	**20,363,748**	**217,671**	**3,616,729**	**138,848**	**6,643,504**	**220,197**	**176,286,448**	**100,561,377**
Religious activities:													
Churches, synagogues, and like organizations	144	9,951	68	20,621	290	75,604	1,053	14,507	682	18,135	1,103	380,258	278,152
Associations or conventions of churches	*17	*4,044	37	31,565	55	17,679	320	2,764	208	8,082	320	194,223	124,707
Religious orders	84	4,927	19	4,685	83	66,247	339	7,162	291	8,193	339	171,800	83,394
Church auxiliaries	92	3,454	*13	*1,581	106	3,719	212	3,332	151	4,516	215	97,632	80,347
Missions	*28	*1,136	28	1,026	91	4,521	415	4,630	237	5,249	421	69,491	52,082
Missionary activities	104	14,234	39	3,283	155	6,158	594	8,123	419	12,390	594	304,735	110,285
Evangelism	255	8,108	51	11,410	184	9,382	826	13,147	565	18,942	826	145,606	91,194
Religious publishing activities	113	23,223	26	1,468	114	14,904	290	3,535	135	4,343	290	56,480	38,731
Other religious activities	573	20,788	146	29,808	783	42,374	2,069	40,024	1,276	48,763	2,070	665,803	496,010
Schools, colleges, and related activities:													
Schools, colleges, and trade schools, except special schools for the handicapped nursery schools, and private schools	626	199,847	629	1,361,047	1,723	976,120	4,330	658,272	2,954	850,349	4,392	35,441,352	28,201,335
Special schools for the handicapped	505	49,093	171	54,767	608	103,853	1,857	47,076	1,309	58,678	1,865	850,870	706,865
Nursery schools	171	6,080	*11	*525	540	17,238	1,202	1,725	697	3,119	1,240	65,290	51,275
Faculty groups	45	10,577	*4	*50	165	12,918	315	–1,072	212	1,947	315	42,375	27,276
Alumni associations or groups	115	3,230	83	15,175	355	17,009	828	8,466	529	11,928	830	191,212	150,242
Parent or parent-teachers associations	832	4,009	*108	*873	829	4,513	1,422	–883	862	1,241	1,422	16,305	15,499
Fraternities or sororities	370	5,684	86	12,375	1,072	30,636	3,499	3,692	2,151	11,699	3,549	275,252	189,886
Other student societies or groups	51	11,618	*15	*1,800	140	4,346	239	718	74	1,369	239	39,208	24,838
School or college athletic associations	48	6,490	*13	*2,327	83	20,033	158	3,122	72	4,187	160	50,978	30,288
Scholarships for children of employees	*9	*60,763	*3	*650	*20	*1,196	*26	*485	*25	*590	*26	*18,275	*6,661
Scholarships (other)	503	14,209	309	65,407	1,090	17,935	2,389	45,374	1,769	54,695	2,481	551,436	511,172
Student loans	66	7,124	44	73,480	206	8,731	332	8,417	277	9,294	332	158,266	149,895
Student housing activities	*15	*1,880	*7	*10,830	190	7,305	391	–1,136	300	1,321	391	119,588	64,646
Other student aid	*5	*1,461	*14	*1,057	*20	*304	96	70	*15	*831	96	9,987	8,894
Student exchanges with foreign countries	*93	*819	2	4,400	*20	*897	225	1,091	216	1,714	225	13,508	6,657
Student operated businesses	*25	*8,610	*11	*203	42	3,230	60	–366	37	350	60	15,064	9,458
Private schools	14	1,070	25	2,846	124	26,801	238	7,444	144	9,258	258	234,086	172,377
Other school related activities	219	39,484	52	754,684	402	124,626	1,193	33,473	667	50,217	1,228	8,716,812	573,011
Cultural and historical activities:													
Museum, zoo, planetarium, and like organizations	565	65,446	286	408,787	757	133,723	1,187	76,842	881	108,909	1,187	2,159,683	1,944,043
Libraries	109	3,052	165	30,752	276	17,123	960	6,606	670	14,388	964	391,130	357,143
Historical sites, records or reenactments	217	5,188	65	13,860	245	11,886	475	13,555	392	17,630	475	190,303	175,439
Monuments	*3	*36	–	–	*6	*1,319	*6	*–83	*3	*9	*6	*35,606	*35,389
Commemorative events (centennial, festivals, pageants, and like events)	51	4,431	*13	*325	102	6,221	205	3,813	146	6,197	211	26,708	15,274
Fairs	*55	*648	*8	*63	259	40,676	502	7,163	312	8,698	504	157,947	132,370
Community theatrical groups	145	8,256	*31	*202	327	26,232	762	2,057	385	6,478	793	73,506	54,747
Singing societies or groups	159	2,249	*14	*367	855	9,764	1,089	2,315	646	3,259	1,089	26,354	22,515
Cultural performances	248	41,226	91	57,412	861	124,337	1,736	11,784	850	35,149	1,771	604,500	439,690
Art exhibits	111	2,948	27	3,811	147	4,303	271	7,306	168	8,043	271	111,645	104,945
Literary activities	129	4,503	*17	*279	68	3,542	187	1,379	173	1,586	187	22,308	18,759
Cultural exchanges with foreign countries	*15	*5,129	*8	*475	110	4,907	220	1,922	117	2,489	220	28,026	13,988
Genealogical activities	*25	*126	*6	*471	*99	*1,386	*124	*625	*118	*723	*124	*12,018	*10,887
Other cultural or historical activities	419	11,271	344	9,673	617	24,282	1,230	10,870	834	15,241	1,230	185,738	148,110

Footnotes at end of table.

Organizations Exempt From Income Tax, 1975

Table 2.—All Returns: Selected Income Statement Items, Total Assets, and Net Worth, by Principal Activity—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Principal activity	Deductions for—Continued: Cost of sales and operations: Number of returns	Cost of sales and operations: Amount	Cost and expenses of assets sold: Number of returns	Cost and expenses of assets sold: Amount	Other expenses: Number of returns	Other expenses: Amount	Net income (less deficit): Number of returns	Net income (less deficit): Amount	Net income: Number of returns	Net income: Amount	Total assets: Number of returns	Total assets: Amount	Net worth
	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)
Other instruction and training activities:													
Publishing activities	214	58,969	118	22,373	276	48,145	642	20,149	431	28,588	643	434,176	237,685
Radio or television broadcasting	*16	*3,595	*6	*1,460	42	15,239	212	5,530	150	15,824	212	129,081	73,214
Producing films	*32	*1,430	*28	*148	*90	*1,342	95	925	93	1,008	95	9,149	8,194
Discussion groups, forums, panels, lectures, and like events	182	8,644	107	3,204	496	20,652	1,352	5,197	701	10,877	1,368	123,179	97,049
Study and research (nonscientific)	70	12,459	30	14,120	114	8,575	461	5,372	277	11,242	461	127,127	93,602
Giving information or opinions	22	1,108	2	4,935	24	1,633	190	1,301	123	1,870	190	13,595	9,457
Apprentice training	47	826	24	28,420	113	4,068	930	13,056	562	17,909	935	126,814	105,789
Other instruction and training	253	8,096	25	2,444	498	40,172	1,217	-8,050	790	34,354	1,315	189,698	124,404
Health services and related activities:													
Hospitals	550	1,976,663	610	1,258,726	1,615	9,049,841	2,677	696,574	1,975	1,018,877	2,683	25,109,715	16,152,541
Hospital auxiliaries	707	68,157	101	4,741	773	26,269	1,043	12,520	587	17,094	1,043	116,342	93,911
Nursing or convalescent homes	79	32,402	80	28,250	360	279,186	677	24,217	462	49,636	678	1,540,831	651,073
Care and housing for the aged	66	23,236	167	84,668	411	116,095	747	26,011	434	48,860	750	1,505,856	858,178
Health clinics	30	4,130	47	12,982	325	54,034	915	14,596	592	27,969	924	300,948	230,449
Rural medical facilities	*4	*192	*6	*6	32	6,413	111	1,547	68	1,994	111	16,803	10,403
Blood banks	71	32,110	25	1,401	108	50,566	150	4,146	126	7,466	150	85,771	58,276
Cooperative hospital service organizations	42	12,403	20	10,389	97	30,759	243	-16,330	165	5,670	250	205,001	75,669
Rescue and emergency services	77	1,921	*28	*4,308	213	8,032	608	4,866	478	6,390	608	66,469	58,283
Nurses registers or bureaus	2	849	*2	*83	*13	*6,003	54	1,123	44	1,188	54	16,462	14,559
Aid to the handicapped	516	92,822	154	37,199	831	75,331	1,729	20,030	1,145	51,591	1,777	583,266	486,947
Scientific research (diseases)	178	18,494	177	19,506	338	39,111	867	69,154	483	79,736	870	894,201	684,972
Other medical research	*21	*1,096	30	3,965	92	54,751	275	14,838	192	18,227	300	234,075	133,127
Health insurance (medical, dental, and optical, etc.)	29	538,469	76	2,424,024	137	374,855	456	-238,138	270	71,588	460	3,557,441	1,062,552
Prepaid group health plans	19	279,507	22	698,239	49	131,207	181	-87,653	110	25,194	187	1,948,414	481,917
Community health care	38	3,538	22	11,317	86	14,655	583	3,434	382	11,647	591	89,949	64,121
Mental health care	81	21,937	56	3,956	294	94,926	1,242	21,273	763	30,395	1,251	308,453	231,692
Group medical practice associations	*17	*1,266	2	841	65	11,128	101	2,758	69	4,984	104	51,628	33,152
In-faculty group practice associations	-	-	-	-	1	63	3	1,579	2	1,589	3	5,972	3,449
Hospital pharmacies, parking facilities, food services, and like organizations	*71	*2,111	*3	*1	*22	*1,374	102	557	99	570	103	17,061	4,838
Other health services	143	26,757	98	35,652	450	75,388	1,286	20,366	765	33,693	1,334	356,991	246,843
Scientific research activities:													
Contract or sponsored scientific research for industry	17	58,523	4	26,125	28	48,354	109	38,519	65	42,862	109	407,265	337,600
Scientific research for Government	31	104,050	16	16,858	48	142,911	111	12,453	64	16,544	112	257,338	150,711
Other scientific research activities	78	19,927	66	69,830	141	21,004	435	19,876	277	96,064	435	818,872	770,872
Business and professional organizations:													
Business promotion (chamber of commerce, business league), and like organizations	385	18,709	166	67,347	1,416	146,614	4,780	-12,887	2,823	48,658	4,806	759,799	433,959
Real estate associations	70	1,915	*14	*897	299	9,413	492	1,839	237	3,712	492	62,625	25,960
Boards of trade	*7	*1,368	-	-	*13	*1,923	39	363	27	739	39	8,405	5,668
Regulating business	*8	*98	3	9,193	*16	*41,145	66	4,743	*40	*5,170	66	87,428	74,742
Better business bureaus	*2	*2	-	-	*27	*2,944	95	277	46	527	95	4,044	1,712
Professional associations	628	157,585	182	108,295	1,712	101,953	4,807	31,063	3,218	56,579	4,816	729,280	436,350
Professional association auxiliaries	*104	*2,197	*8	*95	112	2,494	199	1,098	139	1,332	199	12,466	8,535
Industry trade shows	*7	*476	4	3,690	*17	*5,976	29	890	25	1,160	29	16,664	11,670
Convention displays	2	355	-	-	*8	*1,463	*8	*106	*7	*124	*8	*1,898	*694
Research, development and testing	*20	*6,305	*9	*1,942	56	5,297	122	1,672	73	4,204	129	40,761	28,468
Professional athletic leagues	*8	*1,120	*7	*127	5	9,969	*16	*-257	*4	*262	*16	*3,035	*1,252
Underwriting municipal insurance	*2	*279	-	-	*9	*478	*103	*304	*89	*344	*103	*4,808	*1,539
Assigned risk insurance activities	-	-	4	102,159	40	26,292	50	-33,362	15	11,637	51	92,841	-47,327
Tourist bureaus	*6	*101	1	1	*4	*266	34	197	*17	*447	34	2,819	2,061
Other business or professional groups	413	15,097	78	10,014	1,415	68,203	2,913	15,527	1,819	26,414	2,921	295,399	193,857

Footnotes at end of table.

Organizations Exempt From Income Tax, 1975

Table 2.—All Returns: Selected Income Statement Items, Total Assets, and Net Worth, by Principal Activity—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Principal activity	Deductions for—Continued: Cost of sales and operations: Number of returns	Cost of sales and operations: Amount	Cost and expenses of assets sold: Number of returns	Cost and expenses of assets sold: Amount	Other expenses: Number of returns	Other expenses: Amount	Net income (less deficit): Number of returns	Net income (less deficit): Amount	Net income: Number of returns	Net income: Amount	Total assets: Number of returns	Total assets: Amount	Net worth
	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)
Farming and related activities:													
Farming	*11	*1,062	–	–	*38	*964	141	–18	*38	*406	141	7,718	7,106
Farm bureaus	423	3,379	45	876	893	24,471	1,692	7,355	1,283	8,743	1,692	138,319	98,841
Agricultural groups	48	2,461	*14	*205	134	10,942	321	900	124	3,210	321	53,188	46,842
Horticultural groups	*6	*392	*4	*36	*13	*2,302	*21	*203	*14	*288	*21	*5,111	*3,411
Farmers cooperative marketing or purchasing	20	23,385	8	1,817	16	10,624	36	1,239	27	3,385	37	138,093	50,693
Financing crop operations	*3	*43	*3	*25	3	6,892	*7	*3,951	*6	*4,053	*7	*97,084	*17,799
Dairy herd improvement associations	*27	*769	2	4	69	4,446	161	236	109	369	161	4,781	3,564
Breeders associations	34	2,550	*14	*692	132	6,969	200	991	*160	1,805	200	25,527	21,554
Other farming and related activities	*62	*994	*8	*28	113	5,484	218	2,409	133	3,118	226	42,449	25,373
Mutual organizations:													
Mutual ditch, irrigation, telephone, electric company, or like organizations	549	1,072,806	380	51,155	955	540,292	1,838	92,758	1,384	130,326	1,883	6,369,199	1,579,148
Credit unions	*11	*1,404	*6	*383	691	222,251	1,277	277,299	1,083	280,941	1,348	8,645,249	4,280,450
Reserve funds or insurance for domestic building and loan associations, cooperative banks, or mutual savings banks	1	182	3	37,280	4	1,400	5	5,714	4	5,717	5	113,659	35,995
Mutual insurance companies	*15	*2,111	*13	*1,761	244	10,519	558	7,728	420	8,593	561	102,912	90,352
Corporations organized under an Act of Congress	64	41,747	20	2,333	80	441,294	125	48,234	77	49,627	130	6,243,993	306,906
Other mutual organizations	*90	*715	2	139	53	5,008	211	591	171	2,054	215	50,543	34,401
Employee or membership benefit organizations:													
Fraternal beneficiary societies, orders, or associations	5,665	186,117	644	518,236	6,094	188,634	14,620	91,392	10,047	130,166	14,651	5,686,879	2,295,750
Improvement of conditions of workers	151	3,252	195	134,395	1,124	39,163	11,207	56,006	6,309	108,692	11,270	1,685,658	1,548,555
Associations of municipal employees	33	2,512	*6	*1,386	156	5,871	678	6,454	591	9,448	678	96,919	77,671
Associations of employees	208	23,992	112	126,089	607	30,595	3,947	6,963	2,094	72,439	3,952	1,014,872	913,300
Employee or member welfare associations	57	88,003	163	261,719	262	79,328	1,536	62,444	968	125,313	1,551	1,473,135	1,108,541
Sick, accident, death, or similar benefits	62	49,322	159	325,261	229	47,160	1,446	61,492	921	135,607	1,461	1,558,880	915,039
Strike benefits	–	–	1	2,727	*33	*545	81	–1,203	*68	*701	81	11,018	9,845
Unemployment benefits	56	139,184	161	904,397	272	5,710	470	–234,301	227	44,359	473	407,926	358,040
Pension or retirement benefits	*6	*606	15	93,300	47	2,386	120	44,977	84	45,637	128	916,587	396,100
Vacation benefits	3	1,166	29	100,582	62	12,282	301	-7,585	150	12,747	305	329,361	89,568
Other services or benefits to members or employees	161	62,233	37	194,471	361	35,236	1,622	16,122	894	28,170	1,644	381,016	238,708
Sports, athletic, recreational and social activities:													
Country clubs	1,588	231,072	116	19,649	1,374	498,524	1,964	12,288	1,114	36,649	1,968	1,445,277	905,801
Hobby clubs	66	1,365	*3	*181	172	2,952	249	1,007	210	1,453	249	15,533	10,938
Dinner clubs	335	73,395	19	1,613	313	104,214	566	355	336	4,957	570	181,883	117,571
Variety clubs	73	5,062	–	–	68	7,527	79	1,226	41	1,476	79	29,114	22,967
Dog clubs	*31	*522	–	–	*125	*1,232	153	439	128	473	153	2,977	2,355
Women's clubs	261	3,535	99	3,419	749	10,339	1,033	1,339	495	2,715	1,033	44,113	40,029
Hunting or fishing clubs	174	3,658	*12	*63	419	8,987	644	1,612	331	2,485	644	49,360	36,488
Swimming or tennis clubs	495	7,748	*22	*3,543	473	24,303	1,185	2,990	779	6,460	1,204	171,282	114,077
Other sports clubs	410	17,139	*40	*454	483	29,987	930	2,680	704	4,634	942	92,040	63,252
Community centers	137	2,223	30	5,041	227	15,019	764	10,120	532	14,070	776	252,357	175,839
Training in sports	217	3,345	50	3,052	251	9,386	759	6,186	515	10,352	787	166,490	97,476
Travel tours	*32	*1,234	2	12	142	3,612	294	–145	182	492	294	25,825	12,884
Amateur athletic associations	*21	*5,291	–	–	*12	*3,971	39	1,024	36	1,085	40	13,143	4,676
Fund raising athletic or sports events	214	3,226	*58	*123	240	5,253	477	2,489	434	2,817	477	17,946	14,455
Community recreational facilities	*54	*2,795	–	–	61	7,536	125	685	70	1,207	125	11,451	8,583
Other sports or athletic activities	278	12,613	*11	*532	607	28,793	964	–1,021	499	3,489	975	87,429	57,081
Other recreational activities	142	9,482	*16	*267	388	21,756	928	6,175	552	7,485	930	93,854	73,075
Other social activities	747	40,607	*19	*1,046	878	55,950	1,635	1,904	943	5,956	1,637	169,346	118,707

Footnotes at end of table.

Organizations Exempt From Income Tax, 1975

Table 2.—All Returns: Selected Income Statement Items, Total Assets, and Net Worth, by Principal Activity—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Principal activity	Deductions for—Continued						Net income (less deficit)		Net income		Total assets		Net worth
	Cost of sales and operations		Cost and expenses of assets sold		Other expenses								
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	
	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)
Youth activities:													
Boy scouts, girl scouts, and like organizations	585	84,834	218	21,972	320	39,141	1,242	15,612	801	25,674	1,270	635,607	555,769
Boys club, little league, and like organizations	942	12,206	227	27,355	893	10,592	2,203	9,619	1,605	14,994	2,203	265,113	245,137
FFA, FHA, 4-H clubs, and like organizations	84	2,940	*7	*71	104	2,489	272	1,497	212	2,792	272	33,246	28,286
Key clubs	–	–	*25	*35	–	–	*31	*11	*25	*20	*31	*74	*25
YMCA, YWCA, YMHA, and like organizations	402	14,857	217	44,333	410	84,032	1,052	28,193	653	45,298	1,065	1,305,550	1,108,718
Camps	71	3,422	26	2,763	111	6,727	352	2,433	217	4,610	356	100,016	83,314
Care and housing of children	46	7,316	172	64,213	598	41,610	1,139	31,850	713	43,238	1,143	819,387	759,723
Prevention of cruelty to children	*4	*90	*12	*8,792	*7	*47	32	775	20	1,441	32	31,924	30,607
Combat juvenile delinquency	*17	*235	*4	*22	37	3,172	315	–16	147	1,779	317	32,724	14,468
Other youth organizations or activities	340	4,958	66	9,056	654	12,094	1,432	4,555	931	7,212	1,442	95,886	79,378
Conservation, environmental, and beautification activities:													
Preservation of natural resources	175	9,701	30	15,525	118	10,109	446	12,421	289	13,733	471	157,097	132,984
Combatting or preventing pollution	*10	*553	–	–	*20	*683	77	–41	29	543	77	7,460	4,550
Land acquisition for preservation	*14	*209	*8	*5,857	*26	*743	81	18,479	46	20,651	81	134,848	117,998
Soil or water conservation	*7	*1,366	1	1	*6	*399	*48	*684	*37	*736	*48	*14,317	*7,797
Preservation of scenic beauty	*2	*317	*3	*1,358	*54	*363	*68	*221	*5	*851	*68	*8,643	*7,876
Wildlife sanctuary or refuge	*64	*1,453	*13	*2,267	*38	*1,861	125	2,076	37	4,702	125	32,563	31,211
Garden clubs	*27	*898	–	–	*46	*1,288	110	999	104	1,009	110	14,045	13,576
Other conservation, environmental or beautification activities	37	671	*14	*700	115	2,230	226	4,982	105	5,757	226	23,143	21,474
Housing activities:													
Low-income housing	21	3,856	29	3,453	353	70,016	617	–15,323	151	8,208	621	887,227	–16,127
Low and moderate income housing	42	5,445	*17	*1,683	169	32,870	386	–6,294	124	5,423	387	601,748	–14,039
Housing for the aged	46	6,339	53	16,288	267	79,934	650	3,503	386	18,993	650	1,120,606	131,086
Instruction and guidance on housing	–	–	–	–	*7	*1,119	33	4,305	20	4,393	33	12,590	10,965
Other housing activities	*14	*3,232	*13	*403	56	6,288	212	535	112	2,837	212	74,735	28,054
Inner city or community activities:													
Area development, redevelopment or renewal	*35	*1,187	*38	*2,654	121	9,764	331	51,455	225	54,161	346	335,765	136,897
Homeowners associations	118	6,683	*21	*111	142	5,769	741	2,080	554	3,747	741	84,900	66,932
Other activities aimed at combatting community deterioration	*100	*471	1	1,864	145	3,950	283	2,724	169	3,619	297	71,991	56,271
Attracting new industries or retaining industries in an area	*29	*2,315	*29	*1,630	115	9,585	448	5,524	259	8,116	458	403,020	80,919
Community promotion	54	696	*11	*1,690	221	7,932	345	–284	218	2,152	348	73,577	24,102
Loans or grants for minority businesses	*3	*29	–	–	*11	*2,776	50	243	30	2,778	54	48,204	20,726
Crime prevention	*2	*235	–	–	*13	*167	87	–972	74	464	87	7,402	5,448
Volunteer firemens organizations or auxiliaries	562	5,683	*57	*160	497	8,077	1,086	9,195	784	10,922	1,086	107,749	92,419
Community service organizations	3,348	27,946	535	11,989	4,744	70,906	7,475	25,147	4,714	38,923	7,497	317,246	229,467
Other inner city or community benefit activities	85	1,559	*4	*18	135	4,972	278	2,528	206	3,586	281	47,100	31,041
Civil rights activities:													
Defense of human and civil rights	*9	*26	*11	*808	*44	*382	172	2,918	134	3,385	172	15,810	12,072
Elimination of prejudice and discrimination	*13	*134	2	810	49	2,559	134	421	71	1,000	136	17,461	10,568
Lessen neighborhood tensions	–	–	–	–	–	–	2	–134	–	–	2	527	414
Other civil rights activities	–	–	–	–	*6	*422	*6	*–184	–	–	*6	*352	*–55
Litigation and legal aid activities:													
Public interest litigation activities	*3	*74	*4	*435	*4	*64	37	585	20	1,045	37	5,372	4,062
Other litigation or support of litigation	1	234	–	–	–	–	3	825	3	825	3	2,897	2,495
Legal aid to indigents	–	–	*9	*740	30	2,139	238	2,330	146	3,481	269	20,726	10,492
Providing bail	–	–	–	–	–	–	–	–	–	–	–	–	–

Footnotes at end of table.

Organizations Exempt From Income Tax, 1975

Table 2.—All Returns: Selected Income Statement Items, Total Assets, and Net Worth, by Principal Activity—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Principal activity	Deductions for—Continued: Cost of sales and operations: Number of returns	Cost of sales and operations: Amount	Cost and expenses of assets sold: Number of returns	Cost and expenses of assets sold: Amount	Other expenses: Number of returns	Other expenses: Amount	Net income (less deficit): Number of returns	Net income (less deficit): Amount	Net income: Number of returns	Net income: Amount	Total assets: Number of returns	Total assets: Amount	Net worth
	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)
Legislative and political activities:													
Propose, support, or oppose legislation	*7	*32	2	18	*18	*860	122	1,442	64	1,987	122	7,551	5,439
Voter information on issues or candidates	*3	*413	*2	*19	*3	*206	*6	*-58	1	42	*6	*650	*344
Voter education	*7	*115	-	-	*13	*48	*15	*61	*13	*114	*15	*165	*160
Support, oppose, or rate political candidates	*7	*130	-	-	-	-	*7	*35	*7	*35	*7	*14	*14
Provide facilities or services for political campaign activities	-	-	-	-	-	-	-	-	-	-	-	-	-
Other legislative and political activities	*7	*196	-	-	*21	*544	79	525	*64	*800	79	5,518	4,538
Advocacy:													
Firearms control	-	-	-	-	*6	*165	*12	*44	*6	*45	*12	*1,147	*1,131
Selective service systems	-	-	-	-	-	-	-	-	-	-	-	-	-
National defense policy	-	-	1	100	1	1,043	2	692	2	692	2	5,972	5,608
Weapons systems	-	-	-	-	-	-	-	-	-	-	-	-	-
Government spending	-	-	-	-	-	-	*6	*28	*4	*40	*6	*694	*441
Taxes or tax exemption	*2	*48	-	-	*2	*43	*27	*66	*2	*135	*27	*443	*186
Separation of church and state	-	-	1	397	1	803	1	64	1	64	1	1,812	1,632
Government aid to parochial schools	-	-	-	-	-	-	-	-	-	-	-	-	-
U.S. foreign policy	*3	*53	1	38	*4	*60	*7	*335	*7	*335	*7	*1,209	*1,091
U.S. military involvement	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacifism and peace	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic-political system of U.S.	-	-	-	-	*2	*67	*3	*-159	-	-	*3	*531	*327
Anticommunism	-	-	-	-	-	-	-	-	-	-	-	-	-
Right to work	-	-	-	-	-	-	-	-	-	-	-	-	-
Zoning or rezoning	-	-	-	-	-	-	*27	*-126	-	-	*27	*47	*-44
Location of highway or transportation systems	-	-	-	-	-	-	-	-	-	-	-	-	-
Rights of criminal defendants	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital punishment	-	-	-	-	-	-	*3	*1	*3	*1	*3	*131	*105
Stricter law enforcement	-	-	1	20	-	-	*8	*36	1	53	*8	*356	*137
Ecology or conservation	-	-	-	-	*9	*233	*41	*-164	-	-	*41	*1,215	*995
Protection of consumer interests	-	-	-	-	1	19,116	*26	*-2,949	*22	*147	*26	*14,705	*3,032
Medical care systems	-	-	-	-	*15	*67	*28	*160	*16	*219	*28	*944	*836
Welfare systems	-	-	-	-	-	-	*2	*-12	-	-	*2	*60	*-1
Urban renewal	-	-	-	-	-	-	-	-	-	-	-	-	-
Busing students to achieve racial balance	-	-	-	-	-	-	-	-	-	-	-	-	-
Racial integration	-	-	-	-	-	-	-	-	-	-	-	-	-
Use of intoxicating beverages	*23	*998	-	-	*15	*503	79	856	61	879	79	5,766	3,966
Use of drugs or narcotics	*10	*215	*7	*46	*10	*123	74	630	*52	*703	81	4,483	4,036
Use of tobacco	-	-	-	-	-	-	1	159	1	159	1	1,236	1,236
Prohibition of erotica	-	-	-	-	-	-	-	-	-	-	-	-	-
Sex education in public schools	1	89	-	-	-	-	*34	*1,041	*27	*1,045	*34	*3,527	*3,114
Population control	*4	*433	2	1,540	*9	*1,508	31	1,522	28	1,772	31	10,858	7,351
Birth control methods	*12	*252	1	97	*6	*1,010	*20	*-156	*16	*99	*20	*3,625	*2,795
Legalized abortion	*170	*140	-	-	*85	*357	*177	*-1,022	*92	*31	*177	*370	*347
Other matters	*3	*35	-	-	*9	*526	162	9	*126	*259	162	4,533	158
Other activities directed to individuals:													
Supplying money, goods or services to the poor	329	3,553	64	22,848	372	18,225	1,211	-27,474	907	29,672	1,249	823,985	494,812
Gifts or grants to individuals (other than scholarships)	*49	*1,085	48	25,216	121	3,667	308	7,352	229	8,204	308	137,572	109,122
Other loans to individuals	-	-	*4	*2,816	1	311	*11	*1,904	*11	*1,904	*11	*22,831	*22,580
Marriage counseling	*11	*58	*11	*642	70	7,002	244	1,287	157	2,237	255	28,045	23,261

Footnotes at end of table.

Organizations Exempt From Income Tax, 1975

Table 2.—All Returns: Selected Income Statement Items, Total Assets, and Net Worth, by Principal Activity—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Principal activity	Deductions for—Continued: Cost of sales and operations: Number of returns	Deductions for—Continued: Cost of sales and operations: Amount	Deductions for—Continued: Cost and expenses of assets sold: Number of returns	Deductions for—Continued: Cost and expenses of assets sold: Amount	Deductions for—Continued: Other expenses: Number of returns	Deductions for—Continued: Other expenses: Amount	Net income (less deficit): Number of returns	Net income (less deficit): Amount	Net income: Number of returns	Net income: Amount	Total assets: Number of returns	Total assets: Amount	Net worth
	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)
Other activities directed to individuals—Continued													
Family planning	34	3,220	*10	*1,340	69	7,329	191	2,521	146	4,955	197	35,038	25,901
Credit counseling and assistance	–	–	–	–	*44	*1,673	74	1,598	63	1,662	74	52,294	47,374
Job training, counseling, or assistance	42	8,851	7	1,094	75	14,594	356	4,355	202	7,852	378	66,755	45,157
Draft counseling	–	–	–	–	–	–	–	–	–	–	–	–	–
Vocational counseling	*10	*221	–	–	*8	*3,571	41	777	29	1,116	41	6,259	5,186
Referral services (social agencies)	*51	*105	*20	*63,217	86	3,690	276	599	181	2,865	281	75,003	66,879
Rehabilitating convicts or exconvicts	27	947	*12	*110	30	2,662	183	1,401	133	1,864	183	11,754	6,478
Rehabilitating alcoholics, drug abusers, compulsive gamblers, etc.	53	3,766	28	469	153	18,025	741	3,936	472	7,948	750	64,853	35,074
Day care centers	55	3,949	40	5,535	679	33,833	1,619	13,796	1,077	18,336	1,630	112,735	92,428
Services for the aged	110	7,548	*10	*561	133	10,643	533	4,811	365	9,589	544	64,949	35,849
Activities directed to organizations not elsewhere classified:													
Community chest, United givers fund, and like organizations	38	811	53	10,993	298	13,694	1,525	36,337	944	51,343	1,632	1,140,466	422,917
Booster clubs	169	2,093	*93	*99	*42	*232	271	592	243	607	271	1,775	1,199
Gifts, grants, or loans to other organizations	316	37,240	738	421,808	1,754	73,626	3,066	136,753	1,871	191,327	3,191	2,930,119	2,426,221
Nonfinancial services or facilities to other organizations	121	6,375	34	4,904	166	11,296	468	5,278	381	10,049	477	152,524	88,035
Other purposes and activities:													
Cemetery or burial activities	300	22,392	116	39,019	618	49,693	1,334	22,259	1,079	26,665	1,334	822,552	659,906
Perpetual care funds cemetery, columbarium, and like organizations	*6	*844	74	6,301	90	841	151	2,906	137	3,209	157	89,820	80,830
Emergency or disaster aid funds	*6	*48	–	–	*4	*790	*18	*151	*11	*1,103	*18	*58,841	*53,672
Community trusts or components	*8	*2,369	20	11,690	31	2,699	96	5,286	65	7,982	96	257,790	254,762
Government instrumentalities or agencies	*7	*1,448	1	257	20	10,540	129	35,935	84	37,112	133	579,156	195,356
Testing products for public safety	–	–	1	48	1	37,431	*15	*4,742	*7	*4,825	*15	*45,042	*37,819
Consumer interest groups	*15	*669	–	–	*27	*3,538	50	492	*23	*917	51	18,406	8,009
Veterans activities	3,281	85,378	365	10,320	3,479	80,206	4,912	16,792	3,055	27,718	4,919	368,411	312,378
Patriotic activities	92	2,820	*26	*1,158	80	6,733	198	47	46	803	201	20,102	15,248
Nonexempt trusts	*2	*68	*3	*4,460	*3	*150	*3	*91	1	134	*3	*4,851	*4,690
Domestic organizations with activities outside U.S.	*8	*1,749	1	1,120	*10	*1,827	27	492	*19	*988	27	19,979	14,999
Foreign organizations	1	373	4	2,300	5	619	*14	*3,448	6	3,883	15	66,164	52,968
Title holding corporations	38	7,781	85	45,004	489	119,960	989	13,368	414	25,215	1,195	911,271	406,361
Prevention of cruelty to animals	99	1,861	55	16,771	167	11,403	372	7,057	263	9,060	384	143,473	133,114
Achievement prizes or awards	*3	*97	*8	*117	*275	*3,561	295	263	123	434	295	7,269	5,455
Erection or maintenance of public buildings or works	–	–	*5	*6,181	39	7,915	143	16,765	123	23,312	157	622,022	87,209
Cafeterias, restaurants, snack bars, food services, and like organizations	40	26,013	*7	*156	38	15,879	50	1,661	42	1,953	50	30,111	19,698
Thrift shops, retail outlets, and like organizations	25	1,810	1	299	69	4,272	77	632	61	755	80	10,949	9,231
Book, gift or supply stores	120	32,472	3	3,163	82	12,563	123	3,829	76	5,268	123	47,777	20,573
Advertising	–	–	–	–	–	–	2	-69	–	–	2	729	192
Associations of employees	–	–	*2	*80	*9	*289	55	188	*39	*393	55	4,784	3,988
Loans or credit reporting	–	–	–	–	–	–	–	–	–	–	–	–	–
Endowment funds or financial services	–	–	*11	*14,915	*8	*408	*17	*-5,392	*10	*808	*17	*32,915	*32,719
Indians (tribes, cultures, and like groups)	1	1,516	*7	*3	*4	*1,470	34	3,426	*27	*3,446	38	32,089	28,844
Traffic or tariff bureaus	*3	*603	*3	*(1)	*5	*1,053	*17	*134	*12	*201	*17	*3,047	*1,744
No activity reported	10,451	1,649,023	2,863	1,914,457	20,096	3,316,672	50,511	671,443	31,943	1,015,880	51,026	25,152,654	12,974,108

*Estimate should be used with caution because of the small number of returns on which it is based.

[1] Less than $500.

NOTE: Detail may not add to total because of rounding.

Table 3.—All Returns: Selected Income Statement Items, Total Assets, and Net Worth, by Major Activity and by Size of Total Receipts

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major activity and size of total receipts	Total returns	Total receipts	Receipts from— Gross dues and assessments: Number of returns	Receipts from— Gross dues and assessments: Amount	Receipts from— Gross contributions, gifts, and grants: Number of returns	Receipts from— Gross contributions, gifts, and grants: Amount	Receipts from— All other sources: Number of returns	Receipts from— All other sources: Amount	Total deductions: Number of returns	Total deductions: Amount	Deductions for— Expenses attributable to contributions, gifts, and grants paid: Number of returns	Deductions for— Expenses attributable to contributions, gifts, and grants paid: Amount	Deductions for— Disbursements for exempt purposes: Number of returns	Deductions for— Disbursements for exempt purposes: Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
All Activities														
Total	**220,197**	**114,890,104**	**140,402**	**19,424,260**	**107,952**	**20,564,693**	**192,380**	**74,901,115**	**217,727**	**111,273,373**	**23,132**	**1,644,869**	**177,140**	**68,880,429**
Under $10,000	41,120	303,854	31,898	118,874	18,814	46,261	32,400	138,716	39,567	282,524	4,891	8,462	29,545	162,837
$10,000 under $25,000	55,825	907,685	38,923	342,122	25,427	166,798	47,399	398,758	55,348	900,979	5,058	23,692	46,092	615,721
$25,000 under $50,000	34,752	1,245,234	22,693	426,228	16,065	270,464	30,728	548,536	34,517	1,200,839	3,360	33,888	28,735	812,120
$50,000 under $100,000	29,663	2,118,856	18,798	672,320	14,277	494,652	26,826	951,874	29,553	2,019,121	2,624	46,619	24,890	1,352,142
$100,000 under $250,000	26,683	4,213,306	14,799	1,142,065	14,274	1,168,857	24,516	1,902,381	26,640	4,001,308	2,946	121,181	22,240	2,690,232
$250,000 under $500,000	12,763	4,506,687	6,183	1,116,442	7,137	1,309,948	11,942	2,080,294	12,740	4,383,969	1,599	131,916	10,506	2,965,534
$500,000 under $1,000,000	8,181	5,767,261	3,734	1,299,088	4,759	1,597,719	7,722	2,870,453	8,171	5,497,908	1,011	121,453	6,602	3,535,529
$1,000,000 under $5,000,000	8,184	17,390,433	2,756	2,494,034	5,028	4,126,299	7,860	10,770,099	8,169	16,439,320	1,142	335,067	6,283	9,504,743
$5,000,000 under $10,000,000	1,358	9,506,397	289	827,457	981	1,810,180	1,333	6,868,756	1,356	9,052,499	215	78,290	1,003	4,949,009
$10,000,000 or more	1,668	68,930,393	329	10,985,631	1,240	9,573,519	1,654	48,371,246	1,666	67,494,900	286	744,303	1,244	40,292,556
Religious Activities														
Total	**6,178**	**1,238,363**	**1,288**	**43,358**	**5,371**	**569,111**	**4,519**	**825,893**	**6,083**	**1,141,139**	**1,430**	**45,903**	**5,022**	**659,336**
Under $10,000	856	6,163	*429	*240	*685	*3,340	*515	*2,583	*771	*5,742	*171	*1,116	*514	*3,377
$10,000 under $25,000	1,964	33,340	282	2,374	1,706	22,632	1,260	8,334	1,964	30,985	529	4,181	1,660	21,819
$25,000 under $50,000	1,073	37,714	212	2,656	892	22,568	803	12,490	1,073	35,214	218	3,384	923	24,207
$50,000 under $100,000	910	64,254	138	3,352	843	38,760	706	22,141	903	60,366	188	3,281	745	43,020
$100,000 under $250,000	711	113,360	114	4,985	644	63,076	619	45,299	711	105,953	146	5,889	613	73,529
$250,000 under $500,000	307	108,362	57	2,837	277	56,236	274	49,289	305	103,185	93	9,402	257	58,403
$500,000 under $1,000,000	177	123,933	25	4,641	160	58,368	168	60,923	177	111,779	33	3,951	158	75,880
$1,000,000 under $5,000,000	147	305,052	30	16,784	134	135,495	142	152,772	146	273,554	43	10,085	124	167,812
$5,000,000 under $10,000,000	17	114,176	1	5,489	16	56,984	16	51,703	17	96,274	4	1,129	16	64,743
$10,000,000 or more	16	332,009	–	–	14	111,651	16	220,359	16	318,114	5	3,485	12	126,547
Schools, Colleges and Related Activities														
Total	**19,109**	**19,065,348**	**9,285**	**436,296**	**10,996**	**5,291,802**	**17,236**	**13,337,247**	**18,891**	**18,249,379**	**2,561**	**174,903**	**15,192**	**13,902,242**
Under $10,000	3,084	20,968	1,968	5,800	1,286	3,691	2,826	11,476	2,912	19,041	*255	*56	2,227	11,245
$10,000 under $25,000	5,086	81,668	2,995	24,767	2,208	13,594	4,483	43,306	5,061	77,961	652	3,337	4,001	49,314
$25,000 under $50,000	3,027	107,975	1,587	29,243	1,803	25,608	2,693	53,123	3,021	108,615	369	3,271	2,466	74,063
$50,000 under $100,000	2,526	178,043	1,285	46,519	1,345	38,988	2,245	92,536	2,520	170,476	272	1,915	2,046	115,267
$100,000 under $250,000	1,972	316,559	676	45,849	1,446	115,391	1,690	155,319	1,967	287,122	311	7,772	1,599	188,641
$250,000 under $500,000	1,153	417,460	340	41,443	926	135,086	1,094	240,930	1,153	394,999	178	10,582	874	253,631
$500,000 under $1,000,000	853	597,882	234	54,795	725	184,887	822	358,200	852	555,118	175	12,588	730	375,870
$1,000,000 under $5,000,000	996	2,265,890	166	88,391	879	582,050	975	1,595,448	994	2,136,914	242	40,941	867	1,480,368
$5,000,000 under $10,000,000	193	1,328,892	20	49,559	173	277,743	191	1,001,590	192	1,232,725	54	12,455	179	923,895
$10,000,000 or more	219	13,750,013	14	49,930	205	3,914,765	217	9,785,318	219	13,266,406	53	81,985	203	10,429,949
Cultural and Historical Activities														
Total	**9,032**	**2,198,595**	**5,244**	**89,450**	**6,853**	**676,577**	**8,204**	**1,432,566**	**8,848**	**2,052,442**	**1,437**	**30,411**	**7,023**	**931,342**
Under $10,000	1,908	14,013	1,539	5,628	1,051	1,916	1,565	6,469	1,737	13,787	*171	*311	1,480	8,228
$10,000 under $25,000	2,694	45,015	1,464	5,850	2,115	14,387	2,418	24,778	2,694	42,705	426	1,737	1,965	23,353
$25,000 under $50,000	1,422	50,135	791	6,493	1,099	17,629	1,341	26,013	1,415	45,913	227	2,205	1,144	28,547
$50,000 under $100,000	1,114	78,603	574	6,476	909	27,251	1,057	44,875	1,114	74,384	188	2,295	894	44,516
$100,000 under $250,000	923	144,806	448	11,392	827	60,624	877	72,790	923	131,261	150	3,158	754	80,214
$250,000 under $500,000	400	139,899	177	9,103	337	56,630	386	74,165	395	128,260	106	3,783	312	75,542
$500,000 under $1,000,000	256	179,138	105	7,698	225	71,278	246	100,162	256	162,980	56	3,682	212	93,380
$1,000,000 under $5,000,000	243	485,525	116	15,154	221	193,292	242	277,079	242	427,876	80	7,355	202	222,503
$5,000,000 under $10,000,000	39	268,218	16	15,327	36	89,111	39	163,780	39	248,089	16	2,418	32	112,019
$10,000,000 or more	33	793,244	14	6,329	33	144,459	33	642,456	33	777,187	17	3,466	28	243,040

Footnotes at end of table.

Organizations Exempt From Income Tax, 1975

Table 3.—All Returns: Selected Income Statement Items, Total Assets, and Net Worth, by Major Activity and by Size of Total Receipts—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major activity and size of total receipts	Total returns	Total receipts	Receipts from— Gross dues and assessments: Number of returns	Gross dues and assessments: Amount	Gross contributions, gifts, and grants: Number of returns	Gross contributions, gifts, and grants: Amount	All other sources: Number of returns	All other sources: Amount	Total deductions: Number of returns	Total deductions: Amount	Deductions for— Expenses attributable to contributions, gifts, and grants paid: Number of returns	Expenses attributable to contributions, gifts, and grants paid: Amount	Disbursements for exempt purposes: Number of returns	Disbursements for exempt purposes: Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Other Instruction and Training Activities														
Total	**5,217**	**1,412,047**	**3,125**	**300,361**	**3,179**	**524,694**	**4,404**	**586,992**	**5,217**	**1,368,569**	**753**	**59,872**	**4,651**	**996,638**
Under $10,000	*772	*5,207	*429	*1,782	*515	*1,853	*428	*1,572	*772	*5,096	*86	*50	*686	*3,830
$10,000 under $25,000	1,538	24,826	1,110	8,058	881	6,014	1,436	10,753	1,538	55,995	*204	*212	1,387	49,306
$25,000 under $50,000	914	32,309	533	9,107	519	11,298	764	11,904	914	31,098	154	2,057	775	21,422
$50,000 under $100,000	691	49,500	409	16,042	436	17,748	607	15,710	691	50,733	121	1,840	640	39,006
$100,000 under $250,000	646	105,458	345	27,343	381	41,808	573	36,307	646	99,959	73	4,514	574	73,596
$250,000 under $500,000	294	102,602	136	26,039	186	41,496	255	35,067	294	96,989	43	2,962	258	72,542
$500,000 under $1,000,000	160	110,043	72	18,918	107	45,509	147	45,616	160	103,612	28	5,907	145	73,678
$1,000,000 under $5,000,000	163	336,713	76	46,906	125	141,022	156	148,785	163	309,346	33	10,647	149	208,106
$5,000,000 under $10,000,000	22	151,595	9	10,792	17	65,626	22	75,177	22	136,270	4	1,489	22	91,101
$10,000,000 or more	17	493,793	6	135,372	12	152,321	16	206,100	17	479,471	7	30,195	15	364,050
Health Services and Related Activities														
Total	**14,231**	**41,298,766**	**4,219**	**7,774,383**	**11,433**	**3,119,262**	**12,980**	**30,405,120**	**14,184**	**40,701,297**	**2,184**	**214,674**	**10,959**	**22,208,322**
Under $10,000	*600	*4,417	*258	*539	*513	*1,981	*512	*1,897	*598	*3,906	–	–	*598	*3,778
$10,000 under $25,000	2,462	42,522	1,054	5,020	1,857	19,941	2,037	17,560	2,437	39,728	403	441	2,035	28,148
$25,000 under $50,000	1,488	53,555	651	4,190	1,182	24,891	1,329	24,474	1,488	70,139	281	2,665	1,269	53,123
$50,000 under $100,000	1,645	121,813	584	7,242	1,358	58,645	1,413	55,926	1,639	115,805	288	4,590	1,377	75,925
$100,000 under $250,000	2,282	369,736	707	21,153	1,839	160,392	2,102	188,192	2,278	348,484	410	16,623	1,828	220,112
$250,000 under $500,000	1,401	504,178	321	30,819	1,117	175,671	1,339	297,688	1,399	484,310	194	14,844	1,061	290,337
$500,000 under $1,000,000	1,254	896,222	233	52,111	1,029	271,903	1,201	572,207	1,251	859,752	175	22,751	868	496,121
$1,000,000 under $5,000,000	1,824	4,165,554	245	170,434	1,477	752,477	1,772	3,242,643	1,819	3,994,890	230	80,788	1,140	1,884,293
$5,000,000 under $10,000,000	491	3,543,067	57	102,899	414	302,742	491	3,137,426	491	3,418,762	73	15,849	284	1,497,030
$10,000,000 or more	784	31,597,701	109	7,379,975	647	1,350,620	784	22,867,106	784	31,365,520	130	56,124	499	17,659,457
Scientific Research Activities														
Total	**656**	**1,489,474**	**364**	**156,784**	**482**	**471,120**	**508**	**861,561**	**654**	**1,418,625**	**65**	**9,720**	**592**	**901,323**
Under $10,000	*85	*489	*85	*35	*85	*455	–	–	*85	*242	–	–	*85	*242
$10,000 under $25,000	*100	*1,642	*75	*1,002	*50	*289	*75	*350	*100	*1,690	–	–	*100	*1,342
$25,000 under $50,000	77	2,957	*33	*666	*51	*1,302	64	990	77	2,647	*6	*1	77	2,148
$50,000 under $100,000	91	6,924	*59	*2,231	65	2,756	84	1,937	91	5,458	*13	*9	77	3,600
$100,000 under $250,000	97	15,719	40	2,855	74	4,620	90	8,244	97	14,515	*13	*424	78	8,041
$250,000 under $500,000	53	18,639	*14	*2,585	40	9,078	50	6,976	53	79,557	*8	*1,307	42	72,083
$500,000 under $1,000,000	43	30,421	19	4,432	33	17,615	39	8,374	43	28,391	11	1,478	36	19,169
$1,000,000 under $5,000,000	70	155,095	29	28,057	52	47,909	68	79,129	69	150,187	9	4,555	64	92,627
$5,000,000 under $10,000,000	12	91,262	3	15,244	9	34,091	10	41,927	12	85,820	1	2	10	50,163
$10,000,000 or more	28	1,166,325	7	99,678	23	353,014	28	713,634	27	1,050,118	4	1,945	23	651,908
Business and Professional Organizations														
Total	**13,804**	**3,139,525**	**12,718**	**1,685,548**	**3,956**	**165,530**	**11,768**	**1,288,436**	**13,753**	**3,127,951**	**386**	**120,655**	**12,150**	**2,073,498**
Under $10,000	2,399	18,775	2,313	8,840	941	2,140	1,628	7,795	2,399	17,093	–	–	2,056	8,723
$10,000 under $25,000	3,282	54,825	2,931	35,315	861	2,833	2,654	16,677	3,231	54,658	*75	*133	2,904	39,548
$25,000 under $50,000	2,591	93,387	2,386	63,328	772	6,745	2,303	23,313	2,591	91,078	71	463	2,290	70,871
$50,000 under $100,000	2,255	161,270	2,071	108,304	565	10,748	2,041	42,218	2,255	154,440	90	2,051	1,973	122,252
$100,000 under $250,000	1,828	280,424	1,682	183,818	468	18,879	1,739	77,727	1,828	269,132	88	5,671	1,625	209,166
$250,000 under $500,000	717	249,484	659	149,159	151	17,680	687	82,645	717	236,568	26	2,356	638	170,133
$500,000 under $1,000,000	372	260,210	347	157,112	105	17,139	362	85,959	372	252,367	17	3,668	338	186,113
$1,000,000 under $5,000,000	294	560,315	268	302,791	75	33,514	288	224,011	294	532,925	14	1,103	264	383,583
$5,000,000 under $10,000,000	37	247,540	35	138,141	13	21,191	37	88,207	37	239,193	4	1,331	34	169,633
$10,000,000 or more	29	1,213,296	26	538,740	5	34,670	29	639,885	29	1,280,496	1	103,879	28	713,477

Footnotes at end of table.

Table 3.—All Returns: Selected Income Statement Items, Total Assets, and Net Worth, by Major Activity and by Size of Total Receipts—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major activity and size of total receipts	Total returns	Total receipts	Receipts from— Gross dues and assessments		Receipts from— Gross contributions, gifts, and grants		Receipts from— All other sources		Total deductions		Deductions for— Expenses attributable to contributions, gifts, and grants paid		Deductions for— Disbursements for exempt purposes	
			Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Farming and Related Activities														
Total	**2,806**	**327,631**	**2,436**	**125,291**	**434**	**14,277**	**2,530**	**188,063**	**2,799**	**310,384**	**150**	**1,824**	**2,365**	**196,730**
Under $10,000	*516	*4,080	*430	*3,249	-	-	*344	*830	*516	*3,646	*86	*541	*344	*2,222
$10,000 under $25,000	856	13,826	781	8,001	*201	*167	806	5,658	856	13,299	*26	*30	755	8,856
$25,000 under $50,000	650	22,590	613	12,701	68	433	618	9,455	643	21,488	*6	*1	585	13,618
$50,000 under $100,000	385	26,654	322	12,473	*59	*696	379	13,485	385	25,913	*7	*397	326	15,845
$100,000 under $250,000	229	34,992	179	11,759	77	4,352	220	18,881	229	34,193	*16	*485	206	20,519
$250,000 under $500,000	62	22,384	41	7,660	*16	*2,879	58	11,844	62	21,818	*6	*277	57	15,570
$500,000 under $1,000,000	47	33,670	33	12,755	10	3,090	46	17,825	47	31,921	3	92	43	22,027
$1,000,000 under $5,000,000	52	102,135	29	30,220	3	2,660	51	69,255	52	95,175	-	-	40	52,043
$5,000,000 under $10,000,000	8	50,404	7	25,614	-	-	7	24,790	8	46,110	-	-	8	29,717
$10,000,000 or more	1	16,898	1	858	-	-	1	16,039	1	16,801	-	-	1	16,312
Mutual Organizations														
Total	**4,142**	**3,750,842**	**1,311**	**168,653**	**214**	**35,058**	**3,898**	**3,547,131**	**4,141**	**3,318,518**	**21**	**11,929**	**2,783**	**873,808**
Under $10,000	*771	*5,564	*257	*780	*85	*2	*685	*4,782	*771	*4,803	-	-	*428	*2,280
$10,000 under $25,000	580	9,592	327	3,969	*25	*56	479	5,567	580	8,176	-	-	428	5,927
$25,000 under $50,000	683	23,710	219	4,606	*28	*325	670	18,778	683	19,967	-	-	479	11,368
$50,000 under $100,000	615	43,334	191	8,769	*7	*29	595	34,535	615	39,752	*6	*236	468	24,851
$100,000 under $250,000	523	79,454	164	15,795	26	2,779	509	60,881	523	67,723	*9	*475	389	42,778
$250,000 under $500,000	223	80,971	48	6,737	*10	*602	223	73,632	223	73,395	-	-	156	38,896
$500,000 under $1,000,000	197	142,356	33	10,102	14	6,812	189	125,443	197	128,028	1	767	134	57,507
$1,000,000 under $5,000,000	429	1,019,270	54	19,814	14	6,484	429	992,971	428	952,520	4	5,512	241	235,190
$5,000,000 under $10,000,000	66	462,504	10	21,070	3	5,209	65	436,225	66	430,788	1	4,939	33	125,142
$10,000,000 or more	55	1,884,087	8	77,009	2	12,760	54	1,794,318	55	1,593,367	-	-	27	329,870
Employee or Membership Benefit Organizations														
Total	**38,194**	**12,914,039**	**32,245**	**4,693,916**	**10,823**	**1,781,883**	**31,387**	**6,438,233**	**35,768**	**12,811,276**	**1,753**	**32,022**	**31,948**	**9,113,395**
Under $10,000	6,882	51,586	6,539	33,249	2,429	3,025	4,947	15,310	6,615	48,169	*598	*686	4,988	33,640
$10,000 under $25,000	9,255	146,901	8,618	99,069	2,564	8,362	7,410	39,469	9,154	140,664	554	2,231	8,241	111,738
$25,000 under $50,000	5,341	194,262	4,719	116,283	1,404	12,396	4,802	65,583	5,317	187,070	232	1,695	4,777	147,505
$50,000 under $100,000	5,060	364,175	4,571	209,475	1,569	22,591	4,810	132,108	5,040	347,773	120	1,382	4,708	265,915
$100,000 under $250,000	4,846	766,853	4,184	426,081	1,480	57,042	4,692	283,729	4,840	737,810	133	2,839	4,574	577,190
$250,000 under $500,000	2,233	777,082	1,856	468,179	587	80,382	2,175	228,521	2,225	763,756	60	3,884	2,149	642,046
$500,000 under $1,000,000	1,230	862,939	948	487,593	333	116,220	1,215	259,126	1,230	841,708	22	1,870	1,197	725,657
$1,000,000 under $5,000,000	1,063	2,241,477	664	996,099	332	457,606	1,056	787,771	1,063	2,175,741	24	9,804	1,033	1,820,442
$5,000,000 under $10,000,000	132	907,301	66	300,061	59	231,005	130	376,234	132	900,447	4	175	132	691,707
$10,000,000 or more	152	6,601,464	80	1,557,827	66	793,254	150	4,250,383	152	6,668,138	6	7,457	149	4,097,553
Sports, Athletic, Recreational and Social Activities														
Total	**12,883**	**2,094,035**	**11,086**	**826,446**	**4,237**	**144,123**	**11,958**	**1,123,463**	**12,783**	**2,042,681**	**711**	**11,416**	**9,037**	**728,613**
Under $10,000	2,583	19,147	2,068	5,359	1,115	3,707	2,154	10,081	2,497	19,486	*344	*302	1,552	8,777
$10,000 under $25,000	3,417	53,964	3,016	25,510	1,284	3,811	3,267	24,642	3,417	50,072	*76	*65	2,862	32,488
$25,000 under $50,000	2,009	72,663	1,682	29,836	637	7,298	1,830	35,529	2,009	69,861	97	659	1,482	37,327
$50,000 under $100,000	1,631	113,346	1,403	47,084	488	11,540	1,535	54,722	1,617	105,380	84	1,033	1,185	56,890
$100,000 under $250,000	1,299	205,092	1,100	70,093	426	25,647	1,256	109,352	1,299	198,083	65	1,530	895	93,493
$250,000 under $500,000	725	259,914	658	107,314	128	17,722	708	134,878	725	253,816	*18	*1,171	437	99,281
$500,000 under $1,000,000	754	543,484	713	221,844	103	29,635	743	292,004	754	537,228	15	3,448	407	167,698
$1,000,000 under $5,000,000	454	750,396	436	305,770	50	35,276	454	409,350	454	734,015	12	3,208	210	208,323
$5,000,000 under $10,000,000	10	61,909	9	13,105	5	9,432	10	39,372	10	58,540	-	-	7	24,337
$10,000,000 or more	1	14,121	1	532	1	56	1	13,533	1	16,201	-	-	-	-

Footnotes at end of table.

Organizations Exempt From Income Tax, 1975

Table 3.—All Returns: Selected Income Statement Items, Total Assets, and Net Worth, by Major Activity and by Size of Total Receipts—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major activity and size of total receipts	Total returns	Total receipts	Receipts from— Gross dues and assessments: Number of returns	Gross dues and assessments: Amount	Gross contributions, gifts, and grants: Number of returns	Gross contributions, gifts, and grants: Amount	All other sources: Number of returns	All other sources: Amount	Total deductions: Number of returns	Total deductions: Amount	Deductions for— Expenses attributable to contributions, gifts, and grants paid: Number of returns	Expenses attributable to contributions, gifts, and grants paid: Amount	Disbursements for exempt purposes: Number of returns	Disbursements for exempt purposes: Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Youth Activities														
Total	**8,131**	**1,723,028**	**4,483**	**192,958**	**6,470**	**701,185**	**7,405**	**828,883**	**8,131**	**1,628,499**	**1,295**	**41,555**	**6,948**	**1,077,571**
Under $10,000	1,740	13,303	1,372	3,136	1,140	3,136	1,482	7,032	1,740	11,796	*258	*488	1,311	6,811
$10,000 under $25,000	1,432	24,779	678	2,560	1,004	8,026	1,332	14,193	1,432	22,537	*125	*1,612	1,230	14,748
$25,000 under $50,000	1,372	49,704	657	6,258	1,019	21,369	1,222	22,076	1,372	46,903	151	909	1,163	32,509
$50,000 under $100,000	953	71,607	485	7,898	811	38,300	865	25,408	953	68,411	119	4,088	877	51,763
$100,000 under $250,000	1,224	198,129	627	21,382	1,125	101,495	1,144	75,251	1,224	189,880	231	5,088	1,075	140,769
$250,000 under $500,000	756	270,640	358	30,367	731	131,416	727	108,856	756	255,073	202	8,057	698	196,125
$500,000 under $1,000,000	369	256,923	157	22,456	358	122,915	355	111,551	369	237,972	106	7,511	338	168,989
$1,000,000 under $5,000,000	261	491,585	138	63,084	258	189,308	255	239,193	261	452,977	89	11,793	234	295,316
$5,000,000 under $10,000,000	15	97,733	4	1,431	15	31,185	14	65,117	15	96,154	10	1,330	14	57,187
$10,000,000 or more	9	248,625	7	34,386	9	54,034	9	160,205	9	246,797	4	679	8	113,352
Conservation, Environmental and Beautification Activities														
Total	**1,206**	**228,221**	**731**	**37,338**	**821**	**112,910**	**1,104**	**77,973**	**1,199**	**188,400**	**164**	**8,892**	**1,135**	**120,957**
Under $10,000	*85	*539	–	–	*85	*87	*85	*451	*85	*563	–	–	*85	*234
$10,000 under $25,000	503	8,247	328	2,707	251	1,528	453	4,013	503	9,928	*26	*13	503	8,314
$25,000 under $50,000	235	8,250	173	2,080	172	2,689	223	3,481	235	7,632	*58	*116	215	5,071
$50,000 under $100,000	179	12,347	104	1,750	147	6,786	159	3,811	172	9,237	*19	*101	153	6,389
$100,000 under $250,000	110	17,087	75	3,311	90	7,197	94	6,578	110	14,494	25	702	96	8,844
$250,000 under $500,000	33	12,325	*20	*2,375	27	6,041	33	3,909	33	10,926	*19	*1,865	25	5,081
$500,000 under $1,000,000	31	22,665	15	3,417	22	11,349	29	7,900	31	18,196	7	800	29	13,593
$1,000,000 under $5,000,000	24	51,973	12	6,670	21	22,735	23	22,568	24	47,632	7	2,299	23	28,606
$5,000,000 under $10,000,000	2	14,292	1	1,928	2	9,139	2	3,224	2	11,931	1	1,540	2	6,551
$10,000,000 or more	4	80,495	3	13,099	4	45,359	3	22,038	4	57,861	2	1,456	4	38,273
Housing Activities														
Total	**1,903**	**505,910**	**279**	**24,462**	**842**	**104,579**	**1,847**	**376,869**	**1,902**	**519,185**	**125**	**13,257**	**1,149**	**275,003**
Under $10,000	*86	*571	*86	*332	*86	*42	*86	*198	*86	*453	–	–	*86	*453
$10,000 under $25,000	253	4,265	*50	*101	*177	*983	253	3,182	253	3,945	*25	*3	*152	*2,587
$25,000 under $50,000	186	7,076	*18	*484	*59	*1,103	173	5,488	186	7,342	*14	*67	110	4,600
$50,000 under $100,000	288	20,456	*50	*1,311	104	1,918	282	17,226	288	22,135	*19	*54	178	10,628
$100,000 under $250,000	543	93,018	43	1,957	161	10,652	524	80,409	543	101,279	33	1,926	290	49,190
$250,000 under $500,000	341	118,294	*3	*(1)	130	16,499	331	101,794	341	128,164	*20	*1,766	210	71,987
$500,000 under $1,000,000	131	88,423	14	3,537	68	12,624	125	72,262	130	93,346	6	551	72	44,318
$1,000,000 under $5,000,000	70	128,693	12	8,572	52	32,496	68	87,625	70	117,916	6	3,360	46	54,059
$5,000,000 under $10,000,000	4	28,658	2	7,818	4	14,431	4	6,409	4	28,552	1	4,929	4	23,258
$10,000,000 or more	1	16,457	1	350	1	13,832	1	2,276	1	16,051	1	600	1	13,921
Inner City or Community Activities														
Total	**11,195**	**980,741**	**8,809**	**101,783**	**6,469**	**581,269**	**9,935**	**297,687**	**11,156**	**883,101**	**1,582**	**65,286**	**9,763**	**626,997**
Under $10,000	3,387	26,398	3,215	10,362	2,101	3,029	2,778	13,007	3,387	24,281	*598	*1,047	2,874	10,441
$10,000 under $25,000	3,859	62,401	3,432	18,310	2,066	9,074	3,709	35,016	3,834	59,904	479	2,558	3,475	32,454
$25,000 under $50,000	1,596	54,974	1,085	12,816	730	11,610	1,467	30,549	1,596	51,521	146	615	1,405	30,116
$50,000 under $100,000	1,012	71,402	650	15,290	519	19,459	945	36,653	999	64,678	122	2,847	872	41,245
$100,000 under $250,000	773	117,086	277	12,298	591	62,162	652	42,626	773	111,035	138	7,172	647	76,727
$250,000 under $500,000	269	89,849	86	7,785	210	57,357	183	24,707	269	85,784	40	5,888	228	64,704
$500,000 under $1,000,000	150	103,652	41	8,154	119	68,648	104	26,850	149	96,726	26	6,823	131	75,911
$1,000,000 under $5,000,000	130	234,099	19	7,967	117	178,815	85	47,318	130	221,544	31	30,434	114	159,143
$5,000,000 under $10,000,000	12	83,784	2	748	11	61,048	6	21,988	12	78,982	2	7,903	10	63,347
$10,000,000 or more	7	137,094	2	8,053	5	110,068	6	18,974	7	88,645	–	–	7	72,907

Footnotes at end of table.

Table 3.—All Returns: Selected Income Statement Items, Total Assets, and Net Worth, by Major Activity and by Size of Total Receipts—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major activity and size of total receipts	Total returns	Total receipts	Receipts from— Gross dues and assessments: Number of returns	Receipts from— Gross dues and assessments: Amount	Receipts from— Gross contributions, gifts, and grants: Number of returns	Receipts from— Gross contributions, gifts, and grants: Amount	Receipts from— All other sources: Number of returns	Receipts from— All other sources: Amount	Total deductions: Number of returns	Total deductions: Amount	Deductions for— Expenses attributable to contributions, gifts, and grants paid: Number of returns	Deductions for— Expenses attributable to contributions, gifts, and grants paid: Amount	Deductions for— Disbursements for exempt purposes: Number of returns	Deductions for— Disbursements for exempt purposes: Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Civil Rights Activities														
Total	**316**	**81,205**	**143**	**12,835**	**303**	**81,091**	**262**	**7,278**	**316**	**78,184**	**81**	**7,402**	**295**	**65,642**
Under $10,000	–	–	–	–	–	–	–	–	–	–	–	–	–	–
$10,000 under $25,000	*125	*2,674	*75	*321	*125	*1,052	*125	*1,301	*125	*2,514	*25	*14	*125	*2,391
$25,000 under $50,000	*37	*1,155	*25	*194	*37	*836	*25	*125	*37	*1,147	*13	*84	*37	*804
$50,000 under $100,000	*55	*3,621	*13	*467	*48	*2,663	*37	*490	*55	*3,562	*19	*722	*36	*2,136
$100,000 under $250,000	48	7,593	*15	*901	45	5,881	35	811	48	7,418	*10	*236	48	7,067
$250,000 under $500,000	*21	*7,789	*7	*578	*21	*6,543	*18	*669	*21	*7,543	*5	*64	*21	*6,804
$500,000 under $1,000,000	13	9,678	3	1,453	12	7,279	8	947	13	9,390	4	1,055	12	7,726
$1,000,000 under $5,000,000	15	31,532	4	8,363	13	22,281	12	889	15	29,878	4	4,247	14	25,329
$5,000,000 under $10,000,000	2	17,163	1	559	2	14,557	2	2,046	2	16,732	1	978	2	13,384
$10,000,000 or more	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Litigation and Legal Aid Activities														
Total	**309**	**109,598**	**30**	**5,382**	**289**	**94,639**	**135**	**9,577**	**309**	**105,858**	**27**	**7,895**	**280**	**94,279**
Under $10,000	–	–	–	–	–	–	–	–	–	–	–	–	–	–
$10,000 under $25,000	–	–	–	–	–	–	–	–	–	–	–	–	–	–
$25,000 under $50,000	*34	*1,297	*7	*134	*34	*1,056	*20	*106	*34	*1,287	*7	*221	*21	*825
$50,000 under $100,000	79	6,044	*6	*35	73	5,486	*19	*523	79	6,020	–	–	79	5,991
$100,000 under $250,000	76	12,710	*4	*439	67	11,073	34	1,198	76	12,031	*3	*667	68	10,545
$250,000 under $500,000	62	21,932	*3	*3	62	19,729	29	2,201	62	21,471	*8	*1,204	57	19,368
$500,000 under $1,000,000	36	25,646	3	25	32	21,178	19	4,442	36	24,501	6	2,025	33	21,453
$1,000,000 under $5,000,000	21	33,557	7	4,746	20	27,714	13	1,097	21	32,135	3	3,779	21	27,684
$5,000,000 under $10,000,000	1	8,412	–	–	1	8,402	1	10	1	8,412	–	–	1	8,412
$10,000,000 or more	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Legislative and Political Activities														
Total	**229**	**30,536**	**142**	**15,777**	**76**	**10,485**	**177**	**4,274**	**229**	**28,531**	**45**	**1,384**	**185**	**24,567**
Under $10,000	–	–	–	–	–	–	–	–	–	–	–	–	–	–
$10,000 under $25,000	*51	*906	*26	*292	–	–	*25	*613	*51	*881	–	–	*51	*881
$25,000 under $50,000	75	2,421	*31	*815	*44	*690	*57	*916	75	2,126	*25	*301	*56	*1,205
$50,000 under $100,000	*45	*2,962	*45	*1,759	*6	*323	*45	*879	*45	*2,504	*6	*32	*32	*1,921
$100,000 under $250,000	39	5,886	25	2,632	*17	*1,736	32	1,519	39	4,803	*11	*263	27	3,260
$250,000 under $500,000	*9	*2,935	*7	*2,085	*6	*662	*9	*188	*9	*3,130	–	–	*9	*3,026
$500,000 under $1,000,000	7	4,598	7	4,506	–	–	6	92	7	4,246	1	73	7	4,173
$1,000,000 under $5,000,000	2	4,747	–	–	2	4,725	2	21	2	4,974	1	359	2	4,608
$5,000,000 under $10,000,000	1	6,081	1	3,689	1	2,348	1	44	1	5,867	1	355	1	5,493
$10,000,000 or more	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Advocacy														
Total	**778**	**103,091**	**388**	**7,510**	**695**	**62,187**	**594**	**33,393**	**778**	**102,034**	**88**	**3,198**	**666**	**68,710**
Under $10,000	*256	*1,893	*170	*194	*256	*1,080	*256	*620	*256	*2,902	–	–	*171	*2,406
$10,000 under $25,000	*176	*3,021	*75	*918	*151	*1,746	*101	*357	*176	*3,127	*26	*2	*176	*3,125
$25,000 under $50,000	104	3,747	*59	*901	91	2,130	72	715	104	3,806	*12	*163	98	3,337
$50,000 under $100,000	69	4,843	*34	*1,090	*48	*2,299	*41	*1,454	69	4,458	*7	*7	*62	*3,352
$100,000 under $250,000	106	16,042	36	2,345	88	11,221	69	2,476	106	15,104	28	1,678	95	11,952
$250,000 under $500,000	38	14,144	*9	*544	33	8,603	30	4,997	38	13,266	*7	*134	38	12,422
$500,000 under $1,000,000	15	9,801	2	558	15	6,562	13	2,682	15	9,518	6	1,102	15	7,024
$1,000,000 under $5,000,000	11	17,973	2	801	11	13,870	9	3,302	11	15,254	2	112	9	10,336
$5,000,000 under $10,000,000	2	15,562	1	161	2	14,676	2	725	2	15,482	–	2	2	14,756
$10,000,000 or more	1	16,064	–	–	–	–	1	16,064	1	19,116	–	–	–	–

Footnotes at end of table.

Organizations Exempt From Income Tax, 1975

Table 3.—All Returns: Selected Income Statement Items, Total Assets, and Net Worth, by Major Activity and by Size of Total Receipts—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major activity and size of total receipts	Total returns	Total receipts	Receipts from— Gross dues and assessments: Number of returns	Gross dues and assessments: Amount	Gross contributions, gifts, and grants: Number of returns	Gross contributions, gifts, and grants: Amount	All other sources: Number of returns	All other sources: Amount	Total deductions: Number of returns	Total deductions: Amount	Deductions for— Expenses attributable to contributions, gifts, and grants paid: Number of returns	Expenses attributable to contributions, gifts, and grants paid: Amount	Disbursements for exempt purposes: Number of returns	Disbursements for exempt purposes: Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Other Activities Directed to Individuals														
Total	**5,901**	**1,927,886**	**1,477**	**23,233**	**5,180**	**1,487,580**	**4,654**	**417,071**	**5,880**	**1,911,023**	**784**	**85,555**	**4,844**	**1,543,091**
Under $10,000	*514	*4,315	*171	*59	*429	*2,413	*428	*1,843	*514	*4,161	–	–	*428	*2,861
$10,000 under $25,000	1,137	18,990	377	1,158	879	8,639	911	9,193	1,137	18,312	*51	*182	937	12,452
$25,000 under $50,000	987	36,293	292	2,169	873	19,095	789	15,029	973	33,513	154	2,215	739	22,799
$50,000 under $100,000	1,238	90,742	275	3,505	1,113	55,203	1,001	32,033	1,238	88,062	195	3,648	1,030	65,548
$100,000 under $250,000	1,010	160,716	210	5,604	908	109,759	775	45,353	1,005	154,370	169	10,040	847	117,765
$250,000 under $500,000	508	182,831	74	2,296	486	126,760	395	53,775	508	175,390	102	17,684	416	130,129
$500,000 under $1,000,000	275	192,831	51	1,061	266	138,036	202	53,735	273	181,692	55	9,609	243	140,208
$1,000,000 under $5,000,000	203	367,691	22	6,744	197	280,523	128	80,424	203	350,443	48	33,638	175	267,803
$5,000,000 under $10,000,000	15	108,069	3	227	15	83,627	12	24,215	15	103,065	5	2,444	15	85,218
$10,000,000 or more	14	765,408	2	411	14	663,524	13	101,473	14	802,016	5	6,095	14	698,307
Activities Directed to Other Organizations														
Total	**5,571**	**2,855,170**	**1,426**	**46,070**	**4,184**	**1,939,822**	**4,472**	**869,277**	**5,444**	**2,676,209**	**1,438**	**108,774**	**5,145**	**1,084,264**
Under $10,000	1,114	8,337	*514	*1,919	858	2,773	*685	*3,646	1,029	6,649	*172	*135	1,029	5,043
$10,000 under $25,000	1,131	17,893	302	836	853	9,917	831	7,140	1,106	16,377	251	677	981	11,390
$25,000 under $50,000	824	29,461	208	2,896	552	15,895	654	10,670	818	27,084	238	901	759	22,086
$50,000 under $100,000	685	49,126	169	3,671	445	24,284	609	21,171	679	49,168	152	2,312	645	33,227
$100,000 under $250,000	751	119,508	117	5,102	580	76,661	674	37,745	748	112,584	231	5,144	712	83,691
$250,000 under $500,000	398	138,621	44	6,373	331	93,422	375	38,826	396	127,389	145	7,148	374	95,625
$500,000 under $1,000,000	267	186,757	35	5,851	218	121,751	250	59,155	267	179,706	88	6,879	254	130,542
$1,000,000 under $5,000,000	295	601,838	31	11,567	255	393,209	292	197,062	295	531,564	120	21,401	286	381,179
$5,000,000 under $10,000,000	53	355,868	5	6,648	46	254,576	53	94,644	53	337,025	14	12,690	52	256,824
$10,000,000 or more	53	1,347,761	1	1,208	46	947,335	49	399,218	53	1,288,662	27	51,488	53	964,657
Other Purposes and Activities														
Total	**9,380**	**1,531,057**	**5,783**	**96,968**	**4,567**	**263,112**	**9,206**	**1,170,976**	**9,264**	**1,396,555**	**1,247**	**31,197**	**7,156**	**637,847**
Under $10,000	2,058	14,644	1,457	2,898	1,373	2,073	2,058	9,672	1,973	12,367	*600	*1,087	1,460	5,530
$10,000 under $25,000	2,251	38,621	1,312	5,208	1,188	4,409	2,226	29,004	2,226	37,964	*201	*761	1,622	18,734
$25,000 under $50,000	1,655	59,410	1,117	6,026	647	7,254	1,601	46,130	1,649	55,500	130	1,332	1,347	25,514
$50,000 under $100,000	1,471	103,908	1,001	7,288	585	10,248	1,433	86,372	1,471	99,042	120	1,309	1,143	32,666
$100,000 under $250,000	1,142	176,861	642	14,065	471	18,248	1,121	144,547	1,142	163,986	99	2,673	933	70,438
$250,000 under $500,000	423	145,889	158	15,983	139	18,522	407	111,384	423	131,517	56	4,447	346	68,871
$500,000 under $1,000,000	182	127,376	56	10,955	76	27,111	170	89,310	182	115,246	21	2,726	151	65,530
$1,000,000 under $5,000,000	158	335,230	32	21,657	66	59,818	150	253,755	158	308,406	14	4,493	119	153,819
$5,000,000 under $10,000,000	25	182,365	5	8,834	15	49,761	25	123,770	25	157,207	3	405	22	82,823
$10,000,000 or more	15	346,754	3	4,054	7	65,670	15	277,030	15	315,320	3	11,964	13	113,922
No Activity Reported														
Total	**51,026**	**15,884,996**	**33,390**	**2,559,458**	**20,078**	**2,352,379**	**43,197**	**10,973,152**	**49,998**	**15,213,553**	**4,805**	**557,145**	**37,852**	**7,776,254**
Under $10,000	11,424	83,445	8,598	34,473	3,781	9,518	8,938	39,452	10,824	78,341	1,552	2,643	7,143	42,716
$10,000 under $25,000	13,673	217,767	9,615	90,776	4,981	29,338	11,108	97,652	13,473	209,557	904	5,503	10,502	136,806
$25,000 under $50,000	8,372	300,189	5,595	112,346	3,352	56,244	7,208	131,599	8,207	279,888	751	10,563	6,518	179,055
$50,000 under $100,000	6,666	473,882	4,359	160,289	2,684	97,931	5,918	215,661	6,635	451,364	469	12,470	5,344	290,189
$100,000 under $250,000	5,505	856,217	3,089	250,906	2,443	198,162	4,995	407,147	5,485	820,089	554	36,212	4,267	522,705
$250,000 under $500,000	2,337	820,463	1,107	196,178	1,186	230,932	2,156	393,352	2,333	787,690	263	33,091	1,843	502,928
$500,000 under $1,000,000	1,362	958,613	588	205,114	729	237,810	1,263	515,688	1,360	914,485	149	22,097	1,049	562,962
$1,000,000 under $5,000,000	1,259	2,704,093	364	333,443	654	513,020	1,190	1,857,631	1,255	2,543,454	126	45,154	906	1,341,571
$5,000,000 under $10,000,000	199	1,361,542	31	98,113	122	173,296	193	1,090,133	198	1,300,072	16	5,929	121	552,269
$10,000,000 or more	229	8,108,784	44	1,077,820	146	806,127	228	6,224,837	228	7,828,613	21	383,485	159	3,645,054

Footnotes at end of table.

Table 3.—All Returns: Selected Income Statement Items, Total Assets, and Net Worth, by Major Activity and by Size of Total Receipts—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major activity and size of total receipts	Deductions for—Continued: Cost of sales and operations: Number of returns	Cost of sales and operations: Amount	Cost and expenses of assets sold: Number of returns	Cost and expenses of assets sold: Amount	Other expenses: Number of returns	Other expenses: Amount	Net income (less deficit): Number of returns	Net income (less deficit): Amount	Net income: Number of returns	Net income: Amount	Total assets: Number of returns	Total assets: Amount	Net worth
	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)
All Activities													
Total	**49,271**	**8,566,880**	**14,986**	**13,817,438**	**87,883**	**20,363,748**	**217,671**	**3,616,732**	**138,648**	**6,643,504**	**220,197**	**176,288,448**	**100,561,377**
Under $10,000	8,907	20,780	1,591	3,808	19,935	86,636	40,863	21,329	25,963	46,017	41,120	753,124	605,279
$10,000 under $25,000	11,081	61,348	2,528	13,735	20,507	186,476	55,072	6,707	34,173	105,372	55,825	1,739,535	1,380,068
$25,000 under $50,000	7,147	90,929	1,581	18,356	13,085	245,542	34,369	44,397	21,644	140,056	34,752	2,315,281	1,615,201
$50,000 under $100,000	7,376	179,467	1,710	39,687	11,175	401,206	29,372	99,733	18,799	210,823	29,663	3,814,122	2,522,046
$100,000 under $250,000	6,646	327,680	1,915	94,777	9,941	767,441	26,354	211,996	16,968	403,647	26,683	7,343,559	4,355,306
$250,000 under $500,000	2,952	299,759	1,355	136,230	4,858	850,531	12,565	122,715	8,000	378,966	12,763	8,508,107	4,955,680
$500,000 under $1,000,000	2,184	449,666	1,343	239,412	3,320	1,151,850	8,052	269,349	5,209	486,768	8,181	9,695,741	5,864,583
$1,000,000 under $5,000,000	2,275	1,795,006	1,993	1,109,802	3,615	3,694,703	8,042	951,115	5,670	1,427,164	8,184	29,955,760	17,886,913
$5,000,000 under $10,000,000	348	1,096,000	385	678,417	643	2,250,786	1,341	453,895	1,008	671,581	1,358	14,817,962	9,260,863
$10,000,000 or more	355	4,246,238	585	11,483,214	804	10,728,586	1,641	1,435,497	1,214	2,773,109	1,668	97,343,267	52,115,427
Religious Activities													
Total	**1,410**	**89,865**	**427**	**105,448**	**1,861**	**240,587**	**6,118**	**97,224**	**3,964**	**128,613**	**6,178**	**2,088,027**	**1,354,902**
Under $10,000	*258	*668	–	–	*172	*581	856	421	*428	*1,118	856	22,428	22,428
$10,000 under $25,000	301	813	*50	*391	527	3,782	1,914	2,355	1,258	3,415	1,964	76,716	64,853
$25,000 under $50,000	248	1,793	*52	*742	353	5,087	1,067	2,500	757	4,835	1,073	115,199	99,616
$50,000 under $100,000	242	4,008	70	1,784	290	8,274	910	3,887	589	7,247	910	130,229	106,417
$100,000 under $250,000	157	5,029	84	3,380	243	18,125	708	7,407	466	13,327	711	236,849	156,222
$250,000 under $500,000	106	11,758	57	6,206	116	17,390	307	5,203	201	11,780	307	211,671	109,794
$500,000 under $1,000,000	40	8,289	50	8,260	75	15,398	176	12,154	130	16,672	177	278,619	197,744
$1,000,000 under $5,000,000	44	23,276	48	36,112	67	36,269	147	31,498	108	35,642	147	465,424	338,042
$5,000,000 under $10,000,000	7	11,312	8	8,245	6	10,845	17	17,903	14	18,471	17	141,534	102,925
$10,000,000 or more	7	22,918	8	40,329	12	124,836	16	13,895	13	16,104	16	407,359	156,862
Schools, Colleges and Related Activities													
Total	**3,712**	**432,046**	**1,587**	**2,362,496**	**7,629**	**1,377,691**	**18,800**	**815,970**	**12,310**	**1,072,787**	**19,109**	**46,809,865**	**30,900,275**
Under $10,000	1,026	1,786	–	–	1,542	5,954	2,999	1,926	1,886	3,318	3,084	58,266	56,122
$10,000 under $25,000	797	4,533	284	1,696	1,932	19,080	4,985	3,706	3,250	9,799	5,086	215,716	166,077
$25,000 under $50,000	425	5,749	181	3,385	1,198	22,148	2,976	–641	1,908	12,336	3,027	231,109	168,505
$50,000 under $100,000	450	7,547	167	4,413	992	41,334	2,507	7,567	1,576	15,060	2,526	244,449	163,507
$100,000 under $250,000	332	12,739	170	12,781	702	65,190	1,953	29,437	1,325	49,579	1,972	424,134	297,083
$250,000 under $500,000	210	22,192	182	15,948	454	92,646	1,143	22,460	761	37,698	1,153	788,663	540,827
$500,000 under $1,000,000	207	32,806	183	28,059	329	105,796	842	42,764	591	59,971	853	1,060,717	766,199
$1,000,000 under $5,000,000	214	106,078	319	175,334	369	334,193	989	128,976	709	196,024	996	5,291,532	3,941,334
$5,000,000 under $10,000,000	33	60,692	41	85,618	55	150,066	192	96,166	148	115,459	193	3,750,359	2,931,934
$10,000,000 or more	18	177,924	60	2,035,262	56	541,285	214	483,607	156	573,544	219	34,744,922	21,868,687
Cultural, Historical or Other Educational Activities													
Total	**2,251**	**154,509**	**1,075**	**526,478**	**4,729**	**409,703**	**8,954**	**146,154**	**5,895**	**228,798**	**9,032**	**4,025,471**	**3,473,299**
Under $10,000	*540	*1,496	*342	*542	1,026	3,210	1,908	226	1,200	3,133	1,908	16,836	13,097
$10,000 under $25,000	502	2,337	*100	*654	1,536	14,624	2,644	2,311	1,538	5,169	2,694	90,034	85,702
$25,000 under $50,000	333	3,844	115	1,044	602	10,273	1,410	4,222	910	6,818	1,422	85,512	75,662
$50,000 under $100,000	312	7,339	93	2,021	613	18,214	1,108	4,218	793	10,221	1,114	191,390	174,903
$100,000 under $250,000	272	10,740	137	5,356	415	31,793	916	13,545	592	19,240	923	242,989	214,303
$250,000 under $500,000	74	6,510	78	10,202	198	32,222	398	11,639	269	17,876	400	271,378	248,563
$500,000 under $1,000,000	94	15,864	68	13,628	137	36,425	255	16,158	174	23,780	256	382,833	334,925
$1,000,000 under $5,000,000	91	30,301	99	62,558	153	105,159	243	57,649	176	71,153	243	912,109	761,514
$5,000,000 under $10,000,000	15	20,132	19	54,167	27	59,353	39	20,129	23	27,798	39	441,910	373,716
$10,000,000 or more	18	55,946	24	376,304	22	98,431	33	16,057	20	43,610	33	1,390,480	1,190,913

Footnotes at end of table.

Table 3.—All Returns: Selected Income Statement Items, Total Assets, and Net Worth, by Major Activity and by Size of Total Receipts—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major activity and size of total receipts	Deductions for—Continued: Cost of sales and operations: Number of returns	Cost of sales and operations: Amount	Cost and expenses of assets sold: Number of returns	Cost and expenses of assets sold: Amount	Other expenses: Number of returns	Other expenses: Amount	Net income (less deficit): Number of returns	Net income (less deficit): Amount	Net income: Number of returns	Net income: Amount	Total assets: Number of returns	Total assets: Amount	Net worth
	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)
Other Instruction and Training Activities													
Total	**836**	**95,127**	**340**	**77,104**	**1,653**	**139,828**	**5,099**	**43,478**	**3,127**	**121,672**	**5,217**	**1,152,819**	**749,393**
Under $10,000	–	–	–	–	*257	*1,216	*686	*112	*343	*345	*772	*3,775	*3,774
$10,000 under $25,000	303	1,992	*125	*424	530	4,060	1,538	–31,169	982	3,286	1,538	27,142	23,807
$25,000 under $50,000	117	892	*39	*773	271	5,954	895	1,212	525	3,944	914	30,366	23,213
$50,000 under $100,000	124	2,089	*37	*447	173	7,351	691	–1,233	423	5,487	691	54,926	44,521
$100,000 under $250,000	141	7,849	25	1,284	191	12,716	638	5,499	409	11,215	646	81,472	62,774
$250,000 under $500,000	53	4,812	22	1,784	104	14,890	294	5,613	190	12,340	294	99,076	83,034
$500,000 under $1,000,000	38	6,365	37	5,942	48	11,720	157	6,431	97	11,167	160	111,495	92,066
$1,000,000 under $5,000,000	46	24,129	41	31,251	63	35,213	163	27,368	133	33,871	163	286,524	209,739
$5,000,000 under $10,000,000	7	16,317	10	12,611	8	14,751	22	15,325	15	16,807	22	110,304	53,698
$10,000,000 or more	7	30,681	4	22,588	8	31,957	15	14,322	10	23,210	17	347,741	152,768
Health Services and Related Activities													
Total	**2,741**	**3,138,057**	**1,726**	**4,640,255**	**6,312**	**10,499,989**	**14,050**	**597,469**	**9,211**	**1,514,357**	**14,231**	**37,013,648**	**21,636,952**
Under $10,000	–	–	*85	*96	*171	*33	*600	*511	*258	*753	*600	*17,200	17,200
$10,000 under $25,000	529	3,575	*100	*832	1,130	6,731	2,412	2,794	1,458	7,176	2,462	102,174	93,067
$25,000 under $50,000	315	5,373	65	851	606	8,126	1,468	–16,583	967	8,277	1,488	112,615	62,241
$50,000 under $100,000	360	10,836	161	2,794	639	21,660	1,631	6,008	1,052	14,903	1,645	186,360	128,533
$100,000 under $250,000	451	27,947	185	8,424	961	75,379	2,253	21,252	1,492	35,484	2,282	462,950	320,181
$250,000 under $500,000	264	32,822	174	18,751	619	127,556	1,374	19,868	900	41,795	1,401	709,782	460,826
$500,000 under $1,000,000	177	53,119	186	29,110	554	258,652	1,238	36,469	836	73,740	1,254	1,176,659	771,438
$1,000,000 under $5,000,000	352	384,455	368	146,400	931	1,498,955	1,805	170,664	1,263	282,419	1,824	5,531,866	3,462,947
$5,000,000 under $10,000,000	119	405,716	121	130,580	278	1,369,588	489	124,304	389	187,245	491	4,092,530	2,492,418
$10,000,000 or more	174	2,214,213	281	4,302,416	423	7,133.310	780	232,181	596	862,565	784	24,621,513	13,828,101
Scientific Research Activities													
Total	**126**	**182,499**	**86**	**112,812**	**217**	**212,270**	**655**	**70,849**	**406**	**155,470**	**656**	**1,483,475**	**1,259,183**
Under $10,000	–	–	–	–	–	–	*85	*247	*85	*247	85	*574	*571
$10,000 under $25,000	*25	*14	–	–	*25	*334	*100	–48	*25	*165	*100	*524	*434
$25,000 under $50,000	–	–	*6	*140	*14	*359	77	310	*39	*574	77	6,325	6,207
$50,000 under $100,000	*19	*308	*13	*175	*35	*1,366	91	1,466	*60	*1,850	91	17,324	12,950
$100,000 under $250,000	26	2,132	*18	*1,151	42	2,767	97	1,204	64	1,844	97	15,681	11,861
$250,000 under $500,000	*7	*41	*11	*1,446	30	4,681	53	–60,918	33	1,915	53	348,063	345,647
$500,000 under $1,000,000	12	2,204	9	1,674	15	3,867	43	2,030	27	2,619	43	26,159	17,208
$1,000,000 under $5,000,000	22	22,106	20	12,560	32	18,340	69	4,908	47	11,822	70	165,734	124,501
$5,000,000 under $10,000,000	4	14,189	2	5,307	8	16,159	12	5,442	6	6,567	12	83,200	62,999
$10,000,000 or more	11	141,506	7	90,361	16	164,398	28	116,208	20	127,869	28	819,891	676,805
Business and Professional Organizations													
Total	**1,662**	**205,607**	**476**	**303,759**	**5,149**	**424,431**	**13,753**	**11,574**	**8,579**	**161,310**	**13,804**	**2,122,271**	**1,179,138**
Under $10,000	*428	*1,154	–	–	1,116	7,215	2,399	1,682	1,628	2,170	2,399	13,184	13,105
$10,000 under $25,000	253	1,543	*50	*323	1,132	13,110	3,282	167	1,912	4,477	3,282	33,747	22,841
$25,000 under $50,000	219	2,051	65	556	820	17,138	2,564	2,308	1,444	7,178	2,591	75,127	58,929
$50,000 under $100,000	216	3,120	*52	*421	733	26,597	2,249	6,830	1,435	14,054	2,255	138,827	96,318
$100,000 under $250,000	264	11,296	81	1,763	673	41,236	1,821	11,292	1,187	21,488	1,828	247,447	178,196
$250,000 under $500,000	132	11,688	61	4,310	337	48,082	713	12,916	490	19,059	717	220,446	142,077
$500,000 under $1,000,000	74	14,971	64	6,792	163	40,824	369	7,843	236	16,386	372	229,794	138,708
$1,000,000 under $5,000,000	62	28,522	74	26,051	142	93,666	291	27,390	203	35,852	294	452,507	283,479
$5,000,000 under $10,000,000	9	13,151	18	28,324	19	26,754	37	8,346	28	13,113	37	184,128	132,157
$10,000,000 or more	5	118,111	11	235,218	14	109,810	28	–67,200	16	27,533	29	527,065	113,327

Footnotes at end of table.

Organizations Exempt From Income Tax, 1975

Table 3.—All Returns: Selected Income Statement Items, Total Assets, and Net Worth, by Major Activity and by Size of Total Receipts—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major activity and size of total receipts	Deductions for—Continued: Cost of sales and operations: Number of returns	Deductions for—Continued: Cost of sales and operations: Amount	Deductions for—Continued: Cost and expenses of assets sold: Number of returns	Deductions for—Continued: Cost and expenses of assets sold: Amount	Deductions for—Continued: Other expenses: Number of returns	Deductions for—Continued: Other expenses: Amount	Net income (less deficit): Number of returns	Net income (less deficit): Amount	Net income: Number of returns	Net income: Amount	Total assets: Number of returns	Total assets: Amount	Net worth
	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)
Farming and Related Activities													
Total	**634**	**35,033**	**98**	**3,683**	**1,411**	**73,094**	**2,797**	**17,266**	**1,894**	**25,377**	**2,806**	**512,269**	**275,183**
Under $10,000	–	–	–	–	*172	*883	*516	*434	*430	*459	*516	*529	*513
$10,000 under $25,000	*229	*799	–	–	430	3,613	856	527	503	1,008	856	21,600	17,069
$25,000 under $50,000	181	1,212	*25	*186	393	6,470	650	1,102	446	1,783	650	22,826	15,246
$50,000 under $100,000	113	1,947	*12	*273	212	7,451	378	742	256	1,380	385	34,352	20,847
$100,000 under $250,000	63	3,615	25	859	117	8,714	229	799	136	2,312	229	33,431	25,236
$250,000 under $500,000	*18	*1,893	*13	*159	26	3,919	62	566	44	1,746	62	20,100	17,406
$500,000 under $1,000,000	10	1,561	7	227	27	8,015	46	1,748	32	2,386	47	52,745	25,269
$1,000,000 under $5,000,000	19	17,060	12	1,499	28	24,574	51	6,960	39	9,586	52	232,474	108,758
$5,000,000 under $10,000,000	1	6,947	3	407	5	9,039	8	4,294	7	4,621	8	84,154	40,879
$10,000,000 or more	–	–	1	73	1	416	1	97	1	97	1	10,058	3,960
Mutual Organizations													
Total	**730**	**1,118,964**	**424**	**93,052**	**2,027**	**1,220,765**	**4,014**	**432,324**	**3,139**	**477,257**	**4,142**	**21,525,555**	**6,327,252**
Under $10,000	*85	*297	*171	*1,435	*343	*790	*771	*761	*686	*793	*771	*24,076	*11,146
$10,000 under $25,000	*25	*300	*26	*29	278	1,920	580	1,416	328	1,843	580	60,211	19,233
$25,000 under $50,000	65	647	*6	*15	322	7,937	676	3,743	501	4,445	683	174,456	53,579
$50,000 under $100,000	*32	*655	*7	*173	290	13,837	590	3,582	467	5,705	615	342,962	121,927
$100,000 under $250,000	35	1,857	*11	*293	244	22,321	496	11,731	399	12,726	523	517,408	171,977
$250,000 under $500,000	44	6,190	*18	*1,644	131	26,664	203	7,577	162	9,565	223	565,179	177,260
$500,000 under $1,000,000	67	21,653	36	4,628	109	43,473	185	14,328	149	17,051	197	867,385	244,098
$1,000,000 under $5,000,000	302	416,131	118	31,497	241	264,190	398	66,750	348	84,560	429	3,720,316	1,147,237
$5,000,000 under $10,000,000	48	204,507	22	14,673	34	81,526	62	31,717	55	43,273	66	1,574,287	513,657
$10,000,000 or more	27	466,725	9	38,664	35	758,108	53	290,720	44	297,295	55	13,679,276	3,867,138
Employee or Membership Benefit Organizations													
Total	**6,402**	**556,385**	**1,522**	**2,662,561**	**9,247**	**446,912**	**38,028**	**102,763**	**22,353**	**713,279**	**38,194**	**13,562,251**	**7,951,118**
Under $10,000	967	1,680	*85	*201	2,405	11,962	6,882	3,416	4,288	7,651	6,882	90,435	79,716
$10,000 under $25,000	1,087	6,174	*177	*874	2,171	19,646	9,205	6,237	5,772	15,632	9,255	228,634	210,689
$25,000 under $50,000	926	11,941	173	1,808	1,239	24,121	5,315	7,192	3,246	19,017	5,341	291,976	254,338
$50,000 under $100,000	1,406	36,916	178	4,133	1,229	39,427	5,033	16,401	3,179	32,836	5,060	494,291	404,727
$100,000 under $250,000	1,378	73,833	246	11,893	1,191	72,055	4,825	29,043	3,019	61,661	4,846	943,614	791,478
$250,000 under $500,000	385	42,414	145	16,204	493	59,208	2,211	13,327	1,301	52,952	2,233	819,983	630,263
$500,000 under $1,000,000	144	33.442	168	41,896	220	38,841	1,226	21,231	725	62,892	1,230	937,175	700,216
$1,000,000 under $5,000,000	79	60,498	235	215,640	211	69,356	1,053	65,736	652	158,702	1,063	2,778,203	1,705,111
$5,000,000 under $10,000,000	19	59,525	46	137,434	38	11,606	130	6,854	76	59,732	132	1,063,823	619,894
$10,000,000 or more	11	229.961	69	2,232,477	50	100,689	148	–66,674	95	242,203	152	5,914,117	2,554,686
Sports, Athletic, Recreational and Social Activities													
Total	**5,275**	**424,315**	**497**	**38,996**	**6,982**	**839,341**	**12,788**	**51,354**	**7,901**	**108,255**	**12,883**	**2,869,420**	**1,876,255**
Under $10,000	*516	*1,256	–	–	1,631	9,150	2,583	–338	1,374	2,012	2,583	41,567	35,017
$10,000 under $25,000	902	4,141	*176	*1,323	1,316	12,055	3,392	3,892	2,258	6,138	3,417	105,771	86,366
$25,000 under $50,000	730	9,333	69	560	1,046	21,981	1,976	2,803	1,249	5,340	2,009	119,073	89,254
$50,000 under $100,000	742	16,164	*45	*411	821	30,882	1,625	7,966	1,048	12,266	1,631	178,978	131,171
$100,000 under $250,000	771	37,239	49	1,185	741	64,636	1,280	7,009	820	13,159	1,299	315,519	195,851
$250,000 under $500,000	548	55,453	39	3,164	491	94,748	722	6,097	430	12,919	725	365,095	217,120
$500,000 under $1,000,000	652	125,184	72	7,077	556	233,820	752	6,256	432	20,143	754	702,709	452,848
$1,000,000 under $5,000,000	406	160,611	42	10,307	373	351,566	447	16,381	284	32,540	454	976,346	615,519
$5,000,000 under $10,000,000	7	13,800	4	1,055	6	19,348	10	3,369	6	3,736	10	51,929	41,049
$10,000,000 or more	1	1,133	1	13,913	1	1,155	1	–2,080	–	–	1	12,433	12,058

Footnotes at end of table.

Organizations Exempt From Income Tax, 1975

Table 3.—All Returns: Selected Income Statement Items, Total Assets, and Net Worth, by Major Activity and by Size of Total Receipts—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major activity and size of total receipts	Deductions for—Continued						Net income (less deficit)		Net income		Total assets		Net worth
	Cost of sales and operations		Cost and expenses of assets sold		Other expenses								
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	
	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)
Youth Activities													
Total	**2,491**	**130,858**	**974**	**178,611**	**3,134**	**199,904**	**8,070**	**94,529**	**5,324**	**147,059**	**8,131**	**3,319,526**	**2,905,426**
Under $10,000	*428	*770	*85	*48	1,028	3,678	1,740	1,507	1,226	1,753	1,740	34,079	34,079
$10,000 under $25,000	554	3,150	*202	*1,016	428	2,009	1,407	2,243	980	4,081	1,432	42,720	37,653
$25,000 under $50,000	393	4,562	69	801	493	8,121	1,360	2,801	848	4,750	1,372	84,492	72,300
$50,000 under $100,000	251	4,118	76	1,225	305	7,217	953	3,196	630	6,158	953	142,350	124,023
$100,000 under $250,000	407	11,944	117	4,068	410	28,010	1,204	8,249	756	15,150	1,224	412,831	356,181
$250,000 under $500,000	256	13,646	163	12,141	208	25,104	756	15,567	460	24,677	756	611,640	529,240
$500,000 under $1,000,000	117	15,983	124	19,215	142	26,274	366	18,951	232	27,907	369	501,540	445,279
$1,000,000 under $5,000,000	79	25,407	121	66,399	107	54,061	260	38,608	179	49,786	261	978,707	849,328
$5,000,000 under $10,000,000	3	257	10	31,872	7	5,509	15	1,579	9	3,963	15	182,676	168,434
$10,000,000 or more	3	51,020	7	41,825	6	39,921	9	1,827	4	8,835	9	328,491	288,907
Conservation, Environmental and Beautification Activities													
Total	**336**	**15,168**	**69**	**25,707**	**423**	**17,676**	**1,181**	**39,821**	**652**	**47,981**	**1,206**	**392,117**	**337,467**
Under $10,000	-	-	-	-	*85	*330	*85	*-25	-	-	*85	*1,034	*1,034
$10,000 under $25,000	*126	*613	-	-	*101	*988	478	-1,681	*200	*709	503	45,094	43,507
$25,000 under $50,000	76	815	*19	*295	103	1,333	235	618	166	1,034	235	10,786	9,843
$50,000 under $100,000	*49	*1,184	*7	*126	*45	*1,437	179	3,110	143	3,361	179	26,201	25,201
$100,000 under $250,000	47	1,756	*16	*570	48	2,621	110	2,593	77	3,058	110	28,357	25,090
$250,000 under $500,000	*15	*1,512	*5	*281	*18	*2,187	33	1,399	25	1,429	33	20,453	19,607
$500,000 under $1,000,000	12	1,308	6	634	10	1,861	31	4,469	23	5,663	31	42,899	32,816
$1,000,000 under $5,000,000	8	3,796	13	11,777	8	1,154	24	4,341	12	7,732	24	82,341	63,083
$5,000,000 under $10,000,000	1	1,394	1	107	2	2,339	2	2,361	2	2,361	2	7,374	6,253
$10,000,000 or more	2	2,788	2	11,917	3	3,427	4	22,635	4	22,635	4	127,577	111,031
Housing Activities													
Total	**123**	**18,872**	**112**	**21,827**	**852**	**190,227**	**1,898**	**-13,274**	**793**	**39,854**	**1,903**	**2,696,905**	**139,940**
Under $10,000	-	-	-	-	-	-	*86	*118	*86	*118	*86	*3,460	*3,460
$10,000 under $25,000	-	-	-	-	*103	*1,355	253	320	*151	*562	253	40,089	2,807
$25,000 under $50,000	-	-	*7	*139	76	2,535	186	-266	77	778	186	74,316	-808
$50,000 under $100,000	*13	*652	*26	*766	148	10,034	288	-1,679	107	1,611	288	174,489	12,447
$100,000 under $250,000	51	4,376	30	1,883	260	43,905	540	-8,262	174	5,402	543	674,622	-2,512
$250,000 under $500,000	33	4,001	*14	*2,117	152	48,293	341	-9,871	104	5,945	341	803,091	10,626
$500,000 under $1,000,000	16	2,639	19	3,922	71	41,915	129	-4,924	51	4,651	131	496,233	40,620
$1,000,000 under $5,000,000	9	5,674	16	13,000	40	41,823	70	10,777	40	16,678	70	364,434	75,464
$5,000,000 under $10,000,000	-	-	-	-	2	366	4	106	2	3,703	4	59,152	-6,697
$10,000,000 or more	1	1,529	-	-	-	-	1	407	1	407	1	7,020	4,532
Inner City or Community Activities													
Total	**4,336**	**46,803**	**696**	**20,115**	**6,144**	**123,899**	**11,124**	**97,640**	**7,233**	**128,468**	**11,195**	**1,496,955**	**744,224**
Under $10,000	1,492	3,492	*25	*3	2,484	9,298	3,387	2,117	2,420	3,478	3,387	98,848	22,314
$10,000 under $25,000	1,887	10,097	376	1,168	1,915	13,627	3,859	2,497	2,246	5,872	3,859	80,559	56,594
$25,000 under $50,000	514	6,746	115	862	814	13,182	1,583	3,454	991	6,039	1,596	96,048	57,358
$50,000 under $100,000	243	6,216	101	1,963	442	12,407	999	6,724	673	9,973	1,012	153,119	100,368
$100,000 under $250,000	145	6,386	33	1,291	353	19,459	761	6,051	548	12,166	773	290,021	132,034
$250,000 under $500,000	27	2,372	*13	*937	77	11,882	257	4,065	177	7,014	269	170,662	47,128
$500,000 under $1,000,000	14	2,631	14	3,629	28	7,731	142	6,926	96	8,816	150	178,385	54,099
$1,000,000 under $5,000,000	12	2,771	16	7,917	27	21,280	117	12,555	68	20,930	130	233,148	137,852
$5,000,000 under $10,000,000	1	5,669	2	1,865	2	198	12	4,801	9	5,330	12	96,410	61,365
$10,000,000 or more	1	423	1	480	2	14,835	7	48,450	5	48,849	7	99,755	75,111

Footnotes at end of table.

Table 3.—All Returns: Selected Income Statement Items, Total Assets, and Net Worth, by Major Activity and by Size of Total Receipts—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major activity and size of total receipts	Deductions for—Continued: Cost of sales and operations: Number of returns	Deductions for—Continued: Cost of sales and operations: Amount	Deductions for—Continued: Cost and expenses of assets sold: Number of returns	Deductions for—Continued: Cost and expenses of assets sold: Amount	Deductions for—Continued: Other expenses: Number of returns	Deductions for—Continued: Other expenses: Amount	Net income (less deficit): Number of returns	Net income (less deficit): Amount	Net income: Number of returns	Net income: Amount	Total assets: Number of returns	Total assets: Amount	Net worth
	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)
Civil Rights Activities													
Total	*22	*159	13	1,618	99	3,363	314	3,021	205	4,385	316	34,150	22,999
Under $10,000	–	–	–	–	–	–	–	–	–	–	–	–	–
$10,000 under $25,000	–	–	–	–	*50	*109	*125	*160	*75	*238	*125	*641	*501
$25,000 under $50,000	*12	*39	–	–	*12	*219	*37	*8	*24	*46	*37	*532	*473
$50,000 under $100,000	*6	*10	–	–	*18	*694	*55	*59	*43	*242	*55	*960	*266
$100,000 under $250,000	*3	*16	–	–	*9	*98	48	175	26	631	48	3,561	2,191
$250,000 under $500,000	–	–	*5	*505	*5	*169	*21	*246	*16	*510	*21	*2,714	*1,377
$500,000 under $1,000,000	1	93	1	194	2	321	12	288	10	354	13	4,487	2,878
$1,000,000 under $5,000,000	–	–	5	97	2	205	14	1,654	10	1,883	15	10,157	6,818
$5,000,000 under $10,000,000	–	–	2	822	1	1,548	2	431	1	480	2	11,098	8,494
$10,000,000 or more	–	–	–	–	–	–	–	–	–	–	–	–	–
Litigation and Legal Aid Activities													
Total	*4	*307	*13	*1,175	34	2,203	278	3,740	169	5,351	309	28,994	17,049
Under $10,000	–	–	–	–	–	–	–	–	–	–	–	–	–
$10,000 under $25,000	–	–	–	–	–	–	–	–	–	–	–	–	–
$25,000 under $50,000	–	–	–	–	*6	*241	*27	*10	*13	*59	*34	*1,188	*1,164
$50,000 under $100,000	–	–	*7	*30	–	–	65	24	*33	*225	79	1,146	773
$100,000 under $250,000	*3	*74	*2	*1	*10	*745	76	679	48	1,077	76	3,518	2,134
$250,000 under $500,000	–	–	–	–	*10	*899	57	461	38	707	62	7,577	4,328
$500,000 under $1,000,000	–	–	2	710	7	313	34	1,145	24	1,381	36	6,204	3,466
$1,000,000 under $5,000,000	1	234	2	434	1	5	19	1,422	13	1,902	21	8,394	5,184
$5,000,000 under $10,000,000	–	–	–	–	–	–	–	–	–	–	1	967	–
$10,000,000 or more	–	–	–	–	–	–	–	–	–	–	–	–	–
Legislative and Political Activities													
Total	*31	*885	*4	*37	55	1,658	229	2,005	149	2,978	229	13,899	10,494
Under $10,000	–	–	–	–	–	–	–	–	–	–	–	–	–
$10,000 under $25,000	–	–	–	–	–	–	*51	*25	*25	*50	*51	*456	*456
$25,000 under $50,000	*27	*466	–	–	*25	*155	75	295	*51	*379	75	2,058	1,893
$50,000 under $100,000	–	–	–	–	*13	*550	*45	*458	*32	*524	*45	*3,055	*2,789
$100,000 under $250,000	*3	*413	*2	*19	*14	*848	39	1,084	30	1,245	39	3,917	2,356
$250,000 under $500,000	–	–	–	–	*2	*104	*9	*–196	*5	*184	*9	*1,290	*997
$500,000 under $1,000,000	–	–	–	–	–	–	7	352	5	383	7	1,910	1,442
$1,000,000 under $5,000,000	1	6	1	(1)	–	–	2	–227	–	–	2	279	–65
$5,000,000 under $10,000,000	–	–	1	17	1	2	1	214	1	214	1	934	625
$10,000,000 or more	–	–	–	–	–	–	–	–	–	–	–	–	–
Advocacy													
Total	228	2,264	*14	*2,238	175	25,625	771	1,057	467	6,678	778	63,668	38,479
Under $10,000	*170	*140	–	–	*85	*357	*256	*–1,009	*171	*44	*256	*430	*407
$10,000 under $25,000	–	–	–	–	–	–	*176	*–106	*76	*115	*176	*3,672	*3,367
$25,000 under $50,000	–	–	–	–	*25	*305	97	–59	*39	*159	104	2,064	1,691
$50,000 under $100,000	*28	*632	*7	*46	*21	*422	69	385	*56	*409	69	3,432	2,619
$100,000 under $250,000	*19	*538	–	–	26	936	106	937	78	1,148	106	6,686	4,344
$250,000 under $500,000	*5	*88	–	–	*7	*623	38	878	27	1,007	38	9,693	8,224
$500,000 under $1,000,000	4	519	2	59	4	816	15	283	11	626	15	5,328	3,880
$1,000,000 under $5,000,000	2	348	4	1,407	6	3,051	11	2,719	8	3,061	11	18,542	15,115
$5,000,000 under $10,000,000	–	–	1	727	–	–	2	79	1	108	2	3,701	112
$10,000,000 or more	–	–	–	–	1	19,116	1	–3,051	–	–	1	10,120	–1,279

Footnotes at end of table.

Organizations Exempt From Income Tax, 1975

Table 3.—All Returns: Selected Income Statement Items, Total Assets, and Net Worth, by Major Activity and by Size of Total Receipts—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major activity and size of total receipts	Deductions for—Continued						Net income (less deficit)		Net income		Total assets		Net worth
	Cost of sales and operations		Cost and expenses of assets sold		Other expenses								
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	
	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)
Other Activities Directed to Individuals													
Total	**771**	**33,304**	**254**	**123,847**	**1,841**	**125,225**	**5,788**	**16,862**	**3,972**	**98,203**	**5,901**	**1,502,075**	**1,010,102**
Under $10,000	*170	*647	-	-	*171	*653	*514	*154	*428	*668	*514	*5,484	*5,382
$10,000 under $25,000	*150	*759	*25	*196	452	4,723	1,137	678	855	1,973	1,137	13,577	10,782
$25,000 under $50,000	102	1,299	*31	*383	330	6,817	969	2,780	646	3,878	987	23,022	15,018
$50,000 under $100,000	131	2,668	*51	*1,677	371	14,520	1,212	2,679	731	6,814	1,238	55,570	42,958
$100,000 under $250,000	111	4,266	40	1,670	269	20,629	977	6,347	659	11,206	1,010	96,010	67,009
$250,000 under $500,000	51	3,410	37	5,055	115	19,112	494	7,441	325	11,515	508	111,854	89,768
$500,000 under $1,000,000	29	5,769	37	3,539	72	22,568	265	11,139	177	14,606	275	121,663	83,160
$1,000,000 under $5,000,000	27	14,486	22	4,240	50	30,275	193	17,248	135	23,206	203	259,236	209,184
$5,000,000 under $10,000,000	-	-	6	14,054	6	1,349	15	5,004	9	7,189	15	52,007	37,232
$10,000,000 or more	-	-	5	93,035	5	4,579	12	-36,608	7	17,148	14	763,653	449,607
Activities Directed to Other Organizations													
Total	**644**	**46,519**	**918**	**437,804**	**2,260**	**98,847**	**5,330**	**178,961**	**3,439**	**253,325**	**5,571**	**4,224,884**	**2,938,372**
Under $10,000	*171	*532	*86	*91	*427	*848	1,028	1,688	772	1,809	1,114	29,812	29,391
$10,000 under $25,000	*202	*1,117	*100	*1,078	478	2,115	1,031	1,516	577	2,541	1,131	70,570	67,529
$25,000 under $50,000	*58	*881	80	1,099	277	2,117	805	2,377	542	4,415	824	72,784	61,701
$50,000 under $100,000	97	1,922	179	7,070	336	4,636	666	-42	356	5,381	685	129,808	111,059
$100,000 under $250,000	45	2,347	177	15,951	304	5,453	746	6,924	480	15,773	751	254,564	218,032
$250,000 under $500,000	*21	*3,350	83	12,537	146	8,729	395	11,232	257	19,139	398	334,666	209,652
$500,000 under $1,000,000	19	4,763	70	25,299	105	12,224	262	7,050	170	17,149	267	381,915	265,185
$1,000,000 under $5,000,000	22	13,536	99	92,347	133	23,101	292	70,274	212	82,899	295	1,241,255	879,889
$5,000,000 under $10,000,000	6	16,709	17	45,387	20	5,416	53	18,843	37	31,893	53	447,949	264,820
$10,000,000 or more	3	1,363	27	236,945	34	34,209	52	59,099	36	72,326	53	1,261,590	831,113
Other Purposes and Activities													
Total	**4,055**	**190,311**	**798**	**163,360**	**5,553**	**373,838**	**9,121**	**134,502**	**5,723**	**186,167**	**9,380**	**4,197,550**	**2,439,767**
Under $10,000	*686	*1,507	-	-	1,371	4,243	2,058	2,277	1,114	3,037	2,058	62,084	59,483
$10,000 under $25,000	779	4,778	*202	*1,275	1,237	12,416	2,174	657	1,319	6,118	2,251	134,070	107,557
$25,000 under $50,000	756	12,133	153	1,296	942	15,226	1,611	3,910	1,035	7,393	1,655	160,138	124,992
$50,000 under $100,000	908	27,827	125	2,429	922	34,811	1,451	-4,866	946	10,341	1,471	276,488	166,873
$100,000 under $250,000	638	35,927	160	7,505	676	47,444	1,083	12,874	760	19,408	1,142	475,504	304,294
$250,000 under $500,000	158	18,901	48	5,635	224	33,662	391	14,372	295	18,922	423	581,528	305,843
$500,000 under $1,000,000	69	15,671	40	10,616	81	20,703	165	12,130	116	16,052	182	447,332	281,156
$1,000,000 under $5,000,000	52	45,856	55	50,750	78	53,487	151	26,824	112	38,675	158	926,127	449,408
$5,000,000 under $10,000,000	6	19,648	8	35,778	13	18,552	22	25,158	18	26,358	25	376,372	298,030
$10,000,000 or more	3	8,063	7	48,077	9	133,294	15	31,434	8	39,862	15	757,908	342,132
No Activity Reported													
Total	**10,451**	**1,649,023**	**2,883**	**1,914,457**	**20,096**	**3,316,672**	**50,511**	**671,443**	**31,943**	**1,015,880**	**51,026**	**25,152,654**	**12,974,108**
Under $10,000	1,970	5,355	*712	*1,392	5,449	26,235	11,424	5,104	7,140	13,111	11,424	229,023	197,040
$10,000 under $25,000	2,430	14,613	535	2,456	4,736	50,179	13,473	8,210	8,385	25,005	13,673	345,818	259,177
$25,000 under $50,000	1,650	21,153	311	3,421	3,118	65,697	8,310	20,301	5,220	36,579	8,372	523,269	362,786
$50,000 under $100,000	1,634	43,309	296	7,310	2,527	98,085	6,577	22,519	4,171	44,775	6,666	833,416	526,849
$100,000 under $250,000	1,284	65,361	307	13,450	2,042	182,361	5,448	36,127	3,423	75,348	5,505	1,572,474	818,991
$250,000 under $500,000	545	56,706	187	17,204	895	177,761	2,293	32,773	1,490	68,272	2,337	1,433,503	756,073
$500,000 under $1,000,000	388	84,832	148	24,302	565	220,293	1,335	44,128	865	82,373	1,362	1,681,555	909,883
$1,000,000 under $5,000,000	425	409,725	263	112,225	553	634,780	1,233	160,640	919	228,241	1,259	5,020,135	2,497,472
$5,000,000 under $10,000,000	62	226,035	43	69,367	105	446,472	195	61,470	152	93,160	199	2,001,164	1,056,869
$10,000,000 or more	63	721,934	61	1,663,330	106	1,414,810	223	280,171	178	349,017	229	11,512,298	5,588,968

*Estimate should be used with caution because of the small number of sample returns on which it is based.

[1]Less than $500.

NOTE: Detail may not add to total because of rounding.

Table 4.--Returns of Tax-Exempt Organizations With Total Receipts of More Than $10,000: Selected Income Statement and Balance Sheet Items, by Size of Total Receipts, 1975, 1977-1978

[Money amounts are in thousands of dollars]

Item and year	Total	Size of total receipts: Under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of returns:[1]							
1975	179,052	55,800	64,404	39,448	8,188	9,544	1,668
1977	191,526	55,974	67,834	43,485	9,512	12,275	2,446
1978	215,701	59,502	76,340	50,445	11,208	15,020	3,186
Total receipts:							
1975	114,585,998	907,436	3,364,290	8,719,741	5,767,112	26,897,027	68,930,392
1977	176,462,097	921,800	3,546,966	9,628,831	6,713,444	34,903,658	120,747,398
1978	238,388,877	993,022	4,008,262	11,229,002	7,884,752	43,407,049	170,866,790
Selected receipts:							
Contributions, gifts, and grants:							
1975	20,518,184	166,548	764,965	2,478,555	1,597,919	5,936,680	9,573,517
1977	23,972,436	167,360	799,122	2,768,980	1,951,433	7,663,015	10,622,526
1978	31,332,171	181,941	926,383	3,343,969	2,389,378	9,881,283	14,609,216
Dues and assessments:							
1975	19,305,390	342,122	1,098,402	2,258,507	1,299,237	3,321,493	10,985,630
1977	24,698,914	347,168	1,145,224	2,451,463	1,473,833	4,292,178	14,989,048
1978	29,045,873	364,094	1,248,663	2,772,895	1,702,480	5,420,424	17,537,318
Sales and other receipts:							
1975	74,762,370	398,751	1,500,900	3,982,668	2,869,953	17,638,853	48,371,244
1977	127,790,747	407,272	1,602,620	4,408,388	3,288,178	22,948,465	95,135,824
1978	178,010,833	446,987	1,833,216	5,112,138	3,792,894	28,105,342	138,720,256
Selected deductions:							
Cost of goods sold:							
1975	8,546,098	61,349	270,398	627,437	449,669	2,891,007	4,246,239
1977	12,001,553	73,162	314,143	697,849	464,803	3,377,620	7,073,976
1978	15,457,565	84,197	347,329	793,923	526,241	4,037,047	9,668,828
Direct fees paid for contributions, gifts, and grants:							
1975	56,355	2,403	5,910	10,834	6,862	20,721	9,625
1977	70,165	941	8,632	16,287	9,924	25,162	9,219
1978	87,745	133	9,160	21,014	20,164	24,375	12,899
Total assets:							
1975	175,533,077	1,739,287	6,124,513	15,851,669	9,700,560	44,773,780	97,343,268
1977	250,616,142	1,917,095	6,160,344	16,377,261	10,642,506	54,946,130	160,572,806
1978	346,375,726	2,040,093	6,710,032	18,536,834	12,874,215	68,177,908	238,036,644
Total liabilities (excluding net worth):							
1975	75,549,032	362,319	1,992,652	6,552,451	3,838,815	17,580,429	45,227,838
1977	100,318,288	487,736	1,798,218	8,091,182	4,298,999	21,864,672	63,777,481
1978	127,063,904	460,307	3,053,880	7,978,045	5,821,772	28,007,299	81,742,600

[1]Data for 1977 and 1978 are based on the population of returns processed to the Exempt Organization Master File during 1978-1979. Data for 1975 are estimates based on a stratified sample of Form 990 returns processed in 1976.

NOTE: Detail may not add to total because of rounding.

Organizations Exempt From Income Tax, 1975, 1977-1978

Table 5.--Returns of Tax-Exempt Organizations With Total Receipts of More Than $10,000: Selected Income Statement and Balance Sheet Items by Size of Total Assets, 1975, 1977-1978

[Money amounts are in thousands of dollars]

Item and year	Total	Size of total assets					
		Under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of returns:[1]							
1975	179,052	75,226	40,772	37,995	9,100	13,404	2,555
1977	191,526	76,849	44,636	41,523	9,689	15,309	3,520
1978	215,701	84,531	50,244	47,441	11,286	17,585	4,614
Total receipts:							
1975	114,585,998	3,228,374	3,761,945	8,128,388	4,843,896	25,448,126	69,175,269
1977	176,462,097	3,498,257	4,315,182	9,693,570	5,815,706	31,589,952	121,549,429
1978	238,388,877	4,140,196	5,110,930	11,771,564	7,285,633	37,400,119	172,680,431
Selected receipts:							
Contributions, gifts, and grants:							
1975	20,518,184	1,029,975	1,254,410	2,487,372	1,366,713	5,368,976	9,010,737
1977	23,972,436	1,137,582	1,435,564	3,123,055	1,680,662	6,420,849	10,174,722
1978	31,332,171	1,428,127	1,792,570	4,021,265	2,200,359	8,005,951	13,883,900
Dues and assessments:							
1975	19,305,390	989,627	1,108,704	2,206,360	1,192,476	3,538,467	10,269,755
1977	24,698,914	1,036,517	1,228,310	2,532,381	1,404,006	4,272,832	14,224,869
1978	29,045,873	1,139,438	1,364,290	2,907,913	1,682,033	5,082,255	16,869,941
Sales and other receipts:							
1975	74,762,370	1,208,754	1,398,816	3,434,641	2,284,705	16,540,677	49,894,774
1977	127,790,747	1,324,158	1,651,308	4,038,134	2,731,038	20,896,271	97,149,838
1978	178,010,833	1,572,631	1,954,070	4,842,386	3,403,241	24,311,912	141,926,593
Selected deductions:							
Cost of goods sold:							
1975	8,546,098	190,902	282,308	616,259	418,254	2,476,503	4,561,872
1977	12,001,553	236,044	330,307	689,638	427,491	2,949,397	7,368,674
1978	15,457,565	289,684	371,815	814,159	599,809	3,200,700	10,181,400
Direct fees paid for contributions, gifts, and grants:							
1975	56,355	7,549	7,405	6,900	2,491	21,750	10,260
1977	70,165	7,910	7,137	16,740	5,032	21,246	12,103
1978	87,745	13,257	9,746	18,883	8,473	21,431	15,952
Total assets:							
1975	175,533,077	628,834	2,210,622	8,623,336	6,415,010	39,959,493	117,695,783
1977	250,616,142	673,599	2,426,433	9,430,383	6,844,812	46,542,376	184,698,536
1978	346,375,726	743,225	2,726,520	10,800,912	7,946,918	53,195,885	270,962,266
Total liabilities (excluding net worth):							
1975	75,549,032	158,337	495,272	2,239,554	1,955,615	16,449,459	54,250,795
1977	100,318,288	174,059	560,667	2,593,002	2,159,348	18,824,883	76,006,327
1978	127,063,904	1,205,891	649,394	3,015,219	2,545,859	21,997,423	97,650,115

[1]Data for 1977 and 1978 are based on the population of returns processed to the Exempt Organization Master File during 1978-1979. Data for 1975 are estimates based on a stratified sample of Form 990 returns processed in 1976.

NOTE: Detail may not add to total because of rounding.

DATA SOURCES AND LIMITATIONS

Most of the data in this article are for Income Year 1975 and are estimates based on a stratified random sample of unaudited Form 990, Return of Organization Exempt from Income Tax, returns processed in 1976. Income Year 1975 covers, in general, accounting periods ended July 1975 through June 1976. Income Years 1977 and 1978 are similarly defined.

The data for 1977 and 1978 were based on the population of returns processed to the Exempt Organization Master File (EOMF) during 1978 and 1979. Unlike the 1975 data which were subjected to extensive statistical editing and checks for consistency, the 1977 and 1978 data were subjected only to checks essential for the administrative processing of the returns. Additional data for these three years can be found in an IRS paper, "Nonprofit Organizations in America" [4].

Exempt organization data for 1946 were obtained from a supplemental Statistics of Income report for that year [5]. Private foundation data for 1974-1978 are available from a similar publication [1], and statistics on farmers' marketing and purchasing cooperatives will be available in 1982 [2].

Principal Activity and Type of Organization Classifications

The principal activity listed by the tax-exempt organization on its return was the basis for the activity classification for 1975. Each organization was supposed to list on its return up to three main activities, in order of their importance. For this reason, the first activity listed served as the basis for the classification by principal activity. To the extent that the primary activity was not listed first, the data were affected. Also, since the organization could have been engaged in more than one tax-exempt activity, the activity classification may not be an accurate reflection of the actual number of organizations engaged in a given activity.

The 1975 classification by type of organization was based on the Internal Revenue Code subsection under which tax-exempt status was recognized, as reported on the return form. The activity classification was usually consistent with the type of organization. However, if an organization's principal activity changed subsequent to the filing of its application for exempt status or if the principal activity were not the first one listed on the return (as described above), the tie-in between data by type of organization and data by type of activity was adversely affected.

Returns of organizations such as churches and corporations organized under an act of Congress are specifically shown in the Table 1 statistics by type of organization. These organizations were not required to file a Form 990 at all; to the extent they did they are included in all tables, although the statistics based on them are necessarily incomplete.

Excluded from the statistics for the years indicated were the following types of organizations for which return data were either not available or not readily available from the EOMF: trusts for prepaid group legal services (1977 and 1978) and Black Lung Trusts filing Form 990-BL (1978). Also excluded, for all three years, were certain homeowners' associations and political organizations which were in the nature of tax-exempt organizations. These organizations filed special returns in the corporation series. Data for them were, therefore, included in the IRS Business Master File rather than the EOMF and were, therefore, not available for the statistics.

Data for 1975

The sample for 1975 was stratified based on the size of total receipts of the exempt organization. The overall sample size was 51,479 returns, with sampling rates ranging from 1 in 100 for the smallest receipt class to 1 in 1 for the largest receipt class. Duplicate, prior-year, and amended returns, as well as returns not meeting the minimum filing requirement, were included in the estimated population, but were excluded from the tabulations. As a result, the population shown below exceeds the total number of organizations shown in Tables 1-3. The returns were selected at the rates indicated in the following table.

Size of Total Receipts	Population	Sample Rate	Sample Size
All Returns.............	325,777	--	51,479
Under $5,000............	95,136	0.01	988
$5,000 under $10,000.....	44,716	0.01	522
$10,000 under $25,000....	57,893	0.04	2,304
$25,000 under $100,000...	66,943	0.16	10,471
$100,000 under $500,000..	40,251	0.41	16,356
$500,000 and over........	20,838	1.00	20,838

Because the estimates are based on a sample, they are subject to sampling error. The return data are also subject to nonsampling error due to taxpayer reporting differences and to discrepancies introduced during statistical processing.

Coefficient of Variation.--The upper limits of the coefficient of variation (CV) shown below for 1975 (for frequency estimates only) are intended as a general indication of the reliability of the data.

Number of Exempt Organizations	Coefficient of Variation
340	50%
940	30
2,120	20
8,470	10
33,860	5
211,650	2

Nonsampling Error.--Various techniques were used for 1975 to control and improve the quality of the data during statistical processing at the various field locations. Among them was a systematic verification of the manually edited data for two-thirds of the sample returns. As a further check on the quality of the editing, a small subsample of 0.5 percent of all documents was processed in the National Office. This subsample showed that 99.5 percent of the codes and money amounts on the documents had been entered correctly. Key entry of the data at the processing center was subjected to 100 percent verification.

Prior to tabulation, numerous computer tests were applied to each return record to check for inconsistencies. Lastly, prior to publication, all statistics and tables were reviewed for accuracy and reasonableness in light of provisions of the tax laws, reporting variations and limitations, and economic conditions.

Definitions and Law Changes

Definitions of the data items presented in the tables are, in general, the same as those presented in

Statistics of Income--1974-78, Private Foundations [1] and an IRS paper "Private Foundations, Federal Tax Law and Philanthropic Activity: An IRS Perspective" [6].

Except for the change increasing the level required for filing a return, there were no major law changes affecting the year-to-year comparability of the data for the period shown.

References

[1] U.S. Department of the Treasury Internal Revenue Service, Statistics of Income--1974-78, Private Foundations, Publication 1073, U.S. Government Printing Office, 1981.

[2] Data for farmers' marketing and purchasing cooperatives will be published in the SOI Bulletin in 1982.

[3] U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income--1975, 1977-1978, Organizations Exempt From Income Tax, unpublished tabulations.

[4] Sullivan, John P., and Gilmour, Keith, "Nonprofit Organizations in America: An Examination of Information Return Filings with IRS," American Statistical Association, 1981 Proceedings, Section on Survey Research Methods.

[5] U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income--1946, Supplement, Part 2, Returns of Organizations Exempt From Income Tax Under Section 101 Internal Revenue Code, U.S. Department of the Treasury, 1949.

[6] Petska, Thomas B., and Skelly, Daniel, "Private Foundations, Federal Tax Law, and Philanthropic Activity: An IRS Perspective," American Statistical Association, 1981 Proceedings, Section on Survey Research Methods.

Nonprofit Charitable Organizations, 1982

By Laura M. Heuchan*

In 1982, nonprofit charitable organizations reported total revenues of $196.3 billion, 21 percent of which was obtained from contributions, gifts, and grants. Total expenditures were $181.3 billion, with direct spending for charitable services accounting for 84 percent of that total. They collected fees for services (program service revenue) covering 82 percent of program expenses. These fees were supplemented by other sources of income, such as contributions and investment earnings.

"Nonprofit charitable organizations" refer to all organizations exempt under Internal Revenue Code (IRC) 501(c)(3), excluding private foundations. In 1982, of 264,890 organizations recognized by the Internal Revenue Service as nonprofit charities, there were only an estimated 75,738 required filers. The population of nonprofit charitable organizations required to file annual information returns (Form 990) has decreased since 1975 [1]. Nonetheless, the value of total asset holdings has increased by $171.1 billion since 1975 for a current dollar increase of 158 percent. A similar growth in revenues and expenses is evident, as shown in Figure A [2].

There are numerous explanations for the simultaneous drop in the population of filers and the marked growth in the aggregate statistics. The primary reasons for the drop in filers are the changes in filing requirements between 1975 and 1982. In 1975, an organization was granted an exemption from filing if its gross receipts were less than $5,000; this level was raised to $10,000 in 1976 and to $25,000 in 1982. A characteristic of the sector has always been the concentration of financial resources among a small number of organizations. For example, 6 percent of all nonprofit charitable organizations controlled 81 percent of total assets in 1982. An uneven distribution of resources across organizations was further evidenced by the concentration of 75 percent of revenues in 4 percent of the institutions. In addition, 6 percent of the organizations were responsible for 74 percent of total expenditures. With respect to assets, revenue, and expenses, the controlling organizations were in the top bracket and were predominantly educational institutions and health service providers as shown in Figures B and C. Any significant growth or shrinkage affecting the very large organizations would have had a pronounced effect on aggregate statistics. Reduced Federal spending for nondefense goods may have been a factor in this growth since this may have resulted in unmet demand for services such as health care and education [3]. The cutback in spending for health and education may have stimulated growth in the nonprofit sector, especially in the larger hospitals and schools, to fill this gap. Additionally, the percentage of persons below the poverty level rose from 12.3 percent in 1975 to 15.0 percent in 1982, and the possible increase in need from this portion of the population for charitable goods and services may have influenced the level of charitable activity provided by exempt organizations [4].

Figure A.--Nonprofit Charitable Organizations, 1975 and 1982

[Money amounts are in billions of dollars]

Item	1975	1982
Number of returns	82,048	75,738
Total assets	$108.5	$279.6
Total revenue	65.5	196.3
Contributions, gifts, and grants	17.1	41.3
Dues and assessments	1.5	2.5
Program service revenue	n.a.	124.4
Total expenses	62.6	181.3
Program service expenses	36.8	151.7
Fundraising expenses	1.4	1.7
Management and general expenses	n.a.	27.4

n.a. Not available.
For more detail, see Table 1.
Source: For 1975, data are from Statistics of Income Bulletin, Fall 1981, p. 10.

*Foreign Special Projects Section. Prepared under the direction of Michael Alexander, Chief.

Figure B
Top Ten 501(c)(3) Organizations Ranked by Total Revenue, 1982
[Money amounts are in millions]

Name	Total Revenue
College Retirement Equities Fund	$4,631
Teachers Insurance and Annuity Association of America	3,351
Kaiser Foundation Health Plan	2,116
Harvard College	1,342
Kaiser Foundation Hospitals	1,123
University of Chicago	745
American National Red Cross	722
Sisters of Mercy Health Corporation	718
Massachusetts Institute of Technology	692
Stanford University	664

Figure C
Top Ten 501(c)(3) Organizations Ranked by Total Assets, 1982
[Money amounts are in millions]

Name	Total Assets
Teachers Insurance and Annuity Association of America	$13,519
College Retirement Equities Fund	12,821
Harvard College	3,326
Yale University	1,836
Stanford University	1,727
Princeton University	1,415
Shriners Hospital for Crippled Children	1,273
University of Rochester	1,127
University of Chicago	1,068
Duke University	986

PROVISIONS OF IRC 501(c)(3)

Organizations tax exempt under IRC 501(c)(3) pursue diverse activities that further their exempt purpose. They exist in many sectors of the economy. IRC 501(c)(3) status is typically granted based on an entity being organized for purposes that are religious, charitable, scientific, educational, testing for public safety, etc. Charitable means that the services provided by the organization are pro bono publico (for the public benefit). The granting of exempt status is based solely on an organization's charitable purpose. Activities engaged in are restricted only in that they must be substantially related to the exempt purpose and they must serve public interests as opposed to private. There is also a stipulation that net earnings may not flow to a private shareholder or individual, and there are restrictions on activities to influence legislation.

Numerous benefits accrue to organizations that obtain 501(c)(3) status. Among the inducements for seeking this classification are the exemption from Federal income tax on income earned while pursuing an exempt purpose, the exemption from most state and local income and real estate taxes, the exemption from the federal unemployment tax, the selective exemption from excise taxes, and significantly reduced postage rates. The flow of private funds to these organizations is promoted by the statute allowing contributions to be deducted in calculating the taxable income of the donor. For instance, the 1982 law allowed up to 50 percent of an individual's adjusted gross income as a charitable deduction. Federal corporate, gift, fiduciary, and estate tax laws also allow charitable contribution deductions.

Along with other tax-exempt organizations, charitable organizations are subject to the unrelated business income tax on net profits from regularly carried on business operations that are not substantially related to their exempt charitable purposes.

Definition and Growth of the Nonprofit Charitable Sector

The supply of, and demand for, philanthropic goods and services are usually discussed in terms of incentives or motives that influence giving as well as the purpose of the giving. It is generally accepted that at least one component in philanthropic giving is altruism and that the purpose of philanthropy is the provision of some collective or public good [5]. In this context, altruism exists when there is not an expectation of an immediate quid pro quo (one thing in return for another) to the individual giver. The providers of philanthropic goods and services function in all three sectors of the economy: the business sector, the government sector, and the nonprofit sector.

The Internal Revenue Code (IRC) divides nonprofit organizations into 23 groups, of which a number may receive tax-deductible charitable donations. The organizations exempt from income tax under IRC 501(c)(3) receive the largest part of tax-deductible donations; and they are the main suppliers of philanthropic goods and services. The data described here reflect only 501(c)(3) charitable organizations, excluding private foundations. For 1975, when all nonprofit organizations were measured, 501(c)(3) organizations (excluding private foundations) represented 37 percent of the total. (In general, private foundations act as conduits for philanthropic funds, whereas nonprofit charitable organizations actually provide charitable goods and services.)

Charitable organizations must file on Form 990 if they have gross receipts more than

$25,000 (religious organizations are not required to file). They are diverse in scale of financial activity as well as in scope of purpose. They include hospitals, universities, research institutes, art museums and other charitable organizations. While the estimates presented here do not include most religious organizations or those organizations not required to file, they do cover the largest part of charitable activity with respect to asset holdings and revenues.

Growth of nonprofit charitable organizations both absolutely and relatively is shown in Figure D.

Total revenue and expenditures grew faster than total assets, which means nonprofit charities have expanded their charitable activity rather than added to capital assets. Revenue and expenditures all grew faster than GNP (see Figure D). Charitable activity rose much faster than per capita income.

The growth of the nonprofit charitable sector as indicated by the percentage increases shown in Figure D could reflect the increasing shift of the overall economy from a manufacturing to a service industry base. Service industries such as education, health services, and social services are relatively labor intensive and are the dominant activities within the charitable sector (see Figures H and I). With the service industry assuming a larger role in the U.S. economy relative to manufacturing and agriculture, it is reasonable that charitable activity would experience growth [8].

Historical Trends and Perception of Charitable Activity Up to 1982

Government policy toward philanthropy represents public sentiment as expressed through the legislative process. Growth of the sector has been stimulated by favorable legislation.

Traditionally, from the earliest days of this country, religious and educational institutions have been exempt from property taxation. When Federal income tax laws were adopted in 1894 (subsequently declared unconstitutional in 1895), organizations pursuing charitable, religious or educational purposes were granted exempt status. The Sixteenth Amendment to the Constitution allowed the first constitutional income tax law in 1913 and contained the rudiments of IRC 501(c)(3).

The provision for an income tax deduction for charitable contributions by individuals was initiated in 1917, and estate tax deductions for bequests to charitable organizations were authorized in 1919. Charitable deductions for corporations were allowed beginning in 1935. Aside from provisions regarding charitable organizations engaged in business activities, the thrust of legislation has generally been to encourage the development of exempt organizations.

Charitable organizations receive direct and indirect subsidies from government. Direct government grants received in 1982 were $19.2 billion, or 46 percent of total contributions. This illustrates the tradition of partnership

Figure D.--Nonprofit Charitable Organizations, 1975 and 1982: Alternative Measures of Sector Change

[Money amounts are in billions of dollars]

Type of measure	1975	1982	Percentage Change
	(1)	(2)	(3)
Total revenues (in 1972 constant dollars)	$52.1	$ 94.9	+82.1%
Total assets (in 1972 constant dollars)	86.2	135.1	+56.7
Total expenditures (in 1972 constant dollars)	49.8	87.6	+75.9
Total revenues divided by GNP	4.2%	6.3%	+50.0
Total expenditures divided by GNP	4.0%	5.9%	+47.5
Total revenues per capita divided by per capita income	5.9%	9.0%	+52.5
Total expenditures per capita divided by per capita income	5.6%	8.3%	+48.2
Total revenues divided by revenues of business entities	1.8%	2.5%	+38.9
Total assets divided by assets of business entities	2.0%	3.0%	+50.0
Total expenditures divided by expenditures of business entities	2.0%	2.0%	0.0

NOTE: Revenue, assets, and expenditures were converted into 1972 dollars using the GNP price deflator. Per capita income is equal to GNP divided by U.S. population. Business entities include corporations, nonfarm partnerships and nonfarm sole proprietorships [6] [7].
Source: Business entity data are from U.S. Treasury Department, Internal Revenue Service, Statistics of Income Division, published and unpublished tables. GNP price deflator is from U.S. Council of Economic Advisers, Economic Report of the President, February 1984, p. 224. U.S. population data are from U.S. Bureau of the Census, Current Population Reports, Series P-25, and unpublished data.

between government and nonprofit organizations in supplying public goods and services [9]. Indirect subsidies come in the form of exemption from various taxes and in the tax expenditure for the deduction of contributions from income taxed to the donor [10]. Tax expenditures exist that benefit individuals and corporate entities as well as nonprofit organizations (e.g. deductibility of home mortgage interest expense). Tax expenditures are expressed in terms of outlay equivalent (i.e., the amount required to produce the equivalent of the benefits derived from the tax expenditure) and in terms of the revenue loss to the government [11]. Figure E shows tax expenditures for the deductibility of charitable contributions in 1982. Figure F, with details of contributions as reported on tax returns for 1982, presents the source of the tax expenditures.

Figure E.--Tax Expenditures for Deduction of Charitable Contributions, 1982 1/ [12]

[Money amounts are in millions of dollars]

Type of deduction	Outlay equivalent	Revenue loss
Deductibility of charitable contributions (education)	$830	$835
Deductibility of charitable contributions (health)	1,240	1,245
Deductibility of charitable contributions (other than education and health)	7,550	7,595

1/Includes contributions to organizations exempt under IRC 501(c) as well as to religious and other exempt organizations.

Source: Executive Office of the President, Office of Management and Budget, Special Analyses, Budget of the United States Government, FY 1984, p. G-27 and p. G-32.

Contributions received from the public, as reported on nonprofit charitable organization returns, reflected only 46 percent of total contributions shown in Figure F. The remainder of these contributions would have been received by organizations not required to file Forms 990. Religious organizations, the predominant type of 501(c)(3) organization, are not required to file returns. Therefore, the largest part of the remaining 54 percent of contributions not reported on Form 990 would have been donated to these organizations.

It should be noted that the IRC does not recognize the value of volunteer services as a

Figure F.--Charitable Contributions as Reported on Tax Returns, 1982

[Money amounts are in millions of dollars]

Source of contribution	Amount
Total	$48,051
Individual	36,761
Corporate	2,906
Estate bequests	2,545
Fiduciary	1,416
Private foundations 1/	4,423
Gift	n.a.

n.a. Not available.

1/The inclusion of this figure in total contributions involves double counting since individual, corporate, estate and fiduciary giving include gifts to private foundations.

Source: U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income Division, published and unpublished tables.

noncash contribution for deduction purposes, nor is the value reported as revenue on the returns filed by charitable organizations. Nonetheless, volunteer services constitute an important part of total donations.

Description of Nonprofit Charitable Organization Activity

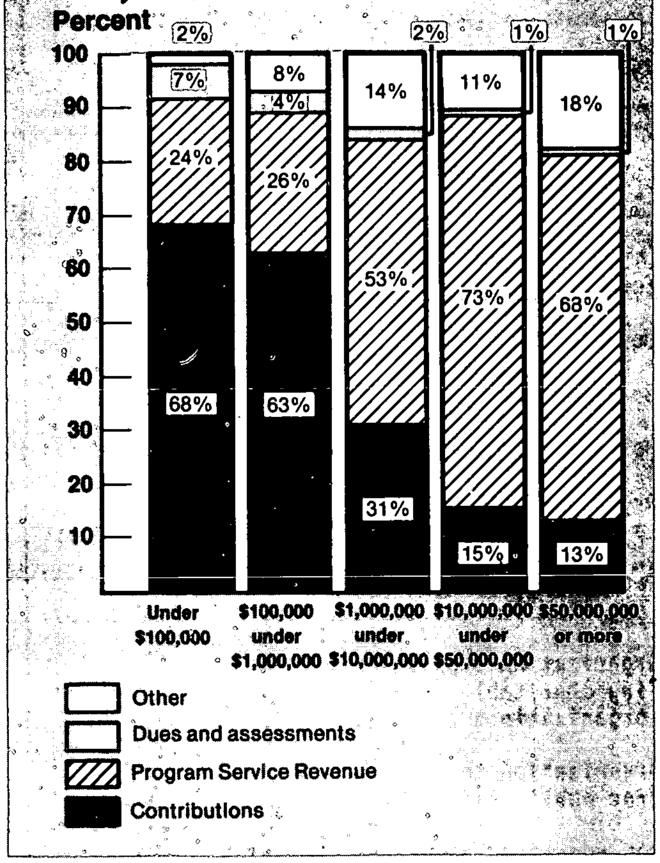
To explain the existence of the nonprofit charitable sector, it is necessary to determine what inducements exist for the formation and continued operation of the organizations that form the sector. The private sector is comprised of firms seeking to maximize their profits. They accomplish this by attempting to satisfy consumer desires through the mechanism of the market. Alternately, the level of Government provision of public goods is primarily determined by a majority vote of the electorate. The Government, due to a lack of information about specific consumer preferences, must use a nonbenefit-based system of taxation for the provision of public goods. A nonbenefit-based taxation system is necessary because it is not possible to equate taxes paid by an individual to the benefits received by that individual from public goods and services [13]. One explanation for the existence of the nonprofit charitable sector is that demand for public goods is not completely revealed by a majority vote of the electorate and therefore not supplied by the Government [14]. Private nonprofit organizations may form to meet this unsatisfied demand. Also, there may be an overlapping provision of public goods by Government and by nonprofits with the private sector offering private good substitutes for public goods.

The share of output by nonprofit charitable organizations may be primarily determined by: the undersupply of public goods resulting from the allocation by a majority vote using a non-benefit-based taxation system; the responsiveness of Government institutions to changes in quantities of public goods as mandated by a majority vote; the suitability of private good substitutes for public goods; and the price of philanthropy to the donor and to the Government in terms of a tax expenditure.

There is no standard theory of behavior for nonprofit charitable firms analogous to the profit maximization behavior of private firms [15]. This is partly due to the wide mix of organizations in the sector that have different philanthropic objectives and the difficulties in measuring both charitable output and returns on investment in philanthropy. In general, it may be assumed that nonprofit charitable entities are attempting to maximize the furtherance of their charitable purpose.

The nonprofit charitable sector as a whole shows variation in terms of primary revenue source as total assets increase. As seen in Figure G, the reliance of organizations on contributions for revenue varies inversely with total assets. A stronger reliance on program service fees for a major portion of revenue emerges as assets increase. Those with assets under $100,000 rely on contributions for 68 percent of revenue and on fees charged for 7 percent, while those with assets $50,000,000 or more depend on contributions for 13 percent of revenue and on program service revenue for 68 percent.

Figure G
Components of Revenue, by Asset Size, 1982



Figures H and I display the only information available from exempt organization returns on the type of organizations that are filing. It is derived from the section of the return in which an organization must supply a reason for not being classified in the less-favored category of private foundation [16]. Most are publicly supported organizations, whereas the concentration of assets is in the schools and hospitals.

Both the composition of assets and the major source of revenue of hospitals and schools (the only activities readily identifiable from information on the Form 990 exempt organization return) are dissimilar as evidenced in Figure J. Hospitals have a large capital investment in land, building, and equipment, followed by receivables and inventories as the top components of assets. Schools hold fewer assets in land, buildings and equipment than hospitals and schools' assets are heavily concentrated in investments. Contributions, gifts, and grants account for 25 percent of the revenue received by schools, but only 3 percent of the revenue received by hospitals.

Education and health services are good examples of industries that are represented in the private business sector, the Government sector, and the nonprofit charitable sector. While there certainly is overlap, in general, the for-profits target a different market than the nonprofits and the Government providers. Earnings of nonprofits are used for provision of medical services as opposed to for-profits, which may distribute their earnings to individual investors. Nonprofit hospitals generally offer a wider range of services than for-profit hospitals, and the services offered are more public in nature (e.g., home care programs, social work departments, organ banks) [17]. It is possible that nonprofit hospitals serve more of the uninsured and low-income segment of the population.

Differences in accounting standards for nonprofit and for-profit entities highlight the difficulty in evaluating the nonprofit sector. In exchange for the privilege of tax exemption, charitable organizations forfeit the privilege of paying dividends on invested capital. The

Figure H.--Nonprofit Charitable Organizations, Excluding Private Foundations: Balance Sheet and Income Statement Items, by Type of Organization, 1982

[All figures are estimates based on samples--money amounts are in millions of dollars]

Type of organization 1/	Number of returns	Total assets	Total liabilities	Total revenue	Total expenses
	(1)	(2)	(3)	(4)	(5)
Total	75,733	$279,632	$116,771	$196,300	$181,294
Church 2/	2,022	2,837	915	1,517	1,255
School	8,335	73,524	13,685	35,224	29,843
Hospital	5,021	93,839	45,797	91,855	87,278
Government unit	701	1,182	443	1,242	1,201
Hospital research	546	1,296	229	560	523
Organization supporting a public college	1,057	3,400	338	1,860	1,343
Publicly supported organization	50,738	56,737	22,812	45,620	43,042
Organization supporting charitable organizations	4,893	42,418	30,764	15,586	14,267
Organization testing for public safety	1	104	13	93	85
Not reported	2,419	4,295	1,775	2,743	2,457

1/This classification was derived from Schedule A (Form 990), Part IV, entitled "Reason for Non-Private Foundation Status."

2/Churches are not required to file a Form 990. Most of the organizations in this category either filed voluntarily or misreported their type of organization. This estimate is, therefore, not inclusive of the majority of religious organizations.

distribution of earnings to individual investors is the impetus behind the formation of business entities. This nondistributional constraint placed on nonprofit organizations is what defines a nonprofit organization as opposed to a for-profit entity. The balance sheet of a nonprofit charitable organization does not have an owner's equity section; earnings will accrue instead to the fund balance/net worth section. These organizations must operate for the public benefit and their income and assets must be held and used for that purpose. It may be that, in a sense, a nonprofit charitable organization is owned by the public.

The accounting systems of many nonprofit organizations keep separate records of groups of resources and their subsequent use because they have specified purposes and restrictions. This need leads to the use of fund accounting where funds are restricted (the directors have limited control over specific use due to donor instructions). Nonexpendable (capital funds that cannot be used for operating costs) and expendable funds represent another classification of resources. In addition, many hospitals and schools have endowment funds that provide income for the organization, while the principal is not available for use [18]. The constraints imposed on the use of these funds hamper the exempt organization's financial management in quickly adapting to changing economic conditions.

However, the most important difference between the concept of exempt organization performance and that of for-profit entities centers on measurement of efficiency. Effectiveness in pursuing an exempt purpose cannot

Figure I--Nonprofit Charitable Organizations, Excluding Private Foundations, Frequency Distribution of Organizations Among Asset Classes, by Type of Organization, 1982

[All figures are estimates based on samples]

Type of organization 1/	Under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)
Church 2/	960	480	102	436	35	6
School	3,364	1,922	717	1,331	754	245
Hospital	480	961	102	1,547	1,408	521
Government unit	480	--	--	204	12	3
Hospital research	--	480	--	43	18	4
Organization supporting a public college	--	480	307	215	42	11
Publicly supported organization	22,593	15,863	4,097	7,338	726	118
Organization supporting charitable organizations	960	1,922	512	1,245	208	43
Organization testing for public safety	--	--	--	--	--	1
Not reported	960	961	204	231	44	15

1/This classification was derived from Schedule A (Form 990), Part IV, entitled "Reason for Non-Private Foundation Status."

2/Churches are not required to file a Form 990. Most of the organizations in this category either filed voluntarily or misreported their type of organization. This estimate is, therefore, not inclusive of the majority of religious organizations.

be expressed in net profit or return on investment figures. Traditional financial ratios are difficult to calculate and interpret.

SUMMARY

For 1982, total revenue for nonprofit charitable organizations was $196.3 billion, reflecting an 82 percent real growth since 1975. Total assets and total expenses experienced similar growth during this period. Health service and education providers dominated the largest organizations.

Contributions represented 21 percent of total revenue for all organizations. The importance of contributions as a part of revenue declined as the value of assets increased. The largest organizations relied more on program service revenue while the small organizations depended on contributions as their primary revenue source.

The largest number of these charitable organizations were publicly supported organizations which produced a wide array of goods and services. However, the concentration of financial aggregates was in the schools and hospitals.

Charitable organizations and for-profit entities operate with different goals and under different legal constraints. The furtherance of the public good is assumed to be the reason that charitable organizations operate as a third sector in the U.S. economy.

DATA SOURCE AND LIMITATIONS

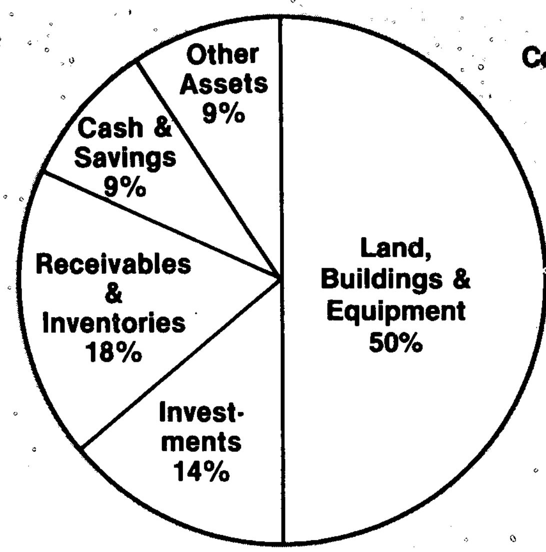
The database used for this article was constructed by the Statistics of Income (SOI) Division by collecting data using the concept

Figure J

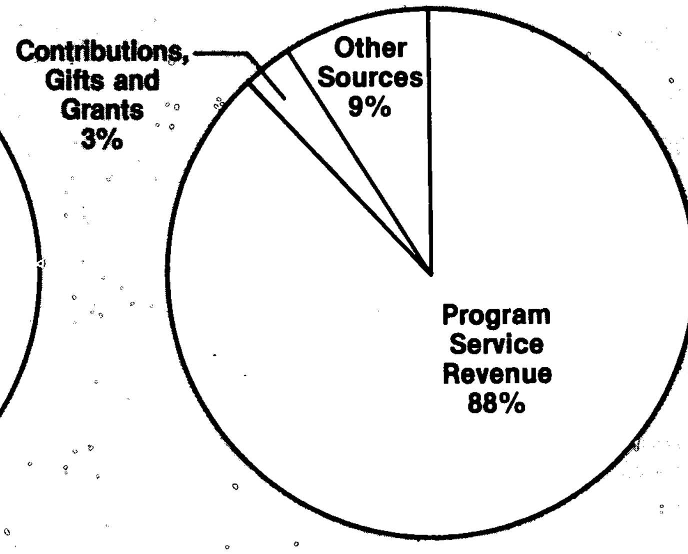
Composition of Assets & Revenue Sources, By Organization Type, 1982

Hospitals

Assets—$93.8 billion

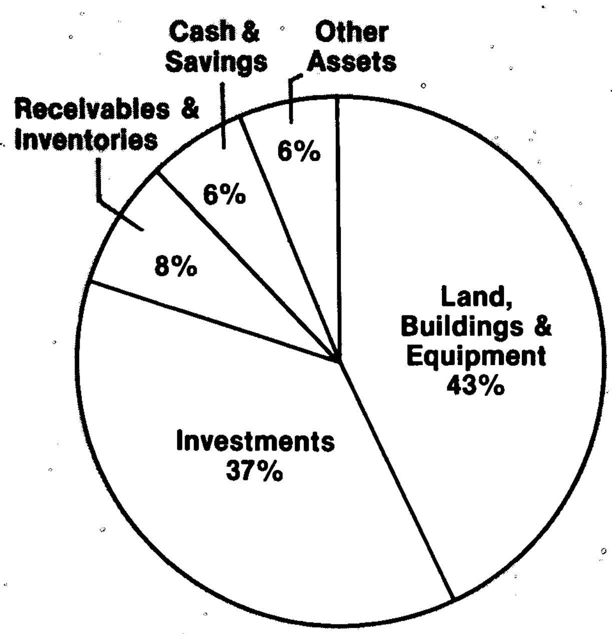


Revenue—$91.85 billion

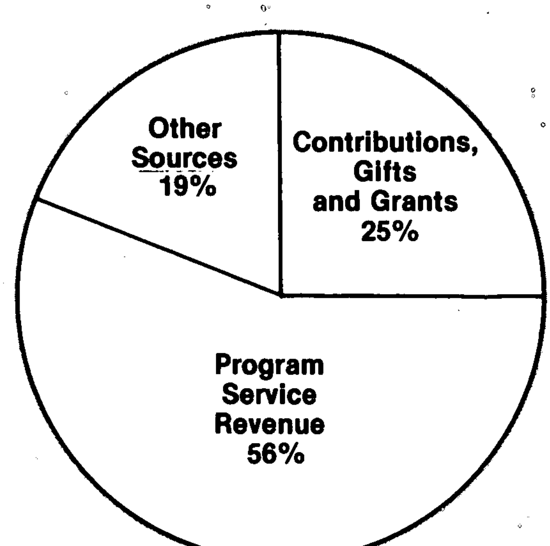


Schools

Assets—$73.52 billion



Revenue—$35.2 billion



of a Tax Year as opposed to a Processing Year (see Appendix for a discussion of the concepts of a Processing Year and a Tax Year). The relevant Tax Year is defined by accounting periods ending December 1982 through November 1983. Calendar year filers represented 45 percent of the population, while 42 percent of the non-calendar year filers had accounting periods ending in June. The sample included 219 group returns that appear to be returns with large assets while the return actually represents an aggregate of many small organizations [19].

The sample size was 4,398 organizations. The estimates of nonprofit charitable organizations presented here are based on a random probability sample of 1982 unaudited information returns (Form 990) stratified by asset levels. The sample was selected based on a computation on the employer identification number (EIN). The 1982 filing requirement granted an exemption to entities with gross receipts of $25,000 or less; returns of organizations with gross receipts of less than $25,000 were bypassed for sample selection. The sample design was nearly optimal for the purpose of estimating total assets or totals highly correlated with assets.

The data presented in this article are subject to sampling and nonsampling error. The size of the sampling error is estimated by the approximate coefficients of variation in Figure K. Nonsampling error would stem primarily from interpretation of charitable organizations' entries on the Form 990 and the efficiency of the testing used in detecting inconsistencies in the data as well as the quality of the subsequent correction process. When 1982 returns were not available, 1981 returns were substituted as proxies. In addition, comparable frequencies and amounts in tables may vary slightly as a result of computer software differences.

Sampling rates ranged from 1.00 for organizations with $10 million or more in assets to .0021 for organizations with assets below $500,000. Additionally, the weighting of the data file had to be adjusted for nonresponse. (Some returns selected were not obtainable.) The low rate of sampling for lower asset organizations increases sampling variability for these strata. Consequently, a caveat must be issued as to the use of estimates for organizations with assets of $500,000 or less. The approximate coefficient of variation for each sampling rate is shown in Figure K. In addition, organizations with receipts that are normally not more than $25,000 (the average of the preceding 3 years for organizations 3 years or older) might not have filed a 1982 return even if their receipts were greater than $25,000 in 1982.

Figure K. - Approximate Coefficient of Variation for Number of Returns by Size of Assets

Approximate coefficient of variation	Size of Assets: Under $500,000 or blank	Size of Assets: $500,000 Under $2,500,000	Size of Assets: $2,500,000 Under $10,000,000
	(1)	(2)	(3)
0.05	50,100	11,300	5,500
0.07	40,100	9,000	4,200
0.10	28,100	6,200	2,800
0.15	16,200	3,500	1,600
0.20	10,200	2,200	950
0.30	5,000	1,050	450

APPENDIX: COMPARISONS OF 1975 AND 1982 DATA

There have been many changes in the operating environment of charitable organizations between 1975 and 1982 and they should be noted before comparing the two SOI sample data sets for the purpose of analyzing changes in the charitable sector. In addition, there are differences in the scope and methodology of the studies as well as in the data source. Comparability is further hampered by the fact that the Form 990 underwent a major revision during this period.

The economic climate of 1982 differed from that of 1975. The rate of price change was 6.1 percent in 1982 as compared to 9.1 percent in 1975. Inflation has particularly negative effects on exempt organizations with endowment funds that depend on fixed-return long-term investments. Management of these funds was made more difficult by the depressed stock and bond markets of 1974 that were still recovering in 1975. Endowment funds typically follow the stock and bond markets in value. Prices in this market were much higher in 1981-82 than in 1974-75 [20].

In addition, there was a change in the filing requirement effective in December 1982 that affected all 1982 Form 990 filings. This change raised the minimum level of gross receipts, required for filing purposes, to more than $25,000 from the previous level of more than $10,000 in 1976 and more than $5,000 in 1975. Adjusting for the rate of inflation, this represents a 203 percent increase in the filing requirement (in 1972 dollars). This, along with a possible increase in the filing of group returns, may account for the decrease in the number of organizations filing a return.

As a percentage of total revenue, donations fell from 26 percentage to 21 percent for nonprofit charitable organizations between 1975 and 1982. There are alternative explanations for the apparent decreased level of charitable donations relative to total revenue. Enactment of the Economic Recovery Tax Act of 1981 (ERTA) could have had a dampening effect on giving to these organizations. While it would require more research to estimate ERTA's overall effect on contributions, it is possible to enumerate theoretical relationships between levels of giving and the cost of giving.

The cost of charitable giving for an individual can most simply be expressed as:

$$Cg = (1 - Tm),$$

where Cg is the cost of giving, and Tm is the marginal tax rate. One dollar of giving, less the donor's marginal rate of taxation (the percentage of tax on the last dollar of income realized), yields the out-of-pocket cost of the gift. For example, an individual in the 70 percent tax bracket realizes a true cost of $30 when donating $100, since $70 would have been paid as tax. Therefore, the cost of a charitable contribution is inversely related to the donor's marginal tax rate. If the marginal rate drops, the cost of donating increases, and an individual facing an array of consumption choices experiences a change in the relative prices between expenditures on goods and services that are tax deductible versus those that are not tax deductible.

ERTA reduced average marginal tax rates as well as the maximum marginal rate (from 70 percent to 50 percent). The resultant increase in the cost of giving may have had a substitution effect on an individual's willingness to contribute. Conversely, the lowering of tax rates may have increased after-tax income levels (in the absence of a downturn in the business cycle or other negative changes in general economic conditions) and may have produced a positive income effect that would have operated to increase charitable giving. If the price elasticity of demand were large enough to outweigh the income elasticity, it is possible that this provision of ERTA negatively affected giving to nonprofit charitable organizations. (It should be noted that there could be a lagged substitution effect or lagged income effect where a transition period was needed to observe the final effect.) [21] [22].

ERTA also provided, for the first time, some deductibility of charitable donations for nonitemizers. This lowered the cost of giving for this group to the extent of the limit of the maximum allowable deduction. Again, the overall dollar impact on exempt organizations' receipts is difficult to predict since a portion of the contributions of nonitemizers would not be a result of new behavior.

Estate tax return filings were affected by provisions of the Tax Reform Act of 1976 that progressively raised the gross value of the estate required to file to $175,000 from a level of $60,000 in 1975. Charitable bequests for those estates not required to file would have a higher cost than when the estates were taxed. ERTA's estate tax provisions affected charitable bequests of decedents in 1982 and thereafter. Exempt organizations' receipts could have been affected by this after 1982.

The final consideration in trying to measure the change in the nonprofit charitable sector from 1975 to 1982 is that the structure of the two SOI studies differs in three significant ways. First, the 1975 study used a Processing Year concept, in which 1975 returns filed and processed during 1976 were sampled. The 1982 study used a Tax Year concept in which 1982 returns were sampled regardless of when they were processed. A Processing Year design allows an earlier cut-off of sampling; hence statistics can be produced more quickly. When a Processing Year sampling method is used to produce annual statistics, late filers can be captured in a statistical series. On the other hand, a Tax Year design would provide better coverage for 1-year statistics, but the sampling would require a longer time frame due to lags in filing and processing of returns [23]. Second, the 1975 study focused on all IRC 501(c) subsection codes, whereas the 1982 study sampled only IRC 501(c)(3) and 501 (c)(4) organizations. (501(c)(4) organization data are not included in this article.) Finally, the 1975 study classified organizations by principal activity as well as stratified the sample on levels of receipts. For 1982, the sample was stratified by assets and data on activity were not included since activity coding was dropped from the Form 990 before 1982.

NOTES AND REFERENCES

[1] 1975 was the year of the last Statistics of Income (SOI) study of nonprofit charitable organizations.

[2] See Appendix entitled "Comparisons of 1975 and 1982 Data" for an explanation of the differences in the 1975 and 1982 data sets.

[3] Executive Office of the President, Office of Management and Budget, The Budget of the United States Government, FY 1982, pp. 8-9.

[4] U.S. Bureau of the Census, Current Population Reports, series P-60, Nos. 138 and 145.

[5] The concept of altruism does not preclude the donor from receiving some benefit (e.g., recognition by the community, self-satisfaction); it merely indicates that the benefit is not immediately tangible.

[6] Data available for partnerships and sole proprietorships did not contain farm entities for every statistic. Therefore, for consistency in comparison, farm data were not used.

[7] Assets are not reported by sole proprietorships. Therefore, they are not included in business entities assets.

[8] U.S. Bureau of Labor Statistics, Employment and Earnings, monthly; unpublished data.

[9] "A commodity is called a 'public good' if its consumption by one person does not reduce the amount available for others or phrasing it another way, a good is 'public' if providing the good for anyone makes it possible to provide it for everyone, without additional cost. Public goods thus represent a particular type of beneficial externality. A private good (e.g., a banana) is used or consumed exclusively; a public good is (or may be) used concurrently by many economic agents." Hirshleifer, Jack, Price Theory and Applications, 3rd ed., Prentice-Hall, 1984, pp. 143-144.

[10] "Tax expenditure estimates measure the decrease in individual and corporate income tax liabilities that result from the provisions in income tax laws and regulations that provide economic incentives to the private sector or tax relief to particular kinds of taxpayers." "The term tax expenditure is derived from the assumption that the goals of these favorable tax provisions could be accomplished by replacing them with direct expenditure programs." Joint Committee on Taxation, "Estimates of Federal Tax Expenditures for Fiscal Years 1986-1990," April 12, 1985, p. 2.

[11] The difference between the cost of an outlay equivalent and the cost of a revenue loss is that a portion of an outlay would be in the form of transfer payments that would be taxable. Thus, because of the revenue gain, the outlay would generally cost less than the revenue loss of the tax expenditure.

[12] Due to the interdependence of tax expenditures, these estimates cannot be added together for a total outlay equivalent or a total revenue loss; instead, they must be considered independently. The term "interdependence of tax expenditures" refers to the fact that tax expenditures mutually affect marginal tax rates. The elimination of one exclusion from gross income could cause an increase in taxable income that would be taxed in a higher bracket thus increasing the revenue loss from other exclusions.

[13] Weisbrod, Burton A., "Toward a Theory of the Voluntary Non-Profit Sector," in Altruism, Morality, and Economic Theory, Edmund S. Phelps, ed., Russell Sage Foundation, 1975, p. 175.

[14] Weiss, Jeffrey H., "The Ambivalent Value of Voluntary Provision of Public Goods in a Political Economy," in Nonprofit Firms in a Three Sector Economy, Michelle J. White, ed., The Urban Institute Press, 1981, pp. 11-12.

[15] Newhouse, Joseph P.,"Toward a Theory of Nonprofit Institutions: An Economic Model of a Hospital," American Economic Review, March 1970, p. 64.

[16] Private foundations are subject to an excise tax on investment income and they are required to distribute annually a minimum amount of their investment assets. See Riley, Margaret, "Private Foundation Information Returns, 1982," Statistics of Income Bulletin, Fall 1985, Vol. 5, No. 2, p. 8.

[17] Weisbrod, Burton A., The Voluntary Nonprofit Sector, Lexington Books, 1977, pp. 77-81.

[18] Gross, Malvern J., Jr., and Warshauer, William, Jr., Financial and Accounting Guide for Nonprofit Organizations, 3rd ed., John Wiley & Sons, 1983, pp. 11-39.

[19] A parent organization may file a return for affiliated organizations that are subject to the parent's control and are exempt under a current group exemption letter. All the organizations on a group return must have the same accounting period.

[20] U.S. Council of Economic Advisers, Economic Report of the President, 1975, pp. 310-311.

[21] Vickrey, William, "Private Philanthropy and Public Finance," in Altruism, Morality, and Economic Theory, Edmund S. Phelps, ed., Russell Sage Foundation, 1975, pp. 153-157.

[22] For empirical evidence that ERTA did not negatively affect charitable giving, see

Bristol, Ralph B., "Tax Cuts and Charitable Giving," Tax Notes, July 15, 1985, pp. 323-326.

[23] As an example of a possible lag in filing and processing a 1982 return, organizations with an accounting period ending in November 1983 would have a required filing date for its 1982 return of April 15, 1984. Because of filing extensions, the return might not be processed until 1985.

Nonprofit Charitable Organizations, 1982

Table 1. — Returns of Tax-Exempt 501(C)(3)[1] Organizations with Total Assets: Assets, Liabilities, Revenue and Expenses by Size of Total Assets, 1982

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Items	Total	Size of total assets: $1 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns of 501(C)(3) organizations	75,738	14,902	14,902	23,075	6,043	12,595	3,251	967
Total assets	279,638,066	163,682	859,303	4,520,081	4,266,804	43,533,996	74,300,485	151,993,712
Cash (Non-interest bearing):								
Number of returns	65,144	11,537	13,941	20,190	4,917	11,129	2,667	761
Amount	4,914,338	44,969	162,692	406,469	348,879	1,060,802	1,121,431	1,769,092
Savings and temporary cash investments:								
Number of returns	52,556	7,210	11,056	16,825	4,507	9,619	2,602	734
Amount	20,341,904	54,395	297,386	1,280,194	784,841	3,908,587	5,856,576	8,159,923
Accounts receivable (net):								
Number of returns	36,759	2,884	3,845	13,460	3,585	9,150	2,925	908
Amount	20,727,742	6,374	94,003	753,342	184,053	3,401,581	6,985,579	9,302,806
Pledges receivable (net):								
Number of returns	4,266	—	—	961	614	1,752	691	246
Amount	3,036,460	—	—	1,807	54,557	1,065,169	1,084,100	830,825
Grants receivable:								
Number of returns	6,036	961	1,442	1,442	614	1,002	376	197
Amount	1,565,944	8,164	34,850	151,681	128,997	511,233	268,489	462,527
Receivables due from officers, directors, trustees and key emloyees:								
Number of returns	1,795	480	—	480	—	609	159	66
Amount	129,003	799	—	8,113	—	12,465	49,648	57,977
Other notes and loans receivable (net):								
Number of returns	9,152	961	480	961	1,434	3,396	1,385	532
Amount	5,824,257	192	961	19,980	75,133	777,170	1,577,686	3,373,133
Inventories for sale or use:								
Number of returns	19,035	961	1,922	6,249	1,331	5,321	2,440	807
Amount	2,826,729	1,662	29,611	108,242	46,621	662,457	948,440	1,029,694
Prepaid expenses and deferred charges:								
Number of returns	23,832	1,442	3,365	6,730	2,048	7,144	2,367	735
Amount	1,860,943	2,207	9,228	75,328	27,252	325,674	536,669	884,581
Investments-securities:								
Number of returns	14,773	480	961	2,403	1,536	6,497	2,179	714
Amount	69,745,075	3,110	16,889	62,959	410,218	6,904,866	12,090,414	50,256,616
Investments-land, buildings and equipment (minus accumulated depreciation):								
Number of returns	6,320	961	961	1,442	409	1,698	617	229
Amount	6,039,810	4,870	23,106	242,959	123,087	1,300,421	1,577,957	2,767,406
Investment-other:								
Number of returns	6,803	480	—	1,922	717	1,995	1,202	485
Amount	17,970,993	1,586	—	94,695	91,246	1,075,062	3,106,308	13,602,094
Land, buildings, and equipment (minus accumulated depreciation):								
Number of returns	41,278	3,845	5,768	12,498	4,507	10,811	2,953	893
Amount	107,076,532	18,575	166,590	1,062,096	1,777,878	20,819,766	34,093,692	49,137,932
Other assets:								
Number of returns	32,739	3,845	3,845	10,095	4,200	7,365	2,584	802
Amount	17,578,328	16,772	23,981	252,211	214,035	1,708,737	5,003,489	10,359,100
Total liabilities	116,777,538	60,995	246,397	1,971,267	1,330,380	16,579,294	28,815,955	67,773,245
Accounts payable and accrued expenses:								
Number of returns	49,336	8,172	7,691	14,421	4,404	10,633	3,079	933
Amount	15,607,320	29,861	108,584	641,616	385,428	2,349,604	4,767,258	7,324,966
Grants payable:								
Number of returns	4,571	961	—	1,922	307	1,089	217	73
Amount	2,326,238	6,455	—	163,133	22,671	735,189	598,870	799,918
Support and revenue designated for future periods:								
Number of returns	11,200	961	1,922	4,326	614	2,701	511	162
Amount	3,414,470	469	17,228	144,750	84,274	992,635	1,091,121	1,083,989
Loan from officers, directors, trustees and key employees:								
Number of returns	2,143	—	480	1,442	—	172	40	7
Amount	278,609	—	3,249	29,564	—	87,593	125,456	32,745
Mortgages and other notes payable:								
Number of returns	24,249	1,442	3,365	6,730	2,151	7,414	2,375	771
Amount	51,845,471	7,049	26,828	695,931	609,329	9,890,152	16,340,787	24,275,391
Other liabilities:								
Number of returns	29,391	3,845	3,365	8,172	2,765	7,947	2,476	818
Amount	43,305,428	17,160	90,506	296,271	228,677	2,524,119	5,892,460	34,256,234
Total fund balances/net worth:								
Number of returns	75,583	14,902	14,902	23,075	6,043	12,450	3,245	963
Amount	162,860,528	102,686	612,905	2,548,814	2,936,423	26,954,701	45,484,529	84,220,466
Total liabilities and fund balances/networth:								
Number of returns	75,738	14,902	14,902	23,075	6,043	12,595	3,251	967
Amount	279,638,067	163,682	859,303	4,520,082	4,266,804	43,533,995	74,300,485	151,993,712
Total revenue	196,305,700	774,536	2,826,490	9,019,977	5,222,087	31,380,246	57,279,516	89,802,846
Total contributions	41,272,737	432,311	1,999,611	5,344,562	3,656,867	9,875,831	8,338,137	11,625,415
Contributions, gifts and grants received through direct public support:								
Number of returns	55,385	10,095	9,614	17,306	4,507	10,250	2,787	825
Amount	17,293,898	217,697	249,650	1,135,767	756,981	5,126,488	4,633,067	5,174,245
Contributions, gifts and grants received through indirect public support:								
Number of returns	13,361	480	1,922	5,288	1,536	3,305	598	230
Amount	4,798,250	6,970	13,630	542,951	224,225	1,422,242	1,005,862	1,582,368
Contributions, gifts and grants received through government grants:								
Number of returns	24,195	3,845	4,807	8,653	1,843	3,380	1,204	460
Amount	19,180,588	207,643	1,736,330	3,665,843	2,675,660	3,327,099	2,699,207	4,868,802

Footnote(s) at end of table.

Nonprofit Charitable Organizations, 1982

Table 1.—Returns of Tax-Exempt 501(C)(3)[1] Organizations with Total Assets: Assets, Liabilities, Revenue and Expenses by Size of Total Assets, 1982—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Items	Total	Size of total assets: $1 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Program service revenue:								
Number of returns	45,821	7,210	8,172	14,421	3,482	8,993	2,696	843
Amount	124,373,343	364,464	496,426	2,749,404	897,157	16,525,254	42,001,862	61,338,774
Membership dues and assessments:								
Number of returns	19,438	3,845	6,249	4,807	1,536	2,598	333	66
Amount	2,476,708	126,165	118,785	328,827	195,078	516,548	561,441	629,862
Interest on savings and temporary cash investments:								
Number of returns	55,146	7,691	11,056	18,267	5,019	9,851	2,522	737
Amount	3,371,905	5,383	34,367	140,636	115,390	618,652	985,270	1,472,205
Dividends and interest from securities:								
Number of returns	12,517	480	961	2,884	1,536	4,378	1,701	575
Amount	5,102,388	162	2,118	20,526	36,048	591,481	956,922	3,495,127
Gross rents:								
Number of returns	12,216	1,442	961	2,884	1,434	3,866	1,206	422
Amount	1,298,963	138,910	17,145	8,768	88,975	517,437	196,306	331,418
Rental expenses:								
Number of returns	5,695	961	480	1,442	409	1,488	652	261
Amount	781,032	93,802	2,481	9,358	83,440	286,578	114,411	190,957
Net rental income (loss):								
Number of returns	12,206	1,442	961	2,884	1,434	3,866	1,200	418
Amount	517,931	45,107	14,664	-589	5,534	230,858	81,895	140,460
Other investment income:								
Number of returns	2,266	480	—	—	102	1,175	350	157
Amount	996,394	168	—	—	1,094	71,849	106,860	816,422
Gross amount from sale of assets-securities:								
Number of returns	5,877	—	—	480	717	3,148	1,141	389
Amount	35,047,624	—	—	32,698	128,247	1,766,627	5,422,978	27,697,072
Cost or other basis and sales expenses-securities:								
Number of returns	5,627	—	—	480	717	3,062	1,022	345
Amount	32,374,860	—	—	32,229	126,704	1,642,268	5,059,299	25,514,358
Gain (loss)-securities:								
Number of returns	5,877	—	—	480	717	3,148	1,141	389
Amount	2,672,764	—	—	469	1,542	124,359	363,679	2,182,713
Gross amount from sale of other assets:								
Number of returns	6,172	480	480	961	819	2,194	898	337
Amount	1,258,098	158,754	937	417	29,736	218,657	235,839	613,756
Cost or other basis and sales expenses-other assets:								
Number of returns	3,876	480	480	—	512	1,439	690	273
Amount	1,027,032	431,819	467	—	10,052	64,097	140,481	380,114
Gain (loss)-other assets:								
Number of returns	6,823	480	961	961	819	2,340	921	339
Amount	231,065	-273,064	469	417	19,683	154,560	95,358	233,641
Total gain (loss) from sale of assets:								
Number of returns	11,022	480	961	961	1,536	4,761	1,729	592
Amount	2,903,830	-273,064	469	886	21,226	278,919	459,037	2,416,354
Gross revenue-special fundraising events:								
Number of returns	15,946	3,365	3,845	5,288	921	2,194	257	73
Amount	1,641,390	23,615	180,592	253,524	140,997	777,128	177,242	88,290
Direct expenses:								
Number of returns	13,644	2,884	3,365	4,807	819	1,482	218	67
Amount	741,843	11,749	100,530	105,394	84,478	362,655	43,827	33,208
Net income (loss):								
Number of returns	16,144	3,365	3,845	5,288	1,024	2,296	252	71
Amount	899,545	11,865	80,061	148,129	56,518	414,472	133,415	55,081
Gross sales minus returns and allowances:								
Number of returns	13,891	961	1,922	6,730	717	2,469	792	298
Amount	7,960,114	16,655	59,104	311,800	19,681	1,463,557	2,801,810	3,287,503
Cost of goods sold:								
Number of returns	12,903	961	1,922	6,249	717	2,092	690	270
Amount	2,979,252	17,526	35,597	205,978	16,261	506,439	996,062	1,201,387
Gross profit (loss):								
Number of returns	13,846	961	1,922	6,730	717	2,426	789	299
Amount	4,980,862	-870	23,507	105,822	3,420	957,118	1,805,747	2,086,116
Other revenue:								
Number of returns	37,728	6,249	5,768	11,537	3,482	7,554	2,412	723
Amount	9,410,072	62,862	56,478	181,769	233,750	1,299,260	1,848,925	5,727,026
Total expenses	181,298,552	970,925	2,761,297	8,681,310	5,004,304	29,330,345	53,254,786	81,295,584
Program services:								
Number of returns	68,978	12,018	13,941	21,152	5,531	12,293	3,105	936
Amount	151,667,591	681,731	2,497,256	7,038,939	4,060,906	23,828,835	43,538,281	70,021,639
Management and general:								
Number of returns	59,731	11,056	11,056	17,787	5,634	10,681	2,708	807
Amount	27,424,768	287,403	262,306	1,424,510	907,742	4,721,594	9,080,271	10,740,938
Fundraising:								
Number of returns	17,522	961	1,922	6,249	1,843	4,766	1,316	462
Amount	1,651,038	1,757	1,695	98,525	35,201	632,016	431,001	450,841
Payments to affiliates:								
Number of returns	3,113	480	480	1,442	102	496	85	26
Amount	555,154	32	38	119,334	454	147,898	205,231	82,164

[1] Excluding Private Foundations.
Note: —Indicates Not Reported.
Detail may not add to total because of rounding.

Nonprofit Charitable Organizations, 1982

Table 2. — Returns of Tax-Exempt 501(C)(3)[1] Organizations with Selected Income and Balance Sheet Items, by State, 1982

[All figures are estimates based on samples — money amounts are in thousands of dollars]

State	Number of Returns	Total Receipts	Selected Receipts: Total Contributions Received: Number of Returns	Selected Receipts: Total Contributions Received: Amount	Selected Receipts: Direct Public Support: Number of Returns	Selected Receipts: Direct Public Support: Amount	Selected Receipts: Indirect Public Support: Number of Returns	Selected Receipts: Indirect Public Support: Amount	Selected Receipts: Government Grants: Number of Returns	Selected Receipts: Government Grants: Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
United States, total	**75,741**	**196,305,702**	**60,026**	**41,272,738**	**55,388**	**17,293,900**	**13,360**	**4,798,249**	**24,190**	**19,180,588**
Alabama	410	1,998,335	357	516,093	253	129,450	140	33,674	248	352,968
Alaska	486	74,640	4	10,645	4	1,282	—	—	4	9,362
Arizona	522	1,364,901	516	579,742	514	330,785	5	1,161	153	247,795
Arkansas	168	838,613	167	86,427	166	51,960	108	29,081	8	5,386
California	8,639	21,097,305	6,497	3,879,449	6,295	1,968,533	414	373,941	1,867	1,536,975
Colorado	677	1,926,535	668	294,724	668	173,746	152	38,087	540	82,891
Connecticut	1,332	3,148,985	746	311,861	742	258,117	15	16,541	38	37,203
Delaware	20	515,745	14	35,192	13	31,515	3	1,693	8	1,985
Florida	2,360	5,946,281	2,345	1,143,449	1,860	504,851	425	327,120	1,103	311,479
Georgia	1,030	2,664,739	1,020	626,942	1,018	287,199	259	64,460	131	275,284
Hawaii	23	507,093	22	62,075	21	27,270	4	13,173	7	21,632
Idaho	113	448,756	111	266,371	110	40,894	2	99	107	225,378
Illinois	4,346	14,635,356	4,027	5,058,665	3,979	1,322,800	1,690	910,577	2,255	2,825,289
Indiana	2,716	4,345,854	2,076	936,688	1,109	236,652	503	13,040	1,491	686,996
Iowa	873	1,567,828	829	269,339	827	127,875	155	9,505	119	131,959
Kansas	517	1,115,089	513	171,752	513	77,562	4	515	495	93,675
Kentucky	1,875	1,806,280	1,726	322,495	1,243	247,153	490	8,932	1,029	66,411
Louisiana	619	1,554,576	614	222,726	509	80,689	4	8,233	592	133,803
Maine	65	570,486	65	35,042	21	29,468	4	1,677	55	3,896
Maryland (Incl. D.C.)	1,695	7,076,882	1,103	1,981,016	1,097	507,109	131	235,212	322	1,238,696
Massachusetts	3,969	10,308,112	2,475	2,682,653	2,466	916,139	271	11,322	1,433	1,755,192
Michigan	3,688	6,192,503	1,629	558,643	1,621	296,274	244	27,880	628	234,489
Minnesota	1,399	2,571,422	1,390	571,703	1,386	225,238	123	91,879	237	254,586
Mississippi	597	1,240,826	591	112,543	586	49,423	485	26,191	57	36,928
Missouri	2,212	4,471,847	611	732,905	604	327,084	165	63,874	225	341,946
Montana	15	309,818	12	6,616	12	5,433	3	56	4	1,128
Nebraska	31	786,822	28	76,106	27	58,777	10	5,624	13	11,705
Nevada	4	120,000	3	5,285	3	5,087	—	—	1	198
New Hampshire	314	736,302	313	104,104	311	99,598	106	1,350	8	3,156
New Jersey	1,917	4,769,614	1,720	723,374	1,670	245,869	863	166,165	726	311,340
New Mexico	15	392,059	10	14,852	9	9,096	3	2,417	3	3,338
New York	5,958	27,459,756	5,102	5,620,951	4,453	2,774,399	711	1,260,223	2,788	1,586,329
North Carolina	2,165	4,589,052	2,113	1,145,034	2,008	507,575	605	117,980	1,304	519,478
North Dakota	16	497,603	13	11,403	13	10,935	1	161	2	307
Ohio	3,861	10,249,112	3,265	2,883,914	2,669	592,586	1,417	375,397	1,348	1,915,931
Oklahoma	1,107	2,005,294	725	476,548	723	460,682	7	4,739	9	11,127
Oregon	1,773	1,802,919	1,723	226,506	1,720	190,497	210	21,957	13	14,052
Pennsylvania	5,552	14,572,073	4,416	1,681,410	4,402	818,670	1,167	94,052	1,485	768,688
Rhode Island	1,030	979,410	1,029	153,102	1,027	89,076	7	49,001	492	15,025
South Carolina	80	814,297	77	124,886	76	91,913	48	11,193	16	21,780
South Dakota	321	804,953	319	14,543	319	13,697	—	—	5	846
Tennessee	1,427	3,839,826	939	740,853	937	505,469	702	70,008	134	165,375
Texas	3,650	7,744,494	2,944	2,063,163	2,835	1,323,852	814	94,117	1,608	645,194
Utah	6	727,375	4	21,295	4	21,026	1	7	1	262
Vermont	58	419,784	57	15,358	57	12,557	1	51	8	2,751
Virginia	1,568	4,051,056	1,565	1,063,211	1,561	505,612	25	26,209	384	531,391
Washington	2,603	2,851,041	2,116	508,297	1,632	147,758	118	5,540	505	354,999
West Virginia	702	1,443,892	218	149,934	114	29,875	91	10,710	114	109,349
Wisconsin	1,144	3,248,269	1,138	400,768	1,133	336,864	641	52,496	27	11,408
Wyoming	1	2,842	1	1,035	1	977	—	—	1	58
Foreign	72	3,099,050	60	1,571,050	47	186,952	13	120,929	39	1,263,169

Footnote(s) at end of table.

Table 2. — Returns of Tax-Exempt 501(C)(3)[1] Organizations with Selected Income and Balance Sheet Items, by State, 1982 — Continued

[All figures are estimates based on samples — money amounts are in thousands of dollars]

State	Selected Receipts — Continued				Selected Expenses				
	Program Service Revenue		Membership Dues and Assessments		Total Expenses	Program Service		Fundraising	
	Number of Returns	Amount	Number of Returns	Amount		Number of Returns	Amount	Number of Returns	Amount
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
United States, total	**45,824**	**124,373,341**	**19,437**	**2,476,712**	**181,298,555**	**68,982**	**151,667,594**	**17,521**	**1,651,037**
Alabama	311	1,060,665	132	86,056	1,869,628	403	1,496,973	102	12,272
Alaska	486	60,928	2	2	64,778	486	60,749	2	68
Arizona	369	623,533	106	5,810	1,177,576	519	1,017,455	152	14,652
Arkansas	167	663,279	1	2	759,096	168	617,858	151	8,451
California	2,681	14,782,910	2,678	619,592	19,694,923	6,066	16,280,464	2,217	214,699
Colorado	145	1,460,107	7	2,879	1,766,896	673	1,492,709	120	19,544
Connecticut	1,223	2,449,437	489	26,942	2,900,847	1,330	2,438,450	242	28,366
Delaware	14	334,837	5	3,814	455,251	19	374,056	7	1,127
Florida	1,718	4,215,960	10	8,652	5,509,717	2,352	4,542,601	556	23,669
Georgia	971	1,656,389	483	51,733	2,271,099	1,028	1,909,288	367	20,324
Hawaii	20	330,258	1	361	433,154	23	347,631	10	1,461
Idaho	9	135,884	—	—	448,433	113	406,554	6	793
Illinois	1,716	8,109,279	220	166,960	13,976,558	4,238	12,188,440	2,749	243,051
Indiana	1,740	2,905,257	490	1,844	4,007,315	2,232	3,479,398	83	13,858
Iowa	384	1,073,729	253	45,176	1,435,565	871	1,117,242	73	11,801
Kansas	515	840,957	4	695	1,019,557	516	843,407	16	3,129
Kentucky	712	1,230,805	527	3,063	1,644,565	1,386	1,281,176	107	19,954
Louisiana	504	1,034,996	2	237	1,368,461	131	1,036,985	8	2,288
Maine	64	499,114	1	126	514,933	63	425,957	9	2,493
Maryland (Incl. D.C.)	1,418	3,797,341	793	426,774	6,602,892	1,690	5,752,798	158	50,659
Massachusetts	3,071	5,671,428	590	27,214	8,782,947	3,919	7,447,564	926	98,713
Michigan	2,672	5,259,555	223	22,147	6,253,624	3,206	4,753,832	357	24,822
Minnesota	807	1,719,849	591	22,656	2,374,773	1,399	2,100,931	248	16,690
Mississippi	108	958,892	43	3,903	1,166,562	596	1,038,671	49	6,161
Missouri	1,956	3,207,385	587	12,671	4,112,944	2,166	3,498,484	725	24,346
Montana	14	282,604	1	2,342	286,738	15	250,253	4	848
Nebraska	27	594,925	3	1,212	705,104	31	569,864	17	10,421
Nevada	3	57,966	—	—	109,040	4	104,260	—	—
New Hampshire	169	510,003	146	56,390	649,746	313	495,908	158	9,427
New Jersey	1,506	3,175,808	404	66,995	4,400,191	1,824	3,403,455	889	38,040
New Mexico	9	269,648	—	—	350,232	13	288,792	2	1,120
New York	3,996	13,481,064	3,662	421,237	25,863,383	5,364	22,702,389	1,177	367,680
North Carolina	1,900	3,001,940	3	1,108	4,039,065	2,119	3,689,662	224	16,522
North Dakota	16	474,570	—	—	463,709	14	389,610	3	380
Ohio	2,287	6,305,390	1,077	102,766	9,435,103	3,375	7,853,533	762	29,639
Oklahoma	218	1,187,006	4	265	1,816,635	1,100	1,191,529	14	7,458
Oregon	804	1,363,428	105	4,191	1,678,524	1,771	1,306,036	535	12,004
Pennsylvania	3,656	11,462,890	1,674	38,892	13,746,075	5,439	11,796,324	1,164	66,579
Rhode Island	545	673,877	526	13,126	871,287	1,030	770,659	10	5,411
South Carolina	76	562,635	45	15,544	714,573	80	569,824	16	3,067
South Dakota	319	737,122	102	9,508	766,172	320	683,042	1	603
Tennessee	1,372	2,137,860	3	175	3,537,250	1,425	3,117,770	279	37,595
Texas	2,215	4,446,011	1,329	113,283	6,648,658	3,163	5,259,219	1,280	83,445
Utah	4	526,599	—	—	650,165	5	597,188	1	377
Vermont	58	378,340	1	34	392,060	58	325,040	6	1,315
Virginia	491	2,545,213	694	23,164	3,688,458	1,568	2,863,796	241	48,024
Washington	1,633	2,143,266	588	2,591	2,664,840	2,601	2,225,678	606	9,667
West Virginia	173	554,091	524	9,483	1,414,470	656	693,299	533	14,584
Wisconsin	508	2,445,612	298	17,286	2,879,467	1,038	2,403,365	139	8,382
Wyoming	1	907	—	—	1,763	1	892	1	8
Foreign	44	971,792	10	37,811	2,913,753	62	2,166,534	19	15,050

Footnote(s) at end of table.

Table 2. — Returns of Tax-Exempt 501(C)(3)[1] Organizations with Selected Income and Balance Sheet Items, by State, 1982 — Continued

[All figures are estimates based on samples — money amounts are in thousands of dollars]

State	Information Items: Total Assets	Total Liabilities	Total Fund Balances/Net Worth: Number of Returns	Total Fund Balances/Net Worth: Amount	Total Liabilities, Fund Balances/Net Worth: Number of Returns	Total Liabilities, Fund Balances/Net Worth: Amount
	(20)	(21)	(22)	(23)	(24)	(25)
United States, total	**279,638,065**	**116,777,538**	**75,585**	**162,860,531**	**75,741**	**279,638,067**
Alabama	3,079,509	1,213,953	410	1,865,556	410	3,079,509
Alaska	146,569	88,928	486	57,641	486	146,569
Arizona	2,098,088	1,121,667	522	976,421	522	2,098,088
Arkansas	1,219,432	356,832	168	862,600	168	1,219,432
California	22,810,926	9,150,697	8,595	13,660,230	8,639	22,810,926
Colorado	2,373,759	783,467	677	1,590,292	677	2,373,759
Connecticut	5,914,001	1,292,203	1,332	4,621,798	1,332	5,914,001
Delaware	1,313,859	295,170	20	1,018,689	20	1,313,859
Florida	7,681,815	2,872,643	2,360	4,809,172	2,360	7,681,815
Georgia	4,442,995	1,096,555	1,030	3,346,441	1,030	4,442,995
Hawaii	1,098,076	300,103	23	797,972	23	1,098,076
Idaho	473,158	137,637	113	335,521	113	473,158
Illinois	15,453,685	5,997,200	4,345	9,456,485	4,346	15,453,685
Indiana	5,851,393	2,542,770	2,716	3,308,624	2,716	5,851,393
Iowa	2,863,550	1,072,156	873	1,791,394	873	2,863,550
Kansas	1,274,871	473,331	517	801,541	517	1,274,871
Kentucky	3,056,279	942,286	1,875	2,113,993	1,875	3,056,279
Louisiana	2,158,969	815,011	618	1,343,959	619	2,158,969
Maine	969,413	500,995	65	468,418	65	969,413
Maryland (Incl. D.C.)	8,701,567	3,332,280	1,695	5,369,286	1,695	8,701,567
Massachusetts	15,701,769	4,275,228	3,969	11,426,541	3,969	15,701,769
Michigan	7,729,103	3,394,114	3,688	4,334,989	3,688	7,729,103
Minnesota	3,770,201	1,594,843	1,397	2,175,358	1,399	3,770,201
Mississippi	1,651,675	593,363	597	1,058,312	597	1,651,675
Missouri	6,915,087	2,646,760	2,212	4,268,327	2,212	6,915,087
Montana	376,039	200,582	15	175,458	15	376,039
Nebraska	1,707,794	683,361	31	1,024,433	31	1,707,794
Nevada	171,665	84,390	4	87,275	4	171,665
New Hampshire	1,388,646	378,179	314	1,010,467	314	1,388,646
New Jersey	8,069,478	3,473,155	1,917	4,596,323	1,917	8,069,478
New Mexico	646,326	349,328	15	296,998	15	646,326
New York	53,554,152	35,743,808	5,954	17,810,343	5,958	53,554,152
North Carolina	5,450,902	1,321,456	2,062	4,129,445	2,165	5,450,902
North Dakota	569,568	338,095	16	231,474	16	569,568
Ohio	12,202,203	4,740,295	3,861	7,461,909	3,861	12,202,203
Oklahoma	3,734,548	1,014,074	1,107	2,720,473	1,107	3,734,548
Oregon	2,108,047	1,047,728	1,773	1,060,320	1,773	2,108,049
Pennsylvania	18,956,845	6,707,172	5,551	12,249,673	5,552	18,956,845
Rhode Island	1,509,330	384,080	1,030	1,125,249	1,030	1,509,330
South Carolina	1,311,494	444,779	80	866,715	80	1,311,494
South Dakota	1,260,058	755,353	321	504,705	321	1,260,058
Tennessee	4,616,685	1,648,280	1,427	2,968,405	1,427	4,616,685
Texas	12,023,368	3,714,071	3,650	8,309,297	3,650	12,023,368
Utah	1,128,122	384,568	6	743,554	6	1,128,122
Vermont	661,823	148,267	58	513,556	58	661,823
Virginia	4,871,302	1,234,811	1,566	3,636,490	1,566	4,871,302
Washington	3,019,870	1,290,809	2,603	1,729,061	2,603	3,019,870
West Virginia	1,695,772	805,311	702	890,462	702	1,695,772
Wisconsin	5,151,979	1,857,247	1,144	3,294,732	1,144	5,151,979
Wyoming	21,268	403	1	20,865	1	21,268
Foreign	4,681,032	1,137,744	72	3,543,289	72	4,681,032

[1]Excluding Private Foundations.

Notes: — Indicates Not Reported.
Detail may not add to total because of rounding.

Nonprofit Charitable Organizations, 1982

Table 3.—Returns of Tax-Exempt 501(C)(3)[1] Organizations with Total Revenue: Assets, Liabilities, Revenue and Expenses by Size of Total Revenue, 1982

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Items	Total	Size of total revenue: Negative, zero or not reported	$1 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns of 501(C)(3) organizations	75,738	568	1,110	29,054	22,090	6,709	12,834	3,370
Total assets	279,638,066	648,598	309,030	3,104,449	9,347,210	8,129,157	54,739,811	203,359,808
Cash (Non-interest bearing):								
Number of returns	65,144	568	1,006	22,600	20,323	6,308	11,685	2,652
Amount	4,914,338	12,620	7,451	204,354	510,648	296,469	1,187,571	2,695,223
Savings and temporary cash investments:								
Number of returns	52,556	567	628	20,952	14,051	4,676	9,205	2,474
Amount	20,341,904	20,129	34,158	675,902	1,521,978	790,152	4,913,832	12,385,750
Accounts receivable (net):								
Number of returns	36,759	44	627	6,396	10,260	4,973	11,206	3,251
Amount	20,727,742	1,288	2,136	205,566	357,316	159,377	3,311,342	16,690,714
Pledges receivable (net):								
Number of returns	4,266	2	1	—	1,447	252	1,890	674
Amount	3,036,460	—	1,108	—	63,879	117,412	1,322,646	1,531,413
Grants receivable:								
Number of returns	6,036	—	—	1,442	1,647	—	2,441	506
Amount	1,565,944	—	—	9,966	52,164	—	826,609	677,204
Receivables due from officers, directors, trustees and key emloyees:								
Number of returns	1,795	—	—	—	961	44	514	275
Amount	129,003	—	—	—	8,912	4,470	9,973	105,647
Other notes and loans receivable (net):								
Number of returns	9,152	—	482	1,209	2,195	812	2,997	1,453
Amount	5,824,257	—	26,691	17,446	162,448	67,166	1,642,407	3,908,096
Inventories for sale or use:								
Number of returns	19,035	1	480	3,845	4,918	1,716	5,398	2,674
Amount	2,826,729	231	1,159	69,304	94,770	44,062	777,776	1,839,425
Prepaid expenses and deferred charges:								
Number of returns	23,832	44	103	2,928	7,792	2,404	7,975	2,584
Amount	1,860,943	766	142	58,635	105,901	20,939	305,763	1,368,794
Investments-securities:								
Number of returns	14,773	44	2	3,018	2,682	2,401	4,641	1,983
Amount	69,745,075	13,825	3,194	462,169	1,225,799	1,446,811	11,918,014	54,675,260
Investments-land, buildings and equipment (minus accumulated depreciation):								
Number of returns	6,320	1	—	2,025	1,681	922	1,136	552
Amount	6,039,810	1,079	—	108,342	473,925	447,752	1,227,896	3,780,814
Investment-other:								
Number of returns	6,803	1	—	583	2,730	398	1,825	1,264
Amount	17,970,993	963	—	1,672	483,078	23,947	2,103,468	15,357,863
Land, buildings, and equipment (minus accumulated depreciation):								
Number of returns	41,278	87	628	10,857	11,303	5,167	10,112	3,121
Amount	107,076,532	596,326	226,693	1,026,924	3,935,190	3,932,834	22,622,063	74,736,500
Other assets:								
Number of returns	32,739	86	525	10,435	8,417	3,115	7,494	2,664
Amount	17,578,328	1,369	6,294	264,163	351,195	777,757	2,570,446	13,607,100
Total liabilities	116,777,538	631,282	259,370	1,277,319	3,259,256	2,888,942	17,877,192	90,584,175
Accounts payable and accrued expenses:								
Number of returns	49,336	87	146	12,749	15,077	5,828	12,133	3,314
Amount	15,607,320	11,778	2,957	145,988	387,849	269,469	2,728,582	12,060,693
Grants payable:								
Number of returns	4,571	—	—	961	1,749	104	1,576	179
Amount	2,326,238	—	—	6,455	167,948	85,537	788,406	1,277,889
Support and revenue designated for future periods:								
Number of returns	11,200	—	43	3,365	3,309	980	2,960	541
Amount	3,414,470	—	794	53,342	182,943	37,322	1,331,696	1,808,371
Loan from officers, directors, trustees and key employees:								
Number of returns	2,143	—	—	961	962	1	193	24
Amount	278,609	—	—	29,324	3,555	312	136,637	108,779
Mortgages and other notes payable:								
Number of returns	24,249	87	148	6,498	6,416	3,262	5,110	2,725
Amount	51,845,471	618,402	241,461	842,757	2,215,898	2,216,661	8,698,675	37,011,614
Other liabilities:								
Number of returns	29,391	44	45	6,498	9,200	2,829	8,104	2,669
Amount	43,305,428	1,101	14,156	199,451	301,059	279,639	4,193,193	38,316,826
Total fund balances/net worth:								
Number of returns	75,583	568	1,110	29,054	22,090	6,707	12,732	3,320
Amount	162,860,528	17,316	49,660	1,827,129	6,087,955	5,240,213	36,862,619	112,775,633
Total liabilities and fund balances/net worth:								
Number of returns	75,738	568	1,110	29,054	22,090	6,709	12,834	3,370
Amount	279,638,067	648,598	309,030	3,104,448	9,347,212	8,129,156	54,739,811	203,359,808
Total revenue	196,305,700	-284,316	11,526	1,725,526	5,668,599	4,570,995	37,032,402	147,580,967
Total contributions	41,272,737	239	4,994	659,378	2,713,353	1,686,522	16,176,374	20,031,874
Contributions, gifts and grants received through direct public support:								
Number of returns	55,385	44	1,005	19,408	17,694	5,097	9,320	2,815
Amount	17,293,898	239	3,992	466,783	1,128,905	795,240	5,904,118	8,994,619
Contributions, gifts and grants received through indirect public support:								
Number of returns	13,361	—	—	3,089	3,659	2,133	3,593	885
Amount	4,798,250	—	—	37,431	280,345	268,994	898,801	3,312,677
Contributions, gifts and grants received through government grants:								
Number of returns	24,195	—	43	6,351	7,912	1,736	6,720	1,430
Amount	19,180,588	—	1,002	155,163	1,304,103	622,287	9,373,454	7,724,577

Footnote(s) at end of table.

Table 3.—Returns of Tax-Exempt 501(C)(3)[1] Organizations with Total Revenue: Assets, Liabilities, Revenue and Expenses by Size of Total Revenue, 1982—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Items	Total	Size of total revenue						
		Negative, zero or not reported*	$1 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Program service revenue:								
Number of returns	45,821	523	43	12,909	15,455	5,103	8,926	2,860
Amount	124,373,343	115	103	414,059	1,738,059	1,954,152	15,930,438	104,336,413
Membership dues and assessments:								
Number of returns	19,438	—	480	10,780	4,971	701	2,296	206
Amount	2,476,708	—	79	263,916	312,938	135,425	690,061	1,074,287
Interest on savings and temporary cash investments:								
Number of returns	55,146	567	629	20,849	15,280	5,257	9,860	2,701
Amount	3,371,905	4,317	3,483	80,941	183,460	157,657	796,296	2,145,748
Dividends and interest from securities:								
Number of returns	12,517	—	—	3,703	2,953	1,154	3,331	1,374
Amount	5,102,388	—	—	42,294	142,669	102,334	946,333	3,868,757
Gross rents:								
Number of returns	12,216	567	147	2,651	4,104	842	2,574	1,328
Amount	1,298,963	79,312	43,096	27,218	418,544	77,819	219,453	433,516
Rental expenses:								
Number of returns	5,695	567	147	1,485	1,611	49	1,107	727
Amount	781,032	96,280	47,587	22,757	271,420	7,584	90,773	244,627
Net rental income (loss):								
Number of returns	12,206	567	147	2,651	4,104	842	2,573	1,318
Amount	517,931	-16,967	-4,491	4,461	147,124	70,235	128,679	188,889
Other investment income:								
Number of returns	2,266	—	1	685	248	194	813	322
Amount	996,394	—	482	1,679	9,575	1,214	120,883	862,559
Gross amount from sale of assets-securities:								
Number of returns	5,877	—	—	614	1,430	533	2,420	878
Amount	35,047,624	—	—	107,605	345,151	293,994	4,368,127	29,932,745
Cost or other basis and sales expenses-securities:								
Number of returns	5,627	—	—	614	1,430	533	2,275	774
Amount	32,374,860	—	—	114,912	336,675	259,504	4,060,785	27,602,983
Gain (loss)-securities:								
Number of returns	5,877	—	—	614	1,430	533	2,422	876
Amount	2,672,764	—	—	-7,307	8,475	34,490	307,342	2,329,762
Gross amount from sale of other assets:								
Number of returns	6,172	480	480	—	1,765	455	1,928	1,060
Amount	1,258,098	158,754	937	—	53,960	61,460	258,609	724,376
Cost or other basis and sales expenses-other assets:								
Number of returns	3,876	480	—	—	832	352	1,386	825
Amount	1,027,032	431,819	—	—	9,963	28,641	126,019	430,589
Gain (loss)-other assets:								
Number of returns	6,823	480	480	—	2,246	454	2,079	1,081
Amount	231,065	-273,064	937	—	43,997	32,818	132,590	293,787
Total gain (loss) from sale of assets:								
Number of returns	11,022	480	480	614	2,948	986	3,854	1,657
Amount	2,903,830	-273,064	937	-7,307	52,472	67,309	439,932	2,623,549
Gross revenue-special fundraising events:								
Number of returns	15,946	43	1	8,274	3,747	2,099	1,550	230
Amount	1,641,390	44	3,306	238,048	251,234	309,188	610,065	229,501
Direct expenses:								
Number of returns	13,644	43	1	7,313	3,061	1,792	1,231	201
Amount	741,843	38	3,303	126,336	115,340	122,013	314,678	60,132
Net income (loss):								
Number of returns	16,144	43	1	8,377	3,747	2,099	1,652	222
Amount	899,545	6	3	111,711	135,893	187,174	295,387	169,368
Gross sales minus returns and allowances:								
Number of returns	13,891	1	961	4,050	4,770	1,348	1,929	829
Amount	7,960,114	5,969	27,098	105,385	222,204	142,413	1,272,873	6,184,169
Cost of goods sold:								
Number of returns	12,903	1	961	3,569	4,769	1,142	1,775	683
Amount	2,979,252	6,213	21,544	59,393	151,452	133,435	641,911	1,965,302
Gross profit (loss):								
Number of returns	13,846	1	961	4,050	4,770	1,348	1,885	828
Amount	4,980,862	-244	5,554	45,991	70,752	8,979	630,962	4,218,866
Other revenue:								
Number of returns	37,728	524	1	11,467	11,177	4,013	8,078	2,465
Amount	9,410,072	1,280	398	108,399	162,297	199,989	877,052	8,060,653
Total expenses	181,298,552	7,917	9,420	1,657,860	5,164,421	4,247,539	33,777,958	136,433,435
Program services:								
Number of returns	68,978	567	962	25,440	19,587	6,515	12,658	3,247
Amount	151,667,591	914	8,990	1,231,813	3,914,989	3,350,703	27,995,724	115,164,454
Management and general:								
Number of returns	59,731	523		21,594	17,698	6,368	10,821	2,724
Amount	27,424,768	6,970		388,647	1,0[illegible]1,003	801,427	5,072,081	20,074,638
Fundraising:								
Number of returns	17,522	—	1	4,531	5,574	2,151	4,035	1,228
Amount	1,651,038	—	392	37,399	61,843	80,725	524,439	946,239
Payments to affiliates:								
Number of returns	3,113	480	480	—	730	685	655	80
Amount	555,154	32	38	—	106,585	14,683	185,712	248,102

[1]Excluding Private Foundations.
Note: —Indicates not reported.
Detail may not add to total because of rounding.

Table 4. — Returns of Tax-Exempt 501(C)(3)[1] Organizations with Total Functional Expenses by Size of Total Contributions Received, 1982

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Items	Total	Size of total contributions received: Negative, zero or not reported	$1 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns of 501(C)(3) returns	75,736	15,712	17,400	15,466	16,226	3,795	6,700	435
Total functional expenditures	180,777,090	26,960,959	10,588,623	14,969,689	32,233,571	17,248,418	49,291,993	29,483,835
Total grants and allocations:								
Number of returns	16,443	2,566	6,343	1,859	3,462	584	1,300	325
Amount	7,664,708	308,925	202,712	121,870	325,560	313,625	2,214,537	4,377,475
Total specific assistance to individuals:								
Number of returns	4,704	484	586	1,173	1,210	400	827	21
Amount	8,838,154	7,884,490	8,851	18,022	30,897	44,645	643,092	208,154
Total benefits paid to or for members:								
Number of returns	1,634	503	484	485	114	9	28	8
Amount	312,553	136,123	21,928	65,590	29,542	1,775	10,544	47,049
Total compensation of officers, directors:								
Number of returns	23,111	4,307	3,839	5,043	6,606	1,084	1,908	321
Amount	1,406,089	214,236	102,062	205,936	347,034	90,581	347,007	99,226
Total other salaries and wages:								
Number of returns	55,308	9,741	10,443	11,072	13,728	3,524	6,387	412
Amount	70,251,632	5,493,381	4,594,554	6,496,222	13,792,589	7,694,686	21,009,399	11,170,797
Total pension plan contributions:								
Number of returns	17,370	1,687	1,914	3,421	5,240	1,553	3,211	341
Amount	2,436,361	203,252	111,828	203,296	465,458	236,001	702,863	513,659
Total other employee benefits:								
Number of returns	37,176	4,953	5,380	6,459	11,644	3,219	5,153	365
Amount	5,704,189	501,236	291,435	524,995	1,077,733	654,334	1,797,949	856,503
Total payroll taxes:								
Number of returns	42,750	8,173	7,412	8,065	11,698	2,076	4,972	346
Amount	4,026,937	329,780	294,021	381,663	787,571	411,393	1,261,497	561,010
Total professional fundraising fees:								
Number of returns	1,941	2	482	54	429	327	505	140
Amount	69,405	59	1,082	956	5,487	6,399	39,027	16,392
Total accounting fees:								
Number of returns	43,411	9,601	9,229	7,014	10,695	2,395	4,147	327
Amount	376,191	53,583	26,530	34,862	85,433	35,324	117,077	23,378
Total legal fees:								
Number of returns	20,110	5,325	3,373	3,354	3,079	2,165	2,505	307
Amount	379,969	50,285	25,210	33,184	58,343	37,974	135,618	39,351
Total supplies:								
Number of returns	57,566	9,403	12,378	11,748	14,355	3,269	6,034	375
Amount	14,099,705	1,237,590	1,146,197	1,457,272	3,128,096	1,678,916	3,740,136	1,711,495
Total telephone:								
Number of returns	56,479	10,769	12,306	10,910	13,742	3,369	5,021	360
Amount	1,282,037	108,993	70,292	89,327	216,114	128,523	426,959	241,826
Total postage and shipping:								
Number of returns	45,395	6,559	10,734	8,720	11,647	2,835	4,352	345
Amount	598,809	57,703	27,641	28,403	88,968	36,310	201,252	158,530
Total occupancy:								
Number of returns	38,066	5,582	5,893	8,578	10,009	2,401	5,259	342
Amount	4,117,020	259,407	139,438	373,031	690,395	339,103	1,589,617	726,027
Total equipment rental and maintenance:								
Number of returns	39,503	4,544	7,053	8,832	11,213	2,896	4,619	343
Amount	2,243,878	190,990	115,007	181,830	379,059	215,122	648,961	512,906
Total printing and publications:								
Number of returns	41,312	6,901	7,201	9,302	11,346	2,376	3,850	333
Amount	1,073,817	120,242	21,368	66,536	200,421	60,298	337,827	267,122
Total travel:								
Number of returns	44,646	7,329	8,162	9,056	11,144	2,963	5,630	359
Amount	1,359,346	134,464	43,092	56,624	156,855	60,505	477,954	409,849
Total conferences, conventions and meetings:								
Number of returns	27,906	6,429	5,651	4,187	7,282	1,303	2,779	272
Amount	368,510	114,278	17,230	30,922	41,828	26,141	86,749	51,360
Total interest:								
Number of returns	23,881	3,666	5,616	4,001	6,616	1,149	2,558	272
Amount	3,426,471	663,599	312,043	346,866	728,448	339,878	684,777	350,858
Total depreciation, depletion:								
Number of returns	31,622	4,702	5,622	6,859	8,182	2,018	3,920	315
Amount	4,993,642	532,699	411,287	605,862	1,251,650	668,813	1,159,725	363,603
Total other expenses:								
Number of returns	73,170	15,442	16,348	14,880	15,632	3,749	6,684	433
Amount	45,547,655	8,365,632	2,604,804	3,646,406	8,346,082	4,148,062	11,659,416	6,777,251

[1]Excluding Private Foundations.
Note: — Indicates Not Reported.
Detail may not add to total because of rounding.

A SURVEY OF NONPROFIT CHARITABLE ORGANIZATIONS

by
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Prepared for
Size, Scope and Dimensions
of the Independent Sector Panel
March 14, 1986

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INTRODUCTION

Purpose and Structure

The data discussed in this paper reflect the first year of the nonprofit charitable organizations longitudinal study undertaken by the Statistics of Income (SOI) Division of the Internal Revenue Service [1]. This paper will briefly review the characteristics of the sector as defined by the Internal Revenue Code and will discuss a simple theory relating to the existence of these private suppliers of philanthropy. Highlights of the 1982 data will be presented. The nature of the presentation is that of an overview of nonprofit charitable organizations, especially as they differ from public and for-profit entities. This overview is reflective of only a small portion of the theoretical work done in the nonprofit organization area.

Estimation of Size and Scope: An Unknown Universe

Nonprofit charitable organizations are a subset of all tax exempt organizations and, further, the sample data presented here estimate the universe of only those organizations required to file a return with the IRS. In order to identify the true size of the charitable sector, it is necessary to first define the population and to realize the limitations of a given data set. The organizations not required to file returns represent a sizable portion of all charitable organizations. Especially important to this are religious entities and the almost 200,000 organizations recognized as having a charitable status yet not reflected in the SOI statistics because their receipts are not normally over $25,000 [2]. Additionally, it is difficult to assess the scope of the sector without specific activity information on the individual organizations. At present, IRS sample data do not contain activity reporting.

Due to the limitations discussed above, IRS data, alone, is not sufficient for purposes of analyzing the nonprofit charitable sector. Consequently, the statistical community, governmental and private, must engage in a cooperative effort to maximize coverage of the sector.

A comprehensive database that includes activity information would yield the best estimate of the size and scope of the nonprofit charitable sector. Size and scope are interrelated because as organizations respond to demand for charitable goods and services, the specific activities in which they are engaged will determine the size of the sector. As an example, as philanthropic organizations expand medical and educational services, the value of total revenue and expenses will rise sharply. This is due to the fact that labor intensive industries, during times of expansion, experience a more rapid increase in the cost of factors of production than do capital intensive manufacturing entities. Both the extent of demand for a specific charitable activity and the degree to which private philanthropy is suited to provide it will substantially affect the size of the sector.

Currently, SOI is processing the second year of a panel study of charitable organizations. This study provides coverage of required filers with respect to total assets of the population. The study will be conducted annually and will track the initial 1982 sample organizations while adjusting for births and deaths. Eventually, a time series data set will emerge that should prove to be of value to researchers. Resources permitting, other data sets may be constructed. One possibility would involve sampling those organizations filing Form 990T on which unrelated business income (UBI) is reported. Another would link the longitudinal data file to Form 941 data that contains charitable organizations employment data. It is possible that these files could be made available as public use files if proper disclosure avoidance techniques were developed.

More than being useful for macroeconomic purposes, the unweighted sample could yield useful data for microeconomic applications. Researchers could also use the IRS data sets in estimating the magnitude of the charitable sector in relation to other sectors of the economy. The data, in conjunction with data on the scope of charitable activities, would be relevant to theoretical work in the area of the nature of entry to and exit from the sector. Further, behavioral models of both the sector and of the individual organization could utilize these data.

Highlights of the 1982 Data

Nonprofit charitable organizations, in 1982, generated total revenues of $196.3 billion of which 21 percent was obtained from contributions, gifts and grants. ("Nonprofit charitable organizations" hereinafter refer to all organizations exempt under Internal Revenue Code (IRC) 501(c)(3), excluding private foundations.) Total expenditures were $181.2 billion with direct spending for charitable services accounting for 84 percent of total expenses. Fees for services (program service revenue) were collected that covered 82 percent of program expenses. Other sources of income, such as contributions and investment earnings, were utilized, in part, to supplement fees charged for program services. In 1982, of 264,890 organizations recognized by the Internal Revenue Service as nonprofit charities, there were only an estimated 75,738 required filers.

PROVISIONS OF IRC 501(c)(3)

Organizations, tax exempt under 501(c)(3), pursue diverse activities that further their exempt purpose. They exist as subsets of many sectors of the economy. IRC 501(c)(3) status is typically granted based on an entity being organized for purposes that are religious, charitable, scientific, testing for public safety, etc. Charitable meaning that the services provided by the organization are pro bono publico (for the public benefit). The granting of exempt status is based solely on charitable purpose. Activities engaged in are restricted only in that they must be substantially related to the exempt purpose. There is also a stipulation that net earnings may not flow to a private shareholder or individual and there are restrictions on activities to influence legislation.

Numerous benefits accrue to organizations that obtain 501(c)(3) status. Among the inducements for seeking this classification are the exemption from Federal income tax on income earned while pursuing an exempt purpose, the exemption from most State and local income and real estate taxes, the selected exemption from excise taxes, and significantly reduced postage rates. The flow of private funds to these organizations is promoted by the statute that allows contributions to be deducted in calculating the taxable income of the donor. For instance, the 1982 law allowed up to 50 percent of an individual's adjusted gross income as a charitable deduction. Federal corporate, gift, fiduciary, and estate tax law also allow charitable contribution deductions.

ALTERNATIVE MEASUREMENTS AND DESCRIPTIONS OF THE NONPROFIT CHARITABLE SECTOR

A primary characteristic of the sector is the concentration of financial resources among a small number of organizations. A mere 6 percent of all nonprofit charitable organizations controlled 81 percent of total assets. An uneven distribution of resources across organizations was further evidenced by the concentration of 75 percent of revenues in 4 percent of the institutions. Additionally, 6 percent of the organizations were responsible for 74 percent of total expenditures. With respect to assets, revenue, and expenditures, the controlling organizations were in the top bracket and were predominantly educational institutions and health service providers as listed in Figures A and B. Any significant growth or shrinkage affecting the very large organizations would have had a pronounced affect on aggregate statistics. Other factors influencing the size of the sector are offered in subsequent sections of this paper.

Figure A

Top Ten 501(c)(3) Organizations Ranked by Total Assets, 1982

[Money amounts are in millions]

Name	Total Assets
Teachers Insurance and Annuity Association of America	$13,519
College Retirement Equities Fund	12,821
Harvard College	3,326
Yale University	1,836
Stanford University	1,727
Princeton University	1,415
Shriners Hospital for Crippled Children	1,273
University of Rochester	1,127
University of Chicago	1,068
Duke University	986

Figure B

Top Ten 501(c)(3) Organizations Ranked by Total Revenue, 1982

[Money amounts are in millions]

Name	Total Revenue
College Retirement Equities Fund	$4,631
Teachers Insurance and Annuity Association of America	3,351
Kaiser Foundation Health Plan	2,116
Harvard College	1,342
Kaiser Foundation Hospitals	1,123
University of Chicago	745
American National Red Cross	722
Sisters of Mercy Health Corporation	718
Massachusetts Institute of Technology	692
Stanford University	664

Prior to evaluating various techniques of measuring the nonprofit charitable sector, it is helpful to briefly review the concept of philanthropy as provided in the United States economy. The supply of, and demand for, philanthropic goods and services is usually discussed in terms of incentives or motives that influence giving as well as the purpose of the giving. It is generally accepted that at least one component in philanthropic giving is that of altruism and that the purpose of philanthropy is that of the provision of some collective or public good [3]. In this context, altruism exists when there is not an expectation of an immediate quid pro quo (one thing in return for another) to the individual giver. The providers of philanthropic goods and services include all three sectors of the economy: the business sector, the government and the nonprofit sector.

The sector as evaluated here is defined in terms of the Internal Revenue Code (IRC). The IRC divides nonprofit organizations into twenty-three groups, three of which may receive tax-deductible charitable donations. Two of these classifications are the primary private suppliers of philanthropy. They are those organizations exempt from income tax under IRC 501(c)(3) and 501(c)(4). The data described here are a further subset in that they reflect financial aggregates of all 501(c)(3) charitable organizations, excluding private foundations. For 1975, when all nonprofit organizations were measured, 501(c)(3) organizations (excluding private foundations) represented 37 percent of the total. (In general, private foundations act as conduits for philanthropic funds, whereas nonprofit charitable organizations actually provide the charitable goods and services.)

Charitable organizations that file on Form 990 are diverse in scale of financial activity as well as in scope of purpose. They include hospitals, universities, research institutes, art museums and other charitable organizations. While the estimates presented here do not include most religious organizations or those organizations not required to file, they do provide coverage of the greatest part of charitable activity with respect to asset holdings and revenue flows.

Measurement of the size and scope of total philanthropic activity is difficult due to the lack of a comprehensive data source. The sector's size as defined by the 1982 database can be perceived as a gross figure or as a ratio to other economic activity measurements. Comparisons can be made by analyzing the performance of the charitable sector as a ratio to other figures such as gross national product (GNP), the for-profit sector growth rate, government spending for philanthropic purposes, and per capita income.

Figure C.--Nonprofit Charitable Organizations, 1982: Alternative Measures.

[Money amounts are in billions of dollars]

Type of Measure	1982
Total revenue (in 1972 constant dollars)	$94.9
Total assets (in 1972 constant dollars)	135.1
Total expenditures (in 1972 constant dollars)	87.6
Total revenue divided by GNP	6.3%
Total assets divided by GNP	9.1%
Total expenditures divided by GNP	5.9%
Total revenues per capita divided by per capita income	9.0%
Total assets per capita divided by per capita income	12.8%
Total expenditures per capita divided by per capita income	8.3%
Total revenue divided by revenue of business entities	2.5%
Total assets divided by assets of business entities	3.0%
Total expenditures divided by expenditures of business entities	2.0%

Note: Revenue, assets and expenditures were converted into 1972 dollars using the GNP price deflator. Per capita income is equal to GNP divided by U.S. population. Business entities include corporations, nonfarm partnerships and sole proprietorships [4].

Source: Business entity data are from U.S. Treasury, Internal Revenue Service, Statistics of Income Division, published and unpublished tables. GNP price deflator is from U.S. Bureau of the Census, Statistical Abstract of the United States: 1985 (105th edition.) Washington, DC, 1984, p. 468. U.S. population data is from U.S. Bureau of the Census, Statistical Abstract of the United States: 1985 (105th edition.) Washington, DC, 1984, p. 11.

As a proportion of GNP and per capita income, assets assume a larger share than either revenue or expenses. This is probably due to the fact that the largest charitable organizations are hospitals, with large investment in plant and equipment and schools that have extensive holdings of buildings and land in addition to endowment funds. It should be noted that total revenue for charitable organizations involves some double-counting since charitable organizations transfer funds to affiliates.

HISTORICAL TRENDS AND PERCEPTION OF CHARITABLE ACTIVITY UP TO 1982

Government fiscal policy toward philanthropy represents public sentiment as expressed through the legislative process. The growth of the sector could be, in part, a response to favorable legislation.

Traditionally, from the earliest days of this country, religious and educational institutions have been exempt from property taxation. When Federal income tax laws were adopted in 1894 (subsequently declared unconstitutional in 1895), organizations pursuing charitable, religious or educational purposes were granted exempt status. The Sixteenth Amendment to the Constitution allowed the first constitutional income tax law in 1913 and contained the rudiments of IRC 501(c)(3).

The provision for an income tax deduction for charitable contributions by individuals was initiated in 1917 and estate tax deductions for bequests to charitable organizations were authorized in 1919. Charitable deductions for corporations were allowed beginning in 1935. Aside from the development in 1950 of tax policy regarding charitable organizations engaged in business activities, the thrust of legislation aimed at exempt organizations has generally been to encourage their development.

Charitable organizations receive direct and indirect subsidies from government. Direct governmental grants received in 1982 were 19.1 billion or 46 percent of total contributions. This illustrates the tradition of partnership between government and nonprofit organizations in supplying public goods and services [5]. Indirect subsidies come both in the form of exemption from various taxes and the "tax expenditure" for the deduction of contributions from income taxed to the donor [6]. Tax expenditures exist that benefit individuals and corporate entities as well as nonprofit organizations (i.e.

deductibility of home mortgage interest expense). Tax expenditures are expressed in terms of outlay equivalent or the amount required to produce the equivalent of the benefits obtained from the tax expenditure and in terms of the revenue loss to the government [7]. See Figure D below for detail of the tax expenditure for the deductibility of charitable contributions in 1982. Figure E, with details of contributions as reported on tax returns for 1982, follows for the purpose of presenting a distribution of the source of the tax expenditures.

Figure D.--Tax Expenditures for Deduction of Charitable Contributions, 1982 1/ [8].

[Money amounts are in millions of dollars]

Type of Deduction	Outlay Equivalent	Revenue Loss
Deductibility of charitable contributions (education)	$ 830	$ 835
Deductibility of charitable contributions (health)	1,240	1,245
Deductibility of charitable contributions (other than education and health)	7,550	7,595

1/ Includes contributions to organizations exempt under IRC 501(c)(3), and 501(c)(4) as well as to religious organizations.

Source: Executive Office of the President, Office of Management and Budget, Special Analyses, Budget of the United States Government, FY 1984, p. G-27 and p. G-32.

Figure E.--Charitable Contributions as Reported on Tax Returns, 1982.

[Money amounts are in millions of dollars]

Source of Contribution	Number of Returns	Amount
Total	100,364,300	$48,051
Individual	95,337,432	36,761
Corporate	2,925,933	2,906
Estate bequests	63,251	2,545
Fiduciary	2,009,216	1,416
Private foundations 1/	28,468	4,423
Gift	2/	2/

1/ The inclusion of this figure in total contributions may yield double counting since individual, corporate, estate and fiduciary giving may include gifts to Private Foundations.
2/ Not available.

Source: U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income Division, published and unpublished tables.

Contributions from the public, as reported on nonprofit charitable organization returns, reflected only 46 percent of total contributions shown in Figure E. The remainder of these contributions would have been directed toward organizations not required to file Forms 990. It should be noted that the IRC does not recognize the value of volunteer services as a non-cash contribution for deduction purposes nor is the value reported as revenue on the returns filed by charitable organizations. Nonetheless, volunteer services constitute an important part of total donations.

DESCRIPTION OF NONPROFIT CHARITABLE ORGANIZATION ACTIVITY

In order to explain the existence of the non-profit charitable sector, it is necessary to determine what inducements exist for the formation and continued operation of the organizations that form the sector. The private sector is comprised of firms seeking to maximize their profits. They accomplish this by attempting to satisfy consumer desires through the mechanism of the market. Alternately, the level of government provision of public goods is primarily determined by a majority vote. The government, due to a lack of information about specific consumer preferences, must use a non-benefit based system of taxation for the provision of public goods. A non-benefit based taxation system is necessary because it is not possible to equate taxes paid by an individual to the benefits received by that individual from public goods and services [9]. One explanation for the existence of the nonprofit charitable sector lies in the possibility that demand for public goods is not completely revealed by a majority vote and therefore not supplied by the government [10]. Private nonprofit organizations could form to meet this unsatisfied demand. Also, there will be an overlapping provision of public goods by government and by nonprofits with the private sector offering private good substitutes for public goods.

The degree of output by nonprofit charitable organizations could be primarily determined by the following variable sets: (1) the extent of the undersupply of public goods relative to the allocation by a majority vote using a non-benefit based taxation system; (2) the degree of responsiveness of government institutions to changes in quantities of public goods as mandated by a majority vote; (3) the suitability of private good substitutes for public goods; and (4) the price of philanthropy both to the donor and to the government in terms of a tax expenditure.

There is no standard theory of behavior for nonprofit charitable firms analogous to the profit maximization behavior of private firms [11]. This is partly due to the wide mix of organizations in the sector which have different philanthropic objectives and the difficulties in measuring both charitable output and returns on investment in philanthropy. In general, it could be assumed that nonprofit charitable entities are attempting to maximize the furtherance of their charitable purpose.

The nonprofit charitable sector as a whole shows even more variation in terms of primary revenue source as the total value of assets increases. As seen in Figure F, the reliance of organizations on contributions for revenue varies inversely with an increase in total assets. A stronger reliance on program service fees for a major portion of revenue emerges as assets increase. Those with assets under $100,000 rely on contributions for 68 percent of revenue and on fees charged for 7 percent, while those entities with assets $50,000,000 or over depend on contributions for 13 percent of revenue and on program service revenue for 68 percent.

Figure F

Components of Revenue, by Asset Size, 1982

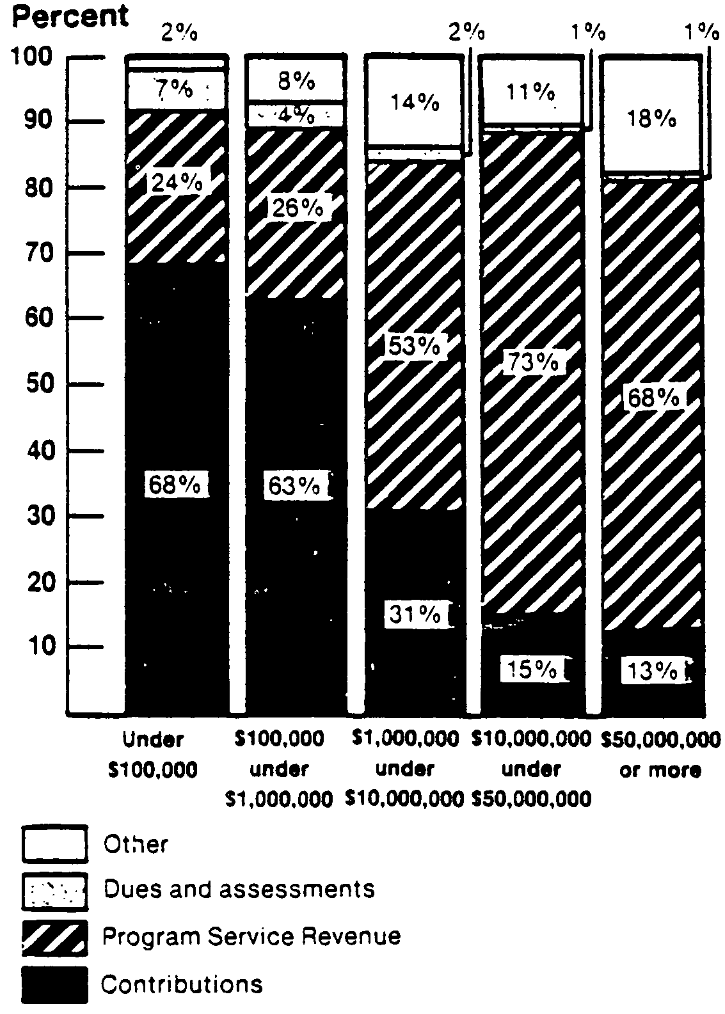


Figure G.--Nonprofit Charitable Organizations, Excluding Private Foundations: Balance Sheet and Income Statement Items, by Type of Organization.

[All figures are estimates based on samples--money amounts are in millions of dollars].

Type of Organization 1/	Number of Returns	Total Assets	Total Liabilities	Total Revenue	Total Expenses
Total	75,733	$279,632	$116,771	$196,300	$181,294
Church 2/	2,022	2,837	915	1,517	1,255
School	8,335	73,524	13,685	35,224	29,843
Hospital	5,021	93,839	45,797	91,855	87,278
Governmental unit	701	1,182	443	1,242	1,201
Hospital research	546	1,296	229	560	523
Public college benefactor	1,057	3,400	338	1,860	1,343
Publicly supported organization	50,738	56,737	22,812	45,620	43,042
Organization supporting charitable organizations	4,893	42,418	30,764	15,586	14,267
Organization testing for public safety	1	104	13	93	85
Not reported	2,419	4,295	1,775	2,743	2,457

1/ This classification was derived from Schedule A (Form 990), Part IV, entitled "Reason for Non-Private Foundation Status".

2/ Churches are not required to file a Form 990. Most of the organizations in this category should have classified themselves as a publicly supported organization.

Figure H--Nonprofit Charitable Organizations, Frequency Distribution of Organizations among Asset Classes, by Type of Organization, 1982.

[All figures are estimates based on samples.]

Type of Organization 1/	Under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
Church 2/	960	480	102	436	35	6
School	3,364	1,922	717	1,331	754	245
Hospital	480	961	102	1,547	1,408	521
Governmental unit	480	--	--	204	12	3
Hospital research	--	480	--	43	18	4
Public college benefactor	--	480	307	215	42	11
Publicly supported organization	22,593	15,863	4,097	7,338	726	118
Organization supporting charitable organizations	960	1,922	512	1,245	208	43
Organization testing for public safety	--	--	--	--	--	1
Not reported	960	961	204	231	44	15

1/ This classification was derived from Schedule A (Form 990), Part IV, entitled Reason for Non-Private Foundation Status.

2/ Churches are not required to file a Form 990. Most of the organizations in this category should have classified themselves as a publicly supported organization.

Figures G and H display the only information available from exempt organization returns on the type of organizations that are filing. It is derived from the section of the return in which an organization must supply a reason for not being classified in the less favored category of Private Foundation [12]. The distribution of the population is heavily weighted toward the publicly supported organizations, whereas the concentration of assets is in the schools and hospitals.

Both the composition of assets and the major source of revenue of hospitals and schools (the only activities readily identifiable from information on the Form 990 exempt organization return) are dissimilar as evidenced in Figure I. Hospitals have a large capital investment in land, building and equipment followed by receivables and inventories as the top components of assets. Schools hold fewer assets in land, buildings and equipment than hospitals, and schools' assets are heavily concentrated in investments. Schools rely on contributions, gifts and grants for 25 percent of revenue while for hospitals it is only 3 percent.

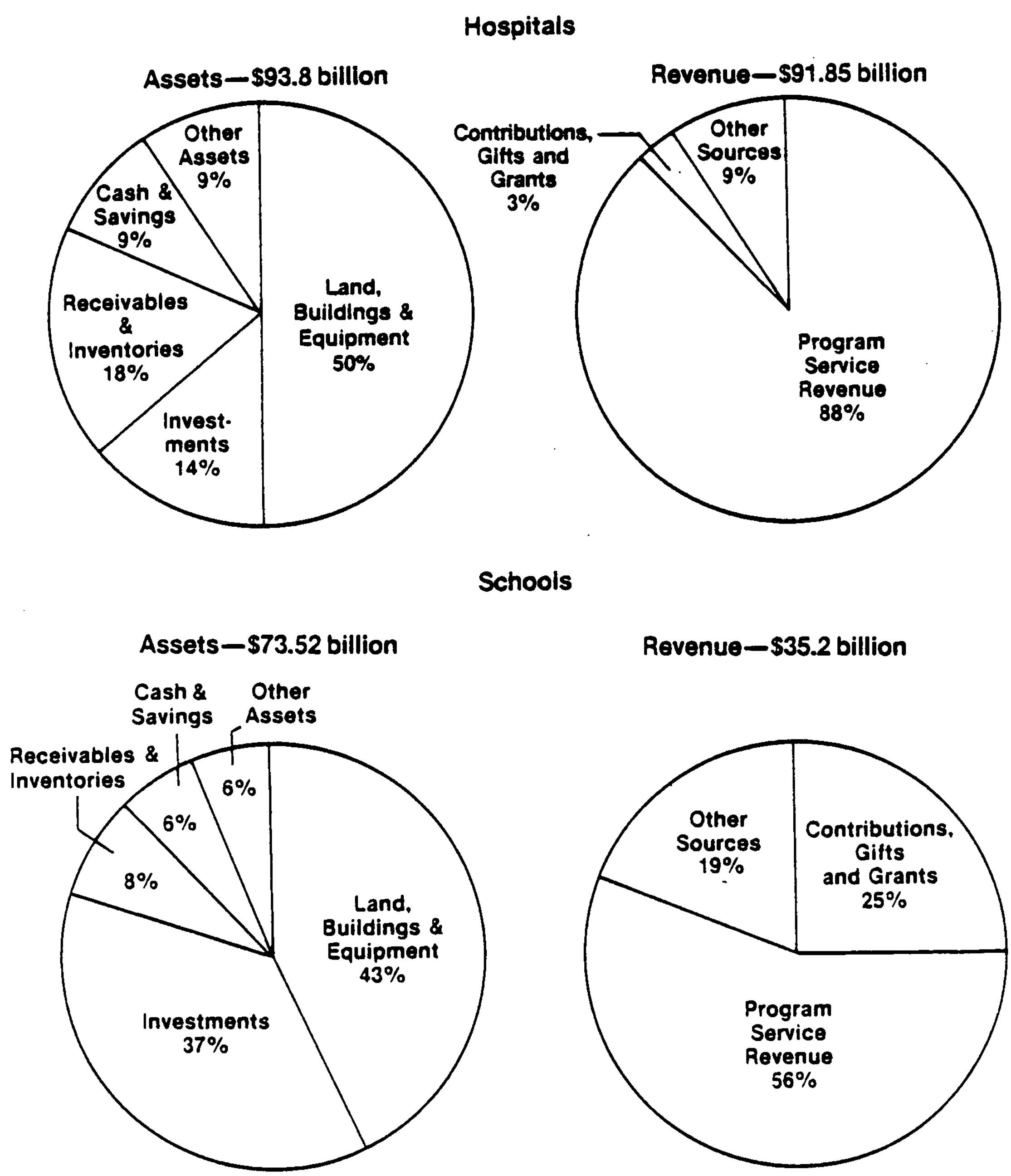
Education and health services are good examples of industries that are represented in the private business sector, the government and in the nonprofit charitable sector. While there certainly is overlap, in general ,the for-profits target a different market than the nonprofits and the government providers. Earnings of nonprofits are used for provision of medical services as opposed to for-profits who may distribute their earnings to individual investors. Nonprofit hospitals generally offer a wider range of services than a for-profit hospital and the services offered are more public in nature [13]. It is possible that nonprofit hospitals serve more of the uninsured and low-income segment of the population.

Differences in accounting standards for non-profit and for-profit entities highlight the difficulty in evaluating the nonprofit sector. In exchange for the privilege of tax exemption, charitable organizations forfeit the privilege of paying dividends on invested capital. The distribution of earnings to individual investors is the impetus behind the formation of business entities. The non-distributional constraint placed on nonprofit organizations is what defines a nonprofit organization as opposed to a for-profit entity. The balance sheet of a nonprofit charitable organization does not have an owner's equity section; earnings will accrue instead to the fund balance/net worth section.

The accounting systems of many nonprofit organizations are unique in that it is necessary to keep separate records of groups of resources and their subsequent use because they have specified purposes and restrictions. This need leads to the use of fund accounting where funds are restricted (The directors have limited control over specific use due to donor instructions.) and unrestricted. Nonexpendable (capital funds that can't be used for operating costs) and expendable funds represent another classification of resources. Additionally, the asset composition of many hospitals and schools includes

Figure I

Composition of Assets & Revenue Sources, By Organization Type, 1982



endowment funds that provide income for the organization, yet the principal is not available for use [14]. The illiquidity of these types of funds hampers the exempt organization's financial management in quickly adapting to changing economic conditions.

However, the most important difference between the concept of exempt organization performance and that of for-profit entities centers on measurement of efficiency. Effectiveness in pursuing an exempt purpose can't be expressed in net profit or return on investment figures. Traditional financial ratios are difficult to calculate and interpret.

DATA SOURCE AND LIMITATIONS

Sample Design

The database used for this article was constructed by the Statistics of Income (SOI) Division by collecting data using the concept of a tax year as opposed to a processing year (see Appendix for a discussion of the concepts of a sampling year and a tax year). The relevant tax year is defined by accounting periods ending December 1982 through November 1983. Calendar year filers represented 45 percent of the population while 42 percent of the non-calendar year filers had accounting periods ending in June. The sample includes 219 group returns that might appear to be returns of high asset entities when the return actually represents an aggregate of many small organizations [15].

The sample size is 4,398 organizations. (Religious organizations are not required to file returns and are, therefore, not generally included in these data.) The estimates of nonprofit charitable organizations presented here are based on a random probability sample of 1982 unaudited information returns (Form 990) stratified by asset levels. The sample was selected on the basis of size of assets as well as on a computation of the Employer Identification Number (EIN). The 1982 filing requirement grants an exemption to entities with receipts of $25,000 or less; this was incorporated as a parameter for bypassing these organizations for sample selection. The allocation of sample to the resulting strata is approximately optimal for the purpose of estimating total assets or totals highly correlated with assets.

Limitations of the Data

The data presented in this article are subject to sampling and nonsampling error. The size of the sampling error is estimated by the approximate coefficients of variation in Figure J. Nonsampling error would stem primarily from interpretation of charitable organizations' entries on the Form 990 and the efficiency of the testing utilized in detecting inconsistencies in the data as well as the quality of the subsequent correction process. When a 1982 return was not available, 1981 returns were substituted as proxies.

Sampling rates range from 1.00 for organizations with $10 million or more in assets to .0021 for organizations with assets below $500,000. Additionally, the weighting of the data file had to be adjusted for non-response. (Some returns selected were not obtainable.) The low rate of sampling for lower asset organizations increases sampling variability for these strata. Consequently, a caveat must be issued as to the use of estimates for organizations with assets of $500,000 or less. The approximated coefficient of variation for each sampling rate is shown below. In addition, organizations with receipts that are normally not more than $25,000 (the average of the preceding three years for organizations three years or older) might not have filed a 1982 return even if their receipts were greater than $25,000 in 1982.

Figure J. - Approximate Coefficient of Variation for Number of Returns by Size of Assets.

Size of Assets			
Under $500,000 or Blank	$500,000 Under $2,500,000	$2,500,000 Under $10,000,000	Approximate Coefficient of Variation
50,100	11,300	5,500	0.05
35,600	7,900	3,700	0.08
28,100	6,200	2,800	0.10
16,200	3,500	1,600	0.15
10,200	2,200	950	0.20
6,900	1,500	650	0.25
5,000	1,050	450	0.30

APPENDIX: CHARITABLE GIVING

As a percent of total nonprofit charitable organization revenue, total contributions were 21 percent. The enactment of the Economic Recovery Tax Act of 1981 (ERTA) could have had a dampening effect on giving to these organizations. While it would require more research to validate or quantify ERTA's overall effect on contributions, it is possible to enumerate theoretical relationships between levels of giving and the cost of giving.

The cost of charitable giving for an individual can most simply be expressed as:

$$Cg = (1 - Tm),$$

where Cg is the cost of giving, and Tm is the marginal tax rate. One dollar of giving, less the donor's marginal rate of taxation (the percent of tax on the last dollar of income realized) yields the out-of-pocket cost of the gift. For example, an individual in the 70 percent tax bracket realizes a true cost of $30 when donating $100 since $70 dollars would have been paid as tax. Therefore, the cost of a charitable contribution is inversely related to the donor's marginal tax rate. If the marginal rate drops, the cost of donating increases. An individual facing an array of consumption choices experiences a change in the relative prices between expenditures on goods and services which are tax deductible versus those which are not tax deductible.

ERTA reduced average marginal tax rates as well as the maximum marginal rate (from 70 percent to 50 percent). The resultant increase in the cost of giving could have a substitution effect on an individual's willingness to contribute. Conversely, the lowering of tax rates could increase after-tax income levels (in the absence of a downturn in the business cycle or other negative changes in general economic conditions) and could produce a positive income effect that would operate to increase charitable giving. If the price elasticity of demand were large enough and outweighed the income elasticity, it is possible that this provision of ERTA negatively affected giving to nonprofit charitable organizations. (It should be noted that there could be a lagged substitution effect or lagged income effect where a transition period is needed to observe the final effect.) [16] [17].

ERTA also provided, for the first time, some deductibility of charitable donations for non-itemizers. This would appear to lower the cost of giving for this group to the extent of the limit of the maximum allowable deduction. Again, the overall dollar impact on exempt organizations' receipts is difficult to predict since a portion of the contributions of non-itemizers would not be a result of new behavior.

Estate tax return filings were affected by the changes of the Tax Reform Act of 1976 that progressively raised the gross value of the estate required to file to $175,000 from a level of $60,000 in 1975. Charitable bequests for those estates not required to file would have a higher cost than when the estates were taxed. ERTA's estate tax provisions affected charitable bequests of decedents in 1982 and thereafter. Exempt organizations' receipts could have been affected by this after 1982.

Notes

[1] The last SOI data set for exempt organizations was constructed for processing year 1975. For a discussion of the 1975 and 1982 data, see U.S. Treasury Department, Internal Revenue Service, Heuchan, 1986.

[2] Organizations with gross receipts over $25,000 are required to file. Some small organizations file blank returns in order to continue to appear in the IRS publication 78, Cumulative List of Organizations. These blank returns are not tabulated in the 1982 data set.

[3] The concept of altruism does not preclude the donor from receiving some benefit (i.e. recognition by the community, self-satisfaction); it merely indicates that the benefit is not immediately tangible.

[4] Data available for partnerships and sole proprietorships did not contain farm entities for every statistic. Therefore, for consistency in comparison, farm data were not used even where available. Also, assets are not available for sole proprietorships.

[5] "A commodity is called a 'public good' if its consumption by one person does not reduce the amount available for others or putting it another way, a good is 'public' if providing the good for anyone makes it possible to provide it for everyone, without additional cost. Public goods thus represent a particular type of beneficial externality. A private good (e.g. a banana) is used or consumed exclusively; a public good is (or may be) used concurrently by many economic agents." Hirshleifer, 1984, pp. 143-144.

[6] "Tax expenditure estimates measure the decrease in individual and corporate income tax liabilities that result from the provisions in income tax laws and regulations that provide economic incentives to the private sector or tax relief to particular kinds of taxpayers." ... "The term tax expenditure is derived from the assumption that the goals of these favorable tax provisions could be accomplished by replacing them with direct expenditure programs." U.S. Joint Committee on Taxation, 1985, p. 2.

[7] The difference between the cost of an outlay equivalent and the cost of a revenue loss is that a portion of an outlay would be in the form of transfer payments that would be taxable. Thus, because of the revenue gain, the outlay would generally cost less than the revenue loss of the tax expenditure.

[8] Due to the interdependence of tax expenditures, these estimates cannot be added together for a total outlay equivalent or a total revenue loss; instead, they must be considered independently. The term "interdependence of tax expenditures" refers to the fact that tax expenditures mutually affect marginal tax rates. The elimination of one exclusion from gross income could cause an increase in taxable income that would be taxed in a higher bracket thus increasing the revenue loss from other exclusions.

[9] Weisbrod, 1975, p. 175.

[10] Weiss, 1981, pp. 11-12.

[11] Newhouse, 1970, p. 64.

[12] Private foundations are subject to an excise tax on investment income and they are required to annually distribute a minimum amount of their investment assets. U.S., Treasury Department, Internal Revenue Service, Riley, 1985, p. 8.

[13] Weisbrod, 1977, pp. 77-81.

[14] Gross and Warshauer, 1983, pp. 11-39.

[15] A parent organization may file a return for affiliated organizations that are subject to the parent's control and are exempt under a current group exemption letter. All of the organizations on a group return must have the same accounting period.

[16] Vickrey, 1975, pp. 153-157.

[17] For empirical evidence that ERTA did not negatively affected charitable giving, see Bristol, 1985, pp. 323-326.

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Table 1. — Returns of Tax-Exempt 501(C)(3)[1] Organizations with Total Assets: Assets, Liabilities, Revenue and Expenses by Size of Total Assets, 1982

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Items	Total	Size of total assets						
		$1 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Returns of 501(C)(3) organizations	75,738	14,902	14,902	23,075	6,043	12,595	3,251	967
Total assets	279,638,066	163,682	859,303	4,520,081	4,266,804	43,533,996	74,300,485	151,993,712
Cash (Non-interest bearing):								
Number of returns	65,144	11,537	13,941	20,190	4,917	11,129	2,667	761
Amount	4,914,338	44,969	162,692	406,469	348,879	1,060,802	1,121,431	1,769,092
Savings and temporary cash investments:								
Number of returns	52,556	7,210	11,056	16,825	4,507	9,619	2,602	734
Amount	20,341,904	54,395	297,386	1,280,194	784,841	3,908,587	5,856,576	8,159,923
Accounts receivable (net):								
Number of returns	36,759	2,884	3,845	13,460	3,585	9,150	2,925	908
Amount	20,727,742	6,374	94,003	753,342	184,053	3,401,581	6,985,579	9,302,806
Pledges receivable (net):								
Number of returns	4,266	—	—	961	614	1,752	691	246
Amount	3,036,460	—	—	1,807	54,557	1,065,169	1,084,100	830,825
Grants receivable:								
Number of returns	6,036	961	1,442	1,442	614	1,002	376	197
Amount	1,565,944	8,164	34,850	151,681	128,997	511,233	268,489	462,527
Receivables due from officers, directors, trustees and key emloyees:								
Number of returns	1,795	480	—	480	—	609	159	66
Amount	129,003	799	—	8,113	—	12,465	49,648	57,977
Other notes and loans receivable (net):								
Number of returns	9,152	961	480	961	1,434	3,396	1,385	532
Amount	5,824,257	192	961	19,980	75,133	777,170	1,577,686	3,373,133
Inventories for sale or use:								
Number of returns	19,035	961	1,922	6,249	1,331	5,321	2,440	807
Amount	2,826,729	1,662	29,611	108,242	46,621	662,457	948,440	1,029,694
Prepaid expenses and deferred charges:								
Number of returns	23,832	1,442	3,365	6,730	2,048	7,144	2,367	735
Amount	1,860,943	2,207	9,228	75,328	27,252	325,674	536,669	884,581
Investments-securities:								
Number of returns	14,773	480	961	2,403	1,536	6,497	2,179	714
Amount	69,745,075	3,110	16,889	62,959	410,218	6,904,866	12,090,414	50,256,616
Investments-land, buildings and equipment (minus accumulated depreciation):								
Number of returns	6,320	961	961	1,442	409	1,698	617	229
Amount	6,039,810	4,870	23,106	242,959	123,087	1,300,421	1,577,957	2,767,406
Investment-other:								
Number of returns	6,803	480	—	1,922	717	1,995	1,202	485
Amount	17,970,993	1,586	—	94,695	91,246	1,075,062	3,106,308	13,602,094
Land, buildings, and equipment (minus accumulated depreciation):								
Number of returns	41,278	3,845	5,768	12,498	4,507	10,811	2,953	893
Amount	107,076,532	18,575	166,590	1,062,096	1,777,878	20,819,766	34,093,692	49,137,932
Other assets:								
Number of returns	32,739	3,845	3,845	10,095	4,200	7,365	2,584	802
Amount	17,578,328	16,772	23,981	252,211	214,035	1,708,737	5,003,489	10,359,100
Total liabilities	116,777,538	60,995	246,397	1,971,267	1,330,380	16,579,294	28,815,955	67,773,245
Accounts payable and accrued expenses:								
Number of returns	49,336	8,172	7,691	14,421	4,404	10,633	3,079	933
Amount	15,607,320	29,861	108,584	641,616	385,428	2,349,604	4,767,258	7,324,966
Grants payable:								
Number of returns	4,571	961	—	1,922	307	1,089	217	73
Amount	2,326,238	6,455	—	163,133	22,671	735,189	598,870	799,918
Support and revenue designated for future periods:								
Number of returns	11,200	961	1,922	4,326	614	2,701	511	162
Amount	3,414,470	469	17,228	144,750	84,274	992,635	1,091,121	1,083,989
Loan from officers, directors, trustees and key employees:								
Number of returns	2,143	—	480	1,442	—	172	40	7
Amount	278,609	—	3,249	29,564	—	87,593	125,456	32,745
Mortgages and other notes payable:								
Number of returns	24,249	1,442	3,365	6,730	2,151	7,414	2,375	771
Amount	51,845,471	7,049	26,828	695,931	609,329	9,890,152	16,340,787	24,275,391
Other liabilities:								
Number of returns	29,391	3,845	3,365	8,172	2,765	7,947	2,476	818
Amount	43,305,428	17,160	90,506	296,271	228,677	2,524,119	5,892,460	34,256,234
Total fund balances/net worth:								
Number of returns	75,583	14,902	14,902	23,075	6,043	12,450	3,245	963
Amount	162,860,528	102,686	612,905	2,548,814	2,936,423	26,954,701	45,484,529	84,220,466
Total liabilities and fund balances/networth:								
Number of returns	75,738	14,902	14,902	23,075	6,043	12,595	3,251	967
Amount	279,638,067	163,682	859,303	4,520,082	4,266,804	43,533,995	74,300,485	151,993,712
Total revenue	196,305,700	774,536	2,826,490	9,019,977	5,222,087	31,380,246	57,279,516	89,802,846
Total contributions	41,272,737	432,311	1,999,611	5,344,562	3,656,867	9,875,831	8,338,137	11,625,415
Contributions, gifts and grants received through direct public support:								
Number of returns	55,385	10,095	9,614	17,306	4,507	10,250	2,787	825
Amount	17,293,898	217,697	249,650	1,135,767	756,981	5,126,488	4,633,067	5,174,245
Contributions, gifts and grants received through indirect public support:								
Number of returns	13,361	480	1,922	5,288	1,536	3,305	598	230
Amount	4,798,250	6,970	13,630	542,951	224,225	1,422,242	1,005,862	1,582,368
Contributions, gifts and grants received through government grants:								
Number of returns	24,195	3,845	4,807	8,653	1,843	3,380	1,204	460
Amount	19,180,588	207,643	1,736,330	3,665,843	2,675,660	3,327,099	2,699,207	4,868,802

Footnote(s) at end of table.

Table 1. — Returns of Tax-Exempt 501(C)(3)[1] Organizations with Total Assets: Assets, Liabilities, Revenue and Expenses by Size of Total Assets, 1982 — Continued

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Items	Total	Size of total assets						
		$1 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Program service revenue:								
Number of returns	45,821	7,210	8,172	14,421	3,482	8,993	2,696	843
Amount	124,373,343	364,464	496,426	2,749,404	897,157	16,525,254	42,001,862	61,338,774
Membership dues and assessments:								
Number of returns	19,438	3,845	6,249	4,807	1,536	2,598	333	66
Amount	2,476,708	126,165	118,785	328,827	195,078	516,548	561,441	629,862
Interest on savings and temporary cash investments:								
Number of returns	55,146	7,691	11,056	18,267	5,019	9,851	2,522	737
Amount	3,371,905	5,383	34,367	140,636	115,390	618,652	985,270	1,472,205
Dividends and interest from securities:								
Number of returns	12,517	480	961	2,884	1,536	4,378	1,701	575
Amount	5,102,388	162	2,118	20,526	36,048	591,481	956,922	3,495,127
Gross rents:								
Number of returns	12,216	1,442	961	2,884	1,434	3,866	1,206	422
Amount	1,298,963	138,910	17,145	8,768	88,975	517,437	196,306	331,418
Rental expenses:								
Number of returns	5,695	961	480	1,442	409	1,488	652	261
Amount	781,032	93,802	2,481	9,358	83,440	286,578	114,411	190,957
Net rental income (loss):								
Number of returns	12,206	1,442	961	2,884	1,434	3,866	1,200	418
Amount	517,931	45,107	14,664	-589	5,534	230,858	81,895	140,460
Other investment income:								
Number of returns	2,266	480	—	—	102	1,175	350	157
Amount	996,394	168	—	—	1,094	71,849	106,860	816,422
Gross amount from sale of assets-securities:								
Number of returns	5,877	—	—	480	717	3,148	1,141	389
Amount	35,047,624	—	—	32,698	128,247	1,766,627	5,422,978	27,697,072
Cost or other basis and sales expenses-securities:								
Number of returns	5,627	—	—	480	717	3,062	1,022	345
Amount	32,374,860	—	—	32,229	126,704	1,642,268	5,059,299	25,514,358
Gain (loss)-securities:								
Number of returns	5,877	—	—	480	717	3,148	1,141	389
Amount	2,672,764	—	—	469	1,542	124,359	363,679	2,182,713
Gross amount from sale of other assets:								
Number of returns	6,172	480	480	961	819	2,194	898	337
Amount	1,258,098	158,754	937	417	29,736	218,657	235,839	613,756
Cost or other basis and sales expenses-other assets:								
Number of returns	3,876	480	480	—	512	1,439	690	273
Amount	1,027,032	431,819	467	—	10,052	64,097	140,481	380,114
Gain (loss)-other assets:								
Number of returns	6,823	480	961	961	819	2,340	921	339
Amount	231,065	-273,064	469	417	19,683	154,560	95,358	233,641
Total gain (loss) from sale of assets:								
Number of returns	11,022	480	961	961	1,536	4,761	1,729	592
Amount	2,903,830	-273,064	469	886	21,226	278,919	459,037	2,416,354
Gross revenue-special fundraising events:								
Number of returns	15,946	3,365	3,845	5,288	921	2,194	257	73
Amount	1,641,390	23,615	180,592	253,524	140,997	777,128	177,242	88,290
Direct expenses:								
Number of returns	13,644	2,884	3,365	4,807	819	1,482	218	67
Amount	741,843	11,749	100,530	105,394	84,478	362,655	43,827	33,208
Net income (loss):								
Number of returns	16,144	3,365	3,845	5,288	1,024	2,296	252	71
Amount	899,545	11,865	80,061	148,129	56,518	414,472	133,415	55,081
Gross sales minus returns and allowances:								
Number of returns	13,891	961	1,922	6,730	717	2,469	792	298
Amount	7,960,114	16,655	59,104	311,800	19,681	1,463,557	2,801,810	3,287,503
Cost of goods sold:								
Number of returns	12,903	961	1,922	6,249	717	2,092	690	270
Amount	2,979,252	17,526	35,597	205,978	16,261	506,439	996,062	1,201,387
Gross profit (loss):								
Number of returns	13,846	961	1,922	6,730	717	2,426	789	299
Amount	4,980,862	-870	23,507	105,822	3,420	957,118	1,805,747	2,086,116
Other revenue:								
Number of returns	37,728	6,249	5,768	11,537	3,482	7,554	2,412	723
Amount	9,410,072	62,862	56,478	181,769	233,750	1,299,260	1,848,925	5,727,026
Total expenses	181,298,552	970,925	2,761,297	8,681,310	5,004,304	29,330,345	53,254,786	81,295,584
Program services:								
Number of returns	68,978	12,018	13,941	21,152	5,531	12,293	3,105	936
Amount	151,667,591	681,731	2,497,256	7,038,939	4,060,906	23,828,835	43,538,281	70,021,639
Management and general:								
Number of returns	59,731	11,056	11,056	17,787	5,634	10,681	2,708	807
Amount	27,424,768	287,403	262,306	1,424,510	907,742	4,721,594	9,080,271	10,740,938
Fundraising:								
Number of returns	17,522	961	1,922	6,249	1,843	4,766	1,316	462
Amount	1,651,038	1,757	1,695	98,525	35,201	632,016	431,001	450,841
Payments to affiliates:								
Number of returns	3,113	480	480	1,442	102	496	85	26
Amount	555,154	32	38	119,334	454	147,898	205,231	82,164

[1]Excluding Private Foundations.

Note: — Indicates Not Reported.

Detail may not add to total because of rounding.

FOCUS ON NONPROFIT CHARITABLE ORGANIZATIONS, 1982

Daniel F. Skelly, Internal Revenue Service

Prepared for the Annual Meetings of the American Statistical Association

This paper discusses nonprofit charitable organizations having tax-exempt status from the Internal Revenue Service that file Form 990 (Return of Organization Exempt from Income Tax) information returns. "Nonprofit charitable organizations" refer to all organizations exempt under Internal Revenue Code (IRC) 501(c)(3) excluding private foundations [1]. In 1982, of 264,890 organizations recognized by the Internal Revenue Service as nonprofit charities, there were only an estimated 75,738 required filers [2]. A major reason for the discrepancy between the number of filers and number of organizations is that organizations whose gross receipts are less than $25,000 are not required to file Form 990.

Organizations tax-exempt under IRC 501(c)(3) are involved in a diversity of projects that further their exempt or charitable purpose. IRC 501(c)(3) status is typically granted to an entity organized for purposes that are religious, charitable, scientific, educational or testing for public safety.

Activities engaged in are restricted only in that they must be substantially related to the exempt purpose of the organization and they must serve public (as opposed to private) interests. Examples of organizations that meet Section 501(c)(3) criteria are Harvard College, the Shriners Hospital for Crippled Children, and the American Statistical Association.

In addition to tax-exempt status, nonprofit charitable organizations enjoy many other benefits. These benefits include reduced postal rates for publications and mail solicitations, State retail sales tax and property tax exemption. Also, the federal government provides certain nonprofit charitable organizations with surplus food products, particularly for overseas philanthropy, and even, in some cases, gifts of government surplus property.

The IRC divides nonprofit organizations into 23 groups, certain of which may receive tax deductible charitable donations. The organizations exempt from income tax under IRC 501(c)(3) receive the largest part of tax-deductible donations; in addition, they are the largest suppliers of philanthropic goods and services. Except where noted, the data in this article refer only to 501(c)(3) organizations, excluding private foundations. For 1975, when all nonprofit organizations were measured, 501(c)(3) organizations (excluding private foundations) represented 37 percent of the total [3].

Charitable organizations are diverse in scale of financial activity as well as in scope of purpose. The estimates presented in this paper do not include most religious organizations, of which there are 338,000 churches [4]; nonprofit charitable organizations not required to file because they did not have more than $25,000 in gross receipts (estimated at about 180,000 in 1982) have also been omitted. Nonetheless, the remaining 75,738 organizations required to file cover the largest part of charitable activity with respect to asset holdings and revenue.

From the earliest days of this country, religious and educational institutions have been exempt from property taxation. The provision for an income tax deduction for charitable contributions by individuals was initiated in 1917 and estate tax deductions for bequests to charitable organizations were authorized in 1919. Charitable deductions for corporations were allowed beginning in 1935.

The flow of private funds to these organizations is promoted by the statute allowing contributions to be deducted in calculating the taxable income of the donor. Individuals or businesses may deduct from their income contributions made to nonprofit charitable organizations. For example, in 1982 individuals could contribute up to 50 percent of their adjusted gross income to nonprofit charitable organizations. Contributions to nonprofit charitable organizations are also tax deductible under U.S. corporate, gift, fiduciary and estate tax laws. Along with other types of tax exempt organizations, 501(c)(3), charitable organizations are subject to a tax on unrelated business income generated from business activities that are regularly carried on and are not substantially related to their exempt purpose.

COMPARISON OF SELECTED NONPROFIT CHARITABLE ORGANIZATIONS FINANCIAL DATA

One of the dominant characteristics of the nonprofit charitable sector has been the concentration of financial resources among a small number of organizations. Based on data in Figure A, approximately 40 percent of the returns were filed by organizations with asset holdings under $100,000. Organizations with asset holdings under $1,000,000 filed 78 percent of the returns, but held less than 4 percent of total assets. On the other hand, organizations with assets of $10,000,000 or more filed approximately 6 percent of the returns, but accounted for 81 percent of total assets. These latter organizations received 75 percent of the total revenue, 48 percent of all contributions, and 83 percent of all dues and assessments.

Charitable organizations receive direct and indirect subsidies from government. Direct government grants in 1982 were $19.2 billion or

Figure A.--Number of Nonprofit Charitable Organization Returns and Total Assets, by Asset Size, 1982

[All figures are estimates based on samples - money amounts are in thousands of dollars]

Asset size	Number of returns	Percent	Total assets	Percent
Total	75,738	100.0%	279,638,066	100.0%
Under $100,000	29,804	39.4	1,022,985	0.4
$100,000 under $1,000,000	29,118	38.4	8,786,885	3.1
$1,000,000 under $10,000,000 ..	12,595	16.6	45,533,996	16.3
$10,000,000 under $50,000,000 .	3,251	4.3	74,300,485	26.6
$50,000,000 or more	967	1.3	151,993,712	54.4

Note: Detail may not add to total because of rounding.

46 percent of total contributions received (see Figure B). Excluded from this figure are Medicare and Medicaid payments. Indirect subsidies come in the form of exemption from various taxes and in the loss of revenue to the Federal government (tax expenditures) for allowing the deduction of contributions from income taxed to the donor. In general, as asset size increases, reliance on government grants decreases. Eighty percent of contributions received by organizations with asset holdings under $100,000 were from government grants as opposed to 42 percent of total contributions for organizations with asset holdings of $50,000,000 or more. Government grants represented 70 percent of total contributions for organizations with asset holdings of $100,000 to $1,000,000; they represented 34 percent of total contributions for organizations with asset holdings of $1,000,000 to $10,000,000 and 32 percent of total contributions for organizations with asset holdings of $10,000,000 to $50,000,000.

As asset size increases, reliance on contributions through direct public support increases. Organizations with asset holdings under $100,000 received only 19 percent of their contributions through direct public support, while organizations with asset holdings of $100,000 to $1,000,000 received 21 percent of their contributions from direct public support. Organizations with asset holdings of $1,000,000 to $10,000,000 received 52 percent of their contributions from direct public support, while organizations with asset holdings of $10,000,000 to $50,000,000 received 56 percent of their contributions from direct public support. Finally, organizations with $50,000,000 or more in asset holdings received 45 percent of their contributions through direct public support. Contributions received through indirect public support represented less than 1 percent of total contributions for organizations with asset holdings under $100,000, 12 percent of total contributions for organizations with asset holdings of $10,000,000 to $50,000,000, and 14 percent of total contributions for organizations with asset holdings over $50,000,000.

Figure B.--Contributions Received by Nonprofit Charitable Organizations by Asset Size, 1982

[All figures are estimates based on samples - money amounts are in thousands of dollars]

Asset size	Total contributions	Contributions received through direct support	Contributions received through indirect support	Contributions received through government grants
Total	$41,272,922	$17,293,898	$4,798,250	$19,180,588
Under $100,000	2,431,922	467,347	20,600	1,943,973
$100,000 under $1,000,000	9,001,429	1,892,748	767,176	6,341,503
$1,000,000 under $10,000,000 ...	9,875,831	5,126,488	1,422,242	3,327,099
$10,000,000 under $50,000,000 ..	8,338,137	4,633,067	1,005,862	2,699,207
$50,000,000 or more	11,625,415	5,174,245	1,582,368	4,868,802

Note: Detail may not add to total because of rounding.

Contributions received from the public, as reported on nonprofit charitable organization returns, reflected only 46 percent of the $48 billion of total contributions reported on all tax returns. (Figure C provides detail on total contributions by source of the contribution.) The remainder of these contributions would have been received by organizations not required to file Forms 990. As already mentioned, religious organizations, the predominant type of 501(c)(3) organization, are not required to file returns. Therefore, the largest part of the remaining 54 percent of contributions not reported on Form 990 would have been donated to these organizations.

Figure C.--Charitable Contributions as Reported on Tax Returns, 1982

[Money amounts are in millions of dollars]

Source of contribution	Amount
Total	$48,051
Individuals	36,761
Corporations	2,906
Estate bequests	2,545
Fiduciaries	1,416
Private foundations 1/	4,423
Gifts	n.a.

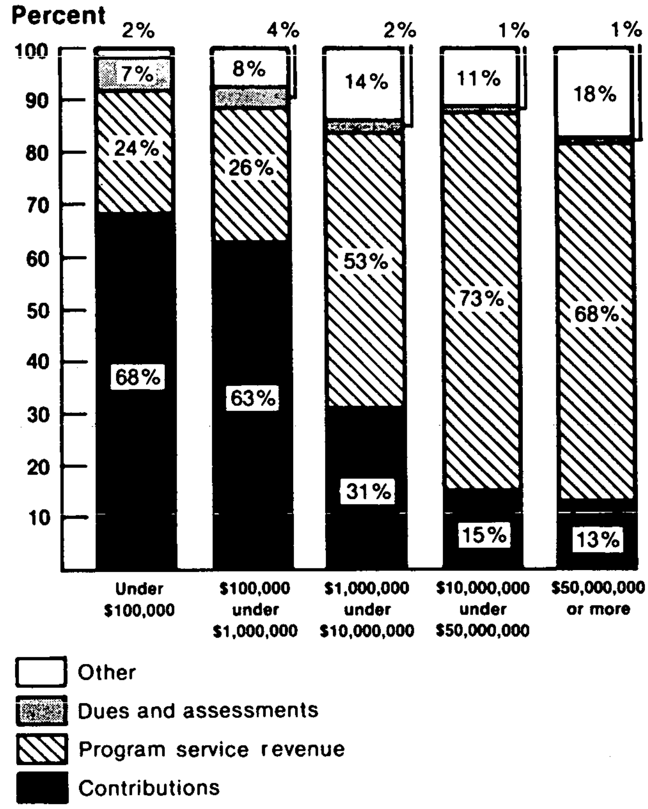
n.a. Not available.
1/The inclusion of this figure in total contributions involves double counting since individual, corporate, estate and fiduciary giving include gifts to private foundations.

Source: U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income Division, published and unpublished tables.

The nonprofit charitable sector shows a great deal of variation in terms of primary revenue type as total assets increase. As shown in Figure D, contributions as a percent of total revenue varies inversely with the size of total assets. Program service fees become greater in importance as assets increase. Those with assets under $100,000 relied on contributions for 68 percent of revenue and on fees charged for 7 percent, while those with assets of $50 million or more depended on contributions for 13 percent of revenue and on program service revenue for 68 percent.

Program service expenditures represented 84 percent of total expenditures, followed by management and general at 15 percent and fund raising and payments to affiliates represented less than 1 percent of expenditures. Organizations with asset holdings of $10 million or more accounted for more than 74 percent of all program service expenditures.

Figure D
Components of Revenue, by Asset Size, 1982



As shown in Figure E, these relationships were about the same for organizations of different asset sizes. For organizations with under $1,000,000 in assets, program services accounted for approximately 82 percent of total expenses, while management and general expenses accounted for 17 percent. For organizations with assets between $1,000,000 and $10,000,000, program services represented 81 percent of total expenses, while overall management expenses represented 16 percent. For those organizations with assets of $10,000,000 or more, program services represented 84 percent, while management and related expenses represented 15 percent.

Figure F shows that investments in cash and savings accounts decreased as assets increased. They ranged from a high of 34 percent of total assets for organizations with asset holdings below $1,000,000 to a low of 7 percent for organizations with asset holdings over $10,000,000. Land, buildings, and equipment are lowest for organizations with assets of less than $1,000,000 (31 percent) and highest for organizations with asset holdings of between $1,000,000 and $10,000,000 (48 percent). Investments in securities also increase as asset size increases, ranging from a low of 5 percent for organizations with assets of below $1,000,000 to a high of 28 percent for organizations with asset holdings of over $10,000,000.

Figure E
Composition of Expenses of Nonprofit Charitable Organizations, by Size of Assets, 1982

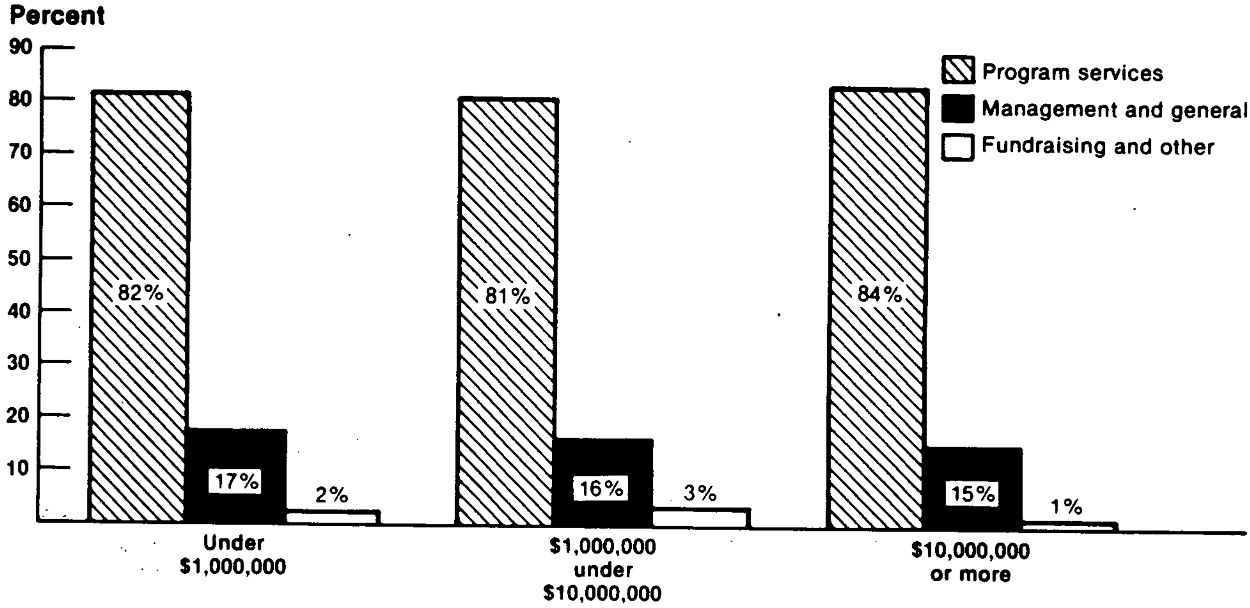
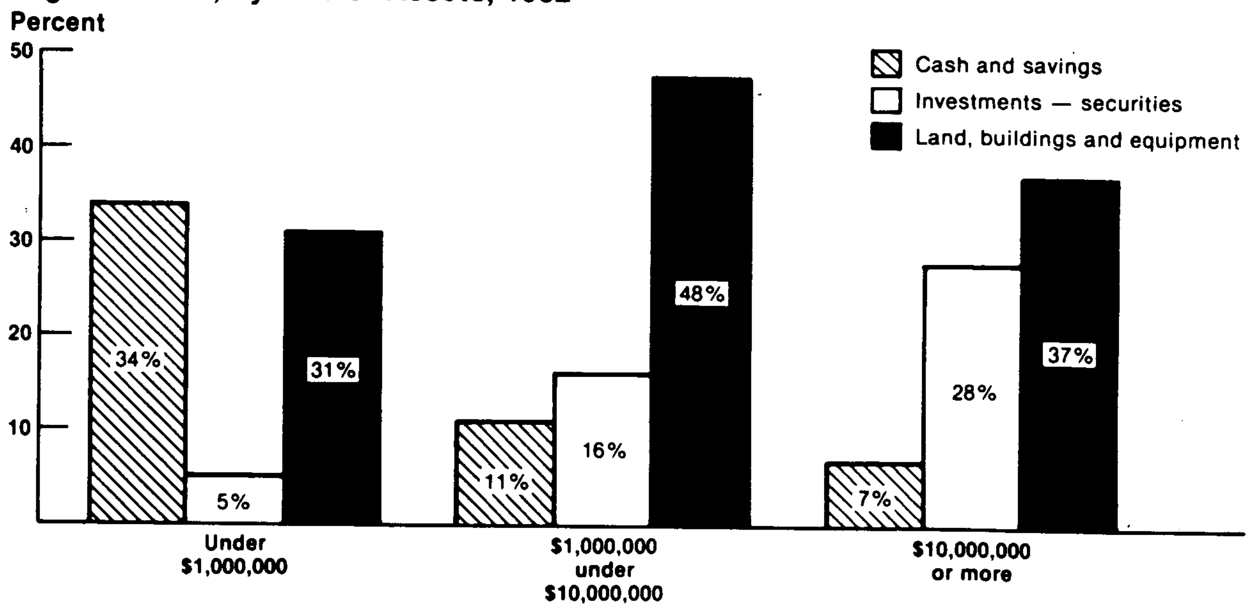


Figure F
Components of Assets of Nonprofit Charitable Organizations, by Size of Assets, 1982



"Mortgages and other notes payable" was the largest liability item. This item represented 44 percent of total liabilities. Organizations with asset holdings of $10 million or more accrued 78 percent of this item. Other liabilities was the next largest liability item.

As shown in Figure G, California, New York and Pennsylvania ranked 1 through 3, respectively, in terms of number of nonprofit charitable organization returns filed for 1982, as well as for financial items. California organizations filed 11 percent of all returns and New York and Pennsylvania filed 8 and 7 percent of all returns, respectively. With respect to receipts, New York received 14 percent of total contributions followed by Illinois with 12 percent and California with 9 percent. California, New York and Pennsylvania ranked 1 through 3, respectively, in terms of program service revenue, with California receiving 12 percent of program service

Figure G.--Selected Income and Balance Sheet Items for Top Ten States Ranked by Total Assets, 1982

[All figures are estimates based on samples - money amounts are in thousands of dollars]

State	Number of returns	Total assets	Total receipts	Total contributions received	Total government grants	Total program service revenue
U.S. total	75,741	279,638,065	196,305,702	41,272,738	19,180,588	124,373,341
New York	5,958	53,554,152	27,459,756	5,620,951	1,586,329	13,481,064
California	8,639	22,810,196	21,097,305	3,879,449	1,536,975	14,782,910
Pennsylvania	5,552	18,956,845	14,572,073	1,681,410	768,688	11,462,890
Massachusetts	3,969	15,701,769	10,308,112	2,682,653	1,755,192	5,671,428
Illinois	4,346	15,453,685	14,635,356	5,058,665	2,825,289	8,109,279
Ohio	3,861	12,202,203	10,249,112	2,883,914	1,915,931	6,305,390
Texas	3,650	12,023,368	7,744,494	2,063,163	645,194	4,446,011
Maryland (incl. DC).	1,659	8,701,567	7,076,882	1,981,016	1,238,696	3,797,341
New Jersey	1,917	8,069,478	4,769,614	723,374	311,340	3,175,808
Michigan	3,688	7,729,103	6,192,503	558,643	234,489	5,259,555

revenue, New York 11 percent, and Pennsylvania 9 percent. New York ranked first in terms of assets held, followed by California and Pennsylvania. New York organizations held 19 percent of total assets, California 8 percent and Pennsylvania 7 percent.

GROWTH OF NONPROFIT CHARITABLE SECTOR, 1975 - 1982

As shown in Figure H, nonprofit charitable organizations reported total revenues of $196.3 billion in 1982, 21 percent of which was obtained from contributions, gifts and grants.

Figure H.--Nonprofit Charitable Organizations, 1975 and 1982

[Money amounts are in billions of dollars]

Item	1975	1982
Number of returns............	82,048	75,738
Total assets.................	$108.5	$279.6
Total revenue................	65.5	196.3
Contributions, gifts, and grants.................	17.1	41.3
Dues and assessments.........	1.5	2.5
Program service revenue......	n.a.	124.4
Total expenses...............	62.6	181.3
Program service expenses.....	36.8	151.7
Fundraising expenses.........	1.4	1.7
Management and general expenses	n.a.	27.4

n.a. Not available.
For more detail, see Table 1.
Source: For 1975, data are from Statistics of Income Bulletin, Fall 1981, p. 10.

This is in contrast to the $17 billion in contributions received in 1975, which represented 26 percent of total. Total expenditures were $181.3 billion, with direct spending for charitable services covering 84 percent of that total. Fees for services (program service revenue) generated 82 percent of program expenses.

Between 1975 and 1982, the number of organizations required to file Form 990 fell from 82,048 to 75,738; however, total assets over this period increased by $171.1 billion, a current dollar increase of 158 percent. Over the same period, total revenue grew by $130.8 billion while contributions, gifts and grants rose by only $24.1 billion. There are a number of explanations for the simultaneous drop in the number of filers between 1975 and 1982 and the substantial increase in assets and revenue. The primary reason for the drop in the number of filers is the changes in the filing requirement between 1975 and 1982. There was a change in 1976 when the minimum level of gross receipts required for filing purposes was raised from $5,000 to more than $10,000. Another change took place in 1982 when it was raised again to more than $25,000. Adjusting for the rate of inflation, this represented a 203 percent increase in the filing requirement (in 1972 dollars). This, along with a possible increase in the filing of group returns, may have accounted for the decrease in the number of organizations filing a return.

The economic climate of 1982 differed from that of 1975. Inflation was 6.1 percent in 1982 compared to 9.1 percent in 1975. Inflation has particularly negative effects on exempt organizations with endowment funds that depend on fixed long-term investments. In addition, both the stock and bond markets were depressed in 1974. Prices in both the stock and bond markets were much higher in 1981-1982 than in 1974-75 [5].

It may have been that the Economic Recovery

Tax Act (ERTA) of 1981 had a dampening effect on giving by reducing marginal tax rates. ERTA increased the cost of giving since the value of a contribution taxwise was less valuable [6]. ERTA reduced average marginal tax rates as well as the maximum marginal rate (from 70 to 50 percent). The resultant increase in the cost of giving may have had a substitution effect on an individual's willingness to contribute. Estate tax filings were also affected by provisions of the Tax Reform Act of 1976 that progressively raised the gross value of the estate required to file to $175,000 from a level of $60,000 in 1975. Charitable bequests for those estates not required to file would have a higher cost than when the estates were taxed.

COMPARISON OF FINANCIAL DATA WITH PRIVATE FOUNDATION AND NATIONAL ECONOMIC STATISTICS

The growth of nonprofit charitable organizations both absolutely and relatively is shown in Figure I. As can be seen, total revenue and expenditures grew faster than total assets which means nonprofit charities expanded their charitable activity rather than added to capital assets. Revenue and expenditures all grew faster than GNP. The growth of the nonprofit charitable sector could reflect the increasing shift of the overall economy from a manufacturing to a service industry base. Service industries such as education, health services, and social services are the dominant activities within the charitable sector.

As shown in Figure J, nonprofit charitable organizations and private foundations filed 104,206 returns during Tax Year 1982 [1]. Seventy-three percent or 75,738 of the returns were filed by nonprofit charitable organizations and 28,468 or 27 percent of the returns were filed by private foundations. Asset holdings for these organizations amounted to $328 billion with nonprofit charitable organizations holding 85 percent of the total and private foundations holding 15 percent. Land, buildings and equipment (minus accumulated depreciation) represented the largest asset holding for nonprofit charitable organizations (38 percent of their total assets) while the same asset item represented only 3 percent of private foundation total asset holdings. Investments in securities represented 25 percent of nonprofit charitable organization asset holdings and 78 percent of private foundation asset holdings.

Total receipts received for both types of organizations were $205 billion. Nonprofit charitable organizations received $196 billion or 96 percent of total receipts and private foundations received $9 billion or 4 percent of total receipts. (Nonprofit charitable organizations with assets in excess of $50,000,000 received 46 percent of all nonprofit charitable organization receipts and private foundations with assets in excess of $50,000,000 received 43 percent of all private foundation receipts.) Program service revenue represented 63 percent of all receipts received by nonprofit charitable

Figure I.--Nonprofit Charitable Organizations, 1975 and 1982: Alternative Measures of Sector Change

[Money amounts are in billions of dollars]

Type of measure	1975 (1)	1982 (2)	Percentage change (3)
Total revenues (in 1972 constant dollars)	$52.1	$ 94.9	+82.1%
Total assets (in 1972 constant dollars)	86.2	135.1	+56.7
Total expenditures (in 1972 constant dollars)	49.8	87.6	+75.9
Total revenues divided by GNP	4.2%	6.3%	+50.0
Total expenditures divided by GNP	4.0%	5.9%	+47.5
Total revenues per capita divided by per capita income	5.9%	9.0%	+52.5
Total expenditures per capita divided by per capita income	5.6%	8.3%	+48.2
Total revenues divided by revenues of business entities	1.8%	2.5%	+38.9
Total assets divided by assets of business entities	2.0%	3.0%	+50.0

NOTE: Revenue, assets, and expenditures were converted into 1972 dollars using the GNP price deflator. Per capita income is equal to GNP divided by U.S. population. Business entities include corporations, nonfarm partnerships and nonfarm sole proprietorships.

Source: Business entity data are from the U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income Division, published and unpublished tables. GNP price deflator is from U.S. Council of Economic Advisers, Economic Report of the President, February 1984, p. 224. U.S. population data are from U.S. Bureau of the Census, Current Population Reports, Series P-25, and unpublished data.

Figure J.--Selected Balance Sheet and Income Statement Items of Nonprofit Charitable Organizations and Private Foundations by Asset Size, 1982

[All figures are estimates based on samples - money amounts are in millions of dollars.]

Item	Total	Nonprofit charitable organizations	Private foundations
Number of returns	104,206	75,738	28,468
Total assets	$327,865	$279,638	$48,227
Selected assets			
Land, buildings and equipment, net	108,162	107,077	1,512
Investments in securities	107,163	69,745	37,418
Total receipts	205,433	196,306	9,127
Selected receipts			
Program service revenue	124,486	124,373	113
Contributions received	43,952	41,273	2,679
Investment income	13,241	9,471	3,770
Total expenditures	187,133	181,299	5,834
Program service expenditures	151,668	151,668	n.a.
Contributions, gifts and grants paid	4,478	n.a	4,478

n.a. Not available

organizations. Private foundations' gross profit from business activities (most comparable to program service revenue of nonprofit charitable organizations) represented less than 2 percent of total foundation receipts.

Total contributions received by both types of organizations amounted to $44 billion. Nonprofit charitable organizations received $41 billion in total contributions or 94 percent of total contributions and private foundations received $3 billion in total contributions or 6 percent of total contributions. Total expenditures amounted to $187.1 billion for both types of organizations. Nonprofit charitable organizations expended $181.3 billion or 97 percent of total expenditures and private foundations expended $5.8 billion or 3 percent of total expenditures. Eighty-four percent or $151.7 billion of nonprofit charitable organization total expenditures were spent on program service expenditures. Seventy-seven percent or $4.5 billion of private foundation total expenditures were spent on contributions, gifts and grants (comparable to program service expenditures of nonprofit charitable organizations).

ACTIVITIES OF NONPROFIT CHARITABLE ORGANIZATIONS

With respect to assets, liabilities, revenues and expenses, the largest organizations were predominantly educational institutions and hospitals as shown in Figure K. One of the principal reasons for the growth in assets and revenue between 1975 and 1982 may have been a response to reduced governmental spending for social services. Cutbacks in spending for health and education may have stimulated growth in the nonprofit sector especially in the larger hospitals and educational institutions. The most prevalent form of organization were publicly-supported organizations. These accounted for 67 percent of the organizations, but only 20 percent of total assets.

Figure L shows the differences in the components of the assets and revenue of hospitals, schools and support organizations. Hospitals have a large capital investment in land, buildings and equipment while schools and support organizations held fewer assets in land, buildings and equipment and were more heavily concentrated in investments. Contributions, gifts and grants accounted for 55 percent of the revenue of support organizations, 25 percent of the revenue received by schools, but only 3 percent of the revenue received by hospitals.

Education and health services are good examples of industries that are represented in the private business sector, the government sector and the nonprofit charitable sector. While there certainly is overlap, in general,

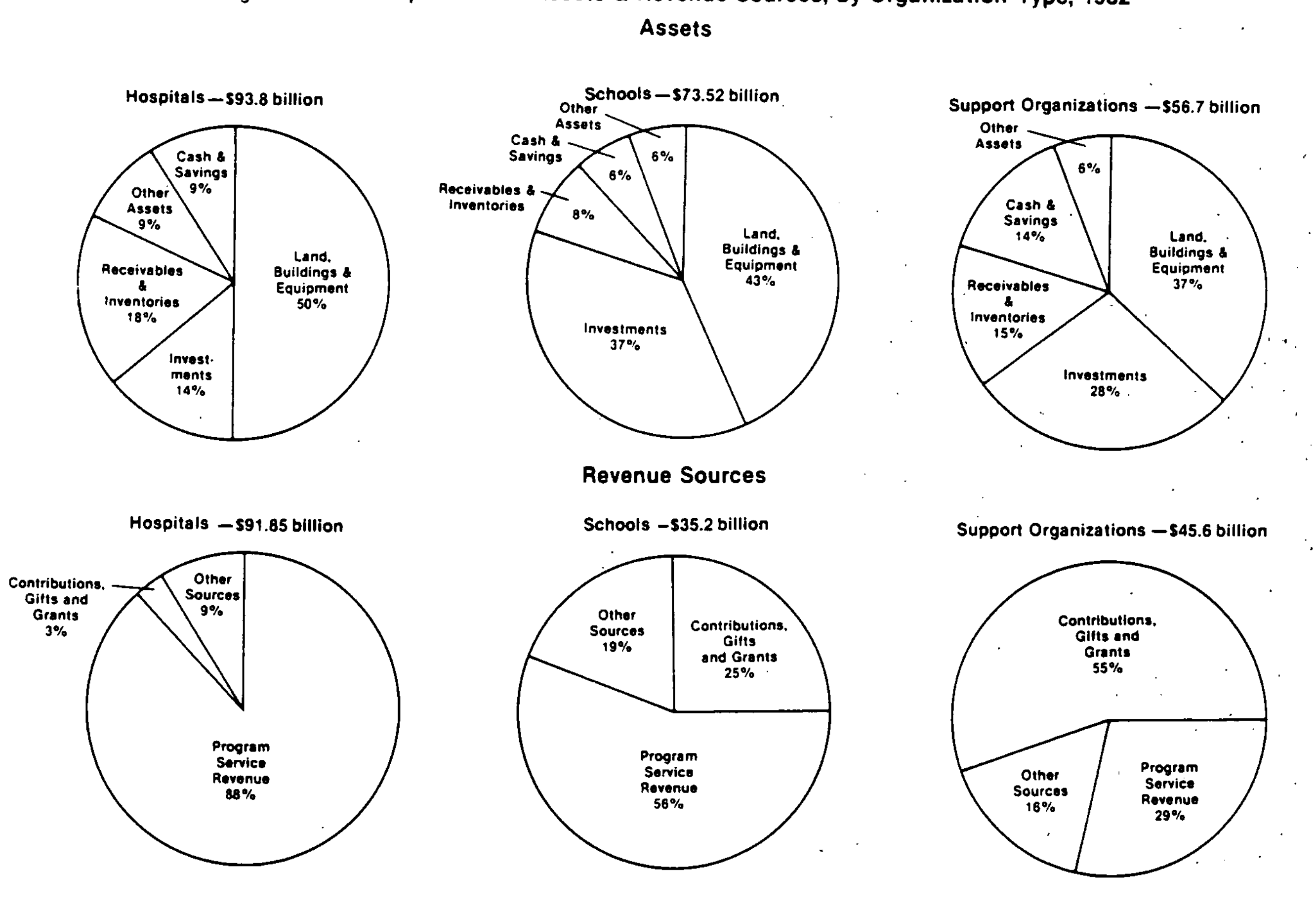
Figure K.--Nonprofit Charitable Organizations, Excluding Private Foundations: Balance Sheet and Income Statement Items, by Type of Organization, 1982

[All figures are estimates based on samples - money amounts are in millions of dollars]

Type of organization 1/	Number of returns (1)	Total assets (2)	Total liabilities (3)	Total revenue (4)	Total expenses (5)
Total	75,733	$279,632	$116,771	$196,300	$181,294
Churches 2/	2,022	2,837	915	1,517	1,255
Schools	8,335	73,524	13,685	35,224	29,843
Hospitals	5,021	93,839	45,797	91,855	87,278
Government units	701	1,182	443	1,242	1,201
Hospital research organizations	546	1,296	229	560	523
Organizations supporting a public college	1,057	3,400	338	1,860	1,343
Publicly-supported organizations	50,738	56,737	22,812	45,620	43,042
Organizations supporting charitable organizations	4,893	42,418	30,764	15,586	14,267
Organizations testing for public safety	1	104	13	93	85
Not reported	2,419	4,295	1,775	2,743	2,457

1/This classification was derived from Schedule A (Form 990), Part IV, entitled "Reason for Non-Private Foundation Status."
2/Churches are not required to file a Form 990. Most of the organizations in this category either filed voluntarily or misreported their type of organization. This estimate is, therefore, not inclusive of the majority of religious organizations.

Figure L.--**Composition of Assets & Revenue Sources, by Organization Type, 1982**



the for-profits target a different market than the nonprofits and government providers. For example, earnings of nonprofit hospitals are used for provision of medical services as opposed to for-profit entities, which may distribute their earnings to individual investors.

Figure M shows, by type of organization, that hospitals dominated the financial statistics for all organizations. This type of organization represented only 7 percent of total returns filed, but held 34 percent of total assets, and received 47 percent of total revenue. Publicly-supported organizations such as the American Cancer Society and the American Red Cross, dominated the statistics in terms of the number of returns filed and ranked second in total revenue received, but third in total assets. This type of organization filed 67 percent of all returns, received 23 percent of total revenue and had 20 percent of total assets. Schools ranked second in terms of assets held, but third in total revenue. Schools held 26 percent of total assets. Schools also ranked second in number of returns filed, representing 11 percent of total returns filed.

FUTURE PLANS

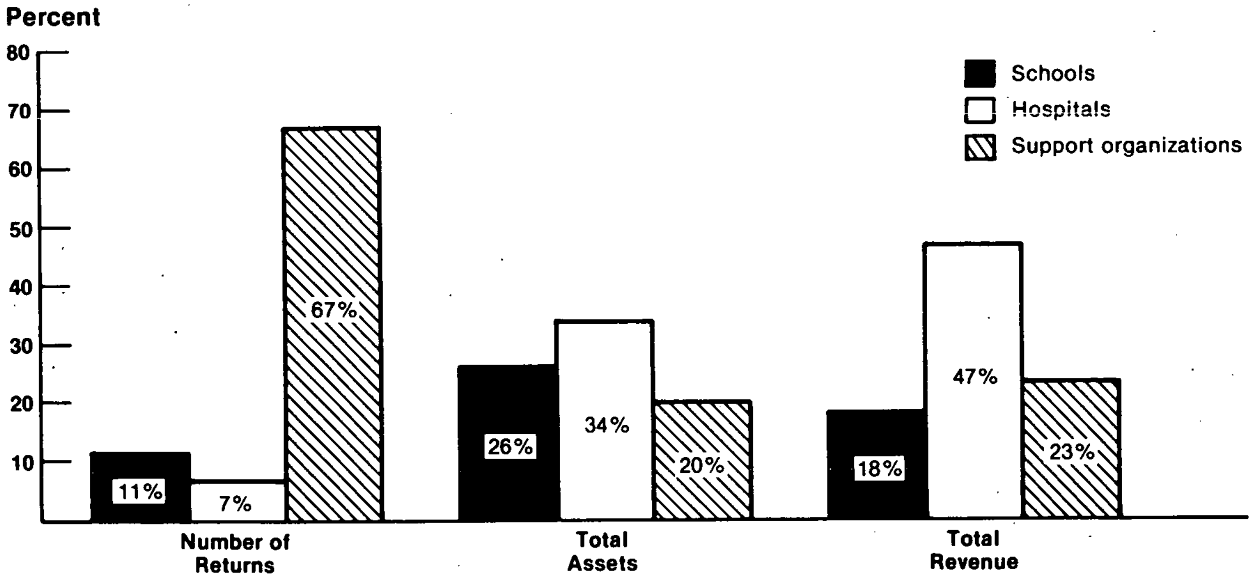
Our future plans call for conducting studies of both 501(c)(3) nonprofit charitable organizations and private foundations each year. Results for 1982 were published in the Winter 1985-1986 issue of the Statistics of Income Bulletin. Results from our 1983 studies will be available in the Spring 1987 issue of the SOI Bulletin. Because of the effect of Gramm-Rudman on our resources, we will not be conducting 1984 exempt studies, but will be back on our regular annual cycle in 1985, barring any unforeseen contingencies.

The sample design for the exempt organization study is partially longitudinal in design. Exempt organization returns with $20 million or more in assets will be included in the sample every year. For organizations in this size class that are added to the sample as a result of growth, we will have data for every year since they were selected and data for the year prior to their initial selection. We plan to develop an archival file with charitable exempt organization data utilizing the longitudinal data.

In addition to the data from the SOI sample, we are working with other areas of the Service to perfect exempt organization administrative data for the population of exempt organization filers. The advantages of administrative data are that they are economical, timely and not subject to sampling error. The disadvantages are limited item content and that the data are not subjected to the rigorous data checking that SOI studies do.

The National Center for Charitable Statistics (NCCS) is helping to support the Tax Year 1983 and Tax Year 1985 projects. NCCS representatives are working with us to augment the 1985 sampling plans to strengthen the sample design, especially in the lower asset size strata. Our current sample is designed to obtain greater numbers of returns in the larger asset classes. As a result, social welfare organizations, which are largely in the lower asset size classes, are not well represented in our sample. We are working with NCCS to augment the sampling frame for social welfare organizations. In addition, we are working with NCCS on assigning primary activity codes for each organization in our 1982-1983 files.

Figure M
Selected Financial Items by Type of Organization, 1982



Future SOI exempt organization studies are being planned with heightened emphasis placed on developing a multi-purpose database which can be tailored to the needs of a broader spectrum of data users. We are currently planning a pilot and a full-scale study of exempt organizations with unrelated business income. In the Fall of 1986, we will be obtaining limited information on the population of Form 990-T (Exempt Organization Business Income Tax Return) filers from our administrative files. We will be checking the quality of data from this file by checking the data against a sample of separately edited returns. We will also be using data from this administrative file to draw a national sample of approximately 2,000 returns. Results from this study will be available in the Fall of 1987. A full-scale study based on a sample of 7,500 returns is planned for 1988 with results available in late 1989.

Our plan is to tie in the file on unrelated business income with our files of exempt organization returns. Another planned study is to link our Form 990 and 990-PF files to Form 941 employment and earnings data that contain charitable employment data. Finally, our long-range goal is to use a combination of administrative data and SOI special studies to answer special requests on a timely basis.

ACKNOWLEDGMENTS

The author would like to thank John Sullivan for his technical advice and for his careful research of material for this paper. Thanks are also due to Cecelia Hilgert and Beth Kilss for valuable comments made and for reviewing and editing drafts of the paper, and to Nancy Dutton for typing assistance through a multitude of drafts.

NOTES AND REFERENCES

[1] Riley, Margaret, "Private Foundation Information Returns, 1982," Statistics of Income Bulletin, Fall 1985, Vol. 5, No. 2, pp. 1-27.

[2] Heuchan, Laura M., "Nonprofit Charitable Organizations, 1982," Statistics of Income Bulletin, Winter 1985-86, Vol. 5, No. 3, pp. 11-40.

[3] Sullivan, John, and Coleman, Michael, "Nonprofit Organizations, 1975-1978," Statistics of Income Bulletin, Fall 1981, Vol. 1, No. 2, pp. 6-38.

[4] National Council of the Churches of Christ in the United States of America, Yearbook of American and Canadian Churches, New York, NY, 1983.

[5] U.S. Council of Economic Advisers, Economic Report of the President, 1975, pp. 310-311.

[6] For empirical evidence that ERTA did not negatively affect charitable giving, see Bristol, Ralph B., "Tax Cuts and Charitable Giving," Tax Notes, July 15, 1985, pp. 323-326.

APPENDIX

Sample Design

The data base developed for this article was constructed by the Statistics of Income Division using the concept of an income year as opposed to a processing year. The income year 1982 statistics in this article cover accounting periods ending December 1982 through November 1983.

The sample size is 4,398 organizations. The estimates of nonprofit charitable organizations presented here are based on a random probability sample of 1982 unaudited information returns (Form 990) stratified by asset levels. The sample was selected on the basis of size of assets. In addition, since the 1982 filing requirement grants an exemption to entities with receipts of $25,000 or less, this was incorporated as a parameter for bypassing these organizations for sample selection.

Limitations of the Data

The data presented in this article are subject to sampling and nonsampling error. Nonsampling error would stem primarily from interpretation of charitable organization entries on the Form 990 and the efficiency of testing utilized in detecting inconsistencies in the data as well as the quality of the subsequent correction processes. When a 1982 return was not available, 1981 returns were substituted as proxies. Sampling rates range from 1.00 for organizations with $10 million or more in assets to .0021 for organizations with assets below $500,000. Additionally, the weighting of the data file had to be adjusted for non-response. The low rate of sampling for lower asset organizations increases the sampling variability for these strata. The approximate coefficient of variation for each sampling rate is shown in Figure 1.

Figure 1.--Approximate Coefficient of Variation for Number of Returns by Size of Assets

Approximate coefficient of variation	Size of assets		
	Under $500,000 or blank	$500,000 under $2,500,000	$2,500,000 under $10,000,000
	(1)	(2)	(3)
0.05	50,100	11,300	5,500
0.07	40,100	9,000	4,200
0.10	28,100	6,200	2,800
0.15	16,200	3,500	1,600
0.20	10,200	2,200	950
0.30	5,000	1,050	450

Nonprofit Charitable Organizations, 1983

By Cecelia Hilgert*

Nonprofit charitable organizations filing returns for 1983 showed increases in the major sources of revenue and other financial items reported by these organizations [1]. Total revenues and expenses both rose by more than 14 percent over the previous year [2]. Fees collected from the public for services performed (program service revenue) comprised two-thirds of the total revenue of these organizations and increased by 19 percent to $147.5 billion (Figure A). Contributions received, on the other hand, comprised only about one-fifth of total revenue and increased by 12 percent to $46.4 billion. These data were obtained from Form 990, the information form which is filed by charitable organizations with annual gross receipts of more than $25,000.

Figure A.—Selected Data Items for Nonprofit Charitable Organizations, 1982 and 1983

[Money amounts are in billions of dollars]

Item	1982	1983
	(1)	(2)
Number of returns	75,738	89,052
Total assets	$279.6	$331.2
Total revenue	196.3	224.0
Contributions, gifts, and grants	41.3	46.4
Dues and assessments	2.5	3.1
Program service revenue	124.4	147.5
Total expenses	181.3	207.5
Program service expenses	151.7	173.6
Fundraising expenses	1.7	1.8
Management and general expenses	27.4	31.8

Source: Data for 1982 are from *Statistics of Income Bulletin,* Winter 1985-86, Volume 5, Number 3, p.21.

The Internal Revenue Code classified nonprofit organizations into 23 groups, certain of which could receive tax deductible contributions; those organizations that were exempt under section 501(c)(3) received the major share of the tax deductible donations. Tax-exempt status was typically granted to organizations having purposes that were religious, educational, scientific, health-related, or literary, or that were related to testing for public safety. Examples of the diversity of organizations meeting tax-exempt criteria under section 501(c)(3) were universities, hospitals, art museums, YMCA activities, community theaters, and environmental support groups such as the National Audubon Society. Data in this article refer only to the tax-exempt section 501(c)(3) organizations (exclusive of private foundations), hereinafter called "nonprofit charitable organizations" [3]. Churches, including a convention of churches, or an association of churches, were not required to file Form 990 and were not included in these data; in 1982, there were 338,000 churches in the United States [4]. Some religious-affiliated organizations did file Form 990, and these were included in the data.

In 1983, an estimated 89,052 of the 279,895 organizations recognized by the Internal Revenue Service as nonprofit charities filed Form 990, up markedly from the 75,738 organizations that filed for 1982 [5]. These organizations were granted tax-exempt status with the qualification that their activities had to be substantially related to the exempt purpose of the organization and had to serve public interests. A further stipulation was that net earnings could not flow to a private shareholder or individual, and there were restrictions also on activities to influence legislation. Finally, these organizations could not participate in any political campaign on behalf of any candidate for political office.

The asset holdings of nonprofit charitable organizations increased from 1982 to 1983 by an inflation-adjusted 14 percent to $331.2 billion [6]. Four-fifths of the total assets was held by the 5 percent of the organizations with assets of $10,000,000 or more. Likewise, these larger organizations received three-fourths of the total revenue; most of the $28-billion increase in total revenue over the previous year can be attributed to these organizations with assets of $10,000,000 or more. Figures B and C present the leading organizations in revenues and assets, respectively, for 1983.

Figure B

Top Ten Section 501(c)(3) Organizations Ranked by Total Revenue, 1983

[Money amounts are in millions of dollars]

Name	Total Revenue
Teachers Insurance and Annuity Association of America	$4,118
Kaiser Foundation Health Plan	2,514
College Retirement Equities Fund	2,430
New York City Health and Hospitals Corporation	1,745
Kaiser Foundation Hospitals	1,322
University of Pennsylvania	830
American National Red Cross	786
University of Chicago	781
Sisters of Mercy Health Corporation	771
Stanford University	759

*Foreign Special Projects Section. Prepared under the direction of Michael Alexander, Chief.

Figure C
Top Ten Section 501(c)(3) Organizations Ranked by Total Assets, 1983
[Money amounts are in millions of dollars]

Name	Total Assets
Teachers Insurance and Annuity Association of America	$16,144
College Retirement Equities Fund	14,748
Harvard College	3,558
Stanford University	1,949
Yale University	1,878
Princeton University	1,611
Shriners Hospital for Crippled Children	1,480
New York City Health and Hospitals Corporation	1,315
Kaiser Foundation Hospitals	1,197
University of Pennsylvania	1,188

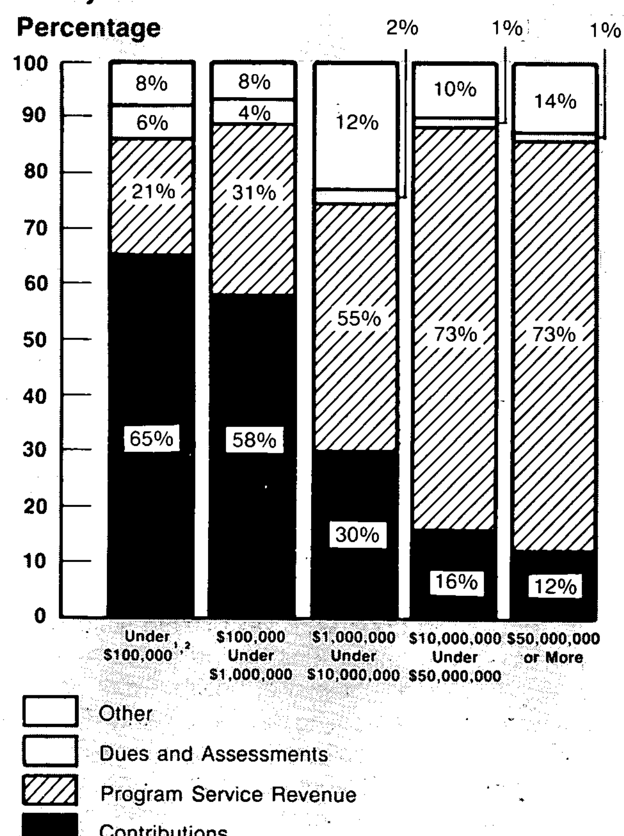
In contrast, as would be expected, the large increase in the number of returns filed primarily reflected the increasing number of organizations with assets of less than $10,000,000. Organizations of this size filed 84,282 returns for 1983, an increase of almost 13,000 over 1982. Organizations having $500,000 to $1,000,000 in assets, principally publicly-supported organizations, showed a particularly notable rate of increase for 1983. Organizations of this size filed 75 percent more returns than for 1982, reported 58 percent more total revenue, and reported a 70-percent increase in total assets.

1983 FINANCIAL CHARACTERISTICS

Program service revenue—the term used for the fees collected for the programs operated by nonprofit institutions—remained the leading type of revenue received for 1983, totaling $147.5 billion and accounting for two-thirds of their total revenue. Program service revenue included hospital patient care charges (whether paid by the patients or through Medicare, Medicaid, or other third-party reimbursement); tuition, fees, and day care charges at educational institutions; admissions to museums, concerts or other performing arts events; educational workshop fees; document research fees collected by historical societies; charges for athletic programs and housing facilities at YMCA's; and payments received for insurance and retirement coverage by pension and annuity funds. With an increase of nearly 19 percent, program service revenue represented a slightly greater proportion of total revenue for 1983 than it had for 1982, reflecting the increasing need felt by these tax-exempt organizations to generate more revenue from their own programs rather than rely on contributions and grants [7].

Ninety-four percent of the organizations reporting contributions as a source of revenue for 1983 had assets of less than $10,000,000. Reliance on contributions was inversely related to the asset size of nonprofit charitable organizations (Figure D). Thus, while organizations with assets of less than $100,000 relied on contributions for 65 percent of their total revenue, organizations with assets of between $10,000,000 and $50,000,000 relied on contributions for only 16 percent, and those with assets of $50,000,000 or more for only 12 percent of their total revenue.

Figure D
Components of Revenue, by Asset Size, 1983



[1] Estimates should be used with caution because of the small number of sample returns on which they are based.
[2] Includes also returns with zero assets or assets not reported.

Contributions represented 21 percent of the total revenue of nonprofit charitable organizations. The contributions total was almost equally divided between direct public support ($20.1 billion) and Government grants ($22.0 billion). The nearly $5 billion increase in contributions reported for 1983 was divided fairly equally between the smaller organizations (those with assets of less than $10,000,000) and the larger organizations (Figure E).

Figure E.—Contributions Received by Nonprofit Charitable Organizations, by Asset Size , 1983
[Money amounts are in millions of dollars]

Asset size	Total contributions	Contributions received through direct support[1]	Contributions received through indirect support[1]	Contributions received through Government grants
	(1)	(2)	(3)	(4)
Total	$46,383	$20,130	$4,275	$21,978
Under $100,000	3,316	1,147	31	2,137
$100,000 under $500,000	4,510	1,128	458	2,9231
$500,000 under $1,000,000	5,241	1,547	333	3,361
$1,000,000 under $10,000,000	10,731	4,872	1,189	4,670
$10,000,000 under $50,000,000	9,798	5,763	1,214	2,821
$50,000,000 or more	12,787	5,672	1,050	6,065

[1] Includes contributions, gifts, grants and bequests received directly from the public.
[2] Includes contributions received indirectly from the public through solicitation campaigns conducted by fundraising agencies.
Note: Detail may not add to total because of rounding.

Total expenses of the nonprofit charitable organizations, comprising such functional classifications as salaries and wages, pension plan contributions, other employee benefits, legal fees, rent, interest, supplies and travel, totaled $207.5 billion for 1983. The expenses attributable to program services (the activities the organization was created to conduct and which formed the basis of its tax exemption) represented 84 percent of total expenses; salaries and wages totaling $68 billion were the single largest component of program service expenses. Management and general expenses, relating to the overall management and functioning of the organization rather than to the direct conduct of program services or fundraising, ranked second—15 percent of total expenses. Fundraising expenses and payments to affiliates together comprised only 1 percent of total expenses. Payments to affiliates were payments to organizations closely related to the reporting agency, such as support and dues payments by local agencies to their State and national agencies.

These percentage relationships were about the same for organizations regardless of asset size, although organizations with holdings of $10,000,000 or more accounted for 74 percent of all expenses. Organizations having assets of $500,000 to $1,000,000 showed the biggest increase in expenses for 1983, increasing by more than 60 percent from 1982 to almost $8 billion.

Land, buildings and equipment accounted for the major proportion of assets held by the charitable organizations. Cash and savings accounts were the second largest component (30 percent) of the assets of organizations with total assets of less than $1,000,000. Investments in securities increased as asset size increased, ranging from a low of 7 percent for organizations with asset holdings of less than $1,000,000 to 32 percent for organizations with holdings of $50,000,000 or more.

Mortgages and other notes payable were the largest liability item, totaling $64.2 billion for 1983, a 24-percent increase from 1982. One-third of the nonprofit charitable organizations reported liabilities of this type.

The balance sheet of a tax-exempt 501(c)(3) organization does not have an owner's equity section; earnings accrue instead to the net worth/fund balance section. Since these organizations must operate for the public good, their income and assets must be held and used to further the stated purposes of the organization. The net worth fund balance total for these organizations did increase to $190.7 billion for 1983, up 17 percent from 1982.

TYPES OF ORGANIZATIONS

Figures F and G display information available on the types of nonprofit charitable organizations that filed Form 990. This information was based on the section of the return which asked an organization to supply a reason for its not being classified in the "less-favored" tax category of private foundation. (A private foundation is subject to an excise tax on investment income and to certain types of taxes for activities that are not allowed by the Internal Revenue Code because it has private sources of funding. Also, the donors to a private foundation have a generally lower limit of deductibility for contributions.)

Figure F
Educational Institutions, Hospitals and Support Organizations as Percentages of All Nonprofit Charitable Organizations, 1983

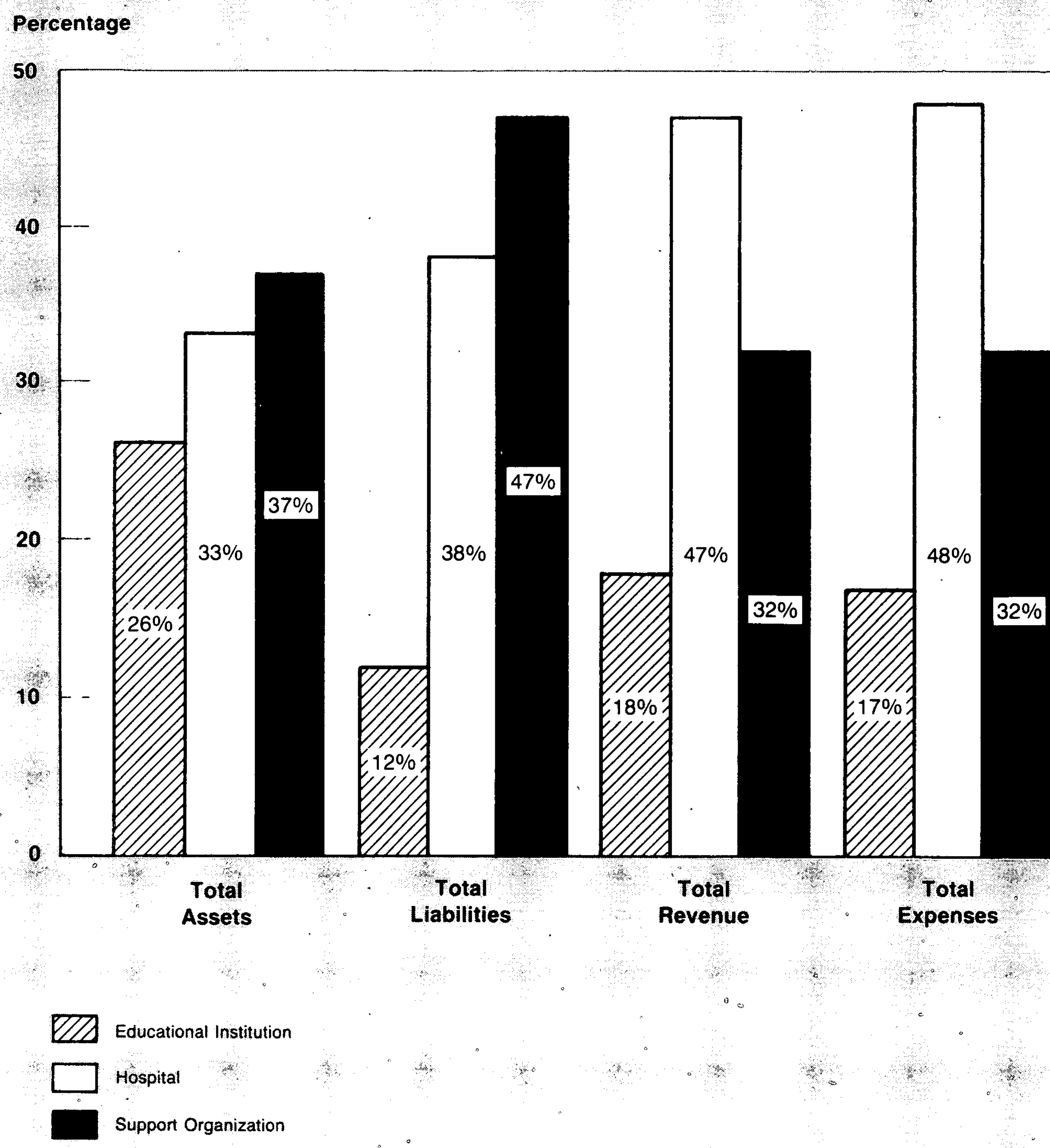


Figure G.—Selected Balance Sheet and Income Statement Items, by Type of Charitable Organization, 1983

[All figures are estimates based on samples—money amounts are in millions of dollars]

Type of organization	Total assets	Total liabilities	Total revenue	Program service revenue	Total expenses
	(1)	(2)	(3)	(4)	(5)
Total	$331,227	$140,505	$224,048	$147,513	$207,532
Church or religious-affiliated organization[1]	3,900	1,145	2,273	1,297	1,994
Educational institution	85,841	16,598	41,076	24,192	36,312
Hospital	109,698	53,767	104,593	93,828	99,044
Government unit	1,342	411	1,481	895	1,410
Hospital research organization	766	168	525	190	459
Organization supporting a public college	4,323	959	2,138	184	1,664
Publicly-supported organization	70,788	29,644	55,297	17,758	51,877
Organization supporting charitable organizations	53,195	36,717	15,515	8,594	13,697
Organization testing for public safety	(2)	(2)	(2)	(2)	(2)
Type not reported	1,373	736	1,150	1,075	577

[1] Churches are not required to file a Form 990. Most of the organizations in this category either filed voluntarily or misreported their type of organization. The estimate is, therefore, not inclusive of the majority of religious organizations.

[2] None present in the sample.

Note:- Detail may not add to total because of rounding.

Three categories—hospitals, educational institutions, and publicly-supported charities together with organizations that supported each charities—dominated the financial statistics. These organizations had $216.5 billion in revenue and $319.5 billion in assets, or more than 96 percent of the total revenue and total assets, respectively, for nonprofit charitable organizations.

Hospitals accounted for nearly one-half of total revenue and expenses, while publicly-supported charities and organizations that supported these charities ranked first in assets and liabilities. Examples of publicly-supported charities were the American Heart Association, Kaiser Foundation Health Plan, National Geographic Society, and United Way Organizations. Examples of organizations which supported public charities were Sisters of Mercy Health Corporation, College Retirement Equities Fund, Teachers Insurance and Annuity Association, and the National Collegiate Athletic Association.

The components of assets varied among these major types of organizations. Hospitals and educational institutions held one-half of their assets in land, buildings and equipment, with investments ranking as their second largest category of assets. The publicly-supported charities and organizations that supported these charities, in contrast, had one-half of their assets in investments and only 25 percent in land, buildings and equipment [8].

While program service revenue represented two-thirds of the combined revenue total for all nonprofit charitable organizations for 1983, this figure varied considerably by type of organization. It was the principal source of revenue for hospitals (90 percent) and schools (60 percent), but constituted only 38 percent of the total revenue of publicly-supported charities and organizations that supported such charities. Nevertheless, this latter group of organizations registered the biggest gain in program service revenue, rising by more than $6 billion to $26.4 billion, a 33-percent increase from 1982. The publicly-supported charities together with organizations that supported such charities in the asset-size class of $500,000-to-$1,000,000 filed 71 percent more returns for 1983 and as a group reported nearly 50 percent more revenue ($6.4 billion total) and 150 percent more program service revenue ($1.4 billion total).

Figure H shows the contributions received by the three major types of nonprofit charitable organizations for 1983. Contributions represented 25 percent of the total revenue of schools, 43 percent of the total revenue of publicly-supported charities together with organizations that supported such charities, but only 2 percent of hospital revenue. The total direct support and Government grants components of contributions to all nonprofit charitable organizations each rose from 1982 to 1983 by $2.8 billion, while the indirect support segment, which consisted of the contributions received indirectly from the public through solicitation campaigns conducted by fundraising organizations (such as a United Way organization), fell by 11 percent to $4.3 billion. Publicly-supported charities together with organizations that supported such charities and educational institutions were the leading recipients of contributions, representing almost 90 percent of the total contributions to all nonprofit charitable organizations. Government grants to educational institutions rose by nearly 20 percent for 1983 and by 13 percent to publicly-supported charities together with organizations that supported such charities, while hospitals reported negligible increases [9].

Figure H.—Contributions, by Major Type of Recipient Organization, 1983
[Money amounts are in millions of dollars]

Type of recipient organization	Total contributions		Direct support		Indirect support		Government grants	
	Amount	Percentage change, 1982 to 1983	Amount	Percentage change, 1982 to 1983	Amount	Percentage change, 1982 to 1983	Amount	Percentage change, 1982 to 1983
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total, all charitable organizations	$46,383	12.4%	$20,130	16.4%	$4,275	-11.0%	$21,978	14.6%
Educational institution	10,205	16.4	4,496	14.9	333	-12.1	5,376	20.0
Hospital	2,541	7.9	1,501	8.6	427	17.3	613	0.3
Support[1] organization	30,304	11.4	12,273	19.0	3,264	-15.4	14,767	13.2

[1] Includes publicly-supported organizations and organizations supporting charitable organizations.

SUMMARY

Nonprofit charitable organizations reported increases in all financial items for 1983. Total revenue and expenses both rose by more than 14 percent from 1982. Revenues received from their operating programs represented the major portion of total revenue (66 percent).

Asset holdings rose by 18 percent, from $279.6 billion to $331.2 billion. Organizations with assets of $10,000,000 or more accounted for three-fourths of total assets for all nonprofit charitable organizations. Land, buildings and equipment represented 38 percent of total assets due mainly to the predominance of hospitals and educational institutions.

Publicly-supported charities and organizations that supported such charities, e.g., United Way associations, Boy Scouts and Girl Scouts, YMCA's, and the American Cancer Society, led in total asset holdings and liabilities. Hospitals had the highest level of revenues.

DATA SOURCES AND LIMITATIONS

The statistics in this article are based on a sample of Tax Year 1983 Forms 990 filed by organizations classified under Internal Revenue Code section 501(c)(3) and having accounting periods ending December 1983 through November 1984. Forms 990-PF filed by private foundations under section 501(c)(3) were excluded. Calendar-year filers represented 44 percent of the population, while 39 percent of the noncalendar-year filers had accounting periods ending in June. The sample included 44 "group returns" [10].

The estimates of nonprofit charitable organizations were based on a random probability sample of 1983 unaudited information returns stratified by asset level. The sample was drawn from a multi-year sample frame of 105,391 organizations based on the latest return filed by each. Consequently, the sampling frame of 105,391 organizations included some whose last return filed was prior to 1983, for instance, terminated organizations and inactive organizations. A sample of 4,894 returns was drawn from the frame, and either a 1983 return was secured or a determination was made that there was no 1983 return. (Resource constraints necessitated a small sample size.) To compensate for the fact that not all 1983 returns were secured, the sample weight was increased for the asset classes under $10,000,000. For returns of organizations with assets of $10,000,000 or more all of which were to be selected, prior-year returns of the same organization were substituted in some cases and a weight of slightly more than one applied. The rates in the sample design ranged from .0021 for returns with assets of less than $500,000 to 1.00 (all returns) for returns of organizations with assets of $10,000,000 or more. Because of the small number of returns in the sample with assets of less than $100,000, such estimates have been pooled with other classes.

Because the data in this article are estimates based on a sample, they are subject to sampling and nonsampling error. To use the statistical data properly, the magnitude of the sampling error should be known. The size of the sampling error is estimated by the approximate coefficients of variation (CV's) as shown in Figure I. Returns with assets of $10,000,000 or more were selected at a prescribed rate of 100 percent; therefore, this category is not subject to sampling error. The approximate CV's shown here are intended only as a general indication of the reliability of the data. For a number other than those shown below, the corresponding CV's can be estimated by interpolation.

Figure I.—Coefficient of Variation for Number of Returns Determined for Specified Asset Size Classes

Coefficient of variation	Size of total assets		
	Under $500,000[1]	$500,000 under $2,500,000	$2,500,000 under $10,000,000
	(1)	(2)	(3)
0.020	—	17,900	7,500
0.050	54,500	13,800	5,700
0.075	41,200	10,300	4,200
0.100	30,700	7,600	3,100
0.150	17,800	4,400	1,700
0.200	11,200	2,700	1,100
0.250	7,600	1,800	700

[1] Includes returns with no assets or unreported assets.

NOTES AND REFERENCES

[1] See "Data Sources and Limitations" section of this article for a description of accounting periods included in the 1983 study.

[2] Heuchan, Laura M., "Nonprofit Charitable Organizations, 1982," *Statistics of Income Bulletin,* Winter 1985-86, Volume 5, Number 3, pp. 21-40.

[3] See Riley, Margaret, "A Private Foundation Profile for 1983," *Statistics of Income Bulletin,* Winter 1986-87, Volume 6, Number 3, pp. 11-24.

[4] National Council of the Churches of Christ in the United States of America, *Yearbook of American and Canadian Churches,* New York, NY: 1983.

[5] The total number of organizations from the Internal Revenue Service Exempt Organizations Business Master File, Monthly Exempt Organizations Statistical Summary, unpublished tables.

[6] All inflation-adjusted figures cited in this article were derived using the Gross National Product Implicit Price Deflator, 1982 = 100, calculated by the U.S. Department of Commerce, Bureau of Economic Analysis. For discussions of the deflator, see U. S. Department of Commerce, *Survey of Current Business,* U.S. Government Printing Office, April 1987, Volume 66, Number 4.

[7] A statistical study of the business income unrelated to the organization's exempt purpose (from the Form 990-T) is planned for Tax Year 1987.

[8] See Skelly, Daniel F., "Focus on Nonprofit Charitable Organizations, 1982," *Statistics of Income and Related Administrative Research: 1986,* U.S. Department of the Treasury, Internal Revenue Service, 1986.

[9] See Sullivan, John, and Coleman, Michael, "Nonprofit Organizations, 1975-1978," *Statistics of Income Bulletin,* Fall 1981, Volume 1, Number 2, pp. 6-38.

[10] A parent organization could file a return for affiliated organizations that were subject to the parent's control and were tax-exempt under a current group exemption letter. All the organizations on a group return had to have the same accounting period.

Table 1.—Returns of Tax-Exempt Section 501(C)(3) Organizations: Selected Income and Balance Sheet Items, by Size of Total Assets, 1983[1]

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Items	Total	Size of total assets					
		Under $100,000[2]	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Returns of Section 501(C)(3) organizations[1]	89,052	34,650	23,625	10,574	15,433	3,653	1,113
Total assets	331,226,616	1,153,191	4,650,584	7,236,697	53,026,851	84,167,245	180,992,045
Cash (non-interest bearing):							
Number of returns	79,337	31,500	21,000	9,172	13,605	3,108	948
Amount	5,177,582	195,694	400,769	403,850	915,662	1,279,372	1,982,232
Savings and temporary cash investments:							
Number of returns	61,780	19,425	17,850	8,408	12,260	2,970	864
Amount	28,430,078	435,277	1,138,774	1,265,268	6,300,457	7,205,393	12,084,906
Accounts receivable (net):							
Number of returns	40,887	7,350	11,550	6,497	11,190	3,251	1,047
Amount	23,580,826	58,648	432,236	528,488	3,155,484	7,708,455	11,697,512
Pledges receivable (net):							
Number of returns	5,175	525	525	509	2,562	763	289
Amount	3,875,209	*68,113	*35,263	81,074	1,308,796	1,318,098	1,063,861
Grants receivable:							
Number of returns	8,024	3,150	1,575	1,146	1,498	436	218
Amount	2,167,786	*40,210	*163,792	149,968	938,060	379,018	496,735
Receivables due from officers, directors, trustees and key employees:							
Number of returns	2,651	525	1,050	127	685	178	84
Amount	212,643	*348	*5,122	1,420	5,689	60,607	139,455
Other notes and loans receivable (net):							
Number of returns	12,205	2,100	2,100	2,038	3,810	1,561	594
Amount	6,276,645	*5,892	*38,919	118,101	685,741	1,938,135	3,489,854
Inventories for sale or use:							
Number of returns	20,134	2,625	5,775	2,548	5,582	2,666	937
Amount	3,152,735	*10,777	156,899	84,621	626,050	1,065,942	1,208,443
Prepaid expenses and deferred charges:							
Number of returns	33,272	7,350	8,925	4,331	9,008	2,760	896
Amount	2,272,661	17,704	62,026	49,309	391,886	659,111	1,092,621
Investments—securities:							
Number of returns	17,138	2,100	2,100	2,548	7,105	2,467	817
Amount	82,034,330	*48,461	*206,829	677,998	8,319,665	14,309,651	58,471,722
Investments—land, buildings and equipment (minus accumulated depreciation):							
Number of returns	9,429	2,625	3,150	382	2,285	713	273
Amount	7,445,320	*15,732	*218,099	194,651	1,591,968	1,751,594	3,673,272
Investments—other:							
Number of returns	8,659	525	2,100	1,401	2,867	1,254	511
Amount	19,947,679	*5,633	*99,318	210,882	1,539,439	3,235,204	14,857,201
Land, buildings, and equipment (minus accumulated depreciation):							
Number of returns	50,190	10,500	14,175	8,281	12,867	3,328	1,037
Amount	127,187,031	219,556	1,538,580	3,180,313	24,616,003	38,096,358	59,536,220
Other assets:							
Number of returns	40,460	9,450	10,500	7,516	9,160	2,895	938
Amount	19,466,086	31,135	153,953	290,747	2,631,944	5,160,300	11,198,006
Total liabilities	140,505,336	705,415	1,313,774	2,215,040	21,338,092	32,383,454	82,549,558
Accounts payable and accrued expenses:							
Number of returns	59,819	17,325	16,800	7,644	13,528	3,436	1,084
Amount	18,048,125	322,069	404,265	613,239	2,786,716	5,355,720	8,566,113
Grants payable:							
Number of returns	3,970	1,050	525	509	1,551	249	84
Amount	2,344,597	*283	*62,899	55,975	535,480	655,497	1,034,460
Support and revenue designated for future periods:							
Number of returns	12,409	2,625	3,675	1,656	3,656	615	180
Amount	4,304,999	*26,486	*232,819	159,648	1,474,061	1,351,140	1,060,842
Loans from officers, directors, trustees and key employees:							
Number of returns	2,832	1,050	1,575	—	151	47	08
Amount	219,657	*40,367	*23,888	—	9,167	96,282	49,952
Mortgages and other notes payable:							
Number of returns	29,808	4,725	7,875	4,713	8,931	2,661	901
Amount	64,229,778	*215,930	464,167	974,342	13,986,132	18,346,086	30,243,117
Other liabilities:							
Number of returns	34,556	8,925	7,875	5,350	8,702	2,767	934
Amount	51,358,177	100,276	125,733	411,834	2,546,534	6,578,725	41,595,072
Total fund balances/net worth:							
Number of returns	88,346	34,125	23,625	10,574	15,255	3,653	1,110
Amount	190,721,279	447,775	3,336,810	5,021,657	31,688,758	51,783,790	98,442,487
Total liabilities and fund balances/net worth:							
Number of returns	88,527	34,125	23,625	10,574	15,433	3,653	1,113
Amount	331,226,616	1,153,191	4,650,584	7,236,697	53,026,851	84,167,245	180,992,045
Total revenue	224,047,813	5,068,114	8,502,146	8,236,211	35,623,820	63,070,897	103,546,621
Total contributions	46,382,698	3,316,005	4,509,542	5,241,078	10,731,424	9,798,114	12,786,531
Contributions, gifts and grants received through direct public support:							
Number of returns	66,942	23,100	19,950	8,281	11,599	3,071	939
Amount	20,129,939	1,147,050	1,127,948	1,547,264	4,872,385	5,763,076	5,672,213
Contributions, gifts and grants received through indirect public support:							
Number of returns	15,392	2,625	4,725	3,057	4,065	675	243
Amount	4,275,000	*31,241	*458,197	332,855	1,189,028	1,213,939	1,049,738
Contributions, gifts and grants received through government grants:							
Number of returns	24,897	8,400	7,350	3,312	4,010	1,313	511
Amount	21,977,758	2,137,712	2,923,396	3,360,959	4,670,010	2,821,099	6,064,579

Footnotes at end of table.

Table 1.—Returns of Tax-Exempt 501(C)(3) Organizations: Selected Income and Balance Sheet Items, by Size of Total Assets, 1983[1]—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Items	Total	Size of total assets					
		Under $100,000[2]	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Program service revenue:							
Number of returns	55,415	19,950	14,700	5,860	10,885	3,030	987
Amount	147,513,210	1,046,302	2,914,868	2,195,381	19,737,934	46,000,197	75,618,524
Membership dues and assessments:							
Number of returns	22,211	11,550	4,725	2,420	3,074	358	82
Amount	3,116,177	323,735	*441,229	169,624	718,332	753,093	710,160
Interest on savings and temporary cash investments:							
Number of returns	64,513	22,050	17,325	9,045	12,361	2,872	857
Amount	3,845,825	47,630	118,204	139,175	764,087	1,054,705	1,722,021
Dividends and interest from securities:							
Number of returns	17,092	2,625	4,200	2,675	4,995	1,940	655
Amount	5,858,805	*7,470	*28,945	58,652	685,613	1,072,139	4,005,984
Gross rents:							
Number of returns	14,396	2,625	3,150	2,420	4,413	1,299	487
Amount	1,664,265	*160,500	*33,886	107,698	718,053	216,096	428,028
Rental expenses:							
Number of returns	6,200	1,575	1,050	637	1,951	687	299
Amount	980,468	*98,115	*27,108	113,613	392,170	127,916	221,543
Net rental income (loss):							
Number of returns	14,388	2,625	3,150	2,420	4,413	1,296	483
Amount	683,795	*62,384	*6,777	-5,914	325,883	88,180	206,484
Other investment income:							
Number of returns	3,218	525	—	509	1,573	422	187
Amount	1,146,903	*738	—	43,224	66,033	103,882	933,024
Gross amount from sale of assets—securities:							
Number of returns	8,132	525	1,050	1,401	3,397	1,302	454
Amount	36,949,396	*17,629	*31,738	200,205	1,895,766	6,683,284	28,120,772
Cost or other basis and sales expenses—securities:							
Number of returns	7,232	525	525	1,274	3,347	1,154	405
Amount	34,228,518	*12,362	*30,896	166,933	1,698,019	6,261,865	26,058,441
Gain (loss)—securities:							
Number of returns	8,000	525	1,050	1,274	3,397	1,297	455
Amount	2,720,877	*5,267	*841	33,271	197,747	421,419	2,062,330
Gross amount from sale of other assets:							
Number of returns	7,164	525	2,100	1,019	2,131	981	406
Amount	1,123,463	*735	*24,267	48,059	109,997	406,661	533,741
Cost or other basis and sales expenses—other assets:							
Number of returns	4,423	—	1,050	637	1,676	744	315
Amount	694,294	—	*10,307	66,419	37,908	262,634	317,023
Gain (loss)—other assets:							
Number of returns	6,533	525	1,575	891	2,131	1,000	410
Amount	429,169	*735	*13,960	-18,360	72,088	144,027	216,718
Total gain (loss) from sale of assets:							
Number of returns	13,123	1,050	2,625	2,038	4,767	1,936	705
Amount	3,150,047	*6,002	*14,801	14,911	269,835	565,446	2,279,049
Gross revenue—special fundraising events:							
Number of returns	18,583	8,925	5,250	2,038	2,006	281	81
Amount	1,893,932	300,190	338,035	206,317	795,800	116,121	137,466
Direct expenses:							
Number of returns	15,640	7,350	4,725	1,401	1,854	236	72
Amount	917,254	195,903	*139,731	118,328	391,007	42,252	30,030
Net income (loss):							
Number of returns	18,697	8,925	5,250	2,038	2,133	272	77
Amount	976,677	104,286	198,304	87,988	404,793	73,868	107,436
Gross sales minus returns and allowances:							
Number of returns	16,400	3,675	7,875	1,274	2,463	814	297
Amount	8,059,851	*123,592	403,298	46,592	1,600,627	2,910,170	2,975,569
Cost of goods sold:							
Number of returns	14,597	3,675	6,825	1,146	1,955	719	275
Amount	3,197,772	*104,155	263,304	32,863	578,363	1,019,944	1,199,139
Gross profit (loss):							
Number of returns	16,400	3,675	7,875	1,274	2,463	813	298
Amount	4,862,079	*19,436	139,993	13,729	1,022,263	1,890,225	1,776,430
Other revenue:							
Number of returns	46,706	14,700	13,650	5,733	9,186	2,615	820
Amount	6,511,592	134,118	129,478	278,359	897,616	1,671,043	3,400,972
Total expenses	207,531,660	5,189,809	7,892,137	7,991,643	33,201,583	58,417,329	94,839,157
Program services:							
Number of returns	82,674	31,500	22,050	10,319	14,214	3,509	1,079
Amount	173,579,388	4,339,823	6,106,422	6,727,988	27,154,303	47,992,308	81,258,542
Management and general:							
Number of returns	74,500	28,350	19,425	9,172	13,530	3,072	947
Amount	31,780,544	706,129	1,656,739	1,188,198	5,600,986	9,706,650	12,921,839
Fundraising:							
Number of returns	23,902	6,825	6,825	3,185	5,078	1,476	512
Amount	1,779,220	124,637	74,659	74,835	423,028	542,005	540,053
Payments to affiliates:							
Number of returns	3,951	1,575	1,575	127	533	101	38
Amount	392,507	*19,217	*54,315	620	23,264	176,365	118,722

[1]Excluding Private Foundations.
[2]Includes zero assets or not reported.
*Estimate should be used with caution because of the small number of sample returns on which it is based.
Note:—Detail may not add to total because of rounding.

Nonprofit Charitable Organizations, 1983

Table 2.—Returns of Tax-Exempt Section 501(C)(3) Organizations: Selected Income and Balance Sheet Items, by State, 1983[1]

[All figures are estimates based on samples—money amounts are in thousands of dollars]

State	Number of returns	Total receipts	Selected receipts: Total contributions received: Number of returns	Selected receipts: Total contributions received: Amount	Selected receipts: Direct public support: Number of returns	Selected receipts: Direct public support: Amount	Selected receipts: Indirect public support: Number of returns	Selected receipts: Indirect public support: Amount	Selected receipts: Government grants: Number of returns	Selected receipts: Government grants: Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
United States, total	89,052	224,047,813	72,434	46,382,698	66,942	20,129,939	15,392	4,275,000	24,897	21,977,758
Alabama	332	1,743,502	321	350,313	192	136,143	113	27,569	194	186,601
Alaska	56	174,130	56	149,836	55	125,642	—	—	5	24,194
Arizona	464	1,278,182	456	380,271	455	368,504	5	8,086	7	3,680
Arkansas	1,036	1,393,006	506	340,618	504	95,852	132	35,693	134	209,073
California	10,716	23,807,773	8,367	5,008,655	7,359	2,499,316	931	661,540	2,714	1,847,798
Colorado	366	2,269,534	354	349,153	174	186,540	262	19,213	69	143,400
Connecticut	1,025	4,339,212	1,020	509,292	1,017	441,453	66	21,807	44	46,032
Delaware	22	607,811	18	36,463	18	33,076	4	1,497	9	1,890
Florida	2,776	6,242,421	2,623	1,743,758	2,613	478,689	671	78,542	1,352	1,186,527
Georgia	1,295	3,432,157	1,280	819,764	1,278	356,796	496	64,580	283	398,389
Hawaii	404	709,594	147	134,766	146	41,069	3	5,281	135	88,416
Idaho	138	581,739	136	375,444	135	49,211	2	119	133	326,114
Illinois	3,898	15,045,895	3,456	3,936,812	3,397	1,065,007	1,403	487,475	2,026	2,384,329
Indiana	2,465	4,902,977	2,318	911,370	1,260	258,235	549	8,448	1,628	644,687
Iowa	943	1,629,875	941	301,917	940	143,046	188	11,078	86	147,792
Kansas	569	1,370,479	566	244,714	566	112,799	6	644	547	131,271
Kentucky	1,044	1,927,510	859	264,338	331	134,198	62	10,811	602	119,329
Louisiana	740	2,167,734	734	739,243	605	255,314	5	8,173	663	475,756
Maine	553	744,929	552	38,157	551	20,528	531	12,637	13	4,992
Maryland (incl. D.C)	4,235	8,658,379	1,895	2,214,975	1,834	823,282	154	266,227	440	1,125,466
Massachusetts	4,611	11,964,830	3,024	4,008,089	3,015	1,233,181	328	56,073	1,741	2,718,834
Michigan	2,475	7,698,572	2,313	608,610	1,728	354,937	349	51,014	575	202,659
Minnesota	1,578	3,231,929	1,041	787,525	1,040	342,621	147	115,447	290	329,458
Mississippi	737	1,371,163	731	131,473	724	49,340	529	33,813	193	48,319
Missouri	2,495	5,372,798	1,302	1,100,645	1,296	461,335	251	79,490	317	559,820
Montana	16	320,154	13	7,001	13	4,876	3	502	6	1,624
Nebraska	161	871,698	30	83,815	27	65,616	10	5,976	13	12,224
Nevada	105	407,183	105	16,474	105	14,568	51	1,906	—	—
New Hampshire	334	816,986	333	119,947	332	114,137	131	1,405	8	4,404
New Jersey	3,261	6,904,926	2,972	1,071,305	2,967	386,579	1,164	204,883	1,118	479,844
New Mexico	17	461,377	12	16,325	11	9,380	3	2,149	4	4,797
New York	9,942	31,261,534	8,167	6,345,557	7,715	3,153,120	1,106	1,009,377	4,469	2,183,059
North Carolina	1,875	4,517,106	1,868	1,322,948	1,737	606,532	677	155,856	883	560,560
North Dakota	18	592,257	16	12,806	14	11,517	1	715	3	574
Ohio	4,380	10,715,207	4,185	2,403,923	3,518	696,549	1,151	248,477	1,057	1,458,896
Oklahoma	1,215	2,060,013	898	329,863	897	215,897	5	3,074	62	110,893
Oregon	2,630	2,228,782	2,442	277,117	2,313	225,482	259	21,444	142	30,190
Pennsylvania	5,226	18,558,118	4,237	2,279,166	4,221	1,310,764	831	119,727	1,121	848,676
Rhode Island	1,131	1,200,180	1,129	171,929	1,125	102,634	8	55,646	14	13,649
South Carolina	94	958,215	88	118,425	85	79,460	60	15,587	14	23,378
South Dakota	449	830,790	448	33,258	448	26,503	127	4,616	6	2,139
Tennessee	1,636	3,038,715	1,496	542,633	1,494	345,354	669	83,373	27	113,905
Texas	5,664	9,288,256	4,201	2,276,545	4,063	1,475,379	989	124,633	1,291	676,533
Utah	7	761,198	3	24,207	3	23,976	1	28	1	203
Vermont	192	381,281	191	21,249	191	17,418	2	74	9	3,758
Virginia	1,648	4,043,076	1,637	750,078	1,633	559,565	29	37,706	213	152,807
Washington	1,812	2,778,004	757	185,307	755	127,621	144	13,122	28	44,564
West Virginia	740	1,136,375	736	182,270	607	24,720	56	14,874	141	142,676
Wisconsin	1,448	3,652,786	1,391	276,139	1,385	201,068	719	54,751	27	20,320
Wyoming	3	9,522	2	2,613	2	2,578	—	—	1	35
Foreign[3]	74	3,587,941	61	2,025,597	46	262,533	9	29,840	40	1,733,224

Footnote(s) at end of table.

Table 2.—Returns of Tax-Exempt 501(C)(3) Organizations: Selected Income and Balance Sheet Items, by State, 1983[1]—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

State	Selected receipts — Continued				Selected expenses				
	Program service revenue		Membership dues and assessments		Total expenses	Program service		Fundraising	
	Number of returns	Amount	Number of returns	Amount		Number of returns	Amount	Number of returns	Amount
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
United States, total	55,415	147,513,210	22,211	3,116,177	207,531,660	82,674	173,579,388	23,902	1,779,220
Alabama	321	1,096,379	106	40,735	1,645,926	326	1,253,528	69	7,154
Alaska	5	10,603	2	4	123,492	56	100,637	54	6,004
Arizona	328	678,842	129	7,598	1,201,659	461	1,036,582	182	19,885
Arkansas	1,035	956,984	2	1	1,321,942	1,036	1,062,772	184	9,925
California	4,812	16,403,996	3,215	536,556	22,141,004	9,414	18,368,434	2,700	197,227
Colorado	227	1,696,029	10	44,646	2,081,865	364	1,809,134	148	24,627
Connecticut	762	3,388,584	538	42,297	4,006,251	1,022	3,325,985	418	36,842
Delaware	17	403,346	4	4,758	538,505	21	444,424	8	1,902
Florida	2,321	3,694,185	536	13,870	5,705,518	2,769	4,594,525	428	23,578
Georgia	1,097	2,077,902	656	54,584	3,060,264	1,293	2,574,091	365	27,271
Hawaii	146	367,988	1	472	644,089	277	450,656	138	2,309
Idaho	11	196,178	—	—	625,919	138	586,410	7	826
Illinois	2,579	9,117,902	312	350,071	14,008,658	3,767	11,999,472	2,037	160,206
Indiana	1,401	3,465,024	13	49,630	4,619,831	2,462	4,009,635	93	17,197
Iowa	409	1,131,891	259	53,567	1,506,160	942	1,184,918	29	9,365
Kansas	567	1,019,144	5	670	1,205,260	569	1,015,147	23	4,994
Kentucky	329	1,440,129	530	3,356	1,745,856	514	1,453,981	124	13,593
Louisiana	555	1,273,267	1	(2)	1,965,034	210	1,351,705	60	12,321
Maine	27	658,772	—	—	683,487	24	552,496	8	2,854
Maryland (incl. D.C)	2,745	4,625,425	2,482	668,227	7,898,968	3,654	6,706,662	115	51,942
Massachusetts	2,720	6,756,808	775	26,095	11,184,370	4,477	9,644,064	581	113,995
Michigan	1,932	6,265,246	276	140,416	7,302,396	2,472	5,604,588	838	31,114
Minnesota	915	2,103,172	661	26,768	2,978,875	1,578	2,662,219	301	25,326
Mississippi	77	1,099,840	127	1,651	1,261,329	736	1,132,030	7	1,615
Missouri	1,707	3,624,564	185	60,511	4,869,745	2,491	4,208,623	294	20,967
Montana	15	286,710	2	2,891	292,562	16	246,891	7	1,178
Nebraska	29	644,159	3	1,353	752,988	34	612,777	17	11,033
Nevada	105	319,771	1	11	426,027	105	398,743	52	397
New Hampshire	206	620,897	127	3,042	721,083	333	563,499	193	12,372
New Jersey	2,582	4,683,495	1,195	98,745	6,619,753	3,103	5,009,994	1,236	56,428
New Mexico	10	260,278	—	—	415,832	15	330,994	3	430
New York	6,591	18,020,630	3,319	395,779	29,728,616	9,280	26,039,912	3,974	383,687
North Carolina	1,557	2,855,451	3	54	4,024,172	1,824	3,621,775	272	24,195
North Dakota	18	564,675	—	—	567,952	17	473,192	3	342
Ohio	2,190	7,255,811	602	95,430	9,803,391	3,323	7,962,651	1,330	35,830
Oklahoma	260	1,338,148	7	2,610	1,852,594	1,157	1,481,366	18	7,767
Oregon	1,571	1,773,969	130	3,377	2,158,947	2,628	1,710,544	589	24,388
Pennsylvania	3,623	14,806,805	1,337	31,531	17,525,400	5,165	15,047,432	1,823	168,170
Rhode Island	602	800,976	579	45,715	1,049,204	1,131	918,571	538	5,954
South Carolina	87	681,636	53	21,427	848,504	93	662,555	20	3,554
South Dakota	449	753,357	255	21,867	781,324	449	681,383	3	1,079
Tennessee	1,624	2,128,405	526	6,018	2,640,798	1,632	2,265,613	942	27,918
Texas	3,682	5,445,599	1,501	141,474	8,097,052	5,396	6,375,619	1,386	80,929
Utah	3	526,942	—	—	670,734	4	609,632	1	554
Vermont	192	327,588	1	34	348,812	192	279,872	7	2,025
Virginia	577	2,707,894	662	22,162	3,550,618	1,644	2,786,262	424	61,702
Washington	1,279	2,390,689	132	3,223	2,582,718	1,809	2,156,186	1,077	11,567
West Virginia	208	769,554	577	9,361	1,059,785	737	938,902	536	5,753
Wisconsin	865	2,976,303	361	20,547	3,387,706	1,446	2,848,612	214	11,084
Wyoming	3	2,956	—	—	6,678	3	5,082	1	249
Foreign[3]	43	1,018,312	11	63,044	3,292,009	64	2,418,612	22	17,594

Footnote(s) at end of table.

Table 2.—Returns of Tax-Exempt 501(C)(3) Organizations: Selected Income and Balance Sheet Items, by State, 1983[1]—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

	Information items				
	Total assets		Total Liabilities	Total fund balances/net worth	
	Number of returns	Amount		Number of returns	Amount
	(20)	(21)	(22)	(23)	(24)
United States, total	88,527	331,226,616	140,505,336	88,346	190,721,279
Alabama	332	2,725,349	1,033,919	332	1,691,430
Alaska	56	319,112	157,379	56	161,733
Arizona	464	2,051,022	1,292,920	464	758,101
Arkansas	1,036	1,993,054	798,116	1,036	1,194,938
California	10,716	27,121,085	10,934,995	10,665	16,186,090
Colorado	366	3,030,822	973,493	366	2,057,329
Connecticut	1,025	7,278,770	1,512,186	1,025	5,766,584
Delaware	22	1,428,852	331,418	22	1,097,433
Florida	2,776	8,929,773	3,456,005	2,776	5,473,768
Georgia	1,295	5,707,726	1,516,242	1,295	4,191,484
Hawaii	404	1,722,129	555,862	404	1,166,268
Idaho	138	488,164	146,704	138	341,460
Illinois	3,898	17,581,022	6,652,964	3,898	10,928,058
Indiana	2,465	6,712,987	2,845,399	2,465	3,867,588
Iowa	943	2,813,495	1,191,372	943	1,622,122
Kansas	569	1,640,044	576,281	569	1,063,763
Kentucky	1,044	3,620,074	1,348,101	1,044	2,271,973
Louisiana	740	2,895,787	1,208,255	740	1,687,533
Maine	553	1,019,329	359,828	553	659,501
Maryland (Incl. D.C)	4,235	11,654,422	4,572,550	4,235	7,081,872
Massachusetts	4,611	18,440,159	5,523,179	4,611	12,916,980
Michigan	2,475	9,123,174	4,152,505	2,475	4,970,669
Minnesota	1,578	4,534,977	1,945,596	1,578	2,589,381
Mississippi	737	1,681,617	554,734	737	1,126,883
Missouri	2,495	7,891,587	2,851,233	2,495	5,040,354
Montana	16	411,434	213,538	16	197,896
Nebraska	161	2,058,016	682,820	161	1,375,196
Nevada	105	722,130	310,828	105	411,302
New Hampshire	334	1,546,470	481,769	334	1,064,701
New Jersey	3,261	10,979,120	5,020,382	3,261	5,958,738
New Mexico	17	786,504	413,832	17	372,672
New York	9,417	62,635,012	42,479,369	9,414	20,155,643
North Carolina	1,875	6,449,695	1,777,803	1,747	4,671,892
North Dakota	18	684,448	410,638	18	273,810
Ohio	4,380	14,075,206	5,514,088	4,380	8,561,118
Oklahoma	1,215	4,447,272	1,165,937	1,215	3,281,335
Oregon	2,630	2,656,739	1,210,973	2,630	1,445,765
Pennsylvania	5,226	22,117,923	8,053,944	5,226	14,063,979
Rhode Island	1,131	1,943,204	613,366	1,131	1,329,839
South Carolina	94	1,628,914	610,194	94	1,018,720
South Dakota	449	1,449,991	836,981	449	613,010
Tennessee	1,636	4,398,345	1,362,215	1,636	3,036,130
Texas	5,664	14,486,624	5,061,925	5,664	9,424,699
Utah	7	1,231,472	426,311	7	805,161
Vermont	192	858,929	272,426	192	586,502
Virginia	1,648	6,278,357	1,787,646	1,648	4,490,711
Washington	1,812	3,569,329	1,517,961	1,812	2,051,368
West Virginia	740	1,500,049	545,311	740	954,737
Wisconsin	1,448	5,965,921	2,082,896	1,448	3,883,025
Wyoming	3	77,452	41,660	3	35,792
Foreign[3]	74	5,863,627	1,119,283	74	4,744,244

[1]Excluding Private Foundations.
[2]Less than $500.
Notes: Detail may not add to total because of rounding.
[3]Includes entities organized outside the United States that have received tax-exempt recognition under Internal Revenue Code section 501(c)(3) and that conduct part of their activities in the United States.

Nonprofit Charitable Organizations, 1985

By Cecelia Hilgert and Susan J. Mahler*

Nonprofit charitable organizations, those exempt under Internal Revenue Code section 501(c)(3), that filed returns for 1985 reported revenues of $268.4 billion, of which nearly two-thirds ($167.9 billion) was derived from the organizations' program activities. Contributions, gifts, and grants represented another 21 percent of total revenues ($55.8 billion [See Figure A]). Total expenses were $244.2 billion, of which $206.6 billion was for the programs conducted. Data were obtained from the Form 990, Return of Organization Exempt from Income Tax [1]. A total of 106,449 organizations, of the 310,000 recognized by the Internal Revenue Service (IRS), were required to file returns [2].

Figure A.—Selected Data for Nonprofit Charitable Organizations, Reporting Years 1982, 1983, and 1985

[All figures are estimates—money amounts are in billions of dollars]

Item	1982	1983	1985
	(1)	(2)	(3)
Number of returns	75,738	89,052	106,449
Total assets	$279.6	$331.2	$423.5
Total revenue	196.3	224.0	268.4
Contributions, gifts and grants	41.3	46.4	55.8
Dues and assessments	2.5	3.1	3.8
Program service revenue	124.4	147.5	167.9
Total expenses	181.3	207.5	244.2
Program service expenses	151.7	173.6	206.6
Fundraising services	1.7	1.8	2.2
Management and general expenses	27.4	31.8	34.6

Organizations that are tax-exempt under the Internal Revenue Code section 501(c)(3) include those with purposes that are religious, charitable, educational, health-related, or scientific, or are for the purpose of testing for public safety. Their activities are restricted only in that they must be substantially related to the exempt purpose of the organization, and they must serve the public (as opposed to private) interest. Examples of the types of organizations that meet this criteria are universities and schools, hospitals, youth organizations, United Way campaigns, community performing-arts associations, and environmental support groups. There is the stipulation that net earnings cannot flow to a private shareholder or individual, and there are restrictions on activities to influence legislation. In addition, these organizations cannot participate in any political campaign on behalf of any candidate for political office.

The Internal Revenue Code classified tax-exempt, nonprofit organizations into 25 groups, certain of which could receive tax-deductible donations. Those exempt under Code section 501(c)(3) receive the largest part of tax-deductible donations, and they are the largest providers of philanthropic goods and services. Data in this article refer only to those section 501(c)(3) organizations that are not private foundations [3]. Churches, including also a convention of churches or an association of churches, were not required to file Form 990 and are not included in these data. Asset holdings for nonprofit charitable organizations totaled $423.5 billion for 1985. When using inflation-adjusted figures, assets increased by 20 percent over the 1983 level, the last year for which data are available [4]. Most of the assets (84 percent) were controlled by organizations with holdings of $10,000,000 or more, representing only 5 percent of the organizations filing returns (See Figure B). These same organizations also received three-quarters of the total revenue ($206.8 billion). Figures C and D present the top 10 501(c)(3) organizations in terms of revenues and assets, respectively, for 1985.

Nearly one-half of the returns filed were by organizations with assets of less than $100,000; this asset-size class had 46,056 returns, an increase of 64 percent from 1983. By comparison, the 5,266 returns of organizations with assets $10,000,000 or more were 10 percent higher than for 1983. California and New York were the leading states in terms of the number of returns filed, with 12,214 and 11,436, respectively. (Table 2 presents complete data by state.)

*Foreign Special Projects Section. Prepared under the direction of Michael Alexander, Chief.

Figure B.—Nonprofit Charitable Organizations by Asset Size, Reporting Year 1985
[Money amounts are in millions of dollars]

Asset size	Number of returns	Percent	Total assets	Percent
Total	106,449	100.0	$423,544	100.0
Under $100,000 [1,2]	46,056	43.3	1,480	0.4
$100,000 under $500,000 [1]	29,088	27.3	6,075	1.4
$500,000 under $1,000,000	9,450	8.9	6,704	1.6
$1,000,000 under $10,000,000	16,589	15.6	53,191	12.6
$10,000,000 under $50,000,000	3,777	3.6	85,813	20.3
$50,000,000 or more	1,489	1.4	270,281	63.8

[1] Estimates should be used with caution because of the small number of sample returns on which they are based.
[2] Includes also returns with zero assets or assets not reported.
NOTE: Detail may not add to total due to rounding.

Figure C

Top Ten Section 501(c)(3) Organizations Ranked by Total Revenue, 1985
[Money amounts are in millions of dollars]

Name	Total Revenue
College Retirement Equities Fund	$7,983
Teachers Insurance and Annuity Association of America	6,034
Kaiser Foundation Health Plan	3,495
New York City Health and Hospitals Corporation	2,016
Harvard College	1,706
Kaiser Foundation Hospitals	1,624
Stanford University	1,098
California Institute of Technology	1,085
University of Pennsylvania	1,009
American National Red Cross	972

Figure D

Top Ten Section 501(c)(3) Organizations Ranked by Total Assets, 1985
[Money amounts are in millions of dollars]

Name	Total Assets
College Retirement Equities Fund	$24,146
Teachers Insurance and Annuity Association of America	23,159
Harvard College	5,345
Yale University	2,934
Stanford University	2,866
Columbia University	2,139
Princeton University	2,131
Kaiser Foundation Hospitals	2,051
Cornell University	1,967
Common Fund for Nonprofit Organizations	1,888

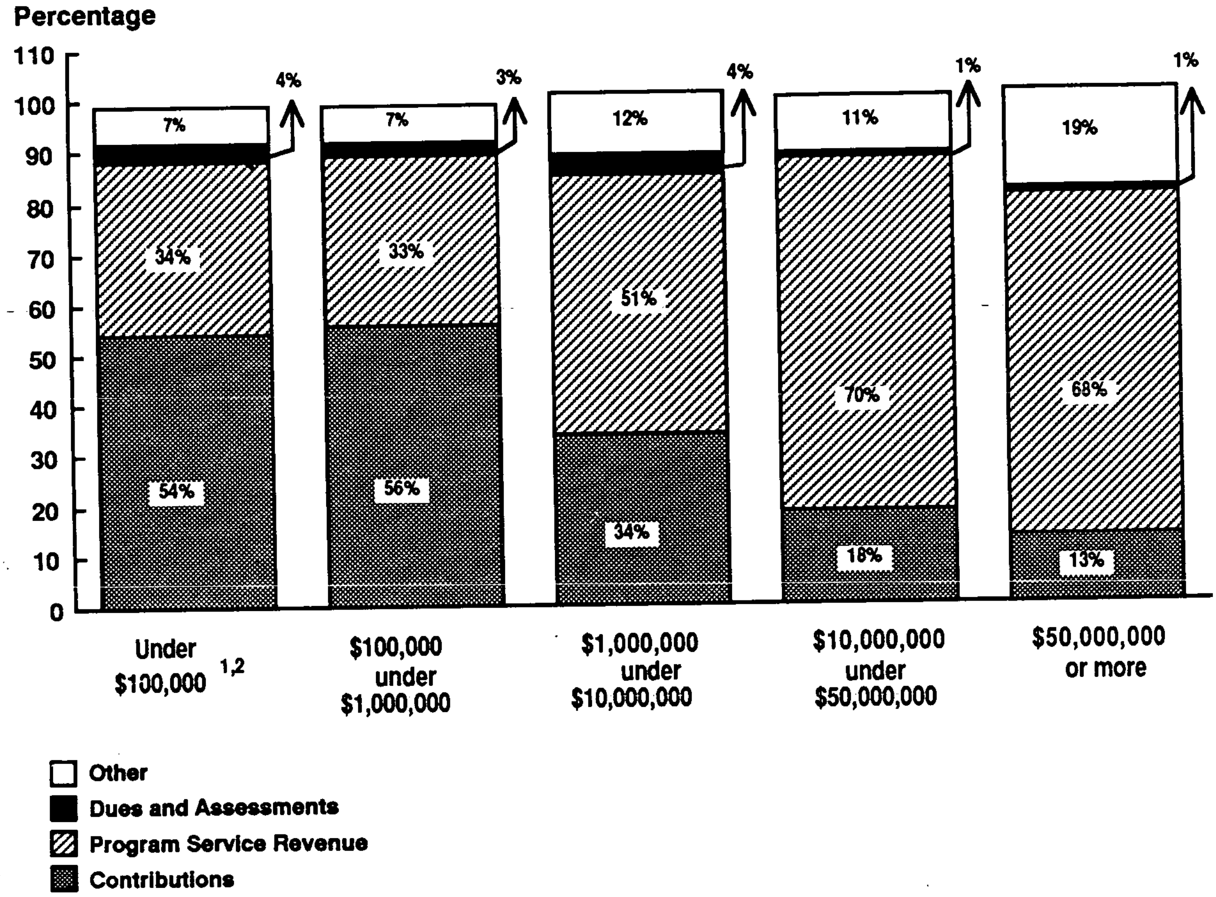
1985 FINANCIAL CHARACTERISTICS

Revenue

The programs operated by nonprofit charitable organizations in support of their exempt purposes generated $167.9 billion for 1985. This source of revenue--"program service revenue"--included tuition and fees at educational institutions, hospital patient care charges (whether paid by patients or through third-party reimbursements), admission fees collected by museums or community performing-arts events, YMCA/YWCA activity fees, and payments received for insurance and retirement coverage by selected pension and annuity funds. Program service revenue represented 63 percent of total revenue, slightly less than the 66 percent reported for 1983.

As shown in Figure E, the smaller organizations relied on program service revenue, i.e., fees, less

Figure E
Components of Revenue, by Asset Size, 1985



[1]Estimates should be used with caution because od the small number of returns on which they are based.
[2]Includes also returns with zero assets or assts not reported.

than the larger organizations did. This source accounted for one-third of total revenue of the organizations with assets of less than $1,000,000, as compared to one-half of the revenue of the organizations with holdings of between $1,000,000 and $10,000,000, and over two-thirds for organizations with holdings $10,000,000 or more.

Contributions comprised the same proportion, 21 percent, of total revenue as for 1983. This was the most frequently reported type of support, shown on four-fifths of the returns.This type of support was most important to the smaller organizations, accounting for more than one-half of the total revenue of organizations with assets of less than $1,000,000, but decreasing to just 18 percent of the revenue of organizations with assets between $10,000,000 and $50,000,000, and 13 percent of the revenue for organizations with assets $50,000,000 or more.

Figure F shows that "direct" contributions were evenly divided between $25.3 billion in Government grants and $24.8 billion in direct public contributions. (Indirect public support totalled $5.7 billion.) Govermnent grants represented a greater proportion of the total revenue of the smaller organizations. For organizations with assets of less than $1,000,000, these grants were 35 percent of total revenue and 62 percent of total contributions received. For organizations with assets of $10,000,000 or more, however, Government grants represented just 5 percent of total revenue. (This low percentage was because of the predominant effect of the program service revenue received by these organizations.)

Direct public support was 44 percent of the total contributions. Generally, the organizations with larger asset holdings benefited more from this type of support. Organizations with asset holdings of

Figure F.—Contributions Received by Nonprofit Charitable Organizations, by Asset Size, Reporting Year 1985

[Money amounts are in millions of dollars]

Asset size	Total contributions	Contributions received through direct support [1]	Contributions received through indirect support [2]	Contributions received through Government grants
	(1)	(2)	(3)	(4)
Total	$55,771	$24,750	$5,699	$25,321
Under $100,000 [3,4]	3,392	1,524	192	1,677
$100,000 under $500,000 [3]	5,638	1,492	628	3,518
$500,000 under $1,000,000	6,080	1,518	325	4,237
$1,000,000 under $10,000,000	11,678	5,471	1,465	4,743
$10,000,000 under $50,000,000	10,348	6,061	1,355	2,933
$50,000,000 or more	18,633	8,686	1,734	8,213

[1] Includes contributions, gifts, grants and bequests received directly from the public.
[2] Includes contributions received indirectly from the public through solicitation campaigns conducted by fundraising agencies.
[3] Estimates should be used with caution because of the small number of sample returns on which they are based.
[4] Includes also returns with zero assets or assets not reported.
NOTE: Detail may not add to total because of rounding.

between $10,000,000 and $50,000,000 reported direct public support equalling 59 percent of total contributions, while those organizations with holdings greater than $50,000,000 had this type of support amounting to 47 percent of total contributions. In contrast, the organizations with assets less than $1,000,000 reported direct public support comprising 30 percent of their contributions total.

Indirect public support, the revenue received through solicitation campaigns conducted by federated fundraising agencies, was 10 percent of total contributions. The percentage of total contributions that this support comprised did not vary substantially between different size organizations.

Expenses

Expenses of nonprofit charitable organizations, including such classifications as salaries and wages, pension plan contributions, other employee benefits, interest, and rent, supplies and travel, totaled $244.2 billion for 1985. The expenses that were attributable to the specific program activities for which the organization was created and which were the basis of the tax exemption represented 85 percent of the total. This was one percentage point greater than program service expenses had represented of total expenses in 1983. Salaries and wages were $73.2 billion, one-quarter of total program expenses.

Management and general expenses, which pertained to the overall direction of the organization rather than to specific programs, were $34.6 billion, representing 14 percent of total expenses. Fundraising expenses and payments to affiliates together comprised only 1 percent of total expenses. Payments to affiliates were payments to organizations closely related to the reporting agency, such as support and dues payments by local agencies to their State and national agencies.

Organizations with assets of $10,000,000 or more accounted for three-fourths of all expenses, even though organizations with assets of less than $500,000 filed 71 percent of the returns with expenes reported. Table 3 presents detailed data on expenes.

Assets and Liabilities

Land, buildings, and equipment represented the major asset holdings of nonprofit charitable organizations, $143.3 billion, accounting for one-third of total assets. For organizations with assets of $10,000,000 or more, land, buildings, and equipment represented one-third of their total holdings. For organizations with assets of between $1,000,000 and $10,000,000, they accounted for 43 percent. However, for organizations with assets $50,000,000 or more, investments in securities was the largest single component of assets ($90.6 billion). For smaller organizations--those with assets of less than $500,000--cash and savings represented 43 percent of their total holdings ($3.2 billion).

Mortgages and other notes payable were the largest single liability item, $78.2 billion for 1985. Organizations with assets $50,000,000 or more represented 59 percent ($46.2 billion) of that total, and organizations with asset holdings between $10,000,000 and $50,000,000 accounted for an additional 23 percent ($18 billion).

The balance sheet of a tax-exempt section 501(c)(3) organization does not have an owner's equity section; instead earnings accrue to the net worth/fund balance section. The net worth/fund balance total for these organizations was $237.2 billion, 56 percent of total assets, for 1985. In exchange for tax exemption, these organizations forfeit the privilege of paying dividends on invested capital. This is an important difference between the nonprofit charitable organizations and for-profit commercial entities [5].

TYPES OF ORGANIZATIONS

Figures G, H, and I display information available on the types of nonprofit charitable organizations

Figure G

Selected Financial Data by Major Type of Nonprofit Charitable Organization, 1985

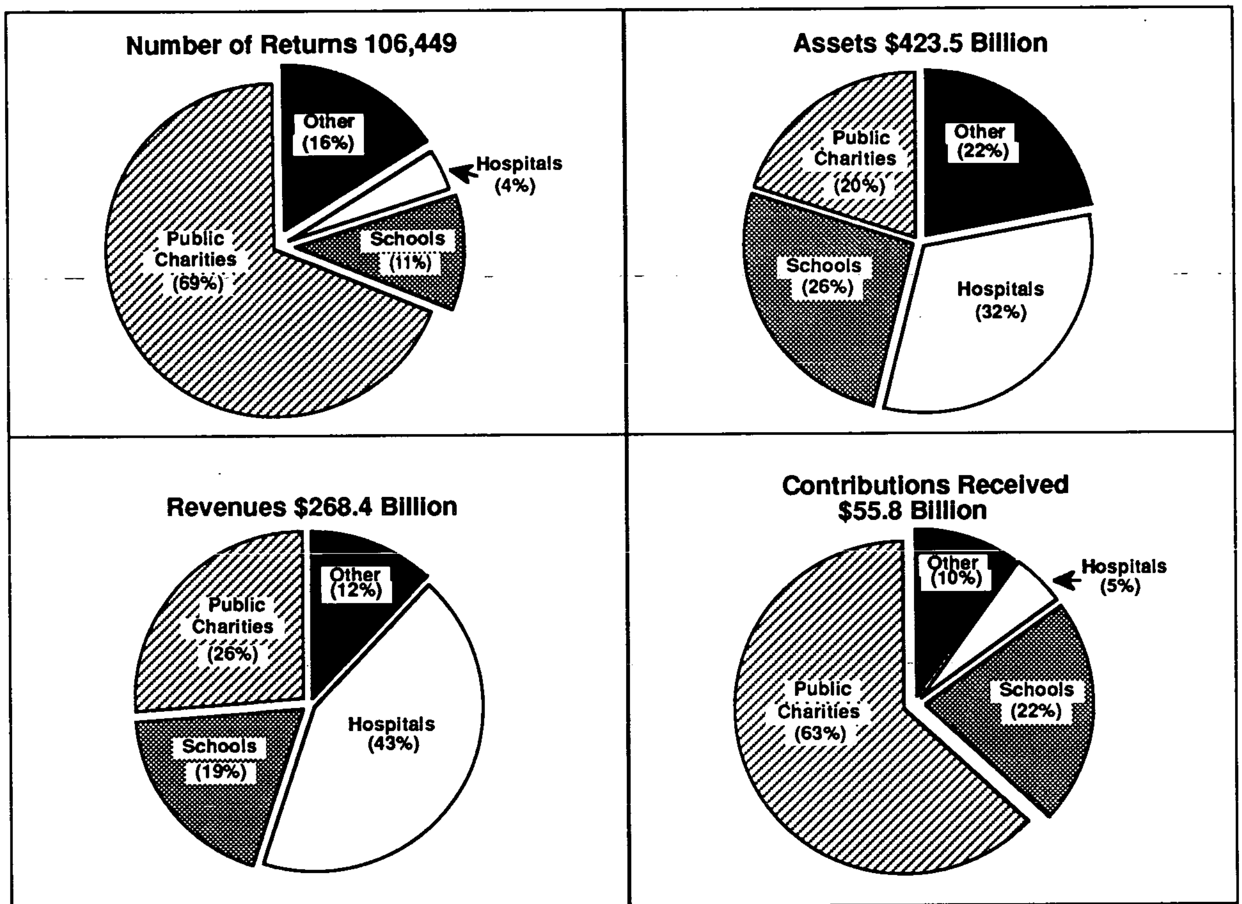


Figure H.—Selected Balance Sheet and Income Statement Items, by Type of Charitable Organization, Reporting Year 1985

[All figures are estimates based on samples—money amounts are in millions of dollars]

Type of organization	Total assets	Total liabilities	Total revenue	Program service revenue	Total expenses
	(1)	(2)	(3)	(4)	(5)
Total, all charitable organizations	$423,544	$186,390	$268,390	$167,893	$244,214
Church or religious-affiliated organization [1]	3,201	1,227	2,999	1,650	2,941
Educational institution	109,820	21,725	51,184	28,809	42,350
Hospital	135,877	67,530	115,239	102,398	107,914
Governmental unit	2,052	737	1,961	1,027	1,866
Hospital research organization	1,587	361	803	267	718
Organization supporting a public college	4,894	799	2,095	361	1,519
Publicly-supported organization	88,015	37,829	70,789	25,626	66,174
Organization supporting charitable organizations	76,924	55,686	22,703	7,460	30,203
Organization testing for public safety	189	24	141	134	123
Type not reported	985	472	471	161	406

[1] Churches are not required to file a Form 990. Most of the organizations in this category either filed voluntarily or misreported their type of organization. The estimate is, therefore, not inclusive of the majority of religious organizations.

NOTE: Detail may not add to total because of rounding.

that filed Form 990 for 1985. This information was based on the section of the return that asked an organization to supply a reason for its not being classified in the "less-favored" tax category of private foundation. (A private foundation is subject to an excise tax on investment income and to certain types of taxes for activities that are not allowed by the Internal Revenue Code because it has private sources of funding.)

Hospitals, educational institutions, and "publicly-supported organizations" were the major categories of nonprofit charitable organzations in terms of returns, assets, revenue, and contributions received (See Figure G). This latter group is comprised of other qualified organizations that are operated for purposes that are beneficial to the public interest and that receive support from a broad cross-section of the public. (Examples of this type of organization included United Way campaigns, American Cancer Society, community foundations, Corporation for Public Broadcasting, and the Humane Society of America.) Together, the assets of these three types of organizations totaled $333.7 billion, their revenue, $237.2 billion. They represented 79 percent and 88 percent, respectively, of the totals for all the nonprofit charitable organizations

Hospitals accounted for 43 percent of total revenue and 32 percent of total assets but only 4 percent of the number of returns. While publicly-supported organizations comprised 69 percent of the total returns filed, they accounted for only 26 percent of total revenue and 20 percent of asset holdings. Educational institutions accounted for 11 percent of returns but ranked second in terms of assets with 26 percent [6].

The largest asset holdings for these three major types of organizations were land, buildings, and equipment, representing 46 percent of hospital assets, 40 percent of the assets of educational institutions, and 34 percent of the assets of publicly-supported organizations. In contrast, organizations that supported public charities, of which examples included College Retirement Equities Fund, Teachers Insurance and Annuity Association, YMCA Retirement Fund, and Julliard Musical Foundation, had nearly two-thirds of their total assets in investment securities and only 5 percent in land, buildings, and equipment.

As would be expected, program service revenue was the principal source of revenue for hospitals (89 percent of total revenue) and also for educational institutions (56 percent), but it was only 36 percent for publicly-supported organizations. These latter organizations derived one-half of their total revenue from contributions. Figure I details the types of contributions received by the major types of charitable organizations. Nearly two-thirds of all contributions was received by the publicly-supported organizations, with Government grants and direct public support comprising 88 percent of their contributions total. For these organizations, the ones with assets of less than $10,000,000 accounted for two-thirds of the contributions received, although they accounted for 98 percent of the returns filed. Educational institutions received one-fourth of their total revenue through contributions. Hospitals, on the other hand, depended on contributions for just 2 percent of total revenue.

SUMMARY

For 1985, nonprofit charitable organizations reported total revenues of $268.4 billion. Of that, the fees collected for program services--those activities conducted in support of the purpose for which tax exemption was granted--accounted for 63 percent. Asset holdings were $423.5 billion, of which land, buildings, and equipment accounted for 34 percent of the total.

Contributions were $55.8 billion. This source of revenue was particularly important to organizations with smaller asset holdings; those with holdings of less than $1,000,000 depended on contributions for one-half of their support. Expenses totaled $244.2 billion, of which 85 percent was in support of the program services that formed the basis of the organizations' tax exemption.

Figure I.—Contributions Received, by Major Type of Recipient Nonprofit Charitable Organization, Reporting Year 1985

[All figures are estimates based on samples—money amounts are in millions of dollars]

Type of organization	Total contributions received		Direct support		Indirect support		Government grants	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total, all charitable organizations	$55,771	100.0	$24,750	100.0	$5,699	100.0	$25,321	100.0
Educational institution	12,310	22.1	5,580	22.6	462	8.1	6,268	24.8
Hospital	2,641	4.7	1,712	6.9	179	3.1	751	3.0
Publicly-supported organization	34,833	62.5	13,960	72.8	4,148	72.8	16,725	66.1
Organization supporting public charities	2,290	4.1	1,728	5.3	299	5.3	263	1.0

A total of 106,449 returns were filed, with publicly-supported charities accounting for 69 percent of the total. Hospitals, as a group, led in both revenues and assets.

DATA SOURCES AND LIMITATIONS

The statistics in this article are based on a sample of Tax Year 1985 Form 990, Return of Organization Exempt from Income Tax, filed by organizations classified under Internal Revenue Code section 501(c)(3) and having accounting periods ending December 1985 through November 1986. Forms 990-PF filed by private foundations under section 501(c)(3) were excluded. Calendar-year filers represented 44 percent of the population, while 56 percent of the non-calendar-year filers had accounting periods ending in June. The sample included 48 "group returns" [7].

The estimates of nonprofit charitable organizations were based on a random probability sample of 1985 unaudited information returns stratified by asset level.The sample was drawn from a multi-year sample frame of 123,501 organizations based on the latest return filed by each. Consequently, the sampling frame of 123,501 organizations included some whose most recent return filed was for a year prior to 1985. The rates in the sample design ranged from .0021 for returns with assets of less than $500,000 to 1.00 for returns of organizations with assts of $10,000,000 or more. A sample of 6,526 returns was drawn from the frame, and either a 1985 return was secured or a determination was made that there was no 1985 return. For the final study sample, to compensate for the fact that not all 1985 returns were secured, the sample weight was increased for the asset classes under $10,000,000. For returns of organizations with assets of $10,000,000 or more, all of which were to be selected, prior-year returns of the same organization were substituted in some cases and, in other instances, a weight of slightly more than one applied to compensate for other cases in which neither the current or prior year returns was located.

Because the data in this article are estimates based on a sample, they are subject to sampling and nonsamplng error. To use the statistical data properly, the magnitude of the sampling error should be known. The size of the sampling error is estimated by the approximate coefficients of variation (CV's) as shown in Figure J. The approximate CV's shown here are intended only as a general indication of the reliability of the data. For a number other than those shown below, the corresponding CV's can be estimated by interpolation.

Figure J.—Coefficient of Variation for Number of Returns Determined for Specified Asset-Size Classes

Coefficient of variation	Under $500,000 or blank	$500,000 under $2,500,000	$2,500,000 under $10,000,000
	(1)	(2)	(3)
0.025	80,800	17,600	5,300
0.050	61,600	13,700	2,600
0.075	44,100	10,000	1,400
0.100	31,600	7,200	800
0.150	17,400	4,000	400
0.200	10,700	2,500	200

NOTES AND REFERENCES

[1] See Hilgert, Cecelia, "Nonprofit Charitable Organizations, 1983," *Statistics of Income Bulletin,* Winter 1985-86, Volume 5, Number 3.

[2] The total number of tax-exempt organizations, including those not required to file Form 990, was obtained from the Internal Revenue Service Exempt Organizations Business Master File, Monthly Exempt Organizations Statistical Summary, unpublished tables.

[3] See Riley, Margaret, "Private Foundation Returns, 1985," *Statistics of Income Bulletin,* Summer 1989, Volume 9, Number 1.

[4] All inflation-adjusted figures cited in this article were derived using the Gross National Product Implicit Price Deflator, 1982 = 100, calculated by the U.S. Department of Commerce, Bureau of Economic Analysis, and published in the Economic Report of the President, 1989.

[5] For additional information, see Gross, Malvern J., Jr., and Warshauer, William J., Jr., *Financial and Accounting Guide for Nonprofit Organizations*, 3rd ed., John Wiley & Sons, 1983.

[6] See Mahler, Susan, and Skelly, Daniel F., "Nonprofit Charitable Organizations: A Decade of Change (1975-1985)," *Statistics of Income and Related Administrative Research: 1989,* U.S. Department of the Treasury, Internal Revenue Service.

[7] A parent organization could file a return for affiliated organizations that were subject to the parent's control and were tax-exempt under a current group exemption letter. All the organizations on a group return had to have the same accounting period.

Table 1.—Returns of Tax-Exempt Section 501(C)(3) Organizations: Selected Income and Balance Sheet Items, by Size of Total Assets, 1985

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Items	Total	Size of total assets: Under $100,000 [2,3]	$100,000 under $500,000 [3]	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Returns of section 501(C)(3) organizations [1]	**106,449**	**46,056**	**29,088**	**9,450**	**16,589**	**3,777**	**1,489**
Total assets	**423,544,289**	**1,479,862**	**6,074,793**	**6,704,112**	**53,191,111**	**85,813,060**	**270,281,351**
Cash (non-interest bearing):							
Number of returns	88,948	37,330	25,210	8,297	13,960	3,016	1,136
Amount	9,529,486	306,172	701,668	565,843	1,314,080	1,597,145	5,044,579
Savings and temporary cash investments:							
Number of returns	75,559	30,058	21,331	7,260	12,730	3,020	1,161
Amount	37,321,380	587,926	1,632,274	1,135,129	7,219,825	8,069,952	18,676,275
Accounts receivable (net):							
Number of returns	51,682	18,422	11,150	5,992	11,431	3,298	1,388
Amount	28,582,382	125,397	631,081	630,987	2,762,441	7,464,554	16,967,921
Pledges receivable (net):							
Number of returns	5,093	485	485	346	2,714	727	337
Amount	4,308,883	11,209	41,765	40,565	1,387,535	1,457,532	1,370,277
Grants receivable:							
Number of returns	6,701	1,939	970	1,383	1,653	468	288
Amount	2,310,367	42,222	48,753	171,868	745,022	521,043	781,458
Receivables due from officers, directors, trustees and key employees:							
Number of returns	2,734	485	1,454	115	373	191	115
Amount	517,512	4,152	11,619	3,174	14,375	72,685	411,508
Other notes and loans receivable (net):							
Number of returns	16,068	2,424	4,363	2,535	4,291	1,654	800
Amount	9,471,027	28,697	264,783	111,280	1,355,338	2,027,800	5,683,128
Inventories for sale or use:							
Number of returns	21,677	4,363	4,848	2,766	5,922	2,575	1,203
Amount	3,136,456	19,685	106,212	82,368	450,018	888,273	1,589,901
Prepaid expenses and deferred charges:							
Number of returns	33,588	6,302	9,696	4,264	9,364	2,768	1,194
Amount	3,161,384	7,181	72,949	60,972	324,963	768,443	1,926,876
Investments-securities:							
Number of returns	15,416	485	1,939	2,074	7,432	2,460	1,025
Amount	116,915,993	251	324,657	613,396	8,946,655	16,408,667	90,622,367
Investments—land, buildings and equipment (minus accumulated depreciation):							
Number of returns	8,904	1,939	2,909	1,037	1,964	722	332
Amount	7,425,487	9,775	218,964	276,654	1,442,655	1,761,064	3,716,375
Investments—other:							
Number of returns	7,320	485	1,454	807	2,669	1,235	670
Amount	30,406,604	5,202	254,493	151,795	1,889,039	3,571,225	24,534,851
Land, buildings, and equipment (minus accumulated depreciation):							
Number of returns	62,929	19,392	17,938	7,030	13,798	3,395	1,377
Amount	143,335,753	324,358	1,661,489	2,643,248	22,857,699	35,594,465	80,254,494
Other assets							
Number of returns	37,370	10,666	7,272	5,301	9,861	2,988	1,282
Amount	27,121,562	7,631	104,080	216,831	2,481,465	5,610,212	18,701,343
Total liabilities	**186,389,508**	**998,857**	**1,978,533**	**2,357,913**	**20,259,930**	**32,497,825**	**128,296,449**
Accounts payable:							
Number of returns	64,574	21,331	16,968	7,606	13,691	3,534	1,443
Amount	24,317,829	491,371	588,219	606,693	3,310,028	5,295,500	14,026,017
Grants payable:							
Number of returns	3,482	485	970	461	1,113	324	129
Amount	2,901,022	211	76,066	34,297	446,937	812,140	1,531,371
Support and revenue designated for future periods:							
Number of returns	12,919	2,424	4,363	1,613	3,497	754	268
Amount	5,247,044	20,709	158,541	281,037	1,517,398	1,674,225	1,595,134
Loans from officers, directors, trustees and key employees:							
Number of returns	3,216	1,454	1,454	115	124	51	17
Amount	357,210	4,928	28,799	576	68,788	84,582	169,537
Mortgages and other notes payable:							
Number of returns	31,975	6,302	8,242	4,725	8,939	2,601	1,166
Amount	78,196,369	276,701	893,018	1,000,659	11,769,482	18,044,597	46,211,912
Other liabilities:							
Number of returns	40,179	13,574	8,726	4,840	9,049	2,764	1,226
Amount	75,370,032	204,938	233,889	434,650	3,147,297	6,586,781	64,762,477
Total fund balance/net worth (EOY):							
Number of returns	105,841	45,571	29,088	9,450	16,474	3,773	1,485
Amount	237,154,778	481,004	4,096,259	4,346,199	32,931,180	53,315,235	141,984,901
Total liabilities and fund balances/net worth:							
Number of returns	105,479	45,086	29,088	9,450	16,589	3,777	1,489
Amount	423,544,288	1,479,862	6,074,793	6,704,113	53,191,110	85,813,060	270,281,351
Total revenue:							
Number of returns	106,449	46,056	29,088	9,450	16,589	3,777	1,489
Amount	268,389,632	6,246,775	10,664,649	10,116,752	34,596,728	58,463,873	148,300,855
Total contributions received:							
Number of returns	84,057	35,875	22,301	8,067	13,222	3,275	1,318
Amount	55,770,719	3,392,202	5,637,893	6,080,384	11,678,417	10,348,427	18,633,395
Contributions received from direct public support:							
Number of returns	76,266	31,512	20,846	7,260	12,360	3,077	1,211
Amount	24,750,168	1,523,549	1,491,669	1,517,764	5,470,695	6,060,907	8,685,583
Contributions received from indirect public support:							
Number of returns	22,134	7,757	6,787	2,190	4,400	668	333
Amount	5,699,416	191,778	628,348	325,335	1,464,547	1,354,896	1,734,512

Footnotes at end of table.

Table 1.—Returns of Tax-Exempt Section 501(C)(3) Organizations: Selected Income and Balance Sheet Items, by Size of Total Assets, 1985—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Items	Total	Size of total assets					
		Under $100,000 [2,3]	$100,000 under $500,000 [3]	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total revenue (continued):							
Government grants:							
Number of returns	30,308	13,090	7,757	3,688	3,856	1,265	652
Amount	25,321,134	1,676,875	3,517,875	4,237,285	4,743,175	2,932,625	8,213,300
Program service revenue:							
Number of returns	65,732	26,664	17,453	6,223	10,974	3,102	1,317
Amount	167,893,094	2,129,924	3,681,371	3,277,562	17,653,495	40,926,963	100,223,779
Membership dues and assessments:							
Number of returns	27,517	15,029	6,302	2,305	3,385	391	105
Amount	3,751,104	252,552	516,196	158,988	1,188,322	633,777	1,001,269
Interest on savings and temporary cash investments:							
Number of returns	81,248	33,451	22,786	7,952	12,926	2,978	1,156
Amount	4,502,911	62,671	147,596	143,012	762,328	1,037,807	2,349,497
Dividends and interest from securities:							
Number of returns	15,979	970	3,878	2,074	6,290	1,944	823
Amount	7,689,457	641	41,013	46,110	740,192	1,193,753	5,667,748
Net rental income (loss):							
Number of returns	12,555	1,454	3,394	1,729	4,125	1,250	604
Amount	612,747	45,464	-10,842	12,190	246,898	100,952	218,086
Gross rents:							
Number of returns	12,547	1,454	3,394	1,729	4,114	1,254	602
Amount	1,485,258	141,979	18,371	38,182	519,963	244,317	522,446
Rental expenses:							
Number of returns	6,291	1,454	1,454	461	1,923	646	353
Amount	872,510	96,515	29,212	25,992	273,065	143,365	304,360
Other investment income (loss):							
Number of returns	3,452	485	970	230	1,037	469	261
Amount	1,739,031	439	1,646	3,394	122,131	182,879	1,428,543
Total gain (loss) from sale of assets:							
Number of returns	16,460	1,939	3,878	1,959	5,652	2,059	972
Amount	7,233,460	6,531	27,505	17,410	401,736	949,722	5,830,556
Gains (loss), sales of securities:							
Number of returns	11,636	1,454	2,909	1,152	4,085	1,428	607
Amount	6,458,279	6,251	22,491	22,453	336,266	805,472	5,265,346
Gross amount from sales:							
Number of returns	11,598	1,454	2,909	1,152	4,075	1,409	599
Amount	53,884,912	16,325	179,164	172,553	2,465,057	7,313,099	43,738,715
Cost or other basis and sales expenses:							
Number of returns	9,559	970	2,424	922	3,566	1,191	487
Amount	47,426,633	10,074	156,673	150,099	2,128,791	6,507,627	38,473,369
Gain (loss), sales of other assets:							
Number of returns	6,678	485	970	1,152	2,461	1,027	583
Amount	775,181	280	5,014	-5,044	65,471	144,250	565,210
Gross amount from sale of other assets:							
Number of returns	6,398	485	970	1,037	2,473	908	525
Amount	1,790,483	720	7,714	15,698	357,152	328,112	1,081,088
Cost of other basis and sales expenses:							
Number of returns	4,410	485	485	807	1,390	787	456
Amount	1,015,302	440	2,699	20,742	291,681	183,861	515,878
Net income (loss), fundraising:							
Number of returns	22,342	13,090	5,333	1,268	2,239	313	100
Amount	1,027,831	170,912	265,535	83,224	371,440	85,693	51,028
Gross revenue:							
Number of returns	22,489	13,090	5,333	1,383	2,250	325	108
Amount	1,701,940	346,148	383,695	130,048	614,531	139,369	88,149
Direct expenses:							
Number of returns	16,278	8,726	4,363	1,037	1,770	282	99
Amount	674,108	175,236	118,159	46,824	243,091	53,677	37,122
Gross profit (loss), sales of inventory:							
Number of returns	14,216	3,878	5,333	1,498	2,436	742	329
Amount	3,953,446	39,433	160,048	40,454	492,969	1,315,995	1,904,548
Gross sales minus returns and allowances:							
Number of returns	14,214	3,878	5,333	1,498	2,436	741	328
Amount	7,218,473	148,001	471,834	214,457	1,006,136	2,205,312	3,172,733
Cost of goods sold:							
Number of returns	13,293	3,878	4,848	1,498	2,092	669	308
Amount	3,265,027	108,569	311,786	174,003	513,167	889,317	1,268,185
Other revenue:							
Number of returns	45,826	14,544	14,059	4,379	9,070	2,653	1,121
Amount	14,215,793	145,998	196,682	254,024	938,799	1,687,905	10,992,385
Total expenses:							
Number of returns	105,215	45,571	28,603	9,334	16,455	3,764	1,487
Amount	244,214,146	6,206,511	10,495,551	9,700,828	31,917,324	53,480,945	132,412,987
Program services:							
Number of returns	100,497	42,662	28,118	8,989	15,654	3,621	1,452
Amount	206,594,040	5,013,830	8,807,915	8,229,789	26,372,398	43,496,534	114,673,575
Fundraising:							
Number of returns	27,531	9,696	7,272	3,111	5,329	1,482	641
Amount	2,226,224	219,270	109,548	117,704	418,656	580,784	780,262
Payments to affiliates:							
Number of returns	3,697	1,454	970	230	845	128	70
Amount	810,768	33,158	35,275	18,701	152,146	297,768	273,720

[1] Excluding Private Foundations.
[2] Includes zero assets or not reported.
[3] Money amounts in this column should be used with caution because of the small number of sample returns on which they are based.
NOTE: Detail may not add to total due to rounding.

Table 2.—Returns of Tax-Exempt Section 501(C)(3) Organizations: Selected Income and Balance Sheet Items, by State, 1985 [1]

[All figures are estimates based on samples—money amounts are in thousands of dollars]

State	Number of returns	Total revenue	Selected receipts							
			Total contributions received		Direct public support		Indirect public support		Government grants	
			Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
United States, total	**106,449**	**268,389,632**	**84,057**	**55,770,719**	**76,266**	**24,750,168**	**22,134**	**5,699,416**	**30,308**	**25,321,134**
Alabama	888	2,257,332	710	378,384	592	137,744	33	28,301	638	212,338
Alaska	525	156,354	40	48,774	27	29,314	1	1,023	29	18,436
Arizona	263	1,790,502	221	390,085	207	154,861	19	7,987	144	227,237
Arkansas	953	1,289,630	443	196,407	430	115,605	140	35,685	38	45,117
California	12,214	28,865,873	8,582	5,454,065	7,276	2,926,144	1,631	538,575	2,824	1,989,347
Colorado	1,350	3,033,472	1,315	512,103	1,303	314,004	256	89,095	28	109,005
Connecticut	1,893	4,599,438	1,393	768,025	1,390	539,957	41	12,892	558	215,177
Delaware	32	777,761	29	42,470	28	37,816	5	1,054	10	3,600
District of Columbia	2,393	6,363,245	2,256	2,083,363	1,271	591,946	1,106	274,900	79	1,216,517
Florida	4,073	9,948,046	3,486	3,083,541	3,444	949,740	1,007	389,912	1,444	1,743,890
Georgia	1,335	4,143,138	1,163	1,073,932	1,151	498,900	293	68,404	297	506,628
Hawaii	402	987,165	274	344,226	273	68,676	14	5,666	135	269,884
Idaho	146	604,021	135	319,985	134	81,532	12	1,531	119	236,923
Illinois	4,595	15,348,396	3,729	3,657,150	3,694	1,147,993	1,437	319,859	1,983	2,189,297
Indiana	4,023	5,732,313	3,344	1,165,854	2,346	553,759	1,037	36,089	2,076	576,007
Iowa	1,270	1,867,324	1,223	219,374	1,220	150,851	32	10,958	43	57,565
Kansas	732	1,463,715	726	182,902	715	108,177	58	19,778	165	54,947
Kentucky	928	2,048,871	755	305,466	265	247,420	33	10,454	533	47,592
Louisiana	714	2,284,838	688	567,202	570	106,236	18	12,258	620	448,708
Maine	1,080	981,726	1,059	54,316	1,058	29,795	491	11,528	499	12,993
Maryland	2,967	3,501,952	1,354	289,160	1,342	202,944	28	14,884	107	71,332
Massachusetts	5,056	15,299,534	3,871	4,335,445	3,854	1,315,526	655	22,994	1,430	2,996,924
Michigan	4,444	9,397,848	2,898	1,311,891	2,889	601,331	1,297	302,452	1,546	408,108
Minnesota	1,516	3,714,138	1,476	1,024,208	1,462	510,461	267	163,190	295	350,558
Mississippi	698	1,135,430	692	175,336	664	97,614	487	32,515	178	45,207
Missouri	2,289	6,121,352	1,163	1,049,796	1,145	413,756	212	193,966	228	442,075
Montana	45	398,977	34	12,860	34	8,799	3	618	6	3,443
Nebraska	80	936,109	73	174,296	71	156,112	18	5,079	28	13,105
Nevada	25	181,058	25	60,372	14	58,258	10	726	10	1,388
New Hampshire	298	1,023,478	285	175,771	283	149,900	119	1,986	135	23,886
New Jersey	2,790	7,261,965	2,584	1,085,094	2,554	463,191	910	215,969	959	405,934
New Mexico	81	568,337	66	45,865	62	26,212	5	3,433	18	16,219
New York	11,436	45,226,470	9,520	8,841,350	9,210	4,077,369	1,727	1,580,402	4,214	3,183,579
North Carolina	3,069	5,072,947	2,536	1,443,704	2,406	756,701	642	152,346	1,281	534,658
North Dakota	170	779,656	157	67,166	157	64,589	2	2,039	3	538
Ohio	6,181	11,405,661	4,982	2,421,894	3,971	920,820	2,436	310,495	2,239	1,190,579
Oklahoma	1,708	2,042,101	1,438	505,347	1,436	233,673	22	9,836	624	261,837
Oregon	2,286	1,929,316	1,653	355,239	1,647	280,412	619	5,514	509	69,313
Pennsylvania	6,049	20,395,716	4,783	3,042,207	4,735	1,867,552	1,239	186,255	978	988,399
Puerto Rico	11	124,613	10	61,539	10	12	0	([2])	10	61,526
Rhode Island	702	1,437,007	700	271,897	687	84,564	48	75,726	171	111,607
South Carolina	93	1,086,741	82	103,064	77	67,364	28	5,192	42	30,507
South Dakota	412	871,671	399	42,518	399	31,871	116	1,675	25	8,971
Tennessee	2,079	3,908,037	1,938	632,748	1,935	419,196	616	92,456	30	121,096
Texas	4,776	10,247,272	3,768	2,290,987	3,145	1,303,396	1,545	246,110	849	741,482
Utah	132	1,102,016	130	189,401	14	18,264	0	([2])	126	171,137
Vermont	635	302,632	625	24,761	623	16,442	2	121	493	8,198
Virginia	1,683	5,541,774	1,637	1,834,386	1,125	963,669	46	66,537	695	804,180
Washington	2,688	3,959,111	1,683	561,117	1,175	200,114	628	12,046	531	348,956
West Virginia	691	1,358,452	663	163,667	533	36,358	19	3,170	139	124,140
Wisconsin	1,381	3,545,083	1,131	283,877	1,104	189,029	681	62,988	74	31,859
Wyoming	26	56,943	15	8,669	15	8,638	0	([2])	1	31
Foreign [3]	143	3,913,076	119	2,037,461	92	415,560	45	52,749	69	1,569,152

Footnote(s) at end of table.

Table 2.—Returns of Tax-Exempt Section 501(C)(3) Organizations: Selected Income and Balance Sheet Items, by State, 1985 [1]—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

State	Selected receipts—continued				Selected expenses				
	Program service revenue		Membership dues and assessments		Total expenses	Program service		Fundraising	
	Number of returns	Amount	Number of returns	Amount		Number of returns	Amount	Number of returns	Amount
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
United States, total	**65,732**	**167,893,094**	**27,517**	**3,751,104**	**244,214,146**	**100,497**	**206,594,040**	**27,531**	**2,226,224**
Alabama	858	1,645,597	25	14,123	2,156,153	887	1,853,397	40	7,763
Alaska	28	62,938	488	18,738	140,829	524	118,218	11	1,181
Arizona	215	1,226,425	22	8,769	1,694,798	240	1,405,707	30	19,411
Arkansas	940	928,415	252	16,414	1,177,137	952	942,994	133	7,395
California	6,305	20,448,731	3,500	552,456	26,277,709	11,320	22,788,085	2,286	307,829
Colorado	349	2,074,896	120	14,517	2,753,214	863	2,275,130	288	30,119
Connecticut	1,629	3,076,495	527	79,225	4,057,889	1,889	3,471,008	833	62,266
Delaware	28	506,581	14	14,435	645,325	32	516,774	6	2,488
District of Columbia	1,815	3,126,818	283	518,971	5,892,757	2,378	5,169,873	1,154	69,287
Florida	2,703	5,826,814	1,015	47,984	9,180,362	4,036	7,616,089	603	54,349
Georgia	415	2,427,391	193	123,769	3,643,292	1,322	3,098,063	226	31,078
Hawaii	283	461,444	2	504	894,628	401	657,531	140	10,261
Idaho	30	223,433	0	(2)	564,895	146	511,395	6	892
Illinois	2,868	9,933,704	225	124,716	14,025,030	4,569	12,148,814	1,884	109,957
Indiana	2,785	3,887,918	538	56,221	5,124,701	4,009	4,187,385	1,103	40,554
Iowa	747	1,407,290	129	51,741	1,691,843	1,268	1,298,216	555	14,165
Kansas	232	1,112,566	24	15,147	1,309,693	732	1,132,590	519	6,869
Kentucky	293	1,561,129	499	7,175	1,842,637	418	1,608,023	35	11,495
Louisiana	94	1,418,540	23	29,874	2,176,073	712	1,716,987	18	5,362
Maine	583	782,080	486	2,290	886,454	595	697,848	20	3,649
Maryland	1,846	2,533,350	2,094	337,807	3,180,581	2,466	2,496,598	88	16,031
Massachusetts	3,176	8,201,630	1,208	83,340	13,139,972	4,932	11,211,256	873	97,733
Michigan	2,770	7,208,901	393	221,290	8,653,522	4,437	6,814,113	1,360	47,114
Minnesota	1,371	2,279,031	126	20,392	3,320,131	1,514	2,991,035	308	31,117
Mississippi	90	782,210	115	2,263	1,049,344	698	943,114	25	3,019
Missouri	1,522	4,355,578	649	88,390	5,383,045	1,781	4,536,585	229	25,596
Montana	35	365,874	1	37	387,355	35	337,958	4	2,116
Nebraska	41	617,180	5	4,834	797,182	80	671,254	47	13,569
Nevada	25	104,736	1	39	132,124	25	103,480	3	129
New Hampshire	159	662,896	128	18,731	871,711	297	649,003	133	16,188
New Jersey	2,119	4,960,180	1,021	58,452	6,582,313	2,741	5,134,391	977	55,455
New Mexico	56	394,491	1	48	498,887	68	368,508	23	790
New York	7,752	20,368,577	3,841	445,045	42,682,613	10,288	38,098,696	3,930	452,207
North Carolina	1,914	3,117,146	16	11,904	4,560,708	3,068	4,110,922	324	26,021
North Dakota	44	672,027	116	226	688,785	55	592,130	14	1,635
Ohio	2,484	7,686,305	2,048	125,888	10,016,446	5,668	8,002,108	1,861	45,566
Oklahoma	822	1,156,668	617	21,254	1,823,080	1,689	1,441,416	1,005	11,632
Oregon	1,306	1,437,691	15	3,762	1,799,892	2,285	1,561,378	521	17,042
Pennsylvania	4,675	15,370,967	2,026	94,999	18,786,919	5,961	15,821,697	2,096	265,947
Puerto Rico	11	62,247	0	(2)	116,003	11	102,826	0	(2)
Rhode Island	563	854,584	657	54,486	1,171,878	692	1,007,434	159	8,608
South Carolina	75	827,578	23	12,246	963,417	90	712,092	26	5,244
South Dakota	401	729,995	230	22,648	815,521	412	698,333	128	3,952
Tennessee	2,044	2,751,962	972	16,227	3,519,204	2,065	2,944,403	306	38,355
Texas	2,265	6,264,475	1,373	182,433	9,073,236	4,616	7,442,057	1,036	96,505
Utah	130	689,331	0	(2)	1,002,875	131	937,949	1	674
Vermont	624	239,013	1	29	288,803	633	224,155	501	1,551
Virginia	1,470	2,924,180	51	93,807	4,939,332	1,667	3,924,411	294	70,018
Washington	1,711	3,151,480	618	7,311	3,740,152	2,685	3,034,789	524	15,755
West Virginia	190	997,696	496	9,923	1,263,182	689	1,132,878	506	5,954
Wisconsin	732	2,782,192	289	29,822	3,253,821	1,261	2,648,373	286	23,876
Wyoming	13	27,145	0	(2)	42,287	26	38,857	2	183
Foreign [3]	98	1,176,573	23	86,394	3,534,409	134	2,645,710	50	30,271

Footnote(s) at end of table.

Table 2.—Returns of Tax-Exempt Section 501(C)(3) Organizations: Selected Income and Balance Sheet Items, by State, 1985 [1]—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

State	Information items				
	Total assets		Total liabilities	Total liabilities and fund balance/net worth	
	Number of returns	Amount		Number of returns	Amount
	(20)	(21)	(22)	(23)	(24)
United States, total	**105,479**	**423,544,289**	**186,389,508**	**106,449**	**423,544,288**
Alabama	888	3,219,111	1,567,559	888	3,219,112
Alaska	525	450,788	266,253	525	450,788
Arizona	263	2,647,535	1,681,747	263	2,647,535
Arkansas	953	2,133,676	753,164	953	2,133,676
California	11,729	35,338,635	15,212,838	12,214	35,338,635
Colorado	1,350	4,266,629	1,763,264	1,350	4,266,629
Connecticut	1,893	10,200,195	2,103,289	1,893	10,200,195
Delaware	32	1,876,497	488,110	32	1,876,497
District of Columbia	2,393	7,847,750	2,841,734	2,393	7,847,750
Florida	4,073	13,176,175	5,283,928	4,073	13,176,175
Georgia	1,335	6,380,303	1,624,167	1,335	6,380,303
Hawaii	402	2,073,588	555,326	402	2,073,588
Idaho	146	634,545	237,464	146	634,545
Illinois	4,595	20,864,363	7,805,152	4,595	20,864,363
Indiana	4,023	8,414,805	3,277,851	4,023	8,414,805
Iowa	1,270	3,330,494	1,311,897	1,270	3,330,494
Kansas	732	2,350,782	786,630	732	2,350,782
Kentucky	928	3,485,375	1,424,019	928	3,485,375
Louisiana	714	3,728,639	1,575,802	714	3,728,639
Maine	1,080	1,425,314	525,302	1,080	1,425,314
Maryland	2,967	5,266,257	1,919,638	2,967	5,266,257
Massachusetts	5,056	25,188,329	8,170,043	5,056	25,188,329
Michigan	4,444	11,710,275	4,691,734	4,444	11,710,275
Minnesota	1,516	5,762,684	2,476,046	1,516	5,762,684
Mississippi	698	1,872,503	659,622	698	1,872,503
Missouri	2,289	9,712,560	3,369,242	2,289	9,712,560
Montana	45	724,254	393,391	45	724,254
Nebraska	80	2,317,547	753,232	80	2,317,547
Nevada	25	316,788	114,435	25	316,788
New Hampshire	298	2,485,996	777,197	298	2,485,996
New Jersey	2,790	11,383,838	4,586,450	2,790	11,383,838
New Mexico	81	1,205,533	531,764	81	1,205,533
New York	10,951	90,535,565	63,074,754	11,436	90,535,564
North Carolina	3,069	7,509,212	1,988,192	3,069	7,509,212
North Dakota	170	1,033,933	559,480	170	1,033,933
Ohio	6,181	16,810,864	6,095,243	6,181	16,810,863
Oklahoma	1,708	4,474,764	1,483,278	1,708	4,474,764
Oregon	2,286	2,576,707	1,112,531	2,286	2,576,707
Pennsylvania	6,049	27,097,883	10,984,867	6,049	27,097,882
Puerto Rico	11	122,252	57,987	11	122,252
Rhode Island	702	2,203,616	690,962	702	2,203,616
South Carolina	93	1,983,566	667,512	93	1,983,566
South Dakota	412	1,786,264	1,032,664	412	1,786,264
Tennessee	2,079	6,079,557	2,100,859	2,079	6,079,557
Texas	4,776	18,849,815	7,186,945	4,776	18,849,815
Utah	132	1,703,748	588,994	132	1,703,748
Vermont	635	839,483	237,295	635	839,483
Virginia	1,683	7,704,461	2,547,371	1,683	7,704,461
Washington	2,688	4,759,433	2,089,615	2,688	4,759,433
West Virginia	691	1,924,704	738,602	691	1,924,704
Wisconsin	1,381	6,541,375	2,190,585	1,381	6,541,375
Wyoming	26	210,418	63,022	26	210,418
Foreign [3]	143	7,004,908	1,370,458	143	7,004,908

[1] Excluding Private Foundations.
[2] Less than $500.
[3] Includes entities organized outside the United States that have received tax-exempt recognition under Internal Revenue Code section 501(c)(3) and that conduct part of their activities in the United States.
Note: Detail may not add to total because of rounding.

Table 3.—Returns of Tax-Exempt Section 501(C)(3) Organizations: Functional Expenditures, By Size of Total Contributions Received, 1985 [1]

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Total	Size of total contributions received: Contributions zero or unreported	$1 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Number of 501(c)(3) returns	**106,449**	**22,392**	**26,074**	**22,181**	**19,618**	**7,525**	**8,124**	**536**
Total functional expenditures:								
Number of returns	105,213	22,301	25,083	22,066	19,598	7,523	8,108	535
Amount	243,403,359	39,126,035	20,108,051	19,513,655	38,937,740	24,903,426	56,382,960	44,431,491
Total grants and allocations:								
Number of returns	25,102	3,344	8,446	4,730	3,500	2,442	2,325	314
Amount	19,494,803	8,599,437	276,302	210,295	589,438	595,302	3,326,136	5,897,893
Total specific assistance to individuals:								
Number of returns	7,286	501	500	262	4,361	856	763	43
Amount	7,533,215	7,851	5,862,203	11,529	396,650	273,962	514,611	466,408
Total benefits paid to or for members:								
Number of returns	2,633	677	511	512	859	38	28	8
Amount	562,058	278,568	25,076	18,753	170,751	12,208	11,147	45,555
Total compensation of officers, directors:								
Number of returns	31,372	7,336	5,070	5,899	7,213	2,665	2,860	330
Amount	2,695,128	409,500	211,043	264,960	445,741	284,695	508,030	571,160
Total other salaries and wages:								
Number of returns	73,934	14,229	13,010	14,889	16,503	7,039	7,787	477
Amount	86,382,609	8,289,211	5,393,254	7,621,721	15,952,663	10,451,278	22,681,531	15,992,951
Total pension plan contributions:								
Number of returns	18,439	2,503	1,850	3,067	5,317	1,434	3,933	335
Amount	2,941,426	264,475	123,848	212,680	428,442	244,742	721,940	945,300
Total other employee benefits:								
Number of returns	45,746	6,171	5,498	9,787	12,652	5,318	5,894	425
Amount	7,737,631	782,137	422,778	674,261	1,359,533	949,057	1,974,915	1,574,950
Total payroll taxes:								
Number of returns	62,288	12,238	10,723	12,049	15,248	5,942	5,699	389
Amount	5,511,726	549,033	334,146	502,387	1,073,999	693,933	1,437,107	921,122
Total professional fundraising fees:								
Number of returns	4,180	119	17	1,011	894	824	1,255	60
Amount	97,076	4,621	417	9,808	6,535	14,290	46,218	15,188
Total accounting fees:								
Number of returns	57,103	14,290	11,548	10,217	9,971	4,934	5,778	364
Amount	512,698	71,085	41,405	46,384	105,067	76,953	113,396	58,408
Total legal fees:								
Number of returns	24,828	5,082	4,825	4,689	4,019	2,333	3,554	325
Amount	696,243	118,711	49,085	70,500	119,529	54,325	198,597	85,496
Total supplies:								
Number of returns	82,461	15,686	19,291	16,627	16,352	6,854	7,206	445
Amount	18,781,066	1,941,049	1,444,339	2,010,089	3,908,694	2,187,438	4,340,727	2,948,730
Total telephone:								
Number of returns	74,435	14,484	16,403	14,919	15,818	5,915	6,474	421
Amount	1,602,020	178,959	80,471	117,593	247,111	176,583	443,456	357,847
Total postage and shipping:								
Number of returns	64,370	9,610	14,083	14,501	14,866	5,429	5,481	399
Amount	1,097,083	80,464	53,553	43,940	137,957	76,201	443,017	261,951
Total occupancy:								
Number of returns	61,710	10,462	12,596	10,525	15,423	5,403	6,884	416
Amount	6,559,516	691,032	379,545	452,300	1,067,299	798,227	1,899,008	1,272,105
Total equipment rental and maintenance:								
Number of returns	53,066	8,779	10,047	9,819	13,166	5,483	5,369	403
Amount	2,989,994	281,883	213,402	266,051	559,646	318,543	807,275	543,194
Total printing and publications:								
Number of returns	62,200	6,861	16,378	14,365	14,115	5,321	4,754	406
Amount	1,804,480	134,290	121,010	112,152	326,271	154,687	556,131	399,938
Total travel:								
Number of returns	62,314	8,357	13,881	14,300	11,760	6,433	7,154	428
Amount	1,974,568	163,560	81,131	88,339	162,447	198,311	729,108	551,672
Total conferences, conventions and meetings:								
Number of returns	46,442	8,416	7,425	11,272	12,365	3,605	3,090	270
Amount	899,582	252,558	160,915	49,184	97,862	57,647	176,664	104,751
Total interest:								
Number of returns	34,757	8,093	6,883	6,576	6,179	3,656	3,094	275
Amount	5,456,250	1,259,554	529,221	559,607	1,033,328	635,317	869,180	570,043
Total depreciation, depletion:								
Number of returns	51,078	9,249	9,082	9,236	13,110	4,807	5,257	337
Amount	7,599,491	1,068,524	675,741	925,684	1,777,438	1,075,007	1,462,417	614,680
Total other expenses:								
Number of returns	100,149	21,104	24,090	20,584	18,395	7,383	8,063	530
Amount	60,481,762	13,699,524	3,629,140	5,245,412	8,978,468	5,574,718	13,122,353	10,232,148

[1] Excluding Private Foundations.

NOTE: Detail may not add to total due to rounding.

NONPROFIT CHARITABLE ORGANIZATIONS: A DECADE OF CHANGE (1975-1985)

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Prepared for the Annual Meetings of the American Statistical Association, 1989

The Internal Revenue Code (IRC) classifies nonprofit organizations into 25 subsections, a certain number of which may receive tax deductible donations. Discussed in this paper are the organizations tax exempt under IRC Section 501(c)(3), which are regarded as "nonprofit charitable organizations," excluding private foundations [1]. These organizations receive the largest part of tax deductible donations and are the largest suppliers of philanthropic goods and services. This paper focuses on selected financial data from 1975-1985 for these organizations. The paper also analyzes the sector itself, including a look at the growth since 1975 and the sector's changing overall complexion.

In 1975, there were 208,000 organizations recognized by the Internal Revenue Service as nonprofit charities, compared to 264,890 organizations in 1982, 279,895 in 1983 and 310,221 in 1985 [2]. This is an increase in recognized organizations of 33 percent over the ten-year period. Not all of these recognized charities are required to file returns. Organizations whose gross receipts are less than $25,000 are not required to file. This threshold is up from $5,000 in gross receipts for 1975 and $10,000 between 1976 and 1981. In 1982, the filing requirement reached its current level of $25,000. Although religious organizations are among the 501(c)(3) group, they are not, and have never been, required to file returns, even though some do for purposes of providing information to their donors.

The number of organizations required to file annual information returns (Form 990) has fluctuated over the ten-year period of 1975-1985. This is largely due to changes in filing requirements. In 1975, there were 82,048 required filers. This figure dropped to 75,738 in 1982 when the filing requirement more than doubled before increasing in 1983 and 1985 to 89,052 and 106,449, respectively.

Nonprofit charitable organizations are a unique group pursuing a diversity of activities that further their exempt purpose. Groups receiving tax-exempt status under IRC section 501(c)(3) are typically entities organized for purposes that are charitable, religious, educational and scientific. The granting of exempt status is based solely on an organization's purpose.

Activities of the organization are restricted only in that they must be substantially related to the exempt purpose and they must serve the public interest. Private foundations are also in the 501(c)(3) group; however, they have different filing requirements and serve the charitable purpose in a different way from nonprofit charitable organizations.

The American National Red Cross, Massachusetts Institute of Technology, Shriner's Hospital for Crippled Children, the Metropolitan Museum of Art, and the American Statistical Association represent the broad range of 501(c)(3) organizations and the variety of their activities. These organizations, as well as all nonprofit charities, enjoy a number of benefits. Not only are they granted tax exemptions, but they also realize the advantages of reduced postal rates, as well as state retail sales tax and property tax exemptions. In addition, charitable organizations can also receive government grants. Certain nonprofit charities are given surplus food products and in some cases, gifts of surplus property from the Federal Government [3].

Nonprofit charitable organizations exist for society's benefit. They allow individuals to improve their society by working through a system of organizations other than those of the government or for-profit enterprises. Nonprofit charitable organizations relieve the Federal Government of carrying out certain activities inherent to its responsibility of improving the social welfare. However, they by no means release the government of its societal responsibilities. For this reason, the relationship between charities and the Federal Government is a uniquely symbiotic one.

IMPLICATIONS OF THE TAX LAWS

The first income tax law was enacted in 1913 as the Sixteenth Amendment to the U.S. Constitution. In it were the elements of IRC 501(c)(3), which established tax-exempt, nonprofit charitable organizations. These organizations have remained essentially unchanged in the income tax law since 1913.

An income tax deduction for charitable contributions by individuals was initiated in 1917. This was followed by the deductibility of estate tax deductions for bequests to charitable organizations beginning in 1919 and charitable deductions for corporations beginning in 1935 [4].

The Tax Reform Act of 1969 resulted in a virtual rewrite of the federal tax laws. This act in many ways greatly increased tax incentives for charitable giving while at the same time imposing stricter requirements on certain nonprofits.

The tax revisions of 1981 are regarded as the principal tax legislation of the Reagan Administration. The Economic Recovery Tax Act (ERTA) of 1981 was meant to encourage economic growth by reducing tax rates. This Act added a provision allowing charitable contribution deductions for individuals who do not itemize deductions on their Federal tax returns. Although the Act contains some additional provisions of direct benefit to philanthropy, the benefits were substantially offset by reductions in the after-tax rate of contributions, lessening the incentive for donors to give.

The Tax Reform Act of 1984 was designed to raise $50 billion in revenue as part of a deficit reduction package of tax increases and spending cuts. The Act was a massive piece of tax legislation spanning the entire Internal Revenue Code. However, the implications of the Act on the charitable community were not as significant as the earlier Acts mentioned above.

Current tax law allows for contributions to nonprofit charitable organizations made by both individuals and businesses to be deducted in calculating the taxable income of the donor, up to certain limits. Contributions to these organizations are also tax deductible under U.S. corporate, gift, fiduciary and estate tax laws. Nonprofit charitable organizations are exempt from tax on earned income as long as the income is related to their charitable purpose. However, income derived by tax-exempt organizations from any trade or business that is regularly carried on by the organization and that is not substantially related to the performance by the organization of its exempt purpose is taxable.

COMPARISON OF SELECTED NONPROFIT FINANCIAL DATA

The first Statistics of Income study of the nonprofits was in 1975. Comparing these data to more recent results for 1985, it is clear from Figure A that both total assets and total revenue in real terms more than doubled while total contributions, again in real terms, increased at a slightly lesser rate. On the other hand, GNP grew in real terms by only 34 percent over this period.

The principal factor contributing to the growth of nonprofit assets over the decade was the increase in the value of land, buildings and equipment, and also securities. The principal reason for the growth of revenues was the increase in program service revenue (i.e., fees charged by nonprofits).

The nonprofit charitable sector is both unique in its financial characteristics and diverse in scope. One of the dominant characteristics of the nonprofit charitable sector is the concentration of financial resources among a small number of organizations. Organizations with asset holdings under $1 million filed 80 percent of the returns, but held less than 3 percent of the total assets. On the other hand, organizations with assets of $10 million or more filed approximately 5 percent of the returns but accounted for 83 percent of total assets.

Primary revenue sources for charitable organizations include program service revenue, contributions, dues and assessments. Figure B shows the components of revenue for 1985. Program service revenue (fees) accounted for 63 percent of revenue, while contributions represented 21 percent of revenue. One phenomenon that has occurred since 1975 has been the relative decline (from 26 percent) in contributions as a percent of total revenue for all nonprofit charitable organizations.

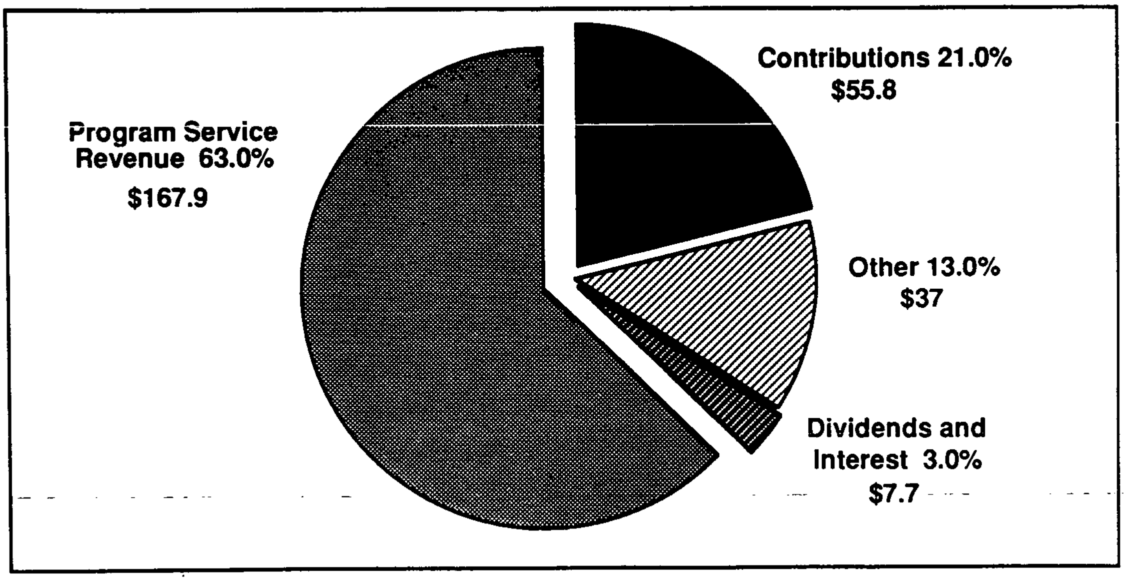
The nonprofit charitable sector shows great variation in sources of revenue as total assets increase. The larger an organization's total assets, the greater is its reliance on program service revenue. In 1985, those nonprofit charitable organizations with assets of less than $1 million relied on program fees for 34 percent of revenue, while organizations whose assets were $10 million or more relied on this type of income for 68 percent of total revenue.

Figure A -- Growth of Nonprofit Charitable Organizations, 1975 - 1985

Income Year	Total Assets (Billions)	Total Revenue (Billions)	Total Contributions Received (Billions)	GNP (Billions)
1975	$183.0	$110.5	$28.8	$2,695.0
1982	$279.6	$196.3	$41.3	$3,166.0
1985	$381.9	$242.1	$50.3	$3,618.7
Average Annual Increase 1975-1985	10.9%	11.9%	7.5%	3.4%

Note: Figures are in 1982 constant dollars, derived using the gross national product implicit price deflator

Figure B.--Components of Revenue (in Billions), 1985



As shown in Figure C, contributions as a percent of total revenue varied inversely with the size of total assets. Organizations with assets under $1 million relied on contributions for 56 percent of revenue while those with assets of $10 million or more depended on contributions for only 14 percent of revenue.

Some commonly held assets of charitable organizations included investments in securities, land, buildings and equipment and cash and savings accounts. These components of assets have been examined in three different size classes of organizations--those with assets less than $1 million, $1 million less than $10 million, and $10 million or more. Figure D shows that investments in cash and savings accounts decreased as assets increased. They ranged from a high of 35 percent of total assets for organizations with asset holdings of under $1 million to a low of 9 percent for those with assets of $10 million or more. Land, buildings and equipment accounted for approximately one-third of the assets of both the smallest and largest organizations, while comprising 43 percent of assets for organizations with assets between $1 and $10 million. Investment in securities was only 7 percent of total assets for organizations with assets under $1 million while it jumped to 30 percent for organizations with assets of $10 million or more.

Figure C.--Major Components of Revenue, by Asset Size, 1985

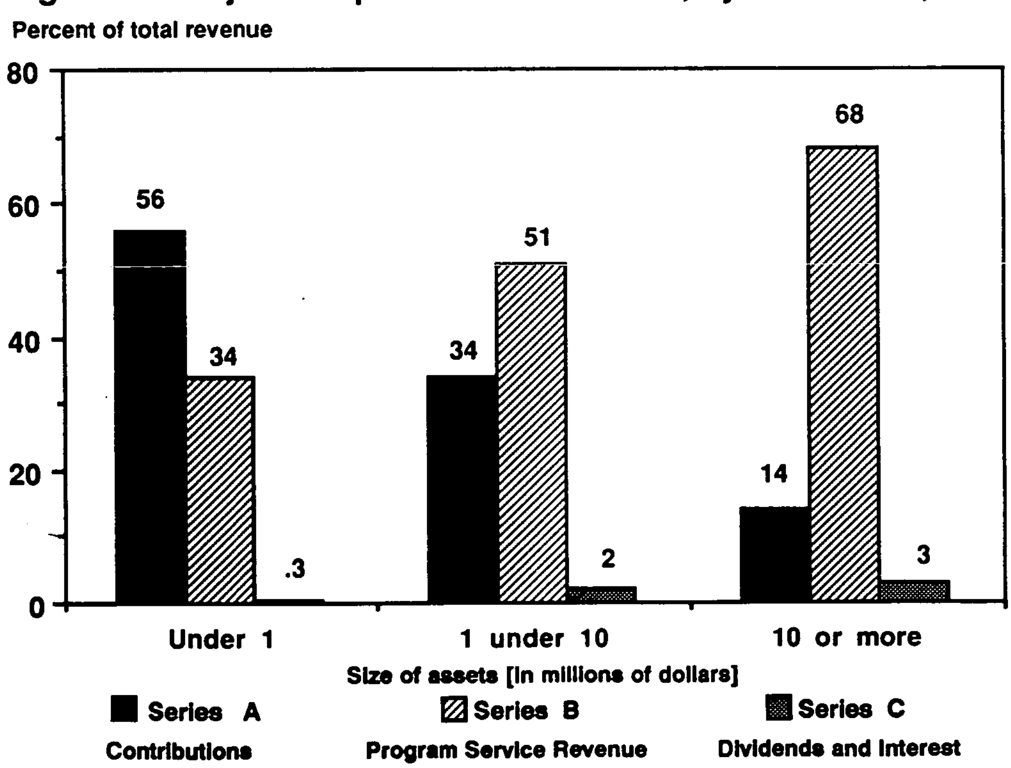


Figure D.--Major Components of Assets, by Asset Size, 1985

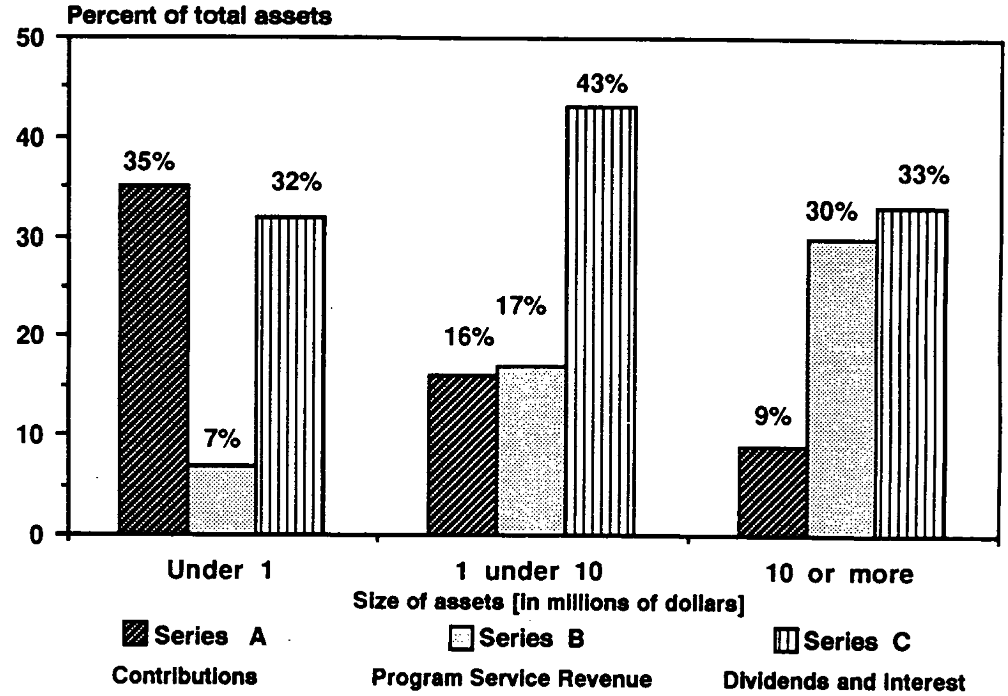
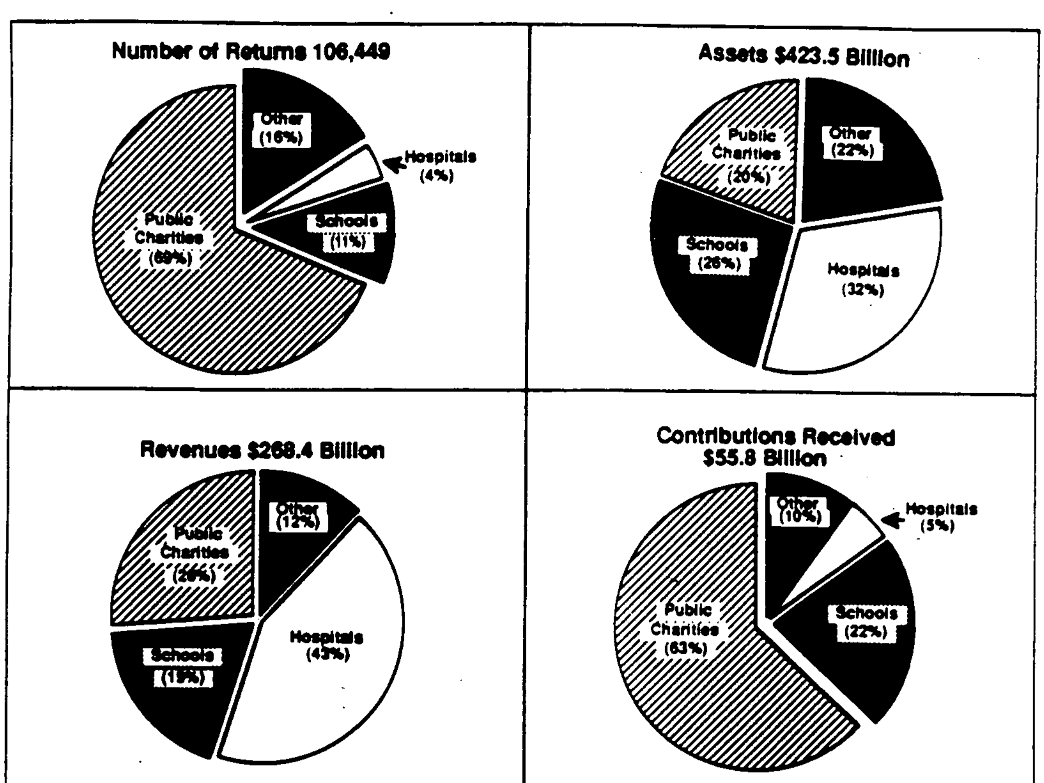


Figure E shows that hospitals dominated the financial statistics for all nonprofit charitable organizations while public charities represented the largest percentage of the total number of organizations. Hospitals, while accounting for only 4 percent of the organizations, represented 32 percent of the total assets and 43 percent of total revenue. Most of the assets of hospitals were in land, buildings and equipment while almost 90 percent of their revenue came from service fees. Public charities, such as the American Heart Association and United Way, accounted for 20 percent of total assets and 26 percent of total revenue, ranking second in total revenue. They also received 63 percent of the total contributions. Schools accounted for only 11 percent of the number of organizations, but

Figure E

Selected Financial Data by Major Type of Nonprofit Charitable Organization, 1985



ranked second in terms of assets with 26 percent.

As seen in Figure F, nonprofit charitable organizations reported total revenues of $268 billion in 1985, 21 percent of which were obtained from contributions, gifts and grants. This is in contrast to $17 billion in contributions received in 1975, which represented 26 percent of total revenue. Total expenditures in 1985 were $244 billion, with direct spending for charitable program services covering 85 percent of that total.

The number of organizations required to file Form 990 rose from 82,048 in 1975 to 106,449 in 1985. As was mentioned previously, organizations whose gross receipts are less than $25,000 are not required to file. This is up from $5,000 in gross receipts in 1975 and $10,000 between 1976 and 1981. In 1982, the filing requirement reached its current amount of $25,000. Total assets over this period increased by $315 billion, which when measured in constant dollars, represented more than a twofold increase.

FUTURE PLANS

The annual series of 501(c)(3) nonprofit charitable organizations starts with the 1985 study. Conducting studies on an annual basis will allow development of a panel of data which will be invaluable for studying the behavior of exempt organizations over time.

Beginning with Tax Year 1988, the nonprofit charitable organizations study will be expanded to include 501(c)(4)-(9) organizations. The sample size for each annual study of 501(c)(3) organizations will be 10,000 while that for 501(c)(4)-(9) organizations will be an additional 10,000 returns. Information will be available from the IRS Master File on other subsection codes each year.

A study of exempt organizations' unrelated business income (Form 990-T) is being conducted for the first time for 1987. Income derived by tax-exempt organizations from any business regularly carried on by the organization that is not substantially related to the organization's exempt purpose is subject to tax. These annual studies will be based on a sample of 5,000 returns stratified by size of unrelated gross income. Annual studies of Form 990-T returns will allow matching of these returns with the organizations' Form 990 returns. Basic questions can then be answered, such as what types of nonprofit organizations are most likely to engage in unrelated business activities.

Starting with Tax Year 1988, the Form 990 study will cover subsections 501(c)(3)-(9). These organizations file nearly 90 percent of the Form 990-T's. One factor that will diminish

Figure F -- Growth of nonprofit sector, 1975 - 1985

Item	Income Year			
	1975	1982	1983	1985
Number of returns	82,048	75,738	89,052	106,449
Total assets	$108.5	$279.6	$331.2	$423.5
Total revenue	$65.5	$196.3	$224.0	$268.4
Contributions	$17.0	$41.3	$46.4	$55.8
Dues and assesments	$1.5	$2.5	$3.1	$3.8
Program services	n.a.	$124.4	$147.5	$206.6
Total expenses	$62.6	$181.3	$207.5	$244.4
Program services	$36.8	$151.7	$173.6	$206.6
Fundraising	$1.4	$1.7	$1.8	$2.2
Management and general	n.a.	$27.4	$31.8	$34.6

Money amounts are in billions of dollars

n.a. — not available

the matching percentage is that the Form 990 and 990-T studies use separate samples with separate stratifiers, so that an organization can be in one sample without being in the other. We are working to overcome this limitation by developing a sampling strategy to embed one sample into the other.

Another area that we will be exploring in the next few years will be collating information on nonprofit organizations with their for-profit subsidiaries. Much of the income earned by nonprofits from unrelated business activities is earned by for-profit subsidiaries.

Finally, SOI is working on a compendium of exempt studies which will be available next year. This one-volume compendium will be comprised chiefly of articles published in the Statistics of Income Bulletin, in the proceedings of the American Statistical Association and Working Papers of the Independent Sector, along with facsimiles of tax forms and instructions. Also included will be other research papers and previously unpublished articles and tables.

The National Center for Charitable Statistics (NCCS) is working with us on approaches to improve the overall sampling plan for nonprofit charitable organizations, especially in the lower asset strata. The current sample is designed to obtain greater numbers of returns in the larger asset classes. As a result, social welfare organizations, which are primarily in the lower asset classes, are not well represented in our sample. We are working with NCCS to augment the sampling frame for social welfare organizations.

LIMITATIONS OF DATA

The statistics presented in this paper are based on samples of Forms 990 filed by organizations classified under Internal Revenue Code section 501(c)(3). Forms 990-PF filed by private foundations under section 501(c)(3) were excluded. The estimates of nonprofit charitable organizations were based on random probability samples of unaudited information returns stratified by asset level. The samples were drawn from multi-year sample frames based on the latest return filed by each organization. To compensate for the fact that not all returns were secured for a given study year, sample weights were adjusted for those asset classes under $10 million. All returns with assets of $10 million or more were obtained for the statistics.

Because the data are estimates based on samples, they are subject to sampling and nonsampling error. The size of the sampling error is estimated by the approximate coefficients of variation (CV's). For further information on the CV's, as well as other limitations of the data, refer to the articles published in the Statistics of Income Bulletin.

ACKNOWLEDGMENTS

The authors would like to thank Cecelia Hilgert for her technical advice and valuable comments. Thanks are due also to Mike Alexander and Jim Hobbs for reviewing and editing drafts of the paper.

NOTES AND REFERENCES

[1] Riley, Margaret, "Private Foundation Information Returns, 1985," Statistics of Income Bulletin, Summer 1989, Vol. 9, No. 1, pp. 27-43.

[2] These data are published periodically in the Statistics of Income Bulletin. See the following articles for data for:

- 1975.--Sullivan, John, and Coleman, Michael, "Nonprofit Organizations, 1975-1978," Statistics of Income Bulletin, Winter 1985-86, Vol. 5, No.3, pp. 11-40.
- 1982.--Heuchan, Laura M., "Nonprofit Charitable Organizations, 1982," Statistics of Income Bulletin, Winter 1985-86, Vol. 5, No. 3, pp. 11-40.
- 1983--Hilgert, Cecelia, "Nonprofit Charitable Organizations, 1983," Statistics of Income Bulletin, Spring 1987, Vol. 6, No. 4, pp. 31-42.

[3] Skelly, Daniel F., "Focus on Nonprofit Charitable Organizations, 1982," Statistics of Income and Related Administrative Record Research: 1986-1987, U.S. Department of the Treasury, Internal Revenue Service, 1986.

[4] Heuchan, Laura M., "Nonprofit Charitable Organizations, 1982," Statistics of Income Bulletin, Winter 1985-86, Vol. 5, No. 3, pp. 11-40.

Nonprofit Charitable Organizations: Highlights of Tax Year 1986 Data

By Cecelia Hilgert*

Nonprofit charitable organizations filing returns for 1986 showed increases in the major sources of revenue and other financial items reported by these organizations. Total revenues rose to $292.5 billion, an increase of 9 percent from 1985, outpacing the general economy which had an increase of less than 3 percent (Figure 1) [1]. Program service revenue, the fees collected from the public for services performed, comprised two-thirds of the total revenue, $187.9 billion, rising by 12 percent from 1985. Total expenses were $263.5 billion. Data were obtained from the Form 990, Return of Organization Exempt from Income Tax [2]. A total of 113,072 organizations, of the 377,000 recognized by the Internal Revenue Service as exempt under section 501(c)(3), were required to file returns [3].

Over 40 percent of the returns filed were by organizations with assets of less than $100,000; this asset-size class had 47,786 returns. Organizations with assets of less than $500,000 represented 69 percent of returns filed, an increase of 4 percent over 1985. By comparison, the 5,714 organizations with assets of $10,000,000 or more were 8 percent higher than for 1985.

Figure 1.--Selected Data for Nonprofit Charitable Organizations, Reporting Years 1983, 1985, and 1986

(All figures are estimates--money amounts are in billions of dollars)

Item	1983	1985	1986
Number of returns	89,052	106,449	113,072
Total assets	$331.2	$423.5	$489.2
Total revenue	224.0	268.4	292.5
Contributions, gifts, grants	46.4	55.8	60.1
Dues and assessments	3.1	3.8	3.7
Program service revenue	147.5	167.9	187.9
Total expenses	207.5	244.2	263.5
Program service expenses	173.6	206.6	221.9
Fundraising services	1.8	2.2	2.5
Management and general expenses	31.8	34.6	38.2

Smaller organizations relied on contributions as the major source of revenue (Figure 2). This source accounted for more than one-half of the total revenue of the organizations with assets of less than $1,000,000. Contributions represented just 17 percent of the total revenue of organizations with assets between $10,000,000 and $50,000,000. Contributions received as government grants declined by 12 percent in 1986, to $22.3 billion, representing 8 percent of total revenue. Program service revenue--derived from the programs operated by the nonprofit

Figure 2.--Revenue and Contributions Received by Nonprofit Charitable Organizations, by Asset Size, Reporting Year 1986

(Money amounts are in millions of dollars)

Asset size	Total revenue	Total contributions	Contributions received through direct support[1]	Contributions received through indirect support[2]	Contributions received through Government grants
Total	**$292,483**	**$60,115**	**$32,398**	**$5,403**	**$22,315**
Under $100,000[3,4]	6,479	3,481	1,508	287	1,686
$100,000 under $500,000[3]	10,208	4,934	2,181	441	2,312
$500,000 under $1,000,000	7,630	3,868	1,422	329	2,117
$1,000,000 under $10,000,000	41,737	13,935	6,882	1,274	5,779
$10,000,000 under $50,000,000	58,402	9,758	6,832	1,025	1,900
$50,000,000 or more	168,027	24,140	13,573	2,046	8,521

[1]Includes contributions, gifts, grants and bequests received directly from the public.

[2]Includes contributions received indirectly from the public through solicitation campaigns conducted by fundraising agencies.

[3]Estimates should be used with caution because of the small number of sample returns on which they are based.

[4]Includes returns with zero assets or assets not reported.

Note: Detail may not add to total because of rounding.

*Foreign Special Projects Section. Prepared under the direction of Michael Alexander, Chief.

charitable organizations in support of exempt purposes--represented 69 percent of the total revenue of organizations with assets greater than $10,000,000.

Assets totaled $489.2 billion, rising by nearly 16 percent over 1985 (Figure 3). Land, buildings, and equipment represented the major asset holdings of nonprofit charitable organizations, accounting for one-third of total assets. However, for organizations with assets of $50,000,000 or more, investments in securities were the largest single component of assets ($119.6 billion, 28 percent). For smaller organizations--those with assets of less than $500,000--cash and savings represented 41 percent of the total holdings ($3.6 billion).

Hospitals, educational institutions, and "publicly-supported" organizations were the major categories of nonprofit charitable organizations in terms of returns, assets, and revenue. This latter group is comprised of organizations that receive support from a broad cross-section of the community, for example, the American Heart Association, YMCA/YWCA activities, art museums, and the National Geographic Society. Together, the assets of these three types of organizations totaled $363.8 billion, their revenue, $254.7 billion. They represented 74 percent and 87 percent, respectively, of the totals for all the nonprofit charitable organizations. Hospitals accounted for 43 percent of the total revenue and 29 percent of the total assets but only 5 percent of the total number of returns. While publicly-supported organizations comprised 71 percent of the total returns filed, up slightly from 1985, they accounted for 26 percent of total revenue and 29 percent of total assets. Educational institutions accounted for 9 percent of returns, but ranked second in terms of assets with 24 percent.

Figure 3.--Returns of Nonprofit Charitable Organizations: Selected Balance Sheet Items, by Size of Assets, 1986

[All figures are estimates based on samples--money amounts are in millions of dollars]

	Size of total assets						
	Total	Under $100,000[1,2]	$100,000 under $500,000[2]	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
Returns of section 501(c)(3) organizations	113,072	47,786	30,363	9,925	19,285	4,077	1,637
Total assets	**489,180**	**1,596**	**7,042**	**7,020**	**59,845**	**92,097**	**321,579**
Cash (non-interest bearing) and savings, including temporary cash investments	51,408	999	2,564	1,826	10,232	9,868	25,918
Accounts receivable (net)	32,205	86	536	492	3,616	7,785	19,688
Investments--securities	150,385	24	591	938	9,807	19,411	119,613
Land, buildings, and equipment (minus accumulated depreciation)	157,560	289	2,228	2,422	25,634	36,839	90,148
Total liabilities	**210,879**	**620**	**1,985**	**2,240**	**23,775**	**34,074**	**148,185**
Accounts payable	26,589	247	552	498	3,486	6,067	15,739
Mortgages and other notes payable	85,731	166	822	1,110	14,414	18,507	50,711
Total fund balance/net worth	**278,301**	**976**	**5,057**	**4,781**	**36,070**	**58,022**	**173,395**

[1]Includes returns with zero assets or assets not reported.

[2]Estimates should be used with caution because of the small number of sample returns on which they are based.

Notes and References

[1] *Economic Report of the President*, U.S. Government Printing Office, 1990.

[2] The statistics are based on a sample of Tax Year 1986 Form 990, Return of Organization Exempt from Income Tax, having accounting periods ending December 1986 through November 1987. A parent organization could file a return for affiliated organizations that were subject to the parent's control and were tax-exempt under a current group exemption letter. All the organizations on a group return had to have the same accounting period.

[3] The total number of organizations exempt under Internal Revenue Code section 501(c)(3), including those not required to file Form 990, was obtained from the Internal Revenue Service Exempt Organizations' Statistical Summary, unpublished tables.

This section contains the articles written on private foundations by the Statistics of Income Division (SOI) of the IRS. It includes five articles and corresponding tables published in the *SOI Bulletin,* including the 1986-87 article, and three papers on foundations presented to and published by the American Statistical Association (ASA). In addition, this section includes a 1974 article on private foundations which was originally published as a separate publication, one article on charitable trusts written by SOI for the ASA, and an article on private foundation administrative expenses. The administrative expenses article was written by the Employee Plans and Exempt Organizations (EP/EO) Area of the IRS with input from SOI. The EP/EO Area recently conducted this study as a result of a Congressional mandate for this information.

The articles primarily represent studies of data from the 1974-1987 period. The data originates from the Form 990-PF, Return of Private Foundation. The *SOI Bulletin* articles represent analyses of the data from the 1974, 1979, 1982, 1983, 1985, and 1986-87 tax years [1]. The 1982 *SOI Bulletin* article was also published as a working paper by the Independent Sector. The three ASA papers on foundations, "Private Foundations: Federal Tax Law, and Philanthropic Activity: An IRS Perspective," "The Private Foundation in a Pluralistic Society," and "Private Foundations as Investors and Distributors of Tax-Exempt Charitable Dollars, 1974-1987," contain analyses of the foundation sector using data collected between the years 1962-1978, 1962-1979, and 1974-1987, respectively. Likewise, the paper entitled, "Charitable Trusts: an IRS Examination of Nonexempt Philanthropic Organizations," presents an analysis of 1979 data.

Nonexempt charitable trusts, depending on their source of funding, file either a Form 990 or a Form 990-PF. Contrary to what their title may indicate, charitable trusts are exempt organizations. However, unlike other exempts, they are not required to apply for formal tax-exempt status from the IRS. Beginning with tax year 1989 data, SOI will conduct an annual study of the charitable trusts filing Form 990-PF. The article included in this volume uses trust data gathered from the Form 990-PF and the Form 5227, "Split Interest Trust Information Return."

Form 990-PF

A 1987 Form 990-PF and its corresponding instructions can be found in the "Forms and Instructions" section. The Internal Revenue Service first required foundations to file information returns in 1943. Since then the form has grown significantly to accommodate new regulations affecting foundations. A number of the tax form changes resulted from discussion surrounding the justification of the foundation tax exemption and the proper role of foundations in society.

Although the basic format of the Form 990-PF remained relatively the same for the period 1974-1987, IRS implemented certain key changes, many of which resulted from tax legislation. These changes, then, affected the data that was collected by Statistics of Income (SOI). All of the key changes represented additions to the form with one exception. The balance sheet of the 1974 and 1979 forms separates investments in securities into the following four categories: 1) United States government obligations, 2) state and local government obligations, 3) nongovernmental bonds, and 4) corporate stock. After 1981 foundations could report all of these items in one category, "Investments- securities." The major additions to the form involve the excise tax on net investment income; the percentage used to calculate "minimum investment return;" information on charitable grants, programs, and recipients; and information on grant administrative expenses.

In terms of the excise tax on net investment income, 1974 tax legislation required that all filers, domestic and foreign, pay an excise tax equal to 4 percent of net investment income. In 1978 IRS implemented legislation requiring domestic foundations to pay only a 2 percent tax. And, as a result of a 1985 tax law change, domestic foundations, depending on the amount of charitable dollars distributed, could qualify for a reduced 1 percent excise tax.

In 1974, the amount of the "minimum investment return" was calculated by taking a fixed percentage, either 5.5 or 6 percent, of noncharitable-use fair market value of assets [2]. The minimum investment return represents what the IRS deems the appropriate amount with which to calculate the required charitable payout amount, known as the "distributable amount." The distributable amount represents the amount of money that a foundation must give to charitable purposes no later than the following tax year. The 1969 Tax Reform Act required that foundations distribute this amount and stipulated that foundations calculate it based on the higher of either "adjusted net income" or minimum investment return [3]. However, the Economic Recovery Tax Act of 1981 changed the payout requirement from a distributable amount based on the higher of adjusted net income or minimum investment return to one based solely on the minimum investment return.

Beginning in 1982 the Form 990-PF required that foundations provide information on charitable grants, loans, programs, and recipients. Later, in 1985, two new sections, the "Limitation on Grant Administrative Expenses," and the "Schedule of Grant Administrative Expenses," were added to the form. Congressional concern and resulting legislation prompted the limitation on the amount of administrative expenses that foundations could apply to the charitable payout requirement. The "Private Foundation Administrative Expenses Study" focuses on this issue.

Since 1986 the basic form has changed little, although two new sections have been added; one in 1988, the other in 1989. (These additions are identical to the new sections added to the Form 990.) The two sections intend to assess: 1)the unrelated business income of a foundation and the manner in which exempt function income relates to the accomplishment of its exempt purpose, and 2) the nature of any monetary transactions with noncharitable exempt organizations. SOI will provide information on these topics in future *SOI Bulletin* issues. As the form is amended and new sections are added, SOI will continue to collect and analyze new data filed by foundations.

[1] The 1974 article, originally published as a separate report, also included some reference to and analysis of IRS Master File data for the years 1975-78. The article was edited for publication in this Compendium and does not appear in its original entirety.

[2] In 1974 the minimum investment return was calculated by taking either 6 percent or 5.5 percent of noncharitable-use assets. Only nonoperating foundations organized before May 27, 1969 could take the 5.5 percent. With the passage of the Tax Equity and Fiscal Responsibility Act of 1976 the percentage changed to 5 percent for all filers.

[3] Adjusted net income represents the amount of income related to property held by a foundation. It includes, among other things, investment income, net short-term capital gain, and gross profit from business activities.

Private Foundations, 1974

By Dan Skelly

INTRODUCTION

Federal tax law grants preferential treatment to certain charitable and other philanthropic organizations. The income of these organizations is exempt from income taxes. In addition, income, estate and gift tax deductions for contributions to certain of these organizations are permitted (subject to certain limitations and conditions).

Private foundations are organizations with a narrow base of financial support, receiving most of their funds from their founder(s). They are restricted in their activities, and their contributors, generally, are subject to more stringent contribution limitations than apply to publicly supported charities.

Foundations in this article were those that filed on Form 990-PF (Return of Private Foundation Exempt from Income Tax). They were nongovernment, not-for-profit organizations with funds and programs managed by their own trustees or directors, whose goal was to maintain or aid social, educational, religious, or other activities deemed to serve the common good. Foundations were classified as either nonoperating or operating.

Nonoperating foundations, which comprised 96 percent of total foundations and accounted for 94 percent of total foundation assets, were organizations that carried on their charitable activities in an indirect manner; usually this meant making grants to other organizations that were directly engaged in charitable activities, rather than engaging in charitable activities themselves. Operating foundations, in general, were organizations engaged directly in the active conduct of charitable, religious, educational, scientific, literary, and certain other specified types of activities. The assets of operating foundations were typically comprised of fixed facilities directly employed for exempt purposes.

FILING REQUIREMENTS

The statistics in this report are estimates, derived from a stratified sample, selected before audit of Form 990-PF returns filed primarily for Income Year 1974. A comprehensive description of the sample design and of the limitations of the data is presented later on in the "Data Sources and Limitations" section.

Foundations in existence at any time during the year were required to file a return, regardless of their income or assets. This requirement applied to all domestic and foreign organizations that obtained rulings from the Internal Revenue Service recognizing them as exempt from income tax under Internal Revenue Code section 501(c)(3) and that had met the definition of a private foundation within the meaning of section 509(a). Organizations claiming to be tax-exempt private foundations that had applied for, but not yet received rulings from, the Internal Revenue Service were still required to file From 990-PF and were also included in the statistics.

Foundations filed returns for the accounting period customarily used in keeping their books. Returns were due on or before the 15th day of the fifth month following the close of the accounting period. Foundation statistics for 1974 included data from returns for Calendar Year 1974, as well as from returns with noncalendar accounting periods ending in 1975. Some returns with accounting periods ending in 1973 were also included. (See "Data Sources and Limitations.") The statistics represent, for the most part, returns with accounting periods that ended during the period August 1974 through July 1975. Roughly two-thirds (65 percent) of the returns filed were on a calendar year basis; these calendar year returns accounted for 64 percent of total assets and 70 percent of net income (less deficit), i.e. the excess of revenue over expenses.

SUMMARY OF FOUNDATION DATA, 1974

Figure 1 shows the number of foundations and amount of total assets classified by the size of the foundation (both measured in terms of total book value of assets). Foundations with under $100,000 in assets (small foundations) comprised 63 percent of the number of foundations but accounted for only

Figure 1.--Number of Foundations and Amount of Book Value of Total Assets, by Size of Book Value of Total Assets, Income Year 1974

[All figures are estimates based on samples--money amounts are in millions of dollars]

Size of book value of total assets	Number of foundations[1]	Percent of total	Total assets	Percent of total
	(1)	(2)	(3)	(4)
Total	**26,889**	**100.0%**	**25,514**	**100.0%**
Under $100,000[2]	16,859	62.7	404	1.6
$100,000 under $1,000,000	7,313	27.2	2,417	9.5
$1,000,000 under $10,000,000	2,363	8.8	6,879	27.0
$10,000,000 or more ...	354	1.3	15,813	62.0

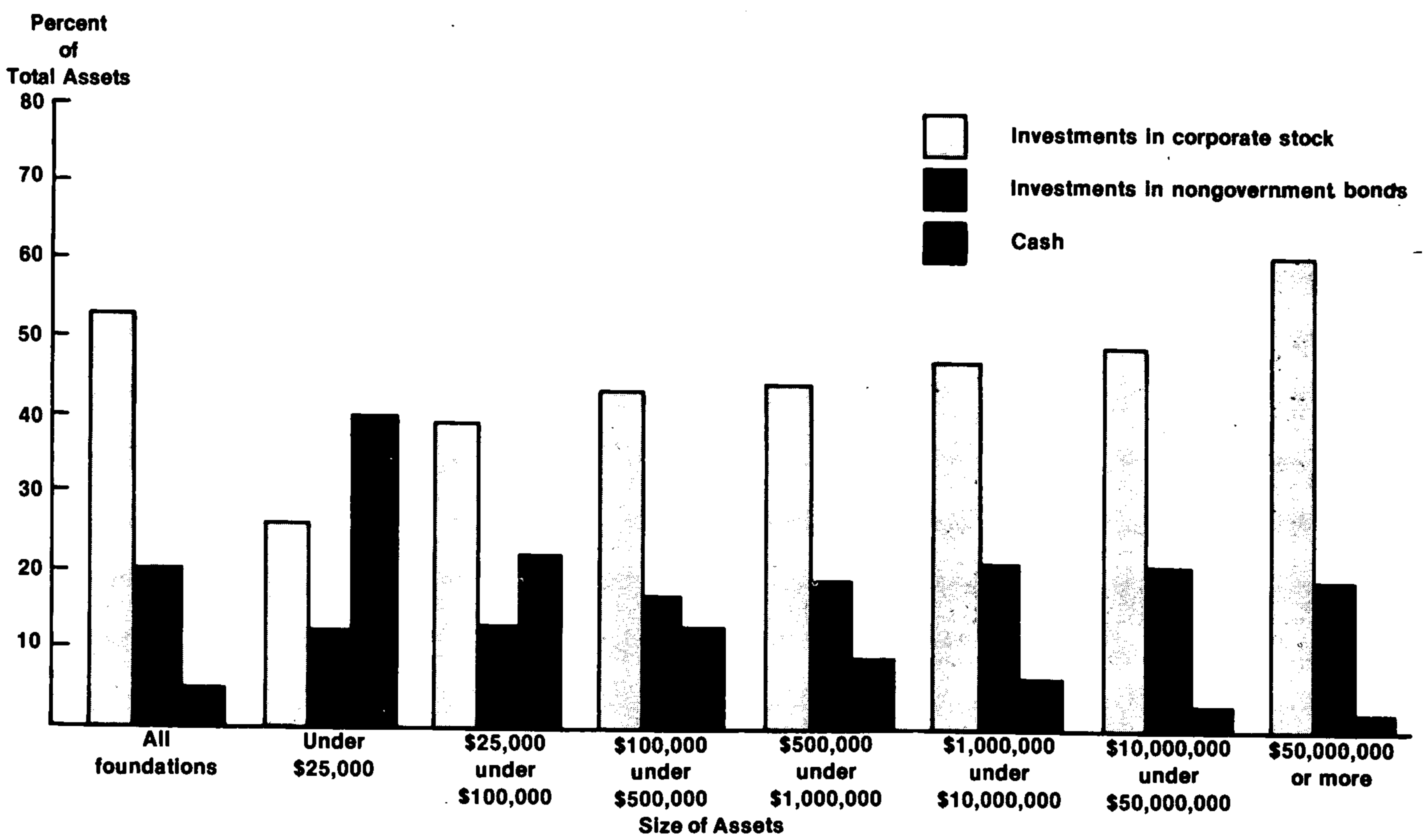
[1]See "Data Sources and Limitations"

[2]Includes assets zero or not reported.

2 percent of total assets. Foundations with $100,000 under $1,000,000 in assets (medium size foundations) numbered 7,313 and accounted for 9 percent of total assets. Foundations with $1 million or more in assets (large foundations) comprised 2,717 or 10 percent of the number of foundations and accounted for 89 percent of total assets. There were 354 foundations with $10 million or more in assets (less than 2 percent of the total number of foundations) and these accounted for 62 percent of total assets.

Figure 2 illustrates the three largest components of total assets, classified by the size of total book value of assets. In general, the asset composition of foundations was predominantly related to the size of the foundation. Asset detail in 1974 was available from the Form 990-PF based on book value only. (Asset detail by fair market value first became available on the Form 990-PF in 1979.) For all foundations, corporate stock accounted for 53 percent of total assets, while investments in nongovernment bonds accounted for 20 percent, and cash holdings 5 percent. For "small" foundations, investments in corporate stock represented 35 percent of the total, while holdings of cash represented 25 percent. For "medium size" foundations, investments in corporate stock represented 44 percent of the total, nongovernment bonds 18 percent, and cash 11 percent. For all "large" foundations, investments in corporate stock amounted to 54 percent of total assets, invest-

Figure 2.—Three Largest Components of Total Assets, by Size of Total Assets, 1974



ments in nongovernment bonds 20 percent, and cash 4 percent. Included in this group were foundations with $50 million or more in assets (the very large foundations). These foundations reported investments in corporate stock amounting to 57 percent of total assets; investments in nongovernment bonds, 19 percent; and cash, less than 2 percent.

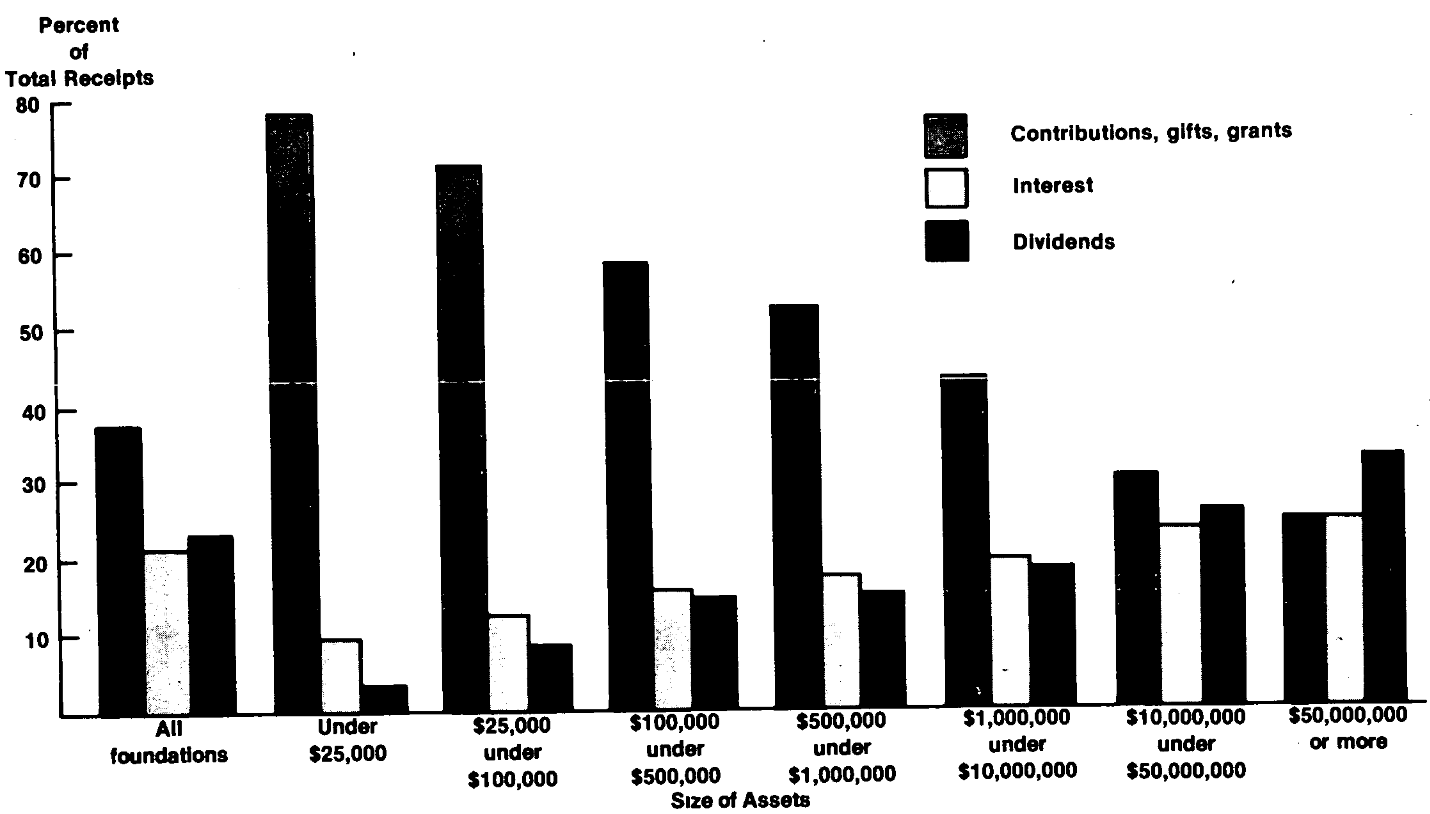
Figure 3 shows the three largest components of total receipts as a percentage of the total, classified by the size of total book value of assets. Contributions, gifts and grants represented, for all foundations, 37 percent of total receipts, dividends 23 percent, and interest 21 percent. For "small" foundations, contributions, gifts, and grants represented 74 percent of total receipts, interest 11 percent, and dividends 6 percent. Contributions, gifts, and grants for "medium size" foundations represented 55 percent of total receipts, interest 16 percent, and dividends 14 percent. For "large" foundations, contributions, gifts and grants represented 33 percent of total receipts, dividends 25 percent, and interest 22 percent.

PRIVATE FOUNDATIONS AND THE TAX REFORM ACT OF 1969

Prior to the Tax Reform Act of 1969, deductible contributions to foundations were limited to 20 percent of an individual's adjusted gross income, while the limit for amounts contributed to other philanthropic organizations was 30 percent. The 1969 Act raised the limit for exempt organizations other than foundations from 30 percent to 50 percent, while, in general, maintaining the 20 percent limit for nonoperating foundations. The limit on the contributions deduction for operating foundations was raised from 20 percent to 50 percent.

Before the enactment of the Tax Reform Act of 1969, the term "private foundation" was left undefined in the Internal Revenue Code. However, the term had often been used to describe an organization to which contributions were deductible up to 20 percent of adjusted gross income. The term "operating foundation" was also undefined under the Code, but had sometimes been used to describe the type

Figure 3.—Three Largest Components of Total Receipts, by Size of Total Assets, 1974



of foundation to which contributions qualified for the former "unlimited charitable contribution deduction," even though they did not qualify for the former 30-percent deduction limitation.

The 1969 Tax Reform Act defined foundations for the first time by including them as organizations described in Code section 501(c)(3) as organized and operated exclusively for religious, charitable, educational, or like purposes. However, the following were explicitly excluded from the definition under section 509(a):

(1) organizations described in Code section 170(b)(1)(A)(i)-(vi) (generally organizations such as churches, schools, and hospitals);
(2) broadly-based publicly-supported organizations that normally received more than one-third of their support in contributions from members and the general public and from income received in performing their exempt functions and that did not normally receive more than one-third of their annual support from investment income or unrelated business income;
(3) certain related organizations which were organized and operated exclusively for the benefit of one or more of the organizations described in (1) and (2) above; and
(4) organizations exclusively testing for public safety.

Because of abuses uncovered with respect to the preferential tax treatment accorded foundations, the Tax Reform Act of 1969 imposed several limitations on private foundations not otherwise applicable to public philanthropic organizations. It required "current distributions of income for charitable and similar purposes; prohibited self-dealing between foundations and certain related parties referred to as "disqualified persons" (see explanation on self-dealing, below); limited business holdings of foundations; prohibited speculative investments by foundations; and, prohibited lobbying, electioneering and other expenditures not in furtherance of the foundation's tax-exempt purpose." Whereas under prior law, the sanction against foundations engaging in these prohibitive transactions was the loss of the foundation's tax-exempt status, the Tax Reform Act of 1969, in general, substituted a system of multi-tiered excise penalty taxes keyed to the particular prohibited transactions as a means of discouraging them. In addition, foundations had to pay a tax on their "net investment income" to cover the U.S. Treasury Department's cost of monitoring their activities. The Tax Reform Act also imposed new and more detailed filing requirements and required foundations to make certain information available to the public each year about their activities.

Excise Tax on Net Investment Income

An annual 4 percent tax was imposed on "net investment income" for all domestic foundations for taxable years beginning after December 31, 1969. For taxable years beginning after September 30, 1977, the excise tax on net investment income for domestic private foundations was reduced from 4 to 2 percent. The rate for foreign foundations, which was based on "gross investment income," remained at 4 percent. Net investment income was defined as gross investment income (interest, dividends, rents, and royalties) plus net capital gain, less the ordinary and necessary expenses paid or incurred that were related to such income and gain. Capital gain, for this purpose, represented only the gain realized on the sale or other disposition of assets held for the production of investment income or of "unrelated business income." The latter represented assets used in a trade or business not substantially related to the purpose for which the foundation was granted an exemption.

The imposition of the excise tax on foundation net investment income was also dependent on whether the foundation was tax-exempt or whether it had lost its exemption. A foundation whose exempt status had been revoked was subject to the excise tax on net investment income only to the extent that the excise tax plus the unrelated business income tax exceeded its actual income tax as a nonexempt corporation for the year.

Self-Dealing

Prior to the Tax Reform Act of 1969, donors were relatively free to deal with foundations to which they made substantial contributions. Loans, purchases or sales, leases, employment and agency agreements, acquisitions, and the like, between foundations and substantial donors, their families and controlled corporations, were all sanctioned provided they met the "arms-length test." Under the arms-length test a foundation could engage in transactions with related parties as long as both parties acted independently and the outcome was no different than if the transaction occurred in the open market. Sanctions were loss of exemption for at least one taxable year and loss of the donors' charitable contributions deduction under certain circumstances. These provisions were viewed as difficult to enforce because of the subjectivity of the arms-length standard and because, in many cases, the sanctions seemed disproportionate to the offense involved. In order to minimize the need to apply subjective arms-length standards, to avoid the temptation to misuse private foundations for non-charitable purposes, and to make it more practical to properly enforce the law, acts of self-dealing were, in general, effectively prohibited under the 1969 Act.

Under the self-dealing provisions of the 1969 Tax Reform Act, certain transactions between private foundations and certain related parties (called "disqualified persons") were subjected to sanctions for acts of self-dealing. Disqualified persons, with respect to prohibited transactions such as self-dealing, primarily included: substantial contributors to the foundation; foundation managers; individuals owning more than 20 percent of an organization which was a substantial contributor to the foundation; family members of any of the previously mentioned individuals; organizations in which the previously mentioned individuals held more than a 35-percent interest, other private foundations which were effectively controlled by a person or persons in control of the foundation in question; and certain government officials. In general, "acts of self-dealing" were defined as the direct or indirect:

(1) sale, exchange, or lease of property,
(2) lending of money or other extensions of credit,
(3) furnishing of goods, services or facilities,
(4) payment of compensation or reimbursement of expenses by the foundation to a disqualified person,
(5) transfer to, or use by or for the benefit of, a disqualified person of the income or assets of the foundation, and
(6) agreement by the foundation to make any payment to a Government official, other than an agreement (within 90 days of termination) to employ the official after termination of his or her Government service.

A variety and gradation of sanctions were imposed upon disqualified persons who engaged in acts of self-dealing and upon foundation managers who participated in any prohibited act of self-dealing. These sanctions were based on the intent of the law to penalize all acts of self-dealing rather than penalizing only those acts that failed arms-length standards. The base upon which the tax was levied was the greater of the amount of money, or the fair market value of property, given or received by the foundation in a self-dealing transaction.

Failure to Distribute Income

Prior to the Tax Reform Act of 1969, there was no requirement that a foundation invest its assets so as to produce income currently. However, if the foundation accumulated income in an "unreasonable" amount or for an "unreasonable" duration, it could have lost its tax-exempt status. IRS rarely applied this penalty due to its severity.

Congress felt that since donors to a foundation were receiving a current tax benefit (when they deducted their contributions), there should also be a current charitable benefit. Accordingly, a minimum charitable payout requirement was established under the Tax Reform Act of 1969. This minimum payout did not apply to operating foundations, since these foundations, as a rule, distributed almost all of their income currently. Nonoperating foundations had to distribute all of either their current "adjusted net income" or an income equivalent based on the average value of net investment assets, the "minimum investment return," before the end of the following taxable year. (The adjusted net income primarily represented amounts associated with property held by the foundation, such as investment income, short-term capital gain, income from all charitable functions, and unrelated trade or business activity income. Excluded were contributions received and long-term capital gains/losses.) The greater of the adjusted net income or the minimum investment return was used to calculate the "distributable amount." The allowance of an additional year after receiving income in which to make the necessary expenditures permitted foundations to budget uses for their funds before having to make the required outlays.

The minimum investment return was a specified percentage of the foundation's assets that were not used directly in carrying out the foundation's exempt purpose. For Income Year 1974, the rate was 6 percent for foundations organized after May 26, 1969, and 5.5 percent for those organized before May 27, 1969. For years beginning after 1975, the rate was set at 5 percent. Assets used directly in carrying out the foundation's exempt purposes were disregarded in computing the minimum investment return.

The following are the purposes for which income (or assets) had to be expended ("qualifying distributions") to meet the "distributable amount":

(1) distributions to public charities,
(2) distributions to private operating foundations,
(3) direct expenditures for charitable or other tax-exempt purposes,
(4) expenditures for assets to be used for charitable or other exempt programs,
(5) certain amounts set aside for a specific charitable program, and
(6) certain distributions to other private non-operating foundations.

A foundation which distributed more than the distributable amount in a given year was permitted to apply the excess against its payout quota for the next 5 years, in chronological order, until completely used. The excess distributions were treated as qualifying distributions and reduced the foundation's distribution quota for the current year.

Taxes were imposed on the "undistributed income" of a foundation. Undistributed income was the amount by which the distributable amount exceeded qualifying distributions. The portion of the distributable amount (for a given year) that had not been distributed by the end of the following taxable year was subject to an initial excise tax of 15 percent of the amount involved. A subsequent second level tax of 100 percent was imposed based on the amount of the foundation's undistributed income not distributed at the end of the 90-day period for correcting the first level violation. If the foundation still failed to correct the problem, the exempt status of the foundation could be revoked.

Excess Business Holdings

The Tax Reform Act of 1969 provided stricter standards regarding "excess business holdings." Prior law did not deal directly with foundation ownership of business interests. However, some Federal courts held that business involvement could become so great as to result in a loss of exempt status. As a result, under prior law, it was not clear at what point noncharitable purposes became sufficiently great to disqualify the foundation from exempt status. Under the 1969 law, use of foundations to maintain control over a business was curtailed. Previously, foundations were generally free to involve themselves in the conduct of active business enterprises. Providing the foundation was not organized or operated for the primary purpose of carrying on an "unrelated" trade or business, ownership of business interests was permitted.

In general, the Tax Reform Act of 1969 limited the permitted holdings in a business enterprise by a foundation and its disqualified persons to 20 percent of the voting stock or other beneficial interest in the business enterprise (35 percent if an unrelated third party had effective control of the business enterprise). Different phase-out periods of 10 to 20 years were provided for the disposition of holdings in excess of 50 percent that were held on May 26, 1969. Foundations which failed to comply with the new requirements were subjected to a series of excise taxes on the value of their excess business holdings.

Investments Jeopardizing Charitable Purpose

Prior to 1969, foundations were generally free to invest their assets without constraints. A foundation manager could have invested the assets of the foundation in warrants, commodity futures, and options, or could have purchased on margin, or otherwise risked the assets of the foundation, without penalty. Only the accumulated income of the foundation had to be invested in a manner that did not jeopardize the carrying out of its exempt purpose. The sanction against the foundation in this case was loss of exempt status; however, on account of the severity of the penalty, it was rarely imposed.

As a result of the 1969 law, all assets of a foundation (corpus and income accumulations) became subject to the same limitation previously applicable to accumulated income; that is, all assets of the foundation had to be invested in a way that would not jeopardize the carrying out of its exempt purposes. "Program related investments" which were intended to accomplish one or more exempt purposes were not subject to these limitations. Program related investments included low-interest loans to needy students, investments in low-income housing, and similar "charitable" expenditures.

The 1969 law also substituted more limited penalties, in the form of a series of excise taxes, instead of the loss of exempt status. The excise tax levied was based on the amount of the improper investment.

Lobbying, Electioneering and Other Prohibited Expenditures

Prior to 1969, the Internal Revenue Code contained various prohibitions against private foundation lobbying, electioneering and, generally, the substantial use of a foundation's accumulated income for other than exempt purposes. The penalty for violating these prohibitions was the loss of tax-exempt status. Congress viewed these provisions, standing alone, as providing insufficiently objective standards and as providing sanctions not sufficiently tailored to the magnitude of the offense.

Under the Tax Reform Act of 1969, a series of excise taxes was imposed on "taxable expenditures" of a foundation. In general, taxable expenditures included expenditures for lobbying, electioneering (including certain voter registration drives), grants to individuals (unless made in accordance with objective standards), grants to other organizations (unless the foundation accepted expenditure responsibility for proper use of the funds), and amounts paid or incurred for nonexempt purposes. Expenditures in connection with grassroots campaigns or other attempts to influence any legislation through an attempt to affect public opinion were specifically prohibited. These rules effectively replaced the "substantiality test" in determining whether a private foundation had made a taxable expenditure in these areas. A series of excise taxes was imposed on the foundation (and foundation manager if knowingly involved) based on the amount improperly spent.

DATA SOURCES AND LIMITATIONS

Sources of the Data

The data presented in this article are estimates based on a stratified random sample of Forms 990-PF, Return of Private Foundation Exempt from Income Tax. All returns selected were before audit examination. Tentative returns were not subjected to sampling because a later revised return could have been subjected to sampling and amended returns were excluded because the original returns had already been subjected to sampling.

Sample Criteria and Selection

Foundation returns processed during 1975 (at the Internal Revenue Service's Philadelphia Service Center) were computer stratified from the Business Master File based on size of book value of assets total. Within each sample stratum returns were randomly selected based on the ending digits of the Employer Identification Number at rates varying from 12 to 100 percent. This yielded 8,907 returns from a population of 27,060. Figure 4 displays the sample size and estimated foundation population along with prescribed and achieved sampling rates for the different sizes of foundations. During processing, returns of 1,085 foundations were identified, by sample stratum (class), as missing from the sample. These "missing" returns were principally the result of a change in the procedures in administrative processing of exempt organization returns. These new procedures were aimed at correcting missing or erroneous information reported on returns. The effect of these procedures was to delay the processing of returns.

To compensate for missing returns that were processed after December 31, 1975 (the sampling cut-off date), 45 returns with $10 million or more in assets were located, edited and added to the sample and population counts. An adjustment was made to the population counts by sample stratum (class) to account for the remaining 1,040 returns. The effect of these adjustments was to increase the sample size to 8,952 and the population count to 28,145.

While the overwhelming majority of returns processed in 1975 for Calendar Year 1974, there were a number that were for Calendar Year 1973, and for noncalendar years ending during 1973. It was felt that inclusion of these returns would help compensate for the absence of returns due but yet filed for 1974. Duplicate returns and returns for 1972 and prior years are included in the estimated population

Figure 4.--Number of Form 990-PF Returns in the Population and in the Sample, Prescribed and Achieved Sampling Rates, by Sample Class, Income Year 1974

Size of book value of total assets	Number of returns: Estimated population	Number of returns: Sample size	Sampling rates: Prescribed	Sampling rates: Achieved
	(1)	(2)	(3)	(4)
Total	**28,145**	**8,952**	-	-
Under $100,000[1]	18,099	2,071	0.12	0.11
$100,000 under $500,000	5,762	2,778	0.50	0.48
$500,000 under $1,000,000	1,560	1,560	1.00	1.00
$1,000,000 under $10,000,000	2,370	2,189	1.00	0.92
$10,000,000 or more	354	354	1.00	1.00

[1]Includes assets zero or not reported.

and sample counts of Table B but are excluded from the tabulations in the report.

Method of Estimation

Weighting factors were obtained by dividing the computer count of returns filed by sample stratum by the number of sample returns actually selected from each stratum. All weighting factors were converted to "integer weighting factors" before they were applied to the sample returns. For example, if a weight of 8.74 was computed for a stratum, 74 percent of the sample returns in that stratum were given an integer weighting factor of 9 and 26 percent an integer weighting factor of 8.

Response and Other Nonsampling Errors

In transcribing and tabulating information from the returns in the sample, additional checks were imposed to improve the quality of the resulting estimates. Incorrect or missing entries were corrected during statistical processing to make them consistent with other entries on the return or accompanying schedules.

Various techniques were used to control and improve the quality of the data during the processing stages. During statistical "editing," tax examiners were instructed to correct tax return errors wherever possible through reference to other entries on the return or to accompanying schedules and to adjust data to achieve consistency in statistical definitions. The quality of the editing was controlled by means of a continuous subsampling verification system at the Philadelphia Service Center (PSC) which resulted in 99.3 percent of the documents being reviewed. All errors found in the review were corrected. In addition, the Statistics of Income Division in the National Office independently re-processed about 2.5 percent of the returns processed in the PSC to evaluate the quality of the editing after verification and to determine PSC adherence to processing instructions. Continuous communication was maintained regarding errors detected. Through a problem referral system such errors were resolved. Transcription of the data was subjected to 100 percent verification.

Prior to tabulating, numerous computer tests were applied to each return record to assure that proper balance and relationship between return items was maintained. Finally, all statistics and tables were reviewed for accuracy and reasonableness, in light of provisions of tax laws, taxpayer reporting variations and limitations, economic conditions, and statistical techniques used in data processing.

NOTES AND REFERENCES

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[11] U.S. Congress, Senate, Committee on Finance, Subcommittee on Foundations, *Hearings on Private Foundations,* October 1 and 2, 1973, U.S. Government Printing Office, 1973.

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Table 1.—All Foundations—Balance Sheets and Income Statements, by Size of Total Receipts

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Total	Size of total receipts							
		Receipts zero or not reported	$1 under $10,000	$10,000 under $50,000	$50,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of foundations	**26,889**	**2,194**	**13,436**	**6,211**	**1,772**	**2,364**	**422**	**454**	**36**
Total assets	**25,514,367**	**70,259**	**559,667**	**1,708,494**	**1,198,365**	**4,511,474**	**2,352,009**	**8,257,323**	**6,856,775**
Cash, total	1,164,831	7,986	82,859	143,327	96,645	280,740	133,092	338,953	81,229
Savings and interest-bearing accounts	798,692	637	56,044	98,581	66,107	183,645	88,833	245,799	59,046
Other	366,139	7,349	26,814	44,746	30,538	97,096	44,259	93,154	22,183
Accounts receivable (net)	144,859	52	3,491	6,576	4,034	18,112	10,552	39,286	62,756
Notes receivable (net)	838,802	1,172	14,937	231,492	30,627	79,112	45,971	414,841	20,650
Inventories	57,485	86	7,049	1,648	1,497	5,585	3,943	37,581	95
Investments in Government obligations:									
United States	1,272,403	—	23,828	73,320	59,034	250,475	113,496	440,143	312,106
State and local	168,098	1,375	5,403	12,646	10,726	34,864	12,665	88,276	2,143
Investments in nongovernment bonds	5,045,332	3,931	70,615	274,379	232,491	948,771	505,671	1,847,714	1,161,760
Investments in corporate stock	13,407,316	22,674	249,873	697,349	572,755	2,189,562	1,100,170	4,071,732	4,503,201
Mortgage loans	282,779	1,000	8,030	20,885	21,970	67,173	24,024	114,009	25,688
Other investments	1,340,767	1,108	29,363	66,084	48,736	205,596	170,855	326,706	492,319
Depreciable assets held for investment	276,608	506	3,816	16,098	13,024	63,204	46,495	106,629	26,836
Less: Accumulated depreciation	131,301	211	1,717	5,636	4,300	26,706	21,766	57,004	13,961
Depreciable assets held for charity	274,446	—	4,308	15,471	15,087	71,073	41,352	68,305	58,849
Less: Accumulated depreciation	74,925	—	1,245	4,589	4,032	19,214	12,640	18,129	15,076
Land held for investment purposes	273,447	6,588	7,823	22,842	19,989	77,899	38,370	94,695	5,241
Land held for charitable purposes	132,286	9,894	8,978	15,513	14,451	34,390	9,312	30,592	9,155
Other assets	1,041,125	14,099	42,252	121,086	65,630	230,835	130,446	312,994	123,783
Total liabilities	**25,514,365**	**70,259**	**559,666**	**1,708,494**	**1,198,365**	**4,511,474**	**2,352,009**	**8,257,323**	**6,856,775**
Accounts payable	69,165	3,367	1,658	2,625	2,258	8,356	4,344	21,993	24,564
Contributions, gifts, grants payable	866,147	69	3,406	2,936	5,101	23,067	22,795	218,322	590,452
Mortgages and notes payable	525,201	6,190	5,021	245,775	8,255	50,476	15,561	193,203	720
Other liabilities	179,742	8,525	12,484	8,993	7,116	29,314	20,882	65,460	26,968
Net worth	23,874,110	52,109	537,097	1,448,165	1,175,634	4,400,262	2,288,427	7,758,346	6,214,071
Total receipts	**3,263,351**	—	**41,265**	**139,886**	**124,564**	**515,867**	**293,174**	**1,132,855**	**1,015,739**
Contributions, gifts, grants	1,216,939	—	14,532	51,212	48,199	198,097	113,393	421,721	369,785
Gross dues and assessments	3,114	—	177	431	347	1,385	771	3	—
Interest	671,216	—	13,056	38,688	30,487	124,553	64,780	245,228	154,424
Dividends	743,456	—	10,334	34,179	29,093	115,302	63,081	228,245	263,222
Gross rents and royalties	120,096	—	880	6,246	5,297	23,487	17,695	57,804	8,687
Net gain from sale of assets	296,330	—	1,235	5,608	6,188	34,009	22,226	124,296	102,768
Gross profit from business activities	39,859	—	218	303	1,495	4,777	5,603	27,453	10
Other income	172,340	—	833	3,219	3,458	14,258	5,625	28,105	116,843
Total deductions	**3,187,933**	**6,067**	**102,443**	**183,228**	**130,083**	**540,112**	**274,961**	**875,864**	**1,075,176**
Contributions, gifts, grants	1,953,060	3,852	71,093	133,034	88,922	367,877	192,678	591,258	504,346
Compensation of officers	43,674	18	902	3,282	2,917	10,686	4,705	14,553	6,611
Other salaries and wages	107,229	21	706	3,690	4,652	23,537	13,172	49,794	11,656
Other employee benefits	16,854	—	18	131	760	1,363	847	9,724	4,012
Investment, legal, and other professional services	46,170	233	2,292	4,516	3,313	10,785	4,944	15,072	5,015
Interest	18,397	31	250	1,323	629	3,228	1,412	11,522	2
Taxes	73,465	91	1,547	4,406	3,776	14,070	8,387	27,693	13,495
Depreciation, amortization, and depletion	20,830	[1]	403	1,328	1,263	5,047	3,670	8,367	752
Rent	9,841	[1]	220	608	599	1,928	1,022	3,821	1,643
Net loss from sale of assets	471,229	943	12,337	20,248	13,327	68,022	27,782	84,417	244,152
Other expenses	427,175	877	12,671	10,658	9,924	33,568	16,343	59,641	283,494
Net income (less deficit)	**75,422**	**−6,067**	**−61,176**	**−43,341**	**−5,519**	**−24,244**	**18,214**	**256,992**	**−59,438**
Net income	1,206,287	—	6,910	27,873	31,162	137,295	83,442	439,465	480,141
Deficit	1,130,866	6,067	68,086	71,214	36,681	161,539	65,228	182,473	539,579

[1] Less than $500.

NOTE: Detail may not add to total because of rounding.

Private Foundations Exempt from Income Tax for 1974

Table 2 .—All Foundations—Selected Balance Sheet and Income Statement Items, and Reconciliation of Net Worth, by Size of Total Fair Market Value of Assets

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Total	Size of total fair market value of assets: Assets zero or not reported	$1 under $10,000	$10,000 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Number of foundations	**26,889**	**2,414**	**6,160**	**3,219**	**5,705**	**5,384**	**1,462**	**2,180**	**307**	**78**
Total assets	**25,514,367**	**184,080**	**66,628**	**139,869**	**522,314**	**1,911,746**	**1,114,121**	**6,575,952**	**5,541,865**	**9,457,793**
Selected assets:										
Investments in Government obligations:										
Number of foundations	4,437	56	97	274	1,001	1,367	485	959	153	45
Amount	1,440,501	7,427	1,103	4,615	30,201	94,308	72,671	406,251	369,915	454,012
Investments in nongovernment bonds:										
Number of foundations	9,273	151	548	853	2,018	2,871	955	1,589	230	58
Amount	5,045,332	19,844	4,239	19,455	77,168	352,631	218,759	1,432,786	1,256,105	1,664,346
Investments in corporate stock:										
Number of foundations	13,592	315	1,124	1,572	3,191	3,929	1,214	1,914	263	70
Amount	13,407,316	61,153	15,518	44,344	164,239	945,942	500,979	3,117,693	2,715,612	5,841,836
Total liabilities	**25,514,365**	**184,080**	**66,628**	**139,869**	**522,314**	**1,911,746**	**1,114,120**	**6,575,951**	**5,541,865**	**9,457,793**
Selected liabilities:										
Contributions, gifts, grants payable:										
Number of foundations	709	(*)	(*)	(*)	120	158	64	151	60	28
Amount	866,147	(*)	(*)	(*)	3,535	35,549	5,351	39,337	158,264	622,565
Principal fund:										
Number of foundations	24,155	1,029	5,581	3,034	5,432	5,168	1,413	2,122	301	75
Amount	23,345,105	154,364	37,849	132,457	400,525	1,778,746	1,039,850	6,058,356	5,066,305	8,676,653
Income fund:										
Number of foundations	8,464	230	988	956	1,920	2,227	758	1,162	175	48
Amount	529,005	12,308	—722	3,264	10,111	67,986	45,900	339,646	201,373	—150,860
Reconciliation of net worth:										
Net worth (beginning of year):										
Number of foundations	25,436	1,912	5,748	3,089	5,487	5,251	1,433	2,137	303	76
Amount	25,325,845	266,666	50,279	143,147	447,571	1,856,229	1,040,285	6,165,050	5,269,760	10,086,858
Additions to net worth:										
Net income:										
Number of foundations	11,927	573	2,071	1,480	2,842	2,796	811	1,168	149	37
Amount	1,206,287	12,749	4,549	5,655	30,805	84,848	67,807	374,532	250,294	375,048
Other increases:										
Number of foundations	4,437	391	648	392	857	1,035	343	626	112	33
Amount	755,731	26,098	5,512	1,700	20,375	40,676	41,185	200,914	209,016	210,256
Subtractions from net worth:										
Deficit:										
Number of foundations	13,804	1,538	3,461	1,670	2,773	2,527	646	1,004	148	37
Amount	1,130,866	20,830	18,467	8,921	30,875	96,662	33,900	192,698	123,822	604,692
Other decreases:										
Number of foundations	6,283	779	1,052	647	1,222	1,345	409	663	131	35
Amount	2,282,885	118,012	4,745	5,859	57,239	38,358	29,628	149,797	337,571	1,541,677
Equals:										
Net worth (end of year):										
Number of foundations	25,245	1,098	5,950	3,210	5,631	5,352	1,449	2,173	306	76
Amount	23,874,112	166,672	37,127	135,721	410,636	1,846,733	1,085,750	6,398,003	5,267,677	8,525,793
Total receipts	**3,263,351**	**34,886**	**34,804**	**29,627**	**96,461**	**270,278**	**173,773**	**925,183**	**661,640**	**1,036,699**
Selected receipts:										
Contributions, gifts, grants:										
Number of foundations	11,917	901	3,018	1,414	2,561	2,286	617	955	133	32
Amount	1,216,939	17,600	28,341	19,825	58,741	140,088	91,759	398,017	222,600	239,968
Interest:										
Number of foundations	18,489	852	2,354	2,257	4,550	4,695	1,342	2,072	293	74
Amount	671,216	8,405	954	4,275	11,318	51,639	31,027	180,149	157,851	225,599
Dividends:										
Number of foundations	14,343	497	1,255	1,562	3,479	4,024	1,223	1,954	279	70
Amount	743,456	2,798	633	2,216	8,027	43,044	25,745	165,578	139,748	355,667
Gross profit from business activities:										
Number of foundations	488	84	99	(*)	(*)	100	35	79	18	5
Amount	39,859	745	206	(*)	(*)	4,452	1,056	20,675	12,418	113
Total deductions	**3,187,933**	**42,966**	**48,723**	**32,894**	**96,532**	**282,093**	**139,865**	**743,349**	**535,168**	**1,266,343**
Selected deductions:										
Contributions, gifts, grants:										
Number of foundations	21,956	1,620	4,198	2,735	4,971	4,842	1,303	1,938	279	70
Amount	1,953,060	25,768	34,704	22,318	76,880	189,107	96,653	488,537	379,254	639,838
Compensation of officers:										
Number of foundations	4,581	137	411	397	804	1,156	484	946	187	59
Amount	43,674	371	1,461	262	1,228	4,328	2,792	13,629	9,920	9,683
Investment, legal and other professional services:										
Number of foundations	11,424	664	1,347	1,052	2,473	2,992	953	1,626	250	67
Amount	46,170	1,298	756	659	2,205	5,377	2,827	14,647	8,917	9,484
Depreciation, amortization, and depletion:										
Number of foundations	1,987	53	133	141	322	481	207	513	107	30
Amount	20,830	230	71	111	524	1,767	1,738	8,815	4,815	2,760
Net income (less deficit)	**75,422**	**—8,081**	**—13,918**	**—3,267**	**—70**	**—11,814**	**33,908**	**181,835**	**126,472**	**—229,644**
Net income	1,206,287	12,749	4,549	5,655	30,805	84,848	67,807	374,532	250,294	375,048
Deficit	1,130,866	20,830	18,467	8,921	30,875	96,662	33,900	192,698	123,822	604,692
Net capital gain:										
Number of foundations	3,175	77	307	224	638	934	337	544	90	24
Amount	136,221	1,155	3,195	707	2,706	8,207	8,532	41,268	28,476	41,975
Net short-term capital gain:										
Number of foundations	622	(*)	(*)	(*)	96	180	76	132	38	11
Amount	4,623	(*)	(*)	(*)	526	566	374	1,273	586	329

(*) Estimate is not shown separately because of the small number of sample returns on which it was based. However, the data are included in the appropriate totals.
NOTE: Detail may not add to total because of rounding.

Table 3.—All Foundations—Selected Balance Sheet and Income Statement Items, Net Investment Income and Tax, and Distributions, by State

[All figures are estimates based on samples—money amounts are in thousands of dollars]

State	Number of foundations	Total assets	Selected assets: Investments in Government obligations: Number of foundations	Selected assets: Investments in Government obligations: Amount	Selected assets: Investments in non-government bonds: Number of foundations	Selected assets: Investments in non-government bonds: Amount	Selected assets: Investments in corporate stock: Number of foundations	Selected assets: Investments in corporate stock: Amount	Total liabilities
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
United States, total	**26,889**	**25,514,367**	**4,437**	**1,440,501**	**9,273**	**5,045,332**	**13,592**	**13,407,316**	**25,514,365**
Alabama	254	134,034	64	9,277	76	54,768	118	35,464	134,034
Alaska	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
Arizona	165	63,244	8	1,065	49	9,528	77	22,585	63,244
Arkansas	155	21,187	(*)	(*)	27	2,002	53	6,690	21,187
California	2,137	1,309,860	233	74,280	578	166,581	848	663,546	1,309,860
Colorado	238	203,948	26	8,954	83	40,482	100	82,789	203,948
Connecticut	595	531,627	70	57,925	231	109,809	325	265,113	531,627
Delaware	154	427,591	32	11,187	85	74,483	84	283,235	427,591
Florida	666	305,215	110	26,129	230	57,212	262	120,110	305,215
Georgia	543	372,319	32	44,227	137	60,329	276	187,125	372,319
Hawaii	45	70,474	7	560	21	15,416	30	32,341	70,474
Idaho	45	12,821	(*)	(*)	(*)	(*)	24	7,841	12,821
Illinois	1,984	1,327,519	357	117,777	632	259,546	965	505,799	1,327,519
Indiana	564	477,434	119	21,941	150	49,946	205	293,346	477,434
Iowa	349	77,228	75	5,106	124	18,096	153	29,381	77,228
Kansas	200	60,295	31	5,199	53	13,562	71	22,387	60,295
Kentucky	93	27,028	24	3,009	33	2,223	61	8,373	27,028
Louisiana	206	127,346	37	11,603	58	22,799	82	41,942	127,346
Maine	118	34,238	23	1,840	59	7,854	60	14,433	34,238
Maryland (includes D. C.)	741	423,146	79	26,553	269	97,073	334	184,363	423,145
Massachusetts	1,416	695,550	273	34,743	597	154,560	801	356,577	695,549
Michigan	756	1,269,195	77	27,900	275	236,376	458	846,007	1,269,195
Minnesota	605	582,633	92	21,561	194	129,206	256	229,803	582,633
Mississippi	87	14,026	26	2,030	34	1,092	34	2,821	14,026
Missouri	659	415,253	196	41,338	260	82,942	349	219,436	415,252
Montana	69	8,195	(*)	(*)	(*)	(*)	33	4,268	8,195
Nebraska	141	56,839	24	2,847	44	14,727	84	21,517	56,839
Nevada	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
New Hampshire	229	50,332	40	1,243	57	13,794	138	21,474	50,331
New Jersey	750	987,344	126	73,172	306	257,012	422	544,719	987,344
New Mexico	(*)	(*)	—	—	(*)	(*)	(*)	(*)	(*)
New York	5,684	8,720,227	899	461,946	2,087	1,968,776	3,037	5,044,879	8,720,226
North Carolina	440	501,610	37	34,784	150	112,854	243	277,570	501,610
North Dakota	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
Ohio	1,232	932,222	326	59,177	470	199,956	697	541,860	932,222
Oklahoma	201	263,657	30	6,704	46	37,255	105	117,099	263,657
Oregon	187	83,539	28	2,331	80	21,312	90	32,490	83,539
Pennsylvania	1,380	1,550,783	317	49,059	595	233,418	843	947,111	1,550,783
Rhode Island	79	43,114	37	2,392	45	11,291	51	14,068	43,114
South Carolina	164	90,474	38	21,217	43	16,847	99	34,477	90,474
South Dakota	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
Tennessee	327	125,976	41	7,596	63	14,384	146	76,022	125,976
Texas	1,254	1,766,264	154	97,329	358	290,642	595	675,356	1,766,264
Utah	121	19,023	9	1,200	37	4,892	61	8,823	19,023
Vermont	59	31,194	(*)	(*)	23	6,822	30	9,992	31,194
Virginia	403	131,197	53	15,381	135	32,656	221	50,351	131,197
Washington	325	134,052	33	2,795	139	32,048	177	55,039	134,052
West Virginia	77	26,142	25	3,692	(*)	(*)	28	6,481	26,142
Wisconsin	782	310,390	144	20,996	228	42,481	348	79,642	310,390
Wyoming	23	46,470	(*)	(*)	(*)	(*)	21	11,372	46,470
All other	92	568,247	(*)	(*)	27	29,036	36	336,639	568,247

Footnote at end of table.

Table 3.—All Foundations—Selected Balance Sheet and Income Statement Items, Net Investment Income and Tax, and Distributions, by State—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

State	Selected Liabilities				Total receipts	Selected receipts					
	Principal fund		Income fund			Contributions, gifts, grants		Interest		Dividends	
	Number of foundations	Amount	Number of foundations	Amount		Number of foundations	Amount	Number of foundations	Amount	Number of foundations	Amount
	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
United States, total	**24,155**	**23,345,105**	**8,464**	**529,005**	**3,263,351**	**11,917**	**1,216,939**	**18,489**	**671,216**	**14,343**	**743,456**
Alabama	234	122,968	108	5,442	19,979	117	6,068	195	6,206	133	2,150
Alaska	(*)	(*)	(*)	(*)	(*)	—	—	(*)	(*)	(*)	(*)
Arizona	165	59,411	35	455	13,295	106	9,668	105	1,797	74	1,070
Arkansas	117	18,657	50	1,950	4,186	68	2,839	96	673	54	307
California	1,816	1,199,968	597	67,985	210,337	905	110,080	1,449	31,284	914	24,855
Colorado	220	196,490	115	4,910	25,423	83	5,699	174	8,867	119	6,557
Connecticut	531	510,254	196	8,429	125,465	277	96,903	395	13,461	346	11,360
Delaware	153	406,259	41	16,851	28,548	51	4,913	96	7,557	100	13,506
Florida	591	282,994	233	9,545	52,249	326	34,145	456	8,911	299	5,287
Georgia	482	449,133	226	−95,217	53,638	235	19,685	297	8,370	260	12,654
Hawaii	36	68,305	27	1,385	9,482	21	2,012	31	1,760	31	2,670
Idaho	44	11,669	(*)	(*)	1,768	(*)	(*)	34	376	35	388
Illinois	1,810	1,085,831	482	6,878	237,915	1,022	143,062	1,215	33,526	993	45,097
Indiana	454	524,355	232	−51,610	55,467	311	16,434	425	13,907	234	18,946
Iowa	297	65,699	122	11,180	9,223	117	3,320	261	2,699	156	2,392
Kansas	190	51,953	58	7,296	10,403	70	5,846	142	1,970	80	1,117
Kentucky	75	25,867	34	852	5,330	45	3,500	53	601	66	526
Louisiana	194	111,978	74	10,327	20,333	116	5,214	118	3,414	83	2,019
Maine	101	32,303	48	629	3,219	90	1,041	104	709	66	946
Maryland (includes D. C.)	647	379,249	205	29,301	86,424	354	55,804	492	10,542	394	8,551
Massachusetts	1,300	651,574	475	35,953	73,782	615	23,102	1,088	16,385	888	20,413
Michigan	663	1,214,682	247	−13,729	134,366	375	50,002	566	28,118	456	43,280
Minnesota	539	547,533	148	2,920	74,519	263	25,892	462	18,306	314	17,023
Mississippi	87	11,682	37	2,187	1,862	(*)	(*)	68	587	33	77
Missouri	616	364,550	276	38,228	73,069	258	39,261	453	12,614	375	13,780
Montana	69	9,154	(*)	(*)	764	(*)	(*)	34	275	41	209
Nebraska	123	55,699	70	−1,906	7,632	73	1,315	101	1,765	68	2,558
Nevada	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
New Hampshire	213	49,304	122	414	5,525	58	1,111	208	1,001	142	1,836
New Jersey	674	895,642	163	3,559	100,469	311	29,563	475	30,305	402	18,623
New Mexico	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
New York	5,153	8,073,421	1,396	62,285	828,532	2,565	237,446	3,617	226,088	2,967	260,497
North Carolina	416	466,059	182	24,914	72,092	224	13,778	345	13,459	261	28,221
North Dakota	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
Ohio	1,083	885,251	507	31,302	119,487	539	54,967	956	23,662	742	31,580
Oklahoma	173	202,136	55	55,576	35,457	86	1,995	131	7,689	103	6,557
Oregon	178	81,356	63	−17	10,161	77	4,747	128	2,904	82	1,521
Pennsylvania	1,297	1,492,735	467	14,035	282,627	567	50,590	1,016	32,231	879	51,861
Rhode Island	67	41,144	25	1,888	8,688	48	6,452	69	1,306	59	752
South Carolina	145	87,313	53	2,012	9,783	62	3,809	101	3,132	107	1,809
South Dakota	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
Tennessee	274	112,889	144	5,495	33,758	182	19,642	194	2,785	173	6,760
Texas	1,115	1,348,733	462	137,709	255,120	485	77,759	841	53,503	684	33,551
Utah	111	16,038	28	2,199	2,982	53	1,411	82	530	52	589
Vermont	47	28,648	(*)	(*)	3,443	37	1,502	41	967	32	563
Virginia	351	108,004	156	18,742	27,889	160	9,095	280	3,651	255	3,316
Washington	313	119,748	137	9,945	16,900	101	3,775	295	4,273	227	3,186
West Virginia	59	19,642	32	494	4,282	29	1,613	59	1,021	26	328
Wisconsin	737	288,965	196	13,149	41,320	279	16,818	587	15,761	414	6,104
Wyoming	22	22,815	20	4,907	5,394	(*)	(*)	22	883	21	642
All other	81	466,021	17	37,103	53,731	33	11,055	57	8,975	47	23,941

Footnote at end of table.

Table 3.—All Foundations—Selected Balance Sheet and Income Statement Items, Net Investment Income and Tax, and Distributions, by State—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

State	Total deductions	Selected deductions: Contributions, gifts, grants: Number of foundations	Selected deductions: Contributions, gifts, grants: Amount	Selected deductions: Compensation of officers: Number of foundations	Selected deductions: Compensation of officers: Amount	Net income (less deficit)	Net income: Number of foundations	Net income: Amount	Deficit
	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)
United States, total	**3,187,933**	**21,956**	**1,953,060**	**4,581**	**43,674**	**75,422**	**11,927**	**1,206,287**	**1,130,866**
Alabama	10,325	207	6,019	58	261	9,654	133	10,655	1,001
Alaska	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
Arizona	6,231	144	3,599	11	212	7,064	91	8,542	1,478
Arkansas	2,627	116	2,212	(*)	(*)	1,559	71	2,106	547
California	118,602	1,637	88,661	301	2,919	91,735	826	120,780	29,045
Colorado	18,694	188	14,706	50	447	6,729	84	9,256	2,526
Connecticut	51,179	500	34,832	115	905	74,286	256	86,524	12,238
Delaware	28,792	121	14,946	27	265	—,245	77	5,582	5,827
Florida	33,207	503	21,133	90	724	19,043	354	31,127	12,085
Georgia	41,474	385	31,052	91	561	12,165	289	19,938	7,774
Hawaii	7,847	28	4,111	26	419	1,635	23	2,412	777
Idaho	2,200	44	1,839	(*)	(*)	—432	29	471	(*)
Illinois	173,156	1,679	125,119	192	2,496	64,760	885	110,181	45,421
Indiana	106,977	443	71,938	155	760	—51,509	258	16,565	68,074
Iowa	7,170	288	5,898	59	96	2,053	186	2,875	822
Kansas	6,510	179	4,320	24	253	3,893	78	4,603	710
Kentucky	3,833	55	2,306	20	84	1,498	36	2,285	787
Louisiana	10,877	126	5,589	30	294	9,457	101	11,015	1,559
Maine	2,767	70	1,022	44	130	452	96	691	239
Maryland (includes D. C.)	50,943	552	31,096	111	1,608	35,481	359	45,414	9,933
Massachusetts	79,399	1,147	48,022	320	1,853	—5,616	562	20,093	25,710
Michigan	149,976	679	113,291	102	1,251	—15,610	391	24,188	39,798
Minnesota	83,322	473	56,467	98	438	—8,804	265	18,467	27,271
Mississippi	1,143	84	878	(*)	(*)	718	43	959	241
Missouri	144,968	573	127,556	135	862	—71,899	328	22,244	94,143
Montana	937	49	482	(*)	(*)	—173	(*)	(*)	(*)
Nebraska	7,515	118	5,713	29	90	117	79	1,001	884
Nevada	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
New Hampshire	4,951	165	1,296	49	91	574	106	920	346
New Jersey	102,044	623	83,475	47	1,139	—1,575	335	23,183	24,758
New Mexico	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
New York	1,211,156	4,831	517,663	697	14,133	—382,624	2,186	185,573	568,197
North Carolina	52,696	357	43,688	120	1,493	19,396	237	22,429	3,033
North Dakota	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
Ohio	118,992	1,083	88,325	288	1,366	495	540	33,484	32,988
Oklahoma	31,993	176	25,234	23	364	3,464	108	13,066	9,602
Oregon	8,965	147	6,299	50	175	1,196	102	3,813	2,617
Pennsylvania	168,798	1,136	135,112	300	2,669	113,830	652	156,309	42,479
Rhode Island	6,541	73	5,295	31	156	2,147	30	2,861	714
South Carolina	9,905	144	8,226	33	166	—121	59	3,633	3,755
South Dakota	(*)	(*)	(*)	—	—	(*)	(*)	(*)	(*)
Tennessee	15,620	255	11,633	82	128	18,138	155	21,622	3,483
Texas	154,766	995	113,410	280	2,266	100,354	629	123,486	23,132
Utah	1,795	82	1,277	(*)	(*)	1,187	53	1,712	525
Vermont	4,343	42	1,273	(*)	(*)	—900	(*)	(*)	(*)
Virginia	24,572	343	8,635	79	619	3,318	152	6,942	3,624
Washington	13,059	260	9,813	163	348	3,841	171	6,907	3,066
West Virginia	3,698	68	2,975	(*)	(*)	584	39	1,443	858
Wisconsin	38,457	640	28,227	131	512	2,863	312	9,332	6,469
Wyoming	3,547	21	877	(*)	(*)	1,847	22	1,859	(*)
All other	53,789	51	30,930	17	747	—57	51	8,965	9,022

Footnote at end of table.

Table 3.—All Foundations—Selected Balance Sheet and Income Statement Items, Net Investment Income and Tax, and Distributions, by State—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

	Net investment income	Excise tax on net investment income	Adjusted net income		Minimum investment return		Distributable amount		Qualifying distributions	
			Number of foundations	Amount	Number of foundations	Amount	Number of foundations	Amount	Number of foundations	Amount
	(30)	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)
United States, total	**1,513,936**	**60,611**	**21,881**	**1,450,014**	**20,459**	**1,455,303**	**20,697**	**1,543,722**	**23,447**	**2,542,279**
Alabama	8,682	347	238	10,000	185	7,729	226	9,340	227	10,215
Alaska	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
Arizona	2,971	119	144	2,494	126	3,257	124	3,390	136	4,367
Arkansas	1,067	43	124	885	109	1,154	107	1,192	137	2,349
California	59,641	2,388	1,729	58,323	1,418	56,215	1,478	60,162	1,809	109,579
Colorado	16,476	659	195	16,393	173	11,887	188	15,413	210	15,785
Connecticut	25,895	1,035	486	23,476	480	23,112	485	24,157	518	43,068
Delaware	20,760	830	137	21,250	129	19,718	125	17,952	153	24,365
Florida	15,792	632	493	14,032	496	15,330	498	17,428	564	29,073
Georgia	23,255	930	415	21,677	390	30,183	398	30,701	443	47,944
Hawaii	5,797	232	33	5,653	30	5,278	29	4,012	44	6,810
Idaho	759	30	45	964	36	895	45	1,137	45	2,080
Illinois	79,954	3,195	1,545	76,643	1,605	73,959	1,599	74,835	1,758	142,145
Indiana	33,588	1,343	476	32,299	474	59,794	478	59,267	511	77,698
Iowa	5,192	208	295	4,901	312	3,983	305	4,609	313	6,284
Kansas	3,773	151	147	3,706	127	2,438	129	3,641	183	5,310
Kentucky	1,040	42	74	1,228	77	1,085	67	1,325	62	3,111
Louisiana	7,215	289	140	7,189	142	5,866	126	6,655	159	9,801
Maine	1,653	66	117	1,706	100	1,354	82	891	109	3,495
Maryland (includes D. C.)	22,474	891	541	20,486	495	19,153	492	18,171	596	42,076
Massachusetts	36,656	1,466	1,196	35,952	1,066	34,401	1,046	33,518	1,278	65,345
Michigan	73,501	2,940	681	74,379	628	78,637	614	88,921	695	117,432
Minnesota	39,280	1,573	520	38,316	482	36,215	527	33,778	521	66,805
Mississippi	703	28	70	730	61	505	70	796	75	1,065
Missouri	30,335	1,211	594	26,404	543	29,796	548	30,206	593	133,555
Montana	462	18	69	408	46	365	55	411	50	567
Nebraska	4,979	199	130	4,195	119	3,311	(*)	(*)	138	6,406
Nevada	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
New Hampshire	2,772	111	204	2,980	157	2,333	166	1,520	185	3,919
New Jersey	57,596	2,304	615	48,410	553	79,190	562	77,339	693	104,941
New Mexico	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
New York	499,258	19,966	4,366	484,088	4,296	479,069	4,274	495,713	4,986	847,943
North Carolina	26,422	1,056	388	22,446	346	30,917	362	31,184	386	47,255
North Dakota	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
Ohio	55,600	2,222	1,043	54,202	1,009	51,634	1,038	50,131	1,075	98,255
Oklahoma	28,815	1,153	156	24,391	162	18,751	160	26,491	169	27,878
Oregon	4,678	187	145	4,552	142	3,926	134	4,138	162	6,783
Pennsylvania	92,510	3,677	1,178	85,734	1,101	113,739	1,101	113,017	1,214	148,737
Rhode Island	2,363	94	71	2,045	65	1,462	53	1,725	79	7,952
South Carolina	4,954	198	147	4,666	154	4,463	150	4,394	154	8,353
South Dakota	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
Tennessee	13,051	522	241	9,485	212	8,531	245	9,705	280	12,219
Texas	139,076	5,561	1,038	116,270	945	88,012	989	107,415	1,059	129,846
Utah	1,356	54	92	1,040	75	1,219	66	1,176	92	1,399
Vermont	1,467	59	33	1,322	26	1,398	30	416	47	2,730
Virginia	7,930	317	346	15,771	298	6,439	290	6,450	357	20,265
Washington	11,343	454	297	8,431	288	7,181	304	8,484	285	11,377
West Virginia	2,165	85	59	2,168	39	1,123	46	2,074	68	3,341
Wisconsin	21,715	868	647	21,074	632	16,592	637	19,949	667	33,371
Wyoming	1,802	72	23	1,690	22	1,196	21	1,565	23	1,365
All other	11,160	545	53	29,516	29	6,564	31	28,667	55	40,537

(*) Estimate is not shown because of the small number of sample returns on which it was based. However, the data are included in the appropriate totals.

NOTE: Detail may not add to total because of rounding.

Table 4.—All Foundations—Selected Balance Sheet and Income Statement Items, and Net Investment Income and Tax, by Year of Exemption

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Total	Year of exemption											
		Before 1920	1920-1939	1940-1949	1950-1959	1960-1969	1970-1974						No year reported
							Total	1970	1971	1972	1973	1974	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Number of foundations	**26,889**	(*)	**401**	**2,071**	**6,061**	**12,094**	**5,085**	**1,247**	**1,092**	**1,081**	**809**	**856**	**1,173**
Total assets	**25,514,387**	(*)	**3,784,627**	**4,283,097**	**7,792,063**	**7,181,292**	**2,105,686**	**461,585**	**366,923**	**421,078**	**475,464**	**380,636**	**360,839**
Selected assets:													
Investments in Government obligations:													
Number of foundations	4,437	(*)	180	534	1,325	1,521	741	127	140	196	130	148	133
Amount	1,440,501	(*)	224,997	321,635	418,168	309,234	148,815	66,856	17,571	35,703	14,674	14,011	17,321
Investments in nongovernment bonds:													
Number of foundations	9,273	(*)	276	1,131	2,716	3,569	1,331	321	336	270	207	197	248
Amount	5,045,332	(*)	747,685	838,653	1,740,545	1,270,157	394,199	103,007	80,459	84,082	58,551	68,100	50,639
Investments in corporate stock:													
Number of foundations	13,592	(*)	333	1,320	3,903	5,853	1,811	554	395	345	304	213	368
Amount	13,407,316	(*)	2,339,784	2,023,347	4,279,119	3,732,980	845,390	173,948	174,094	157,379	186,323	153,646	184,528
Total liabilities	**25,514,365**	(*)	**3,784,627**	**4,283,097**	**7,792,062**	**7,181,291**	**2,105,686**	**461,585**	**366,923**	**421,078**	**475,464**	**380,636**	**360,839**
Selected liabilities:													
Contributions, gifts, grants payable:													
Number of foundations	709	(*)	26	88	194	228	155	61	24	31	(*)	19	17
Amount	866,147	(*)	99,234	105,927	253,954	384,767	17,685	8,426	1,152	1,925	(*)	5,849	4,548
Principal fund:													
Number of foundations	24,155	(*)	378	1,878	5,416	10,937	4,574	1,126	953	995	749	751	969
Amount	23,345,105	(*)	3,843,140	3,919,349	7,283,258	6,204,536	1,788,169	428,705	344,992	358,509	339,977	315,986	305,101
Income fund:													
Number of foundations	8,464	(*)	211	818	2,073	3,378	1,647	292	385	344	364	262	333
Amount	529,005	(*)	−184,856	193,332	158,027	237,197	100,905	17,838	9,718	38,377	8,595	26,377	19,256
Total receipts	**3,253,351**	(*)	**382,202**	**581,034**	**1,026,078**	**807,831**	**396,157**	**66,298**	**45,396**	**79,757**	**118,039**	**86,667**	**69,604**
Selected receipts:													
Contributions, gifts, grants:													
Number of foundations	11,917	—	151	883	2,559	5,364	2,425	550	407	590	333	545	535
Amount	1,216,939	—	82,854	193,003	343,471	310,539	241,476	36,514	20,561	36,027	85,526	62,848	45,596
Interest:													
Number of foundations	18,489	(*)	357	1,629	4,628	7,784	3,417	806	782	712	601	516	670
Amount	671,216	(*)	89,828	115,731	215,598	194,065	48,970	11,928	8,776	12,438	6,609	9,219	6,776
Dividends:													
Number of foundations	14,343	(*)	361	1,429	4,108	5,882	2,097	586	478	430	373	230	462
Amount	743,456	(*)	145,138	149,251	214,967	185,976	40,956	9,891	9,807	8,698	6,499	6,061	7,031
Total deductions	**3,107,933**	(*)	**492,651**	**464,231**	**845,004**	**1,096,676**	**259,202**	**59,605**	**57,395**	**72,234**	**37,726**	**32,242**	**29,421**
Selected deductions:													
Contributions, gifts, grants:													
Number of foundations	21,956	(*)	331	1,774	5,506	10,077	3,535	909	802	763	539	522	730
Amount	1,953,060	(*)	365,129	343,355	649,744	433,734	141,597	41,662	20,011	39,814	22,666	17,444	19,194
Compensation of officers:													
Number of foundations	4,581	(*)	180	474	1,028	1,592	1,087	153	305	266	199	164	219
Amount	43,674	(*)	6,555	6,109	12,252	10,738	7,382	1,444	1,442	2,245	1,349	902	634
Net income (less deficit)	**75,422**	(*)	**−110,448**	**116,804**	**181,076**	**−288,843**	**136,955**	**6,693**	**−12,000**	**7,523**	**80,314**	**54,425**	**40,183**
Net income:													
Number of foundations	11,927	(*)	163	856	2,667	5,070	2,541	523	500	521	441	556	627
Amount	1,206,287	(*)	95,061	209,461	404,194	254,538	197,584	19,418	13,701	19,876	85,896	58,693	45,414
Deficit	1,130,866	(*)	205,509	92,657	223,118	543,381	60,629	12,725	25,700	12,353	5,583	4,268	5,231
Net investment income	1,513,936	(*)	222,102	318,495	465,883	388,398	103,345	21,936	19,554	24,794	19,765	17,296	15,408
Excise tax on net investment income	60,611	(*)	8,885	12,740	16,628	15,544	4,164	876	781	992	789	726	639

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

NOTE: Detail may not add to total because of rounding.

Table 5 .—All Foundations—Computation of Minimum Investment Return and Distributable Amount, by Size of Total Assets

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Total	Size of total assets: Assets zero or not reported	$1 under $10,000	$10,000 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Number of foundations	**26,889**	**1,233**	**6,298**	**3,215**	**6,113**	**5,773**	**1,540**	**2,363**	**290**	**64**
Number of foundations with minimum investment return	**20,459**	**447**	**3,332**	**2,369**	**5,217**	**5,131**	**1,413**	**2,214**	**273**	**63**
Computation of minimum investment return:										
Value of noncharitable assets	28,829,928	54,460	20,319	42,534	275,143	1,196,745	1,034,575	7,377,155	6,918,362	11,910,635
Minus:										
Acquisition indebtedness	465,404	90	281	207	4,809	6,455	19,970	50,714	116,715	266,163
Cash held for charitable purposes	340,336	901	657	791	4,097	14,764	100	72,166	80,678	166,182
Equals: Base for calculating minimum investment return	28,024,188	53,469	19,381	41,536	266,237	1,175,525	1,014,505	7,254,276	6,720,969	11,478,290
Minimum investment return, total	**1,455,303**	**2,930**	**1,048**	**2,217**	**14,182**	**61,685**	**53,668**	**385,583**	**347,925**	**586,065**
Nonoperating foundations organized after May 26, 1969:										
Number of foundations	1,920	(*)	551	305	478	334	93	114	13	4
Amount	41,693	(*)	252	266	1,227	3,638	4,535	15,388	8,825	7,546
Nonoperating foundations organized before May 27, 1969:										
Number of foundations	17,725	410	2,628	2,008	4,638	4,606	1,241	1,906	233	55
Amount	1,339,929	2,913	750	1,920	12,674	55,735	46,613	343,280	309,876	566,169
Operating foundations:										
Number of foundations	814	(*)	153	56	101	191	79	194	27	4
Amount	73,681	(*)	46	31	281	2,312	2,520	26,915	29,224	12,350
Computation of distributable amount:										
Higher of adjusted net income or minimum investment return	1,626,288	3,895	2,548	3,338	19,424	79,714	64,957	434,872	383,263	634,277
Minus:										
Tax on net investment income	60,611	207	149	159	727	3,060	2,662	17,115	14,897	21,636
Tax on unrelated business income	1,711	—	—	—	1	27	132	536	994	21
Net adjustments	20,244	−864	132	50	1,195	−372	681	10,068	5,473	3,878
Equals: Distributable amount	1,543,722	4,552	2,268	3,129	17,501	76,999	61,482	407,153	361,894	608,742
Total qualifying distributions	**2,542,279**	**18,520**	**42,461**	**23,739**	**77,400**	**200,363**	**125,524**	**662,598**	**565,916**	**825,760**
Total assets	**25,514,367**	**—**	**18,340**	**53,489**	**332,497**	**1,336,604**	**1,080,857**	**6,879,158**	**5,944,584**	**9,868,840**
Selected assets:										
Investments in Government obligations	1,440,501	—	366	2,506	25,402	84,436	69,405	417,395	397,283	443,707
Investments in nongovernment bonds	5,045,332	—	1,300	7,637	42,373	230,393	206,254	1,451,213	1,270,636	1,835,525
Investments in corporate stock	13,407,316	—	2,878	15,577	122,477	572,409	480,140	3,241,888	2,905,475	6,066,472

(*) Estimate is not shown because of the small number of sample returns on which it was based. However, the data are included in the appropriate totals.
NOTE: Detail may not add to total because of rounding.

Table 6 .—Number of Foundations, by Size of Total Book Value of Assets and by Size of Total Fair Market Value of Assets

[All figures are estimates based on samples]

Size of book value of assets	All foundations	Number of foundations by size of total fair market value of assets: Assets zero or not reported	$1 under $10,000	$10,000 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Total	**26,889**	**2,414**	**6,160**	**3,219**	**5,705**	**5,364**	**1,462**	**2,180**	**385**
Assets zero or not reported	1,233	1,187	(*)	—	(*)	(*)	(*)	—	—
$1 under $10,000	6,298	678	5,513	(*)	(*)	(*)	(*)	—	—
$10,000 under $25,000	3,215	147	494	2,442	96	(*)	—	—	(*)
$25,000 under $100,000	6,113	229	95	689	4,847	227	(*)	—	(*)
$100,000 under $500,000	5,773	120	35	29	690	4,712	151	36	—
$500,00 under $1,000,000	1,540	22	2	1	11	363	1,020	119	2
$1,000,000 under $10,000,000	2,363	31	2	1	(*)	19	256	1,989	60
$10,000,000 or more	354	—	1	4	4	4	—	36	302

(*) Estimate is not shown because of the small number of sample returns on which it was based. However, the data are included in the appropriate totals.

Private Foundations, Federal Tax Law, and Philanthropic Activity: An IRS Perspective

by

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This paper was presented at
the Annual Meetings of the American Statistical
Association, Detroit, Michigan, August, 1981.

Private foundations are among the least understood organizations in modern society. Formed from large private wealth accumulations under accommodating tax law treatment, private foundations represent an important segment of the tax-exempt sector. The purpose of this paper is to examine private foundations and to describe some current and proposed research in this area.

In Section A, private foundations are analyzed from an institutional perspective, with an emphasis on the tax treatment that contributed to their establishment. Private foundation data are examined in Section B, which is divided into four parts. First, data on the concentration of assets among foundations are examined. Second, some perspective on the philanthropic activities of private foundations and other charitable tax-exempt organizations is provided by comparing their charitable expenditures to aggregate measures of economic activity. Private foundation time series issues are addressed in the next part of this section. Private foundation data from four years (1962, 1974, 1977, and 1978) are reviewed. In the final part of this section, data on the composition of assets, liabilities, receipts, and deductions and on selected flow to stock ratios are all examined by size of total assets.

Section C describes IRS efforts to establish an improved private foundation data base for use in tax policy research. The recently published Statistics of Income (SOI)--1974-78, Private Foundations [13] is a major effort in this regard and is the primary data source for this paper. Tables of basic data are provided in Section D.

A. Institutionalized Philanthropy, Private Foundations, and Federal Tax Law

Although the origins of institutionalized philanthropy go back as far as the ancient Chinese, Indian, and Egyptian civilizations, little historical data has been available on its size and impact [8]. In medieval times, the church was the primary coordinator of philanthropic activity and has retained a significant role to the present day. However, with the growing scale of private enterprise in the late eighteenth and nineteenth centuries, the traditional purveyors of philanthropy were joined by a new benefactor whose origins are in private business enterprise. Portions of the vast fortunes accumulated in the U.S. economy were set aside for charitable activities, thus ushering in the age of the modern private foundation. These new entrants in the philanthropic field differed from their predecessors in two ways. First, since the financing of these foundations came from wealth created in the private business sector, it is not surprising that they were "business-like" in their philanthropic activity, utilizing a management structure similar to the organization of their parent companies [4]. Second, the businessmen and women who ventured into the field of institutionalized philanthropy held one dominant characteristic in common: they were economically successful to a degree that was previously unimagined. The enormous incomes and wealth accumulations of their business enterprises, combined with powerful altruistic motives, resulted in the creation of a core of very large private foundations. This concentration of size among foundations persists to this day.

In the period 1913-1917, federal tax law initiated its preferential treatment of philanthropy. With a rising fiscal burden caused by increased involvement in World War I, Congress feared that the adoption of an income tax would be met at the expense of charitable giving. Therefore, Congress enacted law changes which exempted the income of philanthropic organizations from taxation and permitted the deduction of gifts by individual and corporate donors to these organizations [4]. These changes have important ramifications since, with the adoption of income and estate taxes and an allowance for charitable deductions from the bases of each of these taxes, the federal government effectively subsidizes charitable activities relative to other activities for which no deduction is available. Organizations whose income is exempt from tax and, in certain circumstances, whose donors are allowed deductions, receive tax reductions to conduct their philanthropic activities. Private foundations are among the types of organizations that receive both of these benefits.

Before the Tax Reform Act of 1969, private foundations were not defined in the Internal Revenue Code, and the limitation on what constituted a legitimate tax-exempt activity was unclear. The relationship between donors and foundations was governed by a vague "arms-length test," under which foundations were allowed to engage in activites with related parties as long as both parties acted independently and did not alter the outcome from what would have occurred in an open market transaction [13]. Because of the vagueness of the law, alleged foundation involvement in questionable activities, [17,18,27] and political pressures for tax reform, Congress enacted the Tax Reform Act of 1969, which ended the laissez-faire era of private foundations in the U.S.

1. Private Foundations and the 1969 Tax Reform Act

Under the 1969 Tax Reform Act, private foundations were defined for the first time to mean any domestic or foreign organization, (described in section 501(c)(3) other than those mentioned in sections 509(a)(1-4) of the Internal Revenue Code), established and operated exclusively for religious, charitable, educational or similar purposes with the following exceptions [3,10,13]:

1. Organizations to which 50% of an individual's income can be deducted. (Generally, this refers to churches, and educational or medical organizations).
2. Organizations with broad-base public support that receive at least one-third of their support in small contributions and do not receive more than one-third of their support from investment or unrelated business income.
3. Certain organizations established exclusively for the benefit of one or more of the organizations described in "1" and "2" above.
4. Organizations which are established and operated exclusively for the testing of public safety.

Since this definition may be unclear to anyone unfamiliar with this portion of the Internal Revenue Code, it is necessary to define private foundations in a non-technical manner. Generally, a private foundation is a private, non-profit organization with a narrow base of financial support whose goal is to maintain or assist social, educational, religious, or other activities deemed to serve the public good and which is usually controlled by the donor or family members [13]. Foundations can be classified as either nonoperating or operating foundations. Nonoperating foundations, which account for approximately 96 percent of the total, are organizations that carry on charitable activities in an indirect manner by making grants to other organizations or persons that directly carry out these activities or to persons deemed to be worthy of support. Operating foundations, on the other hand, directly engage in charitable activities [13].

In addition to defining private foundations, other provisions of the 1969 Tax Reform Act that affect foundations include [13]:

1. A required current minimum distributable payout for charitable purposes (the "Distributable Amount").
2. Prohibition of self-dealing between foundations and certain related parties ("Disqualified Persons").
3. Limitation of private business holdings of foundations.
4. Prohibition of speculative investments.
5. Prohibition on expenditures for lobbying, electioneering and other activities not pursuant to the foundation's tax-exempt purpose.
6. Establishment of graduated penalties for violation of one or more of the Act's provisions.
7. Imposition of a tax on a foundation's net investment income to cover the U.S. Government's cost of monitoring their activities.
8. Imposition of more detailed filing requirements.

2. Private Foundations in the Post Reform Period

The provisions of the Tax Reform Act of 1969 raised several policy issues concerning the foundation sector itself and its new relationship with the federal government. The minimum distribution requirement is generally considered the most significant provision since it mandates current distributions for charitable purposes as opposed to the unlimited accumulation of funds. Nonoperating foundations are required to distribute to qualified parties the greater of their adjusted net income (the amount by which gross income exceeds expenses) or their minimum investment return (a fixed percent of nonchariable assets). If the required distribution exceeds the rate of return on assets, a foundation would have to liquidate some assets to meet this requirement. The composition of foundation assets are also affected by this requirement since current returns on investments are now needed.

The relationship between the foundation sector and the federal government can be classified into three general areas: the exemption of foundation income from (most) taxation, the regulations and requirements (largely included in the Tax Reform Act of 1969), and the preferential tax treatment available to donors. Changes in any of these areas have an effect on the foundation sector. The recently passed Economic Recovery Tax Act of 1981 has changes affecting the regulations and requirements and the treatment of donors. First, beginning in 1982, the computation of the private foundation's required minimum distribution is no longer to include adjusted net income. The new requirement is that only an amount equal to the minimum investment return be distributed. This change lowers the required minimum distribution for those foundations whose adjusted net income exceeds their minimum investment return. Second, marginal tax rates for both individuals and corporations have been reduced. This change effectively increases the donor's cost of a contribution since it reduces the tax benefit which is derived from a contribution. Finally, individuals who do not itemize their deductions may now deduct charitable contributions from their income bases. This change reduces the net cost of contributing by non-itemizers since these individuals are now provided with the tax benefit previously available only to those who itemize deductions. Although it is anticipated that these recently enacted changes will have a significant impact on the foundation sector, their actual effects cannot be readily determined but will be the subject of future research.

B. An Examination of the Private Foundation Data

In this section, data on private foundations and other comparative economic entities are examined. The major impediment to a more thorough examination is the lack of periodic studies in the tax-exempt area. There are only four years for which sufficient data are available to examine the foundation sector as a whole. 2/ Concerning the availability of data on other charitable organizations exempt from tax under section 501(c) 3/, an SOI study for 1975 supplemented with Master File data for 1977-78 is the only current information available. 4/ Certain charitable exempt organizations, such as churches, are not required to file tax returns. Consequently, data are not available on these organizations. In addition, organizations exempt under 501(c) exclusive of private foundations are not required to file a return (Form 990) if their total receipts are below a certain minimum level. 5/ Finally, there is a problem with duplication. Since the contributions of private nonoperating foundations are primarily made to other tax-exempt organizations, double-counting is widely prevalent in these data.

In conclusion, the analysis of the charitable tax-exempt sector is difficult. Nevertheless, we believe that, subject to these various shortcomings, the charts and tables in this paper provide a useful description of the composition of the private foundation sector and some perspective on the role that private foundations have in philanthropic activity.

1. Private Foundation Asset Concentration

In 1974 there were 64 foundations having assets of $50 million or more. Even though this group accounted for only 0.2 percent of almost 27,000 foundations, it accounted for 39 percent of total foundation assets (see table A). All by itself, for example, the Ford Foundation with assets of $1.8 billion accounted for 7 percent of total foundation assets. The 354 foundations with $10 million or more in assets accounted for approximately 1 percent of the total number of foundations but 62 percent of total assets. Foundations with assets of $1 million or more comprised 10 percent of the total number of foundations but 89 percent of total assets. Clearly, considerable asset concentration exists among foundations.

Table A. -- The Number of Private Foundations and the Amount of Total Assets, by Size of Total Assets, 1974

[All figures are estimates based on samples -- money amounts are in millions of dollars]

Size of total assets	Number of foundations	Percent of total	Total assets	Percent of total
	(1)	(2)	(3)	(4)
Total..........................	26,889	100.0	$25,514	100.0
Under $25,000..............	10,746	40.0	72	.3
$25,000 under $100,000......	6,113	22.7	332	1.3
$100,000 under $500,000	5,773	21.5	1,337	5.2
$500,000 under $1,000,000...	1,540	5.7	1,081	4.2
$1,000,000 under $10,000,000...........	2,363	8.8	6,879	27.0
$10,000,000 under $50,000,000...........	290	1.1	5,945	23.3
$50,000,000 or more.........	64	.2	9,869	38.7

NOTE: These data are from [13]. Totals may not add due to rounding.

2. Private Foundations, Other Charitable Organizations, Government Social Welfare Spending, and Aggregate Economic Activity

Data are presented in Table 1 of Section D for four recent years to show the relative importance that private foundations and other charitable tax-exempt organizations have in comparison to other measures of economic activity. The measure used in this comparison for private foundations and other charitable tax-exempt organizations (that file returns with the IRS) is expenditures for exempt purposes, which includes all disbursements for activities that are directly related to the tax-exempt purposes of the organization. Also, for comparative objectives we have included a measure of governmental "philanthropy" called social welfare expenditures. These data are compiled by the Social Security Administration and include public transfer payments and investment expenditures for schools, hospitals, and other related facilities.

It is clear that, particularly for private foundations but also for other charitable exempt organizations, expenditures for exempt purposes are small in comparison to the gross national product (GNP). Government "philanthropy," as measured by social welfare expenditures, is by far the largest "philanthropic" entity, equal to approximately 19 percent of the GNP. Even within the charitable tax-exempt sector, private foundation expenditures are relatively small, and they are considerably smaller in comparison to the major economic aggregates.

The portions that the three philanthropic entities have relative to the GNP indicate no significant trends in the four year interval. The private foundation expenditures share is largest relative to the GNP in 1974. However, this could be caused by the 1974-75 recession which slowed the rate of GNP increase and could have induced additional philanthropic expenditures. Expenditures by other charitable organizations are a significantly larger percentage of the GNP in 1975 than in the other two years for which these data are available. Although we can only speculate on the reasons for this, two factors could have had an effect. First, the recession of 1974-75 could have had an effect similar to that hypothesized for foundations. The second and possibly stronger effect is the easing of the filing requirement, which occurred at the end of 1976. Prior to this change, an organization was generally required to file a tax return if its receipts totaled $5,000 or more. This minimum receipt filing requirement was raised to $10,000 for years beginning with 1977.

In conclusion, the foundation sector is a small component of private philanthropy and an even smaller component of a "broadened" concept of philanthropic activity that includes government spending for social welfare. Nevertheless, this does not imply that foundations and other charitable tax-exempt organizations are unimportant. The expenditures of these organizations are in billions of dollars despite the considerable amount of activity that is not included in these data because many charitable organizations (e.g. churches) are exempt from filing. Furthermore, private philanthropy may soon be called upon to fill the void created by cutbacks in public funds for social programs.

3. An Examination of Trends in the Private Foundation Data

Since only four years are available to look at trends, any conclusions that can be drawn must be qualified. However, time series analysis of the private foundation data is of significant policy interest, so the data presently available are compiled for analysis in Table 2. The four years for which data are available for analysis are 1962, from the "Treasury Department Report on Private Foundations" [28], and 1974, 1977, and 1978, all of which are from the Statistics of Income--1974-78, Private Foundations [13]. Data for 1974 are from a full-scale SOI study, while data for 1977 and 1978 are from the IRS Master File. Data are presented for the number of organizations, total assets (book and market values), total receipts, and total contributions paid. 6/ The amount data are also presented in constant (1972=100) dollars. These data were converted to constant dollars with the applicable GNP implicit deflators. Finally, growth rates for each of the "mini" time series are presented. These growth rates have been "annualized" to reflect yearly changes in each series from the last available data entry.

Before the examination of the data can proceed, an additional qualification is needed. Despite the limited number of periods available, the sources and corresponding methodologies used to obtain the data for each of the four periods cannot be overlooked. Data for the four periods are from two different types of studies. For 1962 and 1974, stratified sampling designs were used in which larger organizations were sampled at considerably-higher rates. However, since the term "foundation" was not defined in the Internal Revenue Code until the Tax Reform Act of 1969, the issue as to the consistency between the 1962 and 1974 studies is unresolved. The 1977-78 data are from the Master File which has a 100 percent sample, less item detail, and a greater likelihood of uncorrected erroneous response. Any conclusions that are drawn from the data must take this into consideration.

In the sixteen year interval, the number of private foundations has nearly doubled. For the period, 1962-1974 the annual growth rate is 5 percent. In the period 1974-77, the annual rate is 1 percent, but for the one year 1977-78, it is 7 percent. While it is difficult to draw any conclusions concerning this pattern of growth, it is of interest to note that the period 1974-75 was marked by an economic downturn which might have slowed the rate of creation of new foundations and caused the liquidation of existing foundations.

An alternative perspective of foundation growth is available from data on the number of organizations by year of exemption [13]. These data are available for broad intervals of ten or more years prior to 1970 but are available annually for 1970-74. By computing the ratio of the number of organizations receiving a current year's exemption to the cumulative number of organizations, a growth rate can be estimated. This rate is 6 percent for 1970, 5 percent for 1971 and 1972, and 3 percent for both 1973 and 1974. This information supports (but does not confirm) the hypothesis that the foundation growth rate was adversely affected by the Tax Reform Act of 1969 and the recession of 1974-75. However, there are two shortcomings with this information. First, the data on births are only part of the changing picture of the number of foundations. Comparable data on foundation liquidations are also needed. Second, the year of exemption does not necessarily correspond to the birth of a foundation. The former is actually the date of formal recognition of tax-exempt status by the IRS. In some situations, this can occur a considerable time after the "birth" of the organization. Therefore, these data are at best an indicator of foundation growth and should be used with caution.

The two measures of total assets (book and market values) both show large gains over the entire 1962-78 period. The book value measure increased by 183 percent while the market value measure increased by 126 percent. Except for the 1962 book value amount, the constant dollar asset measure shows a considerable degree of stability for these years. The annualized current dollar asset growth rates for both book and market values are all relatively stable, ranging between 5 to 8 percent. In constant dollars, the annualized growth rates show no real patterns. In fact, the market value of total assets has hardly grown at all in the 1962-78 period.

The market value asset measure is generally preferable to the book value measure since the latter can be unrealistic, especially in periods of inflation. All of the income and expenditure data are in current (market) values. However, the asset detail provided in the balance sheet portion of the tax return (Form 990-PF) is all in book values.

Data on total receipts and contributions paid both show large increases over the sixteen year span, with the former increasing by 164 percent and the latter by 173 percent. In constant dollars, total receipts increased only 24 percent and contributions went up by only 29 percent. The annualized growth rates indicate modest increases in the earliest period but larger increases in the latter periods.

In general, the long run picture is not clear; however, some patterns are evident. First, the total number of private foundations has grown considerably, although the apparent aberration of growth in the 1974-77 period makes any projections difficult. While the constant dollar total asset measures have been relatively stable for the more recent years, the receipts and contributions paid data (both in current and constant dollars) have generally shown more growth.

4. A Closer Look at the Composition of Foundation Assets, Liabilities, Receipts, and Deductions and Selected Ratio Comparisons of Key Foundation Variables

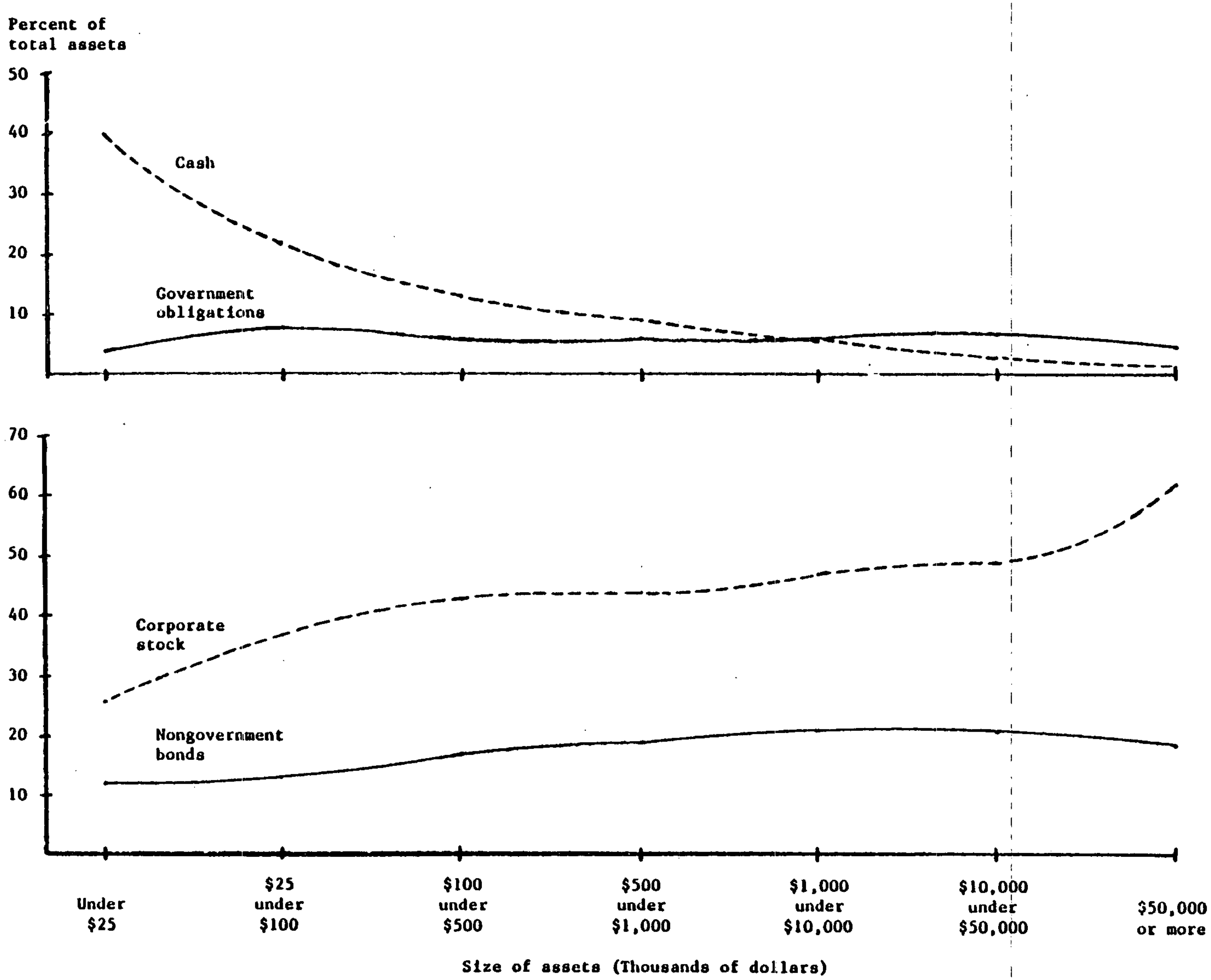
Selected foundation data by size of assets are examined in the remainder of this section. The level of detail at which this analysis is made is only available in the 1974 SOI study [13]; therefore, all of the discussion in this section is limited to this one year. The data which are analyzed are presented in Tables 3-7 of Section D. In Tables 3-6 the composition of assets, liabilities, receipts, and deductions, respectively, are each classified by size of total book value of assets. In the lower portion of each of these tables, the composition percentages within each asset size class are given. Some selected flow to stock ratios are presented in Table 7, again, by size classes of assets. These ratios show the relationship between various receipt, deduction, and distribution variables, and a corresponding asset size measure. Four charts have been derived from data in these tables and are presented in the text below. In the discussion that follows, some of the more significant phenemona in the data are discussed.

Composition of assets by size classes of assets are presented in Table 3 of Section D. The four largest components of foundation assets by size of assets also appear in Chart 1. Corporate stock is the largest asset component for foundations as a whole and for every asset size class except the smallest foundations (i.e., those with total assets under $25,000). Also, the percentage of foundation assets accounted for by corporate stock increases steadily with the size of assets from a low of 26 percent for the smallest foundations to 62 percent for the largest foundations (i.e., those with assets of $50 million or more). Since current foundation distributions are dependent in part upon current asset values, market fluctuations of corporate stock can effect current foundation activities because foundations are so heavily invested in stock.

Private foundation cash holdings as a percent of total assets show a pattern opposite to that of stock holdings. On the whole, cash holdings account for only 5 percent of foundation assets and are the fourth largest asset component. However, cash accounts for 40 percent of foundation assets among the smallest foundations and 27 percent among the second smallest foundation group (i.e., foundations with assets of $25,000 under $100,000). Cash holdings as a percent of total assets declines steadily with increases in asset size to a low of 2 percent for the largest foundations. The high composition of cash among the smallest foundations is apparently due to the need to maintain some liquidity for current transactions, the presence of new foundations, and liquidations of existing foundations.

The second largest asset component in total is nongovernment bonds. This item accounts for 20 percent of assets for all foundations and shows steady growth in importance with increasing asset size. These holdings account for 12 percent of assets for the smallest foundations and gradually increase to a high of 21 percent for the second and third largest asset size classes (i.e., foundations with total assets of $1 under $10 million, and $10 under $50

Chart 1.—Four Largest Components of Total Assets, by Size of Total Assets, 1974



million, respectively), before declining to 19 percent for the largest foundations. Government obligations, the third largest asset component, accounts for 6 percent of total foundation assets and shows little composition change across asset size classes, except for the smallest and largest foundations.

Data on liability composition by size of assets are presented in Table 4. Private foundation liabilities are defined to include net worth, which is by far the largest liability component, accounting for 94 percent of the total. In each of the asset size classes except the largest class, net worth accounts for at least 95 percent of total liabilities. For the largest foundations, net worth accounts for only 90 percent of the total. The other liability components, which comprise 6 percent of the total liabilities include contributions, gifts, and grants, mortgages and notes, accounts payable, and other liabilities. The composition percentages in Table 4 are for liabilities excluding net worth. Contributions, gifts, and grants is the largest component of this group accounting for 53 percent of the total. It steadily increases its relative share as asset size increases from a low of 14 percent for the smallest foundations to a high of 65 percent for the largest foundations.

The second largest liability component excluding net worth is mortgages and notes payable, which comprises 32 percent of the total. Its pattern across asset size classes is erratic. Accounts payable, the third largest entity of liabilities less net worth, also shows a somewhat erratic pattern across asset size classes. While it only accounts for 4 percent of the total, it comprises 28 percent of the total for the smallest foundations.

Private foundation data on the composition of receipts by asset size are shown in Table 5 and plotted in Chart 2. Contributions, gifts, and grants received is the largest component of total receipts, comprising 37 percent of the total. The share of this item in total receipts declines markedly, however, from a high of 78 percent for the smallest foundations to a low of 24 percent for the largest foundations. The second and third largest receipt components, dividends and interest, account for 23 and 21 percent of total receipts, respectively, and show relatively steady growth with increases in asset size. Together, these two components are the major source of receipts for foundations in the two largest asset size classes. Thus, the larger foundations are more dependent on property income as a source of their receipts, while the smaller foundations are more dependent upon contributions. Net gain from the sale of assets is the fourth largest receipt component, accounting for 9 percent of the total, and it shows a moderate increase in its composition share with increasing in asset size.

In Table 6 and Chart 3 data on the composition of deductions by size of assets are presented. Contributions, gifts and grants paid is by far the largest deduction item accounting for 61 percent of the total. Its share is relatively steady across asset size classes (67 to 81 percent) except for the largest foundations, in which it comprises only 46 percent of the total. The second largest deduction component, net loss from sale of assets, accounts for 15 percent of total deductions and generally shows modest growth with increasing asset size. However, for the largest foundations, this item accounts for 24 percent of the total, which is more

Chart 2.—Four Largest Components of Total Receipts, by Size of Total Assets, 1974

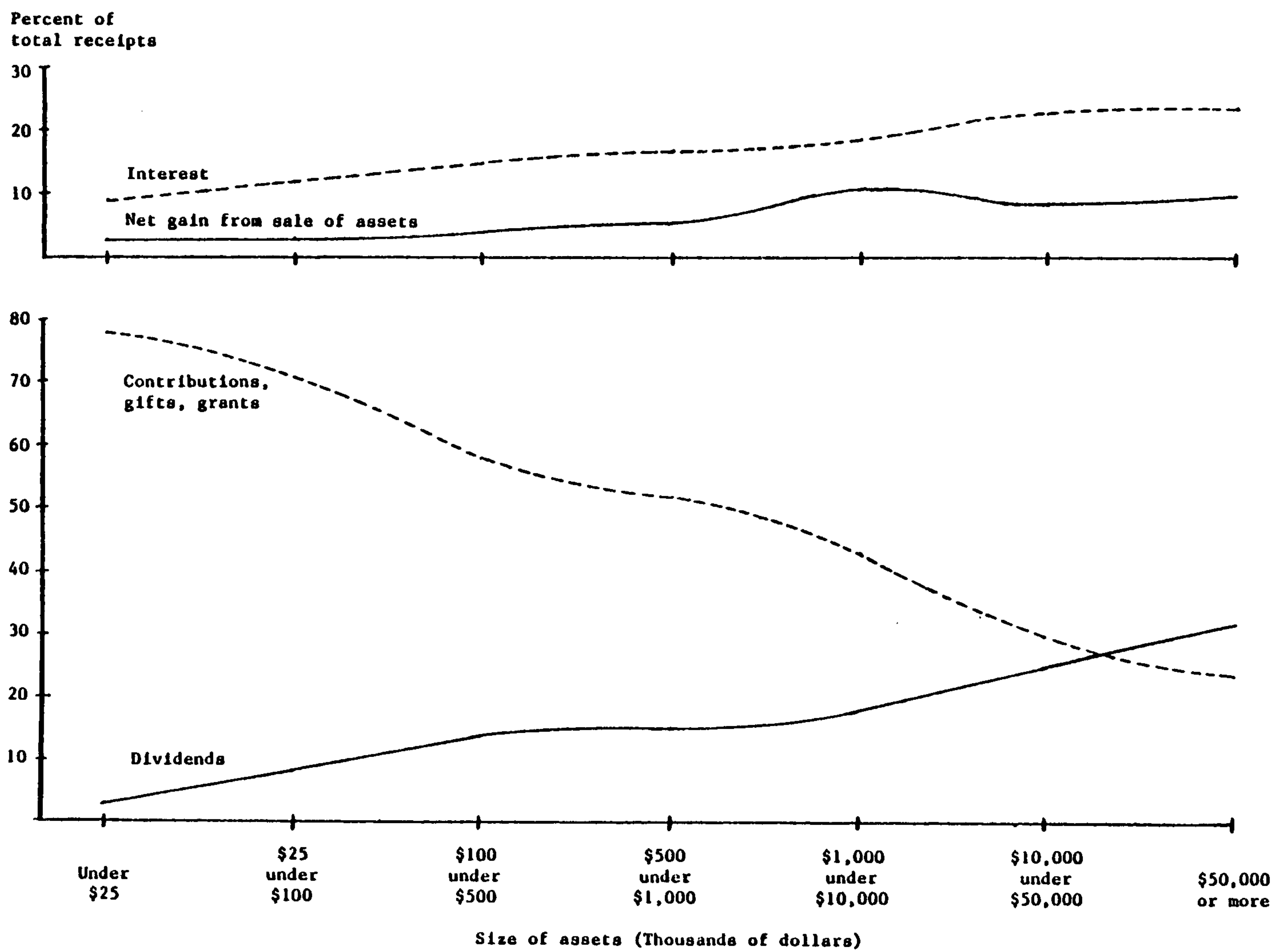
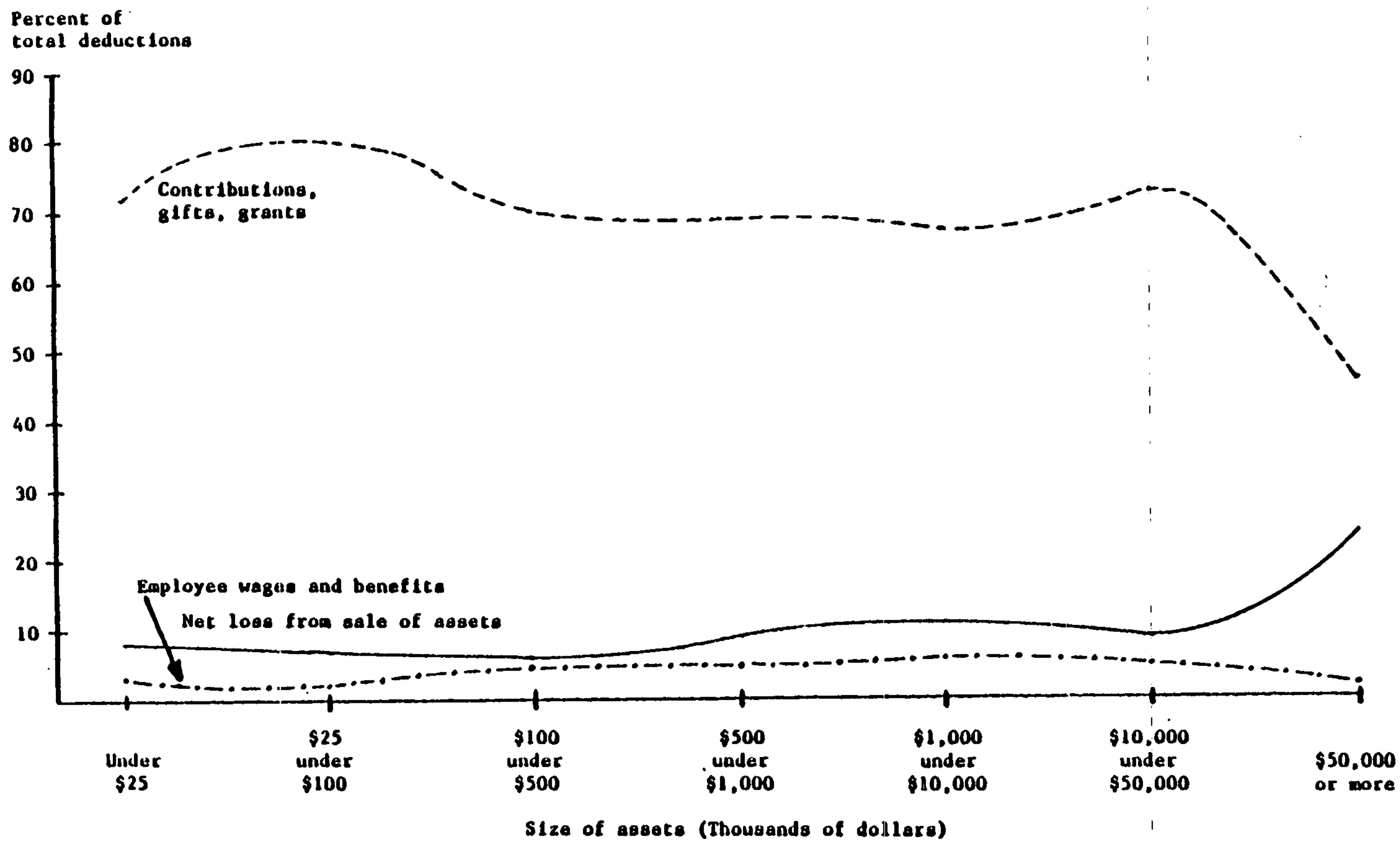


Chart 3.—Three Largest Components of Total Deductions, by Size of Total Assets, 1974



than double that of any other asset size class. The third and fourth largest components of total deductions are employee wages and benefits, and taxes, which comprise 4 and 2 percent, respectively, of the total. Both of these components show some increases in share with ascending asset size over the lower asset size classes, but each declines in relative importance in the higher asset size classes.

Flow to stock ratios by size of assets are shown in Table 7 and are grouped according to receipt to asset ratios, deduction to asset ratios, and distribution to asset ratios. Concerning the ratios in general, the most striking aspect is the presence of a maximum value for each item in the smallest foundation size class of assets. In three cases, contributions received to assets, contributions paid to assets, and qualifying distributions to assets, the flow to stock ratios are at least 69 percent. This pattern of decreasing ratio values with increasing asset size is most pronounced in the deduction to asset ratios. In general, we believe that this phenomenon is caused by liquidations of existing foundations. Since the asset measure used as a denominator for both the receipt to asset ratios and the deduction to asset ratios is year-end book value, an organization undergoing liquidation would generally have positive values for receipts and deductions and a zero asset value. When the data are grouped by asset size, these organizations are all in the smallest asset size class. The distribution to asset ratios used as a denominator the average fair market value of assets not used for charitable purposes. Since even liquidating foundations would likely have a positive average asset value, there is less of a tendency of inflating the flow to stock ratios in the smallest asset size class. This partly explains why these ratios exhibit a somewhat less pronounced pattern of large values in the smallest size class.

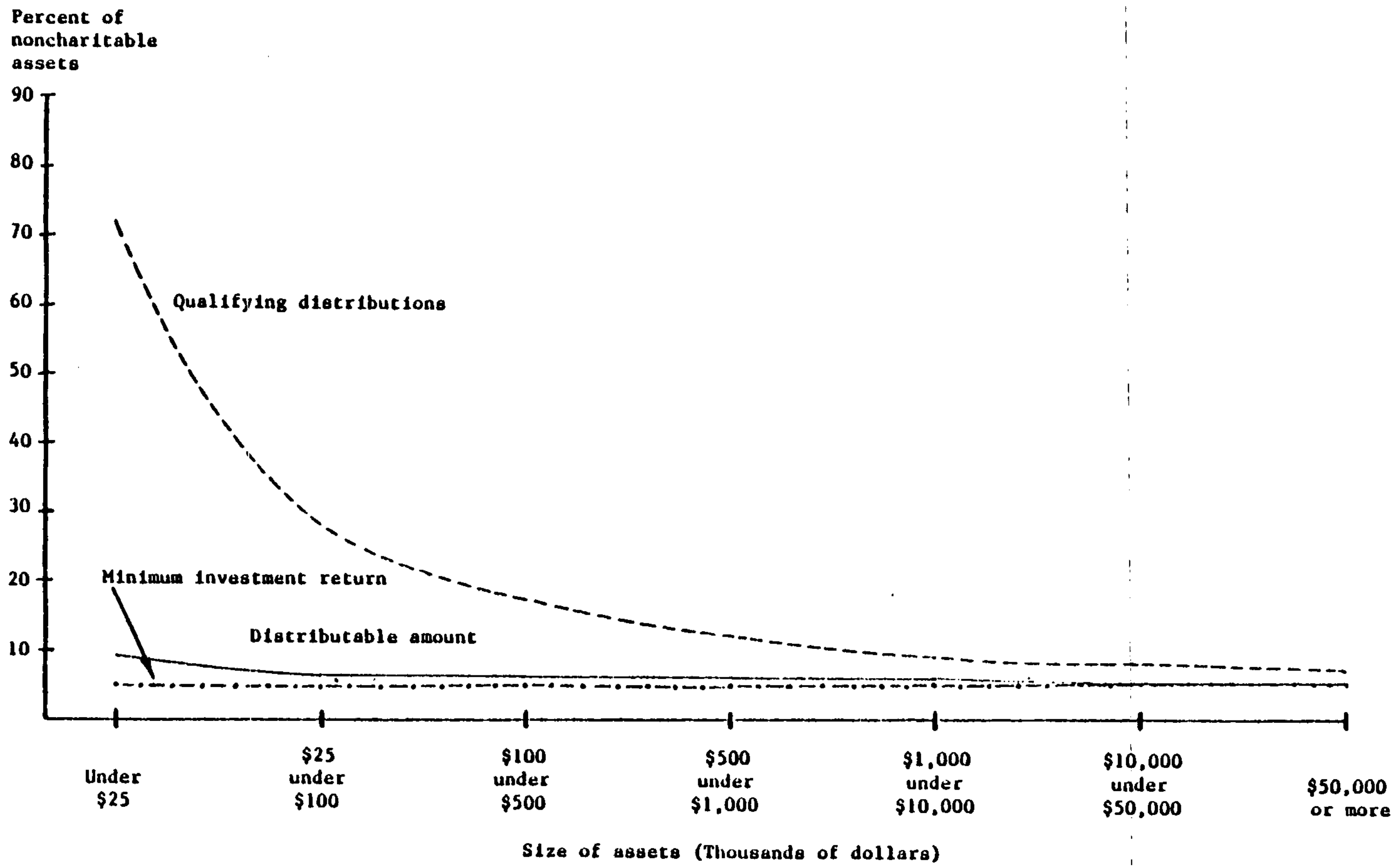
In the receipt to asset ratios, the contributions received to asset ratio steadily declines from a high of 69 percent for the smallest asset size class to a low of 2 percent for the largest class. The dividend to stock ratio is 11 percent for the smallest foundations and between 5 and 6 percent for all larger foundations. Dividends, interest, rent, and royalties were summed to approximate total investment income. The ratio of this total to assets exhibits a pattern similar to the dividend to stock ratio. For the smallest foundations, the total investment income to asset ratio is 12 percent, while it is only 6 percent for all other size classes. Net gain to assets shows a similar pattern at a considerably lower level.

As noted above, the deduction to asset ratios have the most pronounced pattern of a considerably greater value for the smallest foundations. Furthermore, for all but one of the deduction items, the minimum value is in the largest asset size class. The greatest decline across size classes is with the largest deduction item, contributions paid. This ratio declines from a high of 99 percent for the smallest foundations to 5 percent for the largest foundations. Net loss to assets declines from a high of 11 percent for the smallest foundations to 1 percent for medium foundations, and rises to 3 percent for the largest foundations. All of the other deduction to asset ratios are at substantially lower levels and decline as asset size increases to levels approaching zero for the largest foundations.

Although the maximum value appears in the smallest asset size class for each of the distribution to asset ratios, this is only by a tenth of a percent for the minimum investment return. This ratio is essentially constant at 5 percent for all asset size classes. The distributable amount to asset ratio declines from 9 percent for the smallest foundations to 5 percent for the largest foundations. The qualifying distributions to asset ratio shows the most-pronounced decline among the distribution to asset ratios. It declines steadily from 72 percent for the smallest foundations to 7 percent for the largest foundations. These three distribution to asset ratios are plotted in Chart 4.

Several phenomena are of interest in these distribution to asset ratios. First, since the minimum investment return is essentially a fixed percentage of assets not used for charitable purposes, it is not surprising that the derived minimum investment return to asset ratio is relatively constant across asset size classes. Second, because the distributable amount is the greater of the minumum investment return or the adjusted net income, it is logical that the distributable amount to asset ratio exceeds the minimum investment return to asset ratio (by a small amount) in each asset size class. The size of this difference, however, clearly declines with increasing asset size. Since the distributable amount is a mandated distribution, this suggests that the smaller foundations are more inclined to meet the payout requirement by distributing their adjusted net income as opposed to their minimum investment return. For the larger foundations, these two ratios are virtually identical. This implies that these organizations are much more likely to be meeting the payout requirement by distributing their minimum investment return. Finally, the most significant finding in the distribution to asset ratios concerns the pattern of qualifying distributions across asset size classes. Qualifying distributions are direct expenditures for charitable purposes or for the acquisitions of assets to be used for these purposes. The qualifying distribution to asset ratio declines substantially with increasing

Chart 4.--Distribution Components, by Size of Total Assets, 1974



asset size. The smaller foundations are distributing amounts that exceed the mandated requirement more than the larger foundations. We suspect that liquidations tend to accentuate this pattern for the smallest asset size class; however, this pattern of decline is consistent across all size classes. For the largest foundations, qualifying distributions exceeds the distributable amount by only 2 percentage points.

C. IRS Studies on Private Foundations and Other Tax-Exempt Organizations

This section summarizes some of the research activities being conducted by the IRS in the tax-exempt area and is divided into two parts. In the first part, completed and forthcoming IRS studies of private foundations are described. In the second part, some additional possible improvements in the establishment of a private foundation and other tax-exempt organization database are noted.

1. Private Foundation Studies

As previously mentioned, the report *Statistics of Income--1974-78, Private Foundations* filled a need since no similar study had been undertaken in this area for some time. This study alone, however, is not adequate to address many policy issues. Work is presently underway in the Wealth and Tax-Exempt Section of the Statistics Division of the IRS on a full-scale *Statistics of Income* study of private foundations for 1979. This work is scheduled for publication in 1983. Since this study does not differ substantially from the 1974 *SOI* study in both design and content, together they can be used for the examination of trends between these two periods. The principal difference that exists is a shift away from detail on foundation activities toward an increased emphasis on foundation financial variables classified by the size of total assets (year-end book and market values, and average noncharitable values), receipts, and contributions paid. Also, the 1979 SOI includes data for the first time on nonexempt charitable and split-interest trusts which are treated as private foundations under the Internal Revenue Code.

As previously noted, the full-scale SOI studies are expensive endeavors. Typically, a full-scale study involves at least the following steps:

1. The population of returns is sampled. (The likelihood of selection is usually dependent upon a measure of size of the filer and other relevant characteristics. The 1979 Private Foundation SOI study uses a sample of 9,300 Private Foundation returns (Form 990-PF) and 3,200 Nonexempt Trust returns (Form 5227)).
2. The significant data items on the returns selected for inclusion are edited onto abstract sheets.
3. The abstract sheet items are transcribed onto a computer tape file.
4. The tape file is tested for consistency and for the inclusion of returns of the larger organizations (for which the sampling rate is 100 percent).
5. Errors and omissions in the file are corrected.
6. Output specifications are defined and tables are produced.
7. The documentation is drafted, and the study is published.

While this brief description has omitted many of the detailed steps in constructing a full-scale study, it should be apparent that the procedure is a resource consuming process. For this reason, alternatives are being sought to produce data that is more economical and timely. Two possibilities are being considered.

As a part of IRS's compliance activities, a limited amount of information on all tax-exempt organizations that are required to file a return is entered into IRS's Master File System. Since 100 percent of the returns of exempt organizations (that are required to file tax returns) are included, it is possible to study the entire tax-exempt sector. (Prior SOI studies have been conducted either for private foundations or for other tax-exempt organizations because of the significant resources involved in conducting each of these studies). However, considerably less item detail is available, and the data are not subjected to detailed consistency testing. Nevertheless, these Master File data are an economical alternative in years when a full-scale study is not undertaken. In general, the reduced cost of a Master File study must be balanced against the loss of the item detail and the reduction in quality of the data. In Statistics of Income--1974-78, Private Foundations, Master File data were included for the years 1977 and 1978.

Another possibility for creating less expensive and more timely private foundation studies (or tax-exempt organization studies in general) is to use a stratified sampling design similar to that used in the full-scale studies but on a substantially reduced basis. As data in the prior section indicate, private foundation assets are highly concentrated. Therefore, a study could be designed to sample the largest organizations (e.g., those with $10 million or more in assets) at a 100 percent rate and sample all the remaining organizations at a very low rate. This study could use a sample size of approximately 1,000 returns, as opposed to the 1979 SOI study which sampled a total of 12,500 returns. The cost reductions would be substantial. Item detail would be comparable to that of a full-scale study, so detailed consistency and balance testing, and error resolution would be possible.

Since the strengths of this approach (presence of all large organization returns and increased item detail) complement the strengths of the Master File approach (an entire population of returns and no additional editing for statistical purposes), we are considering options in linking the two procedures.

Present plans are to repeat the SOI cycle on only an 8 to 10 year basis and to produce one type of "mini" study for any year in which a full-scale study is not done. The results of the "mini" studies will be published in the quarterly Statistics of Income Bulletin. Thus, for years from 1979 on, we will have a database that is both timely and relatively consistent.

2. Improving the Database for Better Policy Research

While the initiation of annual foundation studies is the single most significant improvement for better policy research, other changes are also needed. As noted in the prior section, balance sheet data from the private foundation annual tax return (Form 990-PF) are entirely in terms of book values. If only for the recent phenomenon of high levels of inflation, market values are of greater interest. However, because the determination of the minimum payout is dependent upon market values, emphasis in the 1979 study has been shifted in this direction. Ideally, the foundation balance sheet should be changed to reflect market values (or both market and book values). Nevertheless, since these changes are not anticipated in the near future, methods are being devised to best utilize the information that is presently available. This approach uses the asset measure presently reported on the return form which is most appropriate to the items being examined.

In the near future we are seeking to develop the capability to store the annual databases in a mode in which they can be readily available for addressing issues of current policy interest.

In general, the development of an exempt organization database cannot be accomplished without a commitment of significant resources. Alternative approaches are being examined to minimize this resource use. Better quality data on a more timely basis would permit policy decisions regarding existing and proposed legislative changes that would more accurately reflect the status of the exempt organization sector.

ACKNOWLEDGEMENTS

The authors would like to extend their thanks to several individuals who made important contributions to this paper. Among these are Eugene Steuerle of the Office of Tax Analysis, Howard Schoenfeld, Milton Cerny, Conrad Rosenburg, and Julia Kane of IRS's Office of the Assistant Commissioner for Employee Plans and Exempt Organizations, Ross Summers of IRS's Office of the Assistant Commissioner for Planning and Research, and John Sullivan, Alan Freiden, Keith Gilmour and Mike Coleman, all of the Statistics Division of IRS. The text and tables were typed by Wanda Thomas, Mary Haigler, and Ruth Wise.

Note: A discussion written in response to this paper and the paper entitled, "Nonprofit Organizations in America: An Examination of Information Return Filings with IRS," can be found on page 229 of the Compendium. It was written by Gabriel Rudney for the 1981 American Statistical Association (ASA) Conference.

FOOTNOTES

1/ As it was previously noted, the 501(c)(3) organizations are doubly priviledged in that their income is exempt from tax and that donors can deduct contributions from their own income (up to a prescribed maximum). The 1969 act allowed deductions, of up to 50% of on individuals adjusted gross income for any organization qualifying as a 501(c)(3) except nonoperating private foundations, while the maximum deduction for donations to a private foundation remained at 20% of an individual's adjusted gross income.

2/ These four years are 1962 [28],1974 [13], 1977 [13] , and 1978 [13] . In another study for 1973 [5], Master File data were used to look at foundation trends between 1962 and 1973. However, these data have some duplication in their totals, so they cannot be used for examination of the foundation sector as a whole.

3/ These include organizations established and operated exclusively for religious, charitable, educational or similar purposes other than private foundations.

4/ This study will not be published as a Statistics of Income report but will appear (in part) in a forthcoming issue of the Statistics of Income Bulletin.

5/ For years ending after December 31, 1976, an organization is required to file a return if its gross receipts are over $10,000. Prior to this, the requirement was for those organizations with gross receipts of $5,000 or more. Also, churches and some other types of organizations presumed to be tax-exempt are not required to apply for exempt status.

6/ We are using total contributions instead of expenditures for exempt purposes because the latter was not available for 1962.

7/ However, the Master File data for tax years 1976 and 1979 are not consistent with other years. For 1976 the problem is that returns filed in the following year (1977) were added to the file without regard to the tax year for which they were filed. For 1979, the returns added to the file in the following year (1980) were subjected to a cut-off at less than twelve months.

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D. Basic Tables

Table 1.—Expenditures for Exempt Purposes by Private Foundations and Other Charitable Tax-Exempt Organizations, Social Welfare Expenditures, and the Gross National Product

[Money amounts are in millions of dollars]

Selected years	Expenditures for Exempt Purposes		Social Welfare Expenditures	Gross National Product
	Private Foundations	Other Charitable Organizations		
	(1)	(2)	(3)	(4)
1974	2,409	n.a.	264,681	1,434,220
1975	n.a.	36,770	311,216	1,549,212
1977	2,692	29,135	369,289	1,918,011
1978	3,101	30,380	402,887	2,156,087
	Amount as a percent of the Gross National Product			
1974	0.17	n.a.	18.45	100.00
1975	n.a.	2.37	20.09	100.00
1977	0.14	1.52	19.25	100.00
1978	0.14	1.41	18.69	100.00

NOTE: Private foundation data are from the Statistics of Income--1974-78, Private Foundations, Table B, page 3. Other charitable organization data are unpublished from the IRS. Social welfare expenditures data are from the Social Security Bulletin, Annual Statistical Supplement for 1976 and 1977-79 and are adjusted to calendar years. The Gross National Product data are from the National Income and Product Accounts of the United States, 1929-76, Part II, Statistical Supplement. Data unavailable are noted n.a.

Table 2.--Private Foundations--Number of Organizations, Measures of Total Assets, Total Receipts, and Contributions Paid for Selected Years, 1962-78

[Money amounts are in millions of dollars]

Selected years	Number of organizations	Total assets: Book value	Total assets: Market value	Total receipts	Contributions paid
	(1)	(2)	(3)	(4)	(5)
1962	14,865	11,648	16,262	1,898	1,012
1974	26,889	25,514	n.a.	3,263	1,953
1977	27,691	30,328	34,817	4,446	2,289
1978	29,659	32,935	36,735	5,018	2,764
	Money amounts are in millions of constant (1972) dollars				
1962	14,865	16,496	23,031	2,688	1,433
1974	26,889	22,202	n.a.	2,839	1,699
1977	27,691	21,689	24,900	3,180	1,637
1978	29,659	21,949	24,482	3,344	1,842
	Annual current dollar growth rates (%) from year of prior study				
1962	n.a.	n.a.	n.a.	n.a.	n.a.
1974	4.9	6.5	n.a.	4.5	5.5
1977	1.0	5.8	5.1	10.3	5.3
1978	6.9	8.2	5.4	12.1	18.9
	Annual constant dollar growth rates (%) from year of prior study				
1962	n.a.	n.a.	n.a.	n.a.	n.a.
1974	4.9	2.5	n.a.	0.5	1.4
1977	1.0	-0.8	0.5	3.8	-1.2
1978	6.9	1.2	-1.7	5.0	11.8

Table 3.-- Composition of Total Assets by Size of Total Assets, 1974

[Money amounts are in millions of dollars]

Item	Total	Size of total assets: Under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Number of foundations	26,889	10,746	6,113	5,773	1,540	2,363	290	64
Total assets	25,514	72	332	1,337	1,081	6,879	5,945	9,869
Corporate stock	13,407	18	122	572	480	3,242	2,905	6,066
Nongovernment bonds	5,045	9	42	230	206	1,451	1,271	1,836
Government obligations	1,441	3	25	84	69	417	397	444
Cash	1,165	29	72	176	101	429	200	158
Accounts and notes receivable	984	2	12	38	36	192	244	461
Land	406	1	10	38	38	203	76	40
Net depreciable assets	345	(*)	4	24	27	146	83	61
Other assets	2,722	9	44	173	124	799	768	803
	Composition percentage distributions							
Total assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Corporate stock	52.5	25.7	36.8	42.8	44.4	47.1	48.9	61.5
Nongovernment bonds	19.8	12.4	12.7	17.2	19.1	21.1	21.4	18.6
Government obligations	5.6	3.8	7.6	6.3	6.4	6.1	6.7	4.5
Cash	4.6	40.1	21.6	13.2	9.4	6.2	3.4	1.6
Accounts and notes receivable	3.9	2.4	3.5	2.8	3.3	2.8	4.1	4.7
Land	1.6	0.9	2.9	2.9	3.5	2.9	1.3	0.4
Net depreciable assets	1.4	(*)	1.3	1.8	2.5	2.1	1.4	0.6
Other assets	10.7	12.7	13.1	13.0	11.5	11.6	12.9	8.1

(*) Estimate is not shown because of the small number of sample returns on which it is based. However, the data are included in the appropriate totals.

NOTE: Data are from (or computed from) tables 6 and 21 in the Statistics of Income--1974-78, Private Foundations. Detail may not add to totals due to rounding.

Table 4.-- Composition of Total Liabilities by Size of Total Assets, 1974

[Money amounts are in millions of dollars]

Item	Total	Size of total assets						
		Under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Number of foundations...........	26,889	10,746	6,113	5,773	1,540	2,363	290	64
Total liabilities...............	25,514	72	332	1,337	1,081	6,879	5,945	9,869
Contributions, gifts, grants payable......................	866	0	2	5	5	47	128	678
Mortgages and notes payable....	525	0	7	18	13	70	135	283
Accounts payable...............	69	1	1	6	4	13	15	30
Other liabilities..............	180	1	4	7	8	70	39	50
Net worth......................	23,874	69	320	1,300	1,051	6,678	5,629	8,828
Total liabilities less net worth........................	1,640	3	13	37	30	201	316	1,040
	Composition percentage distributions							
Total liabilities less net worth.	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Contributions, gifts, grants payable......................	52.8	14.3	14.6	14.3	17.5	23.6	40.5	65.2
Mortgages and notes payable....	32.0	15.7	50.6	49.1	42.5	34.8	42.6	27.2
Accounts payable...............	4.2	27.5	4.5	17.6	12.2	6.6	4.6	2.9
Other liabilities..............	11.0	42.5	30.2	19.0	27.8	35.0	12.3	4.8

(*) Estimate is not shown because of the small number of sample returns on which it is based. However, the data are included in the appropriate totals.

NOTE: Data are from (or computed from) tables 6 and 21 in the Statistics of Income--1974-78, Private Foundations. Detail may not add to totals due to rounding.

Table 5.-- Composition of Total Receipts by Size of Total Assets, 1974

[Money amounts are in millions of dollars]

Item	Total	Size of total assets						
		Under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Number of foundations..........	26,889	10,746	6,113	5,773	1,540	2,363	290	64
Total receipts................	3,263	64	80	237	176	1,011	694	1,002
Contributions, gifts, grants..	1,217	50	57	137	92	431	209	242
Dividends....................	743	2	7	33	27	186	173	316
Interest.....................	671	6	9	37	30	190	161	238
Net gain from sale of assets..	296	2	2	11	10	110	60	101
Gross rents and royalties.....	120	0	2	8	10	48	36	15
Gross profits from business...	40	(*)	(*)	5	2	22	8	3
Other receipts...............	175	3	2	7	5	24	48	87
	Composition percentage distributions							
Total receipts................	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Contributions, gifts, grants..	37.3	77.7	71.1	57.8	52.4	42.6	30.1	24.2
Dividends....................	22.8	3.2	8.4	13.8	15.4	18.4	24.9	31.6
Interest.....................	20.6	9.3	11.8	15.4	17.3	18.8	23.3	23.7
Net gain from sale of assets..	9.1	2.7	3.0	4.5	5.6	10.9	8.6	10.1
Gross rents and royalties.....	3.7	0.8	2.5	3.5	5.5	4.8	5.2	1.5
Gross profits from business...	1.2	(*)	(*)	2.0	0.9	2.2	1.1	0.3
Other receipts...............	5.4	4.1	2.5	3.1	2.8	2.4	6.9	8.6

(*) Estimate is not shown because of the small number of sample returns on which it is based. However, the data are included in the appropriate totals.

NOTE: Data are from (or computed from) tables 6 and 21 in the Statistics of Income--1974-78, Private Foundations. Detail may not add to totals due to rounding.

Table 6.-- Composition of Total Deductions by Size of Total Assets, 1974

[Money amounts are in millions of dollars]

Item	Total	Size of total assets						
		Under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Number of foundations	26,889	10,746	6,113	5,773	1,540	2,363	290	64
Total deductions	3,188	98	87	221	145	813	658	1,165
Contributions, gifts, grants	1,953	71	70	155	100	547	480	531
Net loss from sale of assets	471	8	6	14	13	93	62	275
Employee wages and benefits	124	3	2	12	7	47	31	21
Taxes	73	1	1	4	4	25	19	19
Professional services	46	2	2	5	3	16	10	10
Compensation of officers	44	2	1	4	3	14	10	10
Depreciation, amortization, depletion	21	(*)	0	2	2	9	4	3
Interest	18	0	0	1	1	5	4	7
Other expenses	437	10	4	26	12	58	38	289
	Composition percentage distributions							
Total deductions	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Contributions, gifts, grants	61.3	72.1	80.5	70.0	68.7	67.3	72.9	45.6
Net loss from sale of assets	14.8	8.1	6.8	6.2	9.1	11.4	9.5	23.6
Employee wages and benefits	3.9	3.4	2.2	5.2	4.7	5.7	4.8	1.8
Taxes	2.3	1.2	1.4	2.0	3.1	3.0	2.8	1.6
Professional services	1.4	2.1	2.0	2.1	2.0	1.9	1.5	0.8
Compensation of officers	1.4	1.7	1.3	1.6	2.0	1.8	1.5	0.9
Depreciation, amortization, depletion	0.7	(*)	0.5	0.8	1.2	1.1	0.7	0.3
Interest	0.6	0.3	0.4	0.4	0.6	0.6	0.7	0.6
Other expenses	13.7	10.1	4.9	11.6	8.6	7.1	5.8	24.8

(*) Estimate is not shown because of the small number of sample returns on which it is based. However, the data are included in the appropriate totals.

Table 7.--Selected Private Foundation Flow/Stock Ratios by Size of Total Assets, 1974

[Flow amount as a percent of stock amount]

Item	Total	Size of total assets						
		Under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Number of foundations...........	26,889	10,746	6,113	5,773	1,540	2,363	290	64
Receipt/asset ratios:								
Contributions received/assets..	4.8	69.1	17.2	10.2	8.5	6.3	3.5	2.4
Dividends/stock................	5.5	11.0	5.5	5.7	5.6	5.7	5.9	5.2
Total investment income[1]/assets	6.0	11.7	5.5	5.8	6.2	6.2	6.2	5.8
Net gain/assets...............	1.2	2.4	0.7	0.8	0.9	1.6	1.0	1.0
Deduction/asset ratios:								
Contributions paid/assets......	7.7	98.7	21.0	11.6	9.2	8.0	8.1	5.4
Wages and benefits/assets......	0.5	4.6	0.6	0.9	0.6	0.7	0.5	0.2
Compensation of officers/assets	0.2	2.3	0.3	0.3	0.3	0.2	0.2	0.1
Professional services/assets...	0.2	2.9	0.5	0.3	0.3	0.2	0.2	0.1
Taxes/assets..................	0.3	1.6	0.4	0.3	0.4	0.4	0.3	0.2
Net loss/assets...............	1.8	11.1	1.8	1.0	1.2	1.4	1.0	2.8
Distribution/asset ratios:								
Minimum investment return/ assets[2]......................	5.0	5.3	5.2	5.2	5.2	5.2	5.0	4.9
Distributable amount/assets[2]...	5.4	8.5	6.4	6.4	5.9	5.5	5.2	5.1
Qualifying distributions/ assets[2]......................	8.8	72.2	28.1	16.7	12.1	9.0	8.2	6.9

[1]This is the sum of interest, dividends, rents, and royalties.
[2]These are the total market value of assets held for noncharitable purposes.

(*) Estimate is not shown because of the small number of sample returns on which it is based. However, the data are included in the appropriate totals.

NOTE: Data are from (or computed from) tables 6 and 21 in the Statistics of Income--1974-78, Private Foundations. Detail may not add to totals due to rounding.

DISCUSSION

Gabriel Rudney, Yale University

Note: This discussion was written in response to two papers presented at the 1981 American Statistical Association (ASA) Conference. The papers are "Nonprofit Organizations in America: An Examination of Information Return Filings with IRS," and "Private Foundations, Federal Tax Law, and Philanthropic Activity: An IRS Perspective", found on pages 39 and 187, respectively.

The authors of the two nonprofit papers have provided us with an informative discussion of two important Internal Revenue Service studies on private foundations and other tax-exempt organizations. The authors have dealt quite effectively with the historical background of this research, presented many interesting statistical results, and cited, as is appropriate at such meetings as this, the nature of the data's limitations.

In my role as a discussant today, I would like to focus briefly on three improvements that must be made if future work in this area is to be successful: better activity classification, sounder valuation of assets, and elimination of the double counting of receipts.

ACTIVITY CLASSIFICATION

Most users of exempt organization data are expected to be interested in data about a specific activity. As I see it, there is much less interest in aggregate figures representing the vast heterogeneous population of many types of activities brought together only because the organizations are tax-exempt and nonprofit. The greatest interest will center on philanthropic organizations. The philanthropic organizations differ in purpose and operations from other types of organizations such as membership organizations which benefit members rather than the general public. The nonprofit financial organizations have additional purposes and rationales for tax-exemption. Included also are such differing organizations as cemetery associations, veterans organizations, and the political parties. As one can see, many organizations serving different goals are included under the cloak of "tax-exemption." Generally, any interest in these organizations overall is related mainly to Treasury tax policy issues. Most users are expected to be interested in parts of this large heterogeneous universe.

Now the key to the parts is the "activity classification." But the activity classification has serious deficiencies, as described by the authors [1]. I would like to suggest that in future exempt organization studies, special effort be made to improve the structure of the activity classifications. The 1977 Census of Services made an important effort in this respect, and the same type of effort should be reflected in future SOI studies [2]. I suggest this with full realization of costs and limited resources. On that point, I believe the statistical community would prefer a smaller sample, but well stratified by activities. Certainly, the costs of better activity classification should be supported by trade-offs, such as reduced samples.

ASSET VALUATION

At present there is an allowance of flexibility in the reporting of the value of assets in the balance sheet information. Such flexibility is a serious statistical limitation. One cannot really justify aggregation of values which are both book and current values for the same types of assets or for different assets, such as physical assets and financial holdings. The extent to which such aggregation occurs in the data is unknown. If it is extensive, then the usefulness of the IRS balance sheet data is questionable. If the practice is small, perhaps it can be ignored or adjusted. Some indication of the extent of the problem is warranted.

I would like to suggest in future exempt organization studies that the IRS report form require strict adherence to the reporting of either book value or current value for the detail of the balance sheet. The total assets figure should be reported both in book value and in current value.

DOUBLE COUNTING OF RECEIPTS

The problem of double counting is also serious. The problem occurs because certain tax-exempt organizations function as fundraisers for other tax-exempt organizations. As a consequence, there is double counting of receipts because the same funds are reported by the fundraisers and by the recipient service organizations. It is a problem which the 1977 Census of Services recognized in planning of the tax-exempt section of its Census [2]. The 1977 Census tried to avoid double counting of receipts by collecting information on operating expenditures of tax exempt organizations instead of receipts, on the assumption that receipts just cover expenditures in nonprofits. Consequently, the user of the data, particularly in the philanthropic area, must seek to adjust for double counting in receipts.

I suggest that in the future a mechanism be built into the 990 studies which would permit an adjustment for double counting. This mechanism could be specific identification of major fundraising entities in the activity classification and the specific reporting of intra-activity transfers which create double counting aggregation of receipts.

REFERENCES

[1] Two classification schemes were included in the paper as originally presented: Statistics by the Subsection Code upon which the exemption was based, and by the "type of activity" in which the organization was engaged. For the

Proceedings, type of activity was dropped since this information is featured in the Fall issue of the SOI Bulletin describing how the classification is structured and reported.

[2] U.S. Department of Commerce, Bureau of the Census, 1977 Census of Service Industries, Part 4, West Region, Other Service Industries, U.S. Government Printing Office, January, 1981.

REJOINDER

Thomas B. Petska and John P. Sullivan
Internal Revenue Service

This reply is in response to the comments made by Gabriel Rudney, which dealt with limitations of the data in the two nonprofit studies. Specifically, these topics are: activity classification, asset valuation, and double counting of receipts.

ACTIVITY CLASSIFICATION

For the 1974 private foundation study and the 1975 other tax-exempt organization study, three activity codes were picked-up directly from the return form. In only the latter case, however, were the filers told to rank the activities according to predominance. In the 1977 and 1978 Master File studies (for both private foundations and other tax-exempt organizations), the activity codes were no longer on the return form, so the activity code specified on prior return forms or the organization's application for exemption was used. In all of these studies, the activity that was predominant was assumed to be the principal activity. This is a limitation for organizations engaged in multiple activities, since all expenditures were attributed to this one activity. Thus, the activity codes in the nonprofit studies are considerably less than ideal.

While changes in the activity codes along the lines of the 1977 Census of Services (to make them more like the SIC) are beneficial, the most needed improvements in this area are better identification of an organization's activities and a methodology to split the activities of those organizations that engage in multiple activities. Both of these improvements require better information on the organization's return form (or supplemental forms which can be matched, such as the private foundations annual report). Improvements in these areas, however, will be difficult. We are a long way from being able to determine the actual amount of contributions paid for each type of activity. Nevertheless, improvements in the activity classification are a high priority.

ASSET VALUATION

Most organizations report the original cost (minus accumulated depreciation, if applicable) of an asset at its book value. However, for certain assets such as securities, we suspect that market valuation is commonly used. Therefore, the balance sheet probably contains both book and market valuations. While this situation is discomforting because it is conceptually inconsistent, book valuation is itself of questionable value, particularly in periods of rapid price change.

Nearly all private foundations are required to file an annual report (return form 990-AR) which includes an itemized statement of year-end asset holdings with both book and market valuations. This information can be used to evaluate the procedures that foundations employ to value assets. Furthermore, these data provide the only information on asset composition with market values. In general, we believe that utilization of the 990-AR asset information is the most-promising short run approach to a better understanding of the asset valuation situation.

The choice of the appropriate asset valuation method is by no means clear cut. While most analysts would agree that market valuation is the preferred method, the detailed balance sheet data on the return form are all (or predominantly) in terms of book values. Therefore, the examination of asset composition by size of assets is more meaningful in terms of book values. This situation has no easy solution. For foundations, a third asset measure, total average (as opposed to year-end) market value of assets not used for charitable purposes is available. Since this component is both a market value measure and is actually used in the determination of the mandatory distribution, it is the best asset measure for examination of the foundation payout data.

Tabulations by asset size classes of book and market values have been made for private foundations (1974) and other tax-exempt organizations (1975). (This latter comparison appears below as table 1). In both cases, organizations included in a book value asset size class also generally appear in the same market value size class. However, since the ranges within these size classes are fairly broad, and since the book value asset total (which is the sum of the asset detail on the balance sheet) probably includes some market valuations, it is difficult to speculate on the magnitude of the differences between book and market valuations.

DOUBLE COUNTING OF RECEIPTS

Double counting in the receipt data is also a problem that has no easy solution. An adjustment for double counting based on the Census of Services data is better than no adjustment at all, despite incorporation of the dubious assumption that receipts equal expenditures in these organizations. The addition of a line item on the return form denoting contributions received from other tax-exempt organizations would greatly facilitate our comprehension of this problem. However, since this addition is not anticipated, users of the data will have to contend with the presence of an unmeasured amount of double counting in these data.

CONCLUSION

In conclusion, we thank the discussant for his helpful comments, but hope he realizes that progress in any of these areas will be difficult. Nevertheless, we are committed to improving the tax-exempt organization database and recognize that improvements in the areas addressed in his comments are high on our list of priorities.

Table 1.--Exempt Organization Returns (Excluding Private Foundations and Farmers Cooperatives): Number of Returns, by Size of Total Book Value of Assets and by Size of Total Fair Market Value of Assets, 1975[1]

[All figures are estimates based on samples]

Size of total book value of assets	All returns	Number of returns, by size of total fair market value of assets				
		Under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $5,000,000	$5,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)
Total	220,197	170,221	29,126	7,397	9,246	4,207
Under $100,000	155,967	154,090	1,634	107	40	96
$100,000 under $500,000	39,087	11,390	26,921	617	137	22
$500,000 under $1,000,000	9,193	1,881	470	6,378	455	9
$1,000,000 under $5,000,000	11,214	2,122	87	279	8,509	217
$5,000,000 or more	4,736	738	14	16	105	3,863

[1]Data were obtained from unpublished Statistics Division tabulations on tax-exempt organizations (excluding private foundations and farmers cooperatives).

An Examination of Private Foundations for 1979

By Thomas B. Petska*

In 1979 there were approximately 28,000 foundations that spent $3.2 billion for charitable, religious, and other philanthropic purposes. Over $1.7 billion of these expenditures were made by the 490 largest foundations. Of the $6.0 billion in income received by foundations in 1979, these 490 largest foundations accounted for $3.6 billion of this amount.

Total assets of foundations were similarly concentrated. Those with assets of $1,000,000 or more accounted for only 13 percent of all foundations but 90 percent of total foundation assets. The 490 largest foundations accounted for 65 percent of total foundation assets. The largest foundation, the Ford Foundation, had assets of $2.4 billion, which was 7 percent of the total.

Asset Size	Number of Foundations	Percent of Total	Total Assets (Billions)	Percent of Total
Total.......	27,980	100.0%	$34.7	100.0%
Under $100,000..	15,747	56.3	0.4	1.1
$100,000 under $1,000,000....	8,717	31.2	3.0	8.6
$1,000,000 under $10,000,000...	3,026	10.8	8.8	25.4
$10,000,000 or more.......	490	1.7	22.5	64.8

Although the Ford Foundation was clearly the largest foundation, several other foundations also reported assets in excess of $250 million. The ten largest foundations, which are listed below in order of decreasing asset size, had assets that totaled $6.5 billion, or 19 percent of the total.

Ranking	Name	Total Assets (Millions)
1	Ford Foundation	$2,437
2	Andrew W. Mellon Foundation	691
3	Kresge Foundation	609
4	Rockefeller Foundation	539
5	Robert Wood Johnson Foundation	508
6	Charles Stewart Mott Foundation	405
7	The MacArthur Foundation	397
8	W.M. Keck Foundation	336
9	Fundacao Calouste Gulbenkian	321
10	The Pew Memorial Foundation	287

The number of foundations and their assets, total receipts, and expenditures for exempt purposes all increased substantially in the 1962-1979 period. The number of foundations nearly doubled while assets, receipts, and expenditures for exempt purposes tripled. (Expenditures for exempt purposes represent expenditures for activities that were directly related to the tax-exempt purpose of the foundation and included expenditures made for charitable, educational, religious, scientific or other similar purposes.)

Income Year	Number of Foundations	Total Assets (Billions)	Total Receipts (Billions)	Expenditures for Exempt Purposes (Billions)
1962 ...	14,865	$11.6	$1.9	$1.0
1974 ...	26,889	25.5	2.8	2.4
1979 ...	27,980	34.7	6.0	3.2

PRIVATE AND PUBLIC PHILANTHROPY

As can be seen in the table below, the number of private foundations and their philanthropic expenditures are small in comparison to those of other organizations recognized as tax-exempt under Internal Revenue Code subsection 501(c)(3). Other 501(c)(3) organizations, such as the American Cancer Society and the National Kidney Foundation, are generally considered "public charities" because these organizations have a broad base of public financial support. Private foundations have a narrow base of financial support, receiving most of their funds from their founder(s). In addition to this broad base of support, "public charities" are in the advantageous position of having fewer requirements and are exempt from paying the excise tax that is required of foundations. (A discussion of the requirements affecting foundations appears in the next section.)

Income Year 1975	Number of Organizations	Expenditures for Exempt Purposes (Billions)
Total exempt under subsection 501(c)(3)..	109,135	$39.4
Private foundations..	27,087	2.6
All other	82,048	36.8

Data are presented in the table below for three years in the 1962-1979 period to show the relative magnitude of private foundation expenditures. A measure of public philanthropy called "Government Social Welfare Expenditures" is included for comparative purposes. This series is compiled by the Social Security Administration [10] and includes direct Government disbursements to the aged, disabled, unemployed, and poor, plus Government expenditures for schools, hospitals, and other similar facilities.

*Prepared under the direction of Daniel F. Skelly, Acting Chief, Foreign Special Projects Section, Foreign Statistics Branch.

Expenditures for exempt purposes by private foundations are small in comparison to Government Social Welfare Expenditures and the Gross National Product (GNP). Public philanthropy, as measured by Government Social Welfare Expenditures, accounted for between 11 and 18 percent of the GNP for the three years shown. Private foundation expenditures represented less than 1 percent of Government Social Welfare Expenditures and are negligible in comparison to the GNP.

While the expenditures of private foundations are small relative to the total of all tax-exempt organizations, they still account for billions of dollars. Furthermore, private philanthropic organizations have considerable flexibility in carrying out their activities. Since they are not directly accountable to the public, these organizations can initiate creative approaches to social problem-solving without a need for an immediate return on their investments as is often the case for public social programs. In addition, private philanthropy can shift resources and priorities without the burdens that are characteristic of public programs.

Income Year	Expenditures for Exempt Purposes (Billions)	Government Social Welfare Expenditures (Billions)	Gross National Product (Billions)
1962......	$1.0	$64.7	$565.0
1974......	2.4	264.7	1,434.2
1979......	3.2	440.3	2,417.8

TAX TREATMENT OF PHILANTHROPIC ACTIVITIES

The Federal Government grants exemption from income taxation to certain organizations that engage in charitable and other philanthropic activities in order to encourage philanthropy in the private sector. The primary reason for tax-exempt status was best described in a U.S. House of Representatives Ways and Means Committee report on the Revenue Act of 1938 [17]:

"The exemption from taxation of money or property devoted to charitable or other (exempt) purposes is based upon the theory that the government is compensated for the loss of revenue by its relief from the financial burden which would otherwise have to be made by appropriations from public funds, and by the benefits resulting from the promotion of the general welfare."

Another tax benefit that indirectly assists organizations engaged in philanthropic activities is the deductibility by donors of contributions from their income. By reducing taxable income, contributors reduce their total tax liability. This effectively lowers the net cost of a contribution by the amount of the contribution times the marginal tax rate of the taxpayer.

Before 1969, private foundations were not defined in the Internal Revenue Code but were generally recognized as tax-exempt under Code subsection 501(c)(3), along with charitable, educational, religious, and other "philanthropic" type organizations. Increasing public awareness of the privileges of tax-exempt status and alleged foundation involvement in questionable activities contributed to the passage of the Tax Reform Act of 1969. Under this Act, a private foundation was defined as a nongovernment, nonprofit organization with a narrow base of financial support whose goal was to assist social, educational, religious or other activities deemed to serve the public good.

Foundations are classified as either "nonoperating" or "operating." Nonoperating foundations, which account for approximately 96 percent of the total, are organizations that carry out charitable or other philanthropic activities in an indirect manner by making grants to other organizations or persons that carry out these activities. Operating foundations, on the other hand, engage directly in charitable and other philanthropic activities. In the case of individuals, contributions to private nonoperating foundations are deductible up to a limit of 20 percent of adjusted gross income (AGI), while contributions to operating foundations and public charities are deductible up to a limit of 50 percent of AGI. Contributions by corporations to philanthropy (including amounts donated to private foundations) are deductible only up to 5 percent of net income.

In addition to defining private foundations, the 1969 Act significantly increased the number of restrictions on foundation activities, imposed an excise tax on a foundation's net investment income to cover the Government's cost of monitoring their activities, and required nonoperating foundations to make a current minimum distribution for charitable or other philanthropic purposes. This required minimum distribution was established to insure that foundations that benefited from their tax-exempt status were also currently involved in charitable or other philanthropic activities. This provision has been criticized on the grounds that it would necessitate the liquidation of assets which could eventually lead to the extinction of private foundations over time.

As can be seen above, foundation spending for philanthropy was about the same relative to assets in 1979 as it was in 1974. The overall number of foundations increased between 1974 to 1979, and the number of foundations with assets of $10 million or more increased from 354 to 490. Therefore, these data do not support the position that foundations are a dying breed.

COMPARISON OF FOUNDATION FINANCIAL DATA, 1974 AND 1979

All of the foundation asset items, except for accounts and notes receivable, increased considerably between 1974 and 1979. Corporate stock, the largest asset item, increased by $2.3 billion, while corporate bonds, the second largest, increased by $2.0 billion. Government obligations were the third largest asset item, and witnessed the largest increase both in actual amounts and on a percentage basis. This increase was $2.7 billion, which is almost twice the 1974 amount. The large percentage increase in Government obligations was probably due to the high levels of interest rates in 1979, making Government obligations more attractive relative to other investments.

Asset Item	1974 (Billions)	1979 (Billions)	Change from 1974
Total.............	$25.5	$34.7	36%
Corporate stock......	13.4	15.7	17
Corporate bonds......	5.0	7.0	40
Government obligations	1.4	4.2	200
Cash.................	1.2	2.0	66
Accounts and notes receivable (net)...	1.0	0.8	-20
Other................	3.5	5.0	42

On a percentage basis, the relatively small increase in corporate stock in comparison to other type assets produced an overall 8 percent decline in corporate stockholdings as a percent of total assets (from 53 to 45 percent). Corporate bonds accounted for 20 percent of total assets in both years. Government obligations accounted for the largest relative increase, growing from 6 to 12 percent of the total. The other asset composition shares were relatively stable between the two periods.

If the effects of inflation are removed from the asset data for these two years, the picture that emerges is somewhat different. The level of prices, as measured by the Implicit Price Index for the Gross National Product [14, 15], increased by 42 percent between these two periods. Since the value of total assets only increased by 36 percent, "real" asset values actually declined. With a base period of 1972 = 100, the total real asset values were $22.2 billion for 1974 and $21.2 billion for 1979.

Total liabilities for all foundations decreased by 8 percent between 1974 and 1979. For foundations with $10 million or more in assets, it decreased by 17 percent. However, for foundations with assets under $1 million, total liabilities increased by 25 percent. For all foundations total liabilities for 1979 were only 4 percent of total assets.

In both years, contributions, gifts, and grants constituted the largest source of receipts, while dividends and interest were the two next largest sources. Although dividends ranked second for 1974, it dropped to third for 1979 with interest replacing it. This increase in the share of interest relative to dividends is not surprising when two factors are considered. First, as the asset composition indicates, investment portfolios have shifted away from holdings of corporate stock toward Government obligations. Second, and related to the first reason, in 1979 interest rates were at historically high levels so, even without portfolio changes, returns on these assets would be high relative to 1974.

Receipts	1974 (Billions)	1979 (Billions)	Change from 1974
Total Receipts....	$2.8	$6.0	114%
Contributions, gifts, grants.....	1.2	2.3	91
Dividends...........	0.7	1.2	71
Interest............	0.7	1.2	71
Net gain (or loss) from sales of assets	-0.2	0.8	500
Other...............	0.3	0.6	100

Contributions, gifts, and grants is by far the largest component of total deductions, and it increased its share of the total from 71 to 79 percent between 1974 and 1979. The next largest deduction item, employee wages and benefits, increased from 5 to 6 percent of total deductions.

FOUNDATION ASSETS, INCOME AND DISTRIBUTIONS, BY SIZE OF TOTAL ASSETS, 1979

In Figure A, the three largest components of total assets are illustrated by size of total assets. Corporate stock was the largest asset component in total and for each asset size group, except for the group under $100,000. (For this group, cash, which is not shown here, was the largest asset component. The importance of cash in asset portfolios declines significantly with increases in the size of total assets.) The relative share of corporate stock increases with asset size. Corporate bonds and Government obligations, the second and third largest asset types, also generally increased in importance with increases in the size of the foundation but much more modestly than corporate stock.

Figure B shows the three largest sources of receipts by size of total assets. Contributions share of total receipts declined as the size of the foundation

Figure A
The Three Principal Components of Total Assets, by Size of Total Assets, 1979

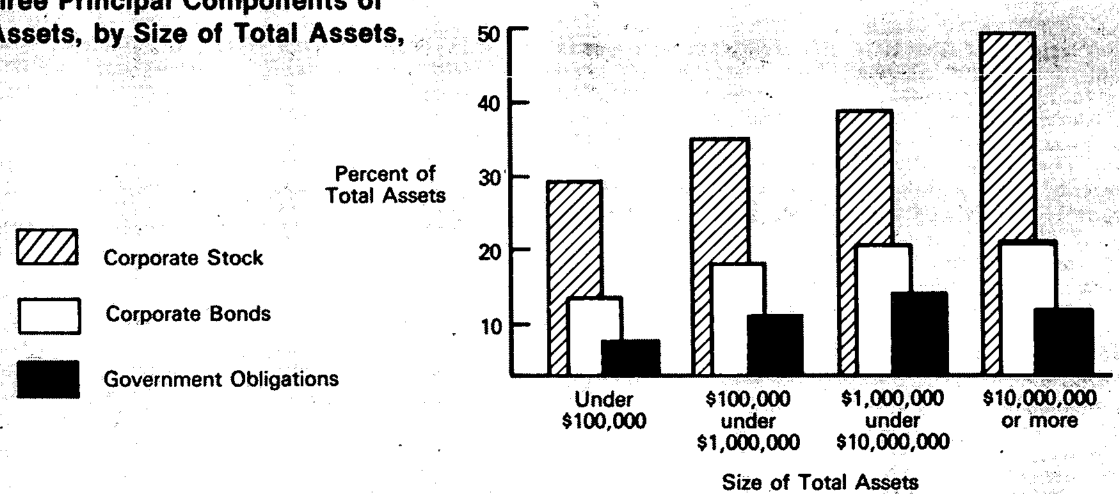
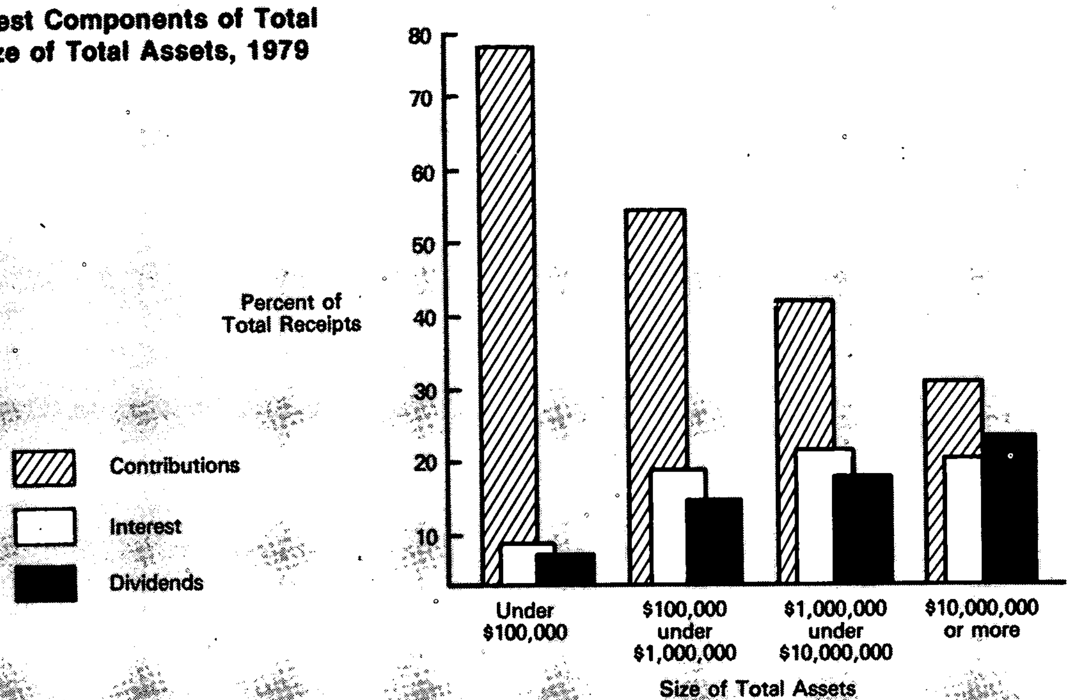


Figure B
The Three Largest Components of Total Receipts, by Size of Total Assets, 1979



increased, from 78 percent in the smallest asset size class to 31 percent in the largest size class. Since, by definition, the larger organizations have higher asset values, it is not surprising that interest and dividends, which are returns to assets, show steady increases in importance with increasing asset size. Dividends surpasses interest in the highest asset size class to become the second largest receipt component. This is attributable to the increasing significance of corporate stock in asset portfolios of this group.

FOUNDATION DISTRIBUTIONS

Figure C shows three items relating to the required current minimum distribution for charitable purposes by size of investment assets (i.e., assets not used for charitable purposes). A minimum distribution ("distributable amount") must be made by foundations to avoid paying penalties. It is defined as the greater of net income ("adjusted net income") or a fixed percent of investment assets ("minimum investment return"). This percent is set each year by the Secretary of the Treasury on the basis of money market rates and was 5 percent in 1979. It is designed to ensure that foundations currently pay out at least what is a normal return on market obligations.

The fixed percent of investment assets was put into the computation of the required minimum distribution so that foundation philanthropic spending would be maintained even if net income were small or zero. In 1979, however, net income exceeded 5 percent of investment assets in each asset size class. The required distribution, which is the greater of net income or 5 percent of investment assets, barely exceeded net income in each size class. For any subgroup, the required distribution must exceed both net income and 5 percent of investment assets unless one of these is larger for all foundations in that group. That situation is very unlikely. However, the sizes of net income and 5 percent of investment assets relative to the required distribution are an indication of the significance of these two components in the computation of the required distribution. For 1979 net income was the more significant factor in the determination of the required distribution since the required distribution much more closely resembles net income than 5 percent of investment assets.

In the Economic Recovery Tax Act of 1981, the minimum distribution requirement was redefined to include only the fixed percent of assets. This change will reduce the required minimum distribution for those nonoperating foundations whose net income exceeds their fixed percent of assets. This could reduce funds that foundations expend for charitable or similar purposes. For example, if this provision had existed for 1979, the required minimum distribution would have been $700 million less.

Actual foundation distributions ("qualifying distributions") include expenditures made by foundations for their exempt purposes, amounts used to acquire additional exempt purpose assets, and amounts set aside for future expenditures for exempt purposes. Each of these three types of distributions can be used to meet the minimum distribution requirement. However, foundations can distribute more if they so desire. (Since operating foundations are required to distribute at least 85 percent of their net income for exempt purposes, they are not subject to the distribution requirement.) In Figure D the ratios of actual distributions and the required minimum distribution to investment assets by size of investment assets are shown.

Figure C
Foundation Distribution Items,[1] by Size of Investment Assets

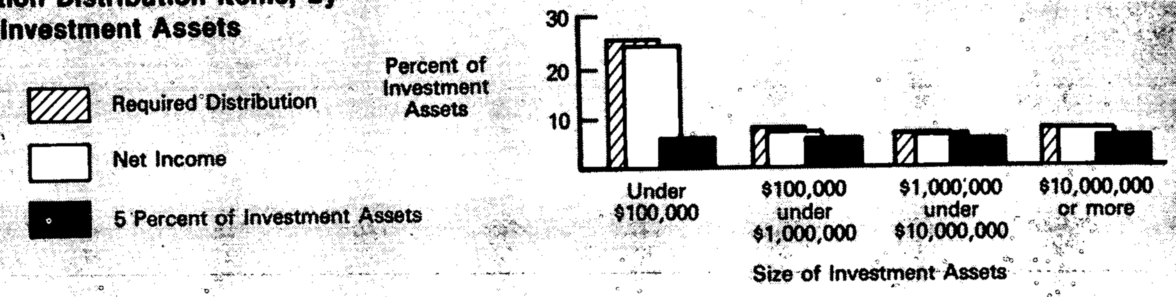
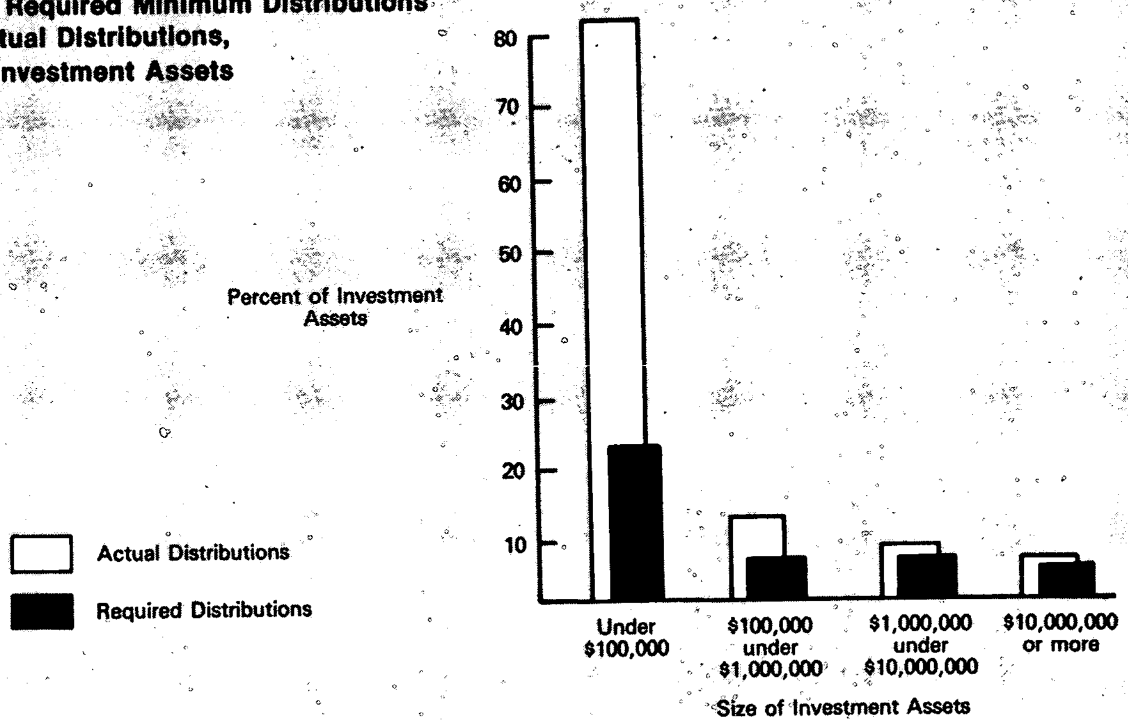


Figure D
Foundation Required Minimum Distributions and the Actual Distributions, by Size of Investment Assets



Actual distributions exceed required distributions in each asset size class. This difference declines considerably with increases in the size of the foundation. For the smallest foundations, the amount of actual distributions is over three times the size of the required distribution; for the largest foundations, these two items are nearly identical. Thus, the smaller foundations are much more likely to distribute more than is required than are the larger foundations. However, one point of clarification should be noted on the mechanics of the required distribution. Both components of the required distribution (i.e., net income and 5 percent of investment assets) are dependent on the size of assets. Contributions received by foundations are not included in either of these components. Since the smaller foundations are much more dependent upon contributions as a source of receipts than are the larger foundations, the required minimum distribution is considerably less binding on the smaller foundations. The larger foundations have relatively greater shares of the types of income that are included in net income, and, in addition, they have high asset values. Both of these increase the significance of the required minimum distribution among the larger foundations. Therefore, the minimum distribution requirement is more applicable to the larger foundations. In general, the smaller foundations distribute more of their income and do not build up a large asset base from which they could earn interest and dividends. The larger foundations distribute only slightly more than they are required, and these expenditures are from their investment income.

SOURCES OF DATA AND METHOD OF ESTIMATION

Private foundation statistics are based on a sample of private foundation returns, Return of a Private Foundation Exempt from Income Tax (Form 990-PF), processed by the Internal Revenue Service during 1980. The sample was stratified based on the size of total assets and selected at rates that ranged from 7 percent to 100 percent. There were 9,438 returns in the sample drawn from an estimated population of 29,845. (See [7] for more details.)

In the 1979 study, only one return for each sampled foundation was accepted in the sample and the estimated population. In the 1974 study, certain prior-year returns were included even when a given foundation also filed a more recent return during the current filing period. Prior-year returns were included based on the assumption that they would substitute for returns filed late. If the same methodology was used in 1979, the estimated number of foundations would have been approximately 1,700 higher. (All of these additional 1,700 foundations would have asset values less than $1 million.)

Data for Income Years 1977 and 1978 are also available. These data were obtained directly from the IRS Master File system based on information transcribed for tax administration purposes from all returns filed in 1978 and 1979, respectively. However, these data were not further edited for statistical use. Moreover, they were derived from the entire population rather than from statistical samples. For these reasons, the data for 1977 and 1978 are not altogether comparable with those for 1974 and 1979 and were, therefore, not used in this article. Comparisons between the Master File data and the data in the studies cited in this article can be found in the IRS study, Statistics of Income--1974-1978, Private Foundations [5], and two papers which are listed in the Bibliographical References and Notes [7, 8].

COEFFICIENTS OF VARIATION

As the data presented in this article are estimates based upon a sample of documents filed with the Internal Revenue Service, they are subject to sampling, as well as nonsampling, errors. To properly use the statistical data provided, the magnitude of the sampling errors must be known. Coefficients of variation (CV's), computed from the sample, are used to measure the magnitude of the sampling errors.

The table below presents approximated coefficients of variation (CV's) for frequency estimates. The approximate CV's shown here are intended only as a general indication of the reliability of the data. For numbers of foundations other than those shown below, the corresponding CV's can be estimated by interpolation.

The reliability of estimates based on samples, and the use of coefficients of variation for evaluating the precision of sample estimates are discussed in Appendix II.

Number of foundations	Approximated Coefficient of variation
5,740	.05
1,440	.10
360	.20
160	.30
60	.50

Private Foundations/1979

Table 1. — Number of Foundations, Total and Selected Receipts and Total Deductions, Total and Selected Assets, Net Worth, Net Investment Income and Tax, and Distributions, by Size of Total Book Value of Assets

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Item	Total	Size of total book value of assets: Assets zero or not reported	$1 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of foundations	**27,980**	**1,223**	**8,557**	**5,967**	**6,752**	**1,965**	**3,026**	**402**	**88**
Total receipts	**6,013,129**	**5,318**	**93,998**	**111,420**	**345,438**	**276,185**	**1,572,295**	**1,439,688**	**2,168,787**
Selected receipts:									
Contributions, gifts, and grants received:									
Number of foundations	12,561	237	4,336	2,679	2,876	861	1,359	174	38
Amount	2,281,838	4,409	79,118	81,006	197,903	140,684	663,094	557,736	557,886
Net capital gain:									
Number of foundations	5,661	*17	645	908	1,718	701	1,391	227	54
Amount	701,601	*43	1,783	6,640	31,121	23,344	177,168	159,075	302,428
Total deductions	**3,535,777**	**12,290**	**109,868**	**87,499**	**261,833**	**181,980**	**1,006,568**	**875,222**	**1,000,517**
Contributions, gifts, and grants paid:									
Number of foundations	22,564	372	5,927	5,226	6,135	1,761	2,683	373	87
Amount	2,801,000	9,638	76,612	66,140	212,787	142,262	775,516	688,109	829,936
Total assets (book value)	**34,668,031**	—	**63,690**	**333,096**	**1,606,756**	**1,390,765**	**8,814,871**	**8,314,042**	**14,144,810**
Selected assets:									
Investments in corporate bonds:									
Number of foundations	9,876	—	752	1,832	3,421	1,257	2,207	330	76
Amount	7,037,133	—	5,412	46,046	271,630	268,803	1,805,796	1,833,959	2,805,487
Investments in corporate stocks:									
Number of foundations	13,639	—	1,612	3,006	4,503	1,527	2,561	351	79
Amount	15,740,143	—	13,785	103,048	548,918	484,109	3,420,936	3,503,002	7,666,344
Net worth (end of year):									
Number of foundations	26,599	—	8,404	5,962	6,752	1,965	3,026	402	88
Amount	33,166,587	—	55,735	320,640	1,572,155	1,358,375	8,513,068	7,888,951	13,457,661
Net income (less deficit)	**2,477,354**	**-6,972**	**-15,870**	**23,921**	**83,606**	**94,205**	**565,728**	**564,466**	**1,168,269**
Net income:									
Number of foundations	15,324	*55	3,538	3,442	4,404	1,356	2,145	309	75
Amount	2,826,936	*844	9,771	40,720	131,168	118,214	689,686	625,020	1,211,512
Deficit	349,582	7,816	25,640	16,799	47,563	24,009	123,958	60,554	43,243
Net investment income:									
Number of foundations	22,391	198	4,965	5,444	6,436	1,912	2,958	390	88
Amount	3,124,039	1,473	7,644	28,319	141,320	122,747	797,345	785,373	1,239,817
Excise tax on net investment income	62,753	29	152	568	2,826	2,472	15,959	15,767	24,980
Adjusted net income:									
Number of foundations	22,188	183	4,837	5,428	6,397	1,909	2,953	393	88
Amount	2,580,063	1,581	14,206	25,075	116,106	105,235	672,470	652,817	992,572
Minimum investment return:									
Number of foundations	23,048	232	6,117	5,268	6,228	1,863	2,870	384	87
Amount	1,877,852	780	3,242	15,756	78,950	70,974	460,608	481,674	765,867
Distributable amount:									
Number of foundations	23,281	259	6,449	5,497	6,203	1,770	2,664	357	82
Amount	2,450,298	1,774	13,181	25,412	118,030	100,113	614,640	616,339	960,809
Qualifying distributions:									
Number of foundations	25,202	464	7,078	5,706	6,560	1,926	2,983	396	88
Amount	3,438,217	15,456	103,329	84,797	253,921	170,789	950,485	844,060	1,015,379

*Estimate should be used with caution because of the small number of sample returns on which it was based.
NOTE: Detail may not add to total because of rounding.

Private Foundations/1979

Table 2. — Number of Foundations, Total and Selected Receipts and Total Deductions, Total and Selected Assets, Net Worth, Net Investment Income and Tax, and Distributions, by Size of Total Fair Market Value of Assets

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Item	Total	Size of total fair market value of assets							
		Assets zero or not reported	$1 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of foundations	**27,980**	**1,496**	**8,395**	**5,741**	**6,571**	**2,045**	**3,131**	**486**	**115**
Total receipts	**6,013,129**	**13,972**	**92,924**	**95,819**	**361,384**	**269,453**	**1,501,945**	**1,392,499**	**2,285,133**
Selected receipts:									
Contributions, gifts, and grants received:									
Number of foundations	12,561	404	4,294	2,511	2,808	879	1,416	205	43
Amount	2,281,838	7,903	78,325	69,585	227,440	144,606	681,745	562,152	510,082
Net capital gain:									
Number of foundations	5,661	48	599	913	1,626	733	1,406	267	69
Amount	701,601	1,024	1,629	6,562	27,646	23,516	161,514	174,998	304,711
Total deductions	**3,535,777**	**19,535**	**108,053**	**79,534**	**241,278**	**182,192**	**929,210**	**827,397**	**1,148,578**
Contributions, gifts, and grants paid:									
Number of foundations	22,564	544	5,854	4,967	6,030	1,837	2,769	452	111
Amount	2,801,000	15,682	74,894	58,949	192,817	144,762	715,662	652,319	945,914
Total assets (book value)	**34,668,031**	**59,024**	**100,954**	**341,506**	**1,672,735**	**1,330,832**	**8,204,413**	**8,334,004**	**14,624,561**
Selected assets:									
Investments in corporate bonds:									
Number of foundations	9,876	67	806	1,750	3,276	1,256	2,234	394	92
Amount	7,037,133	16,256	7,048	50,808	277,462	258,635	1,719,836	1,858,056	2,849,031
Investments in corporate stocks:									
Number of foundations	13,639	65	1,629	2,810	4,355	1,596	2,642	435	107
Amount	15,740,143	14,801	18,393	99,895	495,693	455,555	3,115,893	3,445,250	8,094,664
Net worth (end of year):									
Number of foundations	26,599	302	8,226	5,731	6,566	2,045	3,128	486	115
Amount	33,166,587	57,796	74,069	329,041	1,641,507	1,298,318	7,924,312	7,910,766	13,930,778
Net income (less deficit)	**2,477,354**	**- 5,563**	**- 15,129**	**16,285**	**120,107**	**87,261**	**572,735**	**565,102**	**1,136,555**
Net income:									
Number of foundations	15,324	168	3,584	3,332	4,221	1,355	2,199	375	90
Amount	2,826,936	3,725	9,755	31,662	161,147	114,452	695,338	630,449	1,180,407
Deficit	349,582	9,288	24,884	15,377	41,040	27,191	122,603	65,347	43,852
Net investment income:									
Number of foundations	22,391	321	4,887	5,281	6,256	1,995	3,064	472	114
Amount	3,124,039	6,038	7,551	25,531	130,893	113,351	721,177	745,541	1,373,957
Excise tax on net investment income	62,753	121	150	510	2,617	2,285	14,438	14,969	27,663
Adjusted net income:									
Number of foundations	22,188	326	4,745	5,258	6,222	1,987	3,059	477	114
Amount	2,580,063	5,169	14,280	22,119	108,734	94,548	610,717	590,465	1,134,031
Minimum investment return:									
Number of foundations	23,048	376	6,028	5,101	6,064	1,926	2,975	468	111
Amount	1,877,852	3,290	3,095	14,007	70,755	62,950	407,002	429,227	887,526
Distributable amount:									
Number of foundations	23,281	415	6,359	5,304	6,057	1,844	2,764	433	106
Amount	2,450,298	5,328	13,108	22,369	104,151	89,933	554,717	547,581	1,113,110
Qualifying distributions:									
Number of foundations	25,202	673	6,958	5,479	6,406	2,003	3,088	481	114
Amount	3,438,217	22,831	101,297	77,665	245,405	178,909	877,992	793,744	1,140,373

NOTE: Detail may not add to total because of rounding.

Table 3. — Balance Sheets and Income Statements, by Size of Total Book Value of Assets

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Item	Total	Size of total book value of assets: Assets zero or not reported	$1 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of foundations	**27,980**	**1,223**	**8,557**	**5,967**	**6,752**	**1,965**	**3,026**	**402**	**88**
Total assets (book value)	**34,668,031**	**—**	**63,690**	**333,096**	**1,606,756**	**1,390,765**	**8,814,871**	**8,314,042**	**14,144,810**
Cash, total	2,011,309	—	31,303	91,612	268,776	188,417	673,833	398,637	358,733
Savings and interest-bearing accounts	1,431,234	—	19,982	69,216	203,803	146,768	533,331	296,806	161,328
Other	580,074	—	11,321	22,395	64,973	41,649	140,502	101,830	197,404
Accounts receivable, net	236,680	—	881	4,612	13,498	10,153	59,223	58,553	89,761
Notes receivable, net	523,186	—	949	5,442	30,768	30,381	174,075	158,469	123,101
Inventories	39,712	—	303	1,447	5,644	3,561	18,017	8,455	2,285
Investments in government obligations, total	4,152,901	—	3,532	23,531	164,804	164,149	1,176,164	1,152,643	1,468,078
United States and instrumentalities	4,086,661	—	3,250	22,431	160,782	159,200	1,144,001	1,132,555	1,464,443
State and local	66,240	—	282	1,101	4,022	4,950	32,163	20,088	3,635
Investments in corporate bonds	7,037,133	—	5,412	46,046	271,630	268,803	1,805,796	1,833,959	2,805,487
Investments in corporate stock	15,740,143	—	13,785	103,048	548,918	484,109	3,420,936	3,503,002	7,666,344
Mortgage loans	422,250	—	257	5,098	18,984	23,115	84,229	131,130	159,437
Other investments	2,239,432	—	4,446	27,421	141,097	104,423	569,413	477,992	914,640
Depreciable assets held for investment purposes	400,891	—	16	1,404	27,644	20,937	143,108	87,733	120,050
Less: Accumulated depreciation	177,292	—	1	659	10,592	8,486	61,652	39,401	56,502
Depreciable assets held for charitable purposes	567,656	—	1,811	10,945	28,637	36,119	267,099	123,600	99,444
Less: Accumulated depreciation	124,033	—	732	4,824	5,714	8,360	51,513	25,319	27,572
Land held for investment purposes	378,048	—	23	4,265	27,156	21,086	135,783	141,583	48,153
Land held for charitable purposes	192,084	—	282	3,666	18,821	16,384	97,833	40,056	15,041
Other assets	1,027,924	—	1,422	10,042	56,683	35,971	302,525	262,951	358,330
Total liabilities	**1,501,443**	**—**	**7,954**	**12,456**	**34,600**	**32,390**	**301,803**	**425,091**	**687,148**
Accounts payable	133,850	—	3,234	2,013	5,874	5,498	27,941	18,750	70,541
Contributions, gifts, and grants payable	848,917	—	1,118	928	3,724	6,819	92,608	185,237	558,482
Mortgages and notes payable	298,505	—	1,427	7,330	14,551	11,360	111,863	150,450	1,524
Other liabilities	220,171	—	2,175	2,185	10,452	8,713	69,391	70,654	56,601
Net worth	**33,166,587**	**—**	**55,735**	**320,640**	**1,572,155**	**1,358,375**	**8,513,068**	**7,888,951**	**13,457,661**
Total receipts	**6,013,129**	**5,318**	**93,998**	**111,420**	**345,438**	**276,185**	**1,572,295**	**1,439,688**	**2,168,787**
Contributions, gifts, and grants received	2,281,838	4,409	79,118	81,006	197,903	140,684	663,094	557,736	557,886
Gross dues and assessments	5,682	91	58	174	474	871	3,981	33	—
Interest	1,224,691	1,387	2,987	12,176	62,403	56,279	336,954	311,818	440,687
Dividends	1,196,303	357	3,150	9,448	45,273	42,028	269,819	312,605	513,623
Gross rents and royalties	196,619	202	1,562	2,027	11,987	8,559	69,313	63,430	39,538
Net gain (or loss) from sale of assets	757,611	-1,127	1,359	2,977	17,356	18,442	156,871	161,347	400,385
Gross profit from business activities	50,464	—	2,573	1,736	4,891	2,840	26,599	8,889	2,936
Other income	299,919	[1]	3,190	1,875	5,150	6,481	45,662	23,829	213,730
Total deductions	**3,535,777**	**12,290**	**109,868**	**87,499**	**261,833**	**181,980**	**1,006,568**	**875,222**	**1,000,517**
Contributions, gifts, and grants paid	2,801,000	9,638	76,612	66,140	212,787	142,262	775,516	688,109	829,936
Compensation of officers	71,905	282	3,075	2,085	4,642	3,751	21,052	17,152	19,865
Other salaries and wages	166,558	64	12,888	5,298	10,652	7,711	53,617	39,721	36,607
Pension plan contributions	14,005	—	—	96	199	184	2,854	5,058	5,615
Other employee benefits	16,106	—	1,311	313	539	233	2,653	2,486	8,571
Investment, legal, and other professional services	81,430	360	2,351	2,407	6,621	5,161	24,304	19,867	20,360
Interest	17,084	—	97	286	874	741	6,539	8,265	282
Taxes	88,655	85	1,024	1,028	4,867	3,674	23,281	24,691	30,004
Depreciation, amortization, and depletion	27,233	61	183	739	1,741	1,806	10,949	6,167	5,586
Rent	16,744	21	1,872	602	809	690	4,801	3,797	4,152
Other expenses	235,051	1,778	10,455	8,502	18,099	15,767	81,002	59,908	39,539
Net income (less deficit)	**2,477,354**	**-6,972**	**-15,870**	**23,921**	**83,606**	**94,205**	**565,728**	**564,466**	**1,168,269**
Net income	2,826,936	844	9,771	40,720	131,168	118,214	689,686	625,020	1,211,512
Deficit	349,582	7,816	25,640	16,799	47,563	24,009	123,958	60,554	43,243
Total assets (fair market value)	44,647,789	10,868	66,723	386,264	3,052,299	1,653,661	10,532,899	11,263,686	17,681,390
Information items:									
Beginning of year assets, total	31,678,973	13,305	81,265	315,851	1,507,457	1,308,195	8,104,436	7,619,282	12,729,182
Selected beginning of year assets:									
Inventories	32,296	—	322	1,178	4,157	3,273	12,453	8,815	2,097
Investments in corporate stock	16,991,350	2,694	16,647	100,528	2,584,191	478,722	3,328,545	3,370,673	7,109,351
Depreciable assets held for investment purposes	403,747	1,535	—	1,372	25,440	20,848	141,353	90,954	122,244
Less: Accumulated depreciation	168,858	821	—	597	10,038	8,710	57,961	33,312	57,420
Depreciable assets held for charitable purposes	507,051	—	1,372	9,284	26,012	31,147	234,660	110,514	94,062
Less: Accumulated depreciation	105,764	—	572	3,917	5,209	7,133	44,808	20,007	24,119

[1]Less than $500.

NOTE: Detail may not add to total because of rounding.

Table 4.—Balance Sheets and Income Statements, by Size of Total Fair Market Value of Assets

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Total	Size of total fair market value of assets							
		Assets zero or not reported	$1 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of foundations	27,980	1,496	8,395	5,741	6,571	2,045	3,131	486	115
Total assets (book value)	34,668,031	59,024	100,954	341,506	1,672,735	1,330,832	8,204,413	8,334,004	14,624,561
Cash, total	2,011,309	6,160	32,429	91,589	259,627	177,170	656,729	356,689	430,917
Savings and interest-bearing accounts	1,431,234	4,169	20,836	69,884	198,819	135,632	514,557	265,582	221,756
Other	580,074	1,991	11,592	21,704	60,807	41,538	142,172	91,107	209,161
Accounts receivable, net	236,680	608	1,194	3,933	12,650	10,775	58,786	57,815	90,919
Notes receivable, net	523,186	151	1,228	6,104	31,655	29,630	163,159	157,791	133,467
Inventories	39,712	—	303	1,702	5,388	3,483	17,225	7,200	4,412
Investments in government obligations, total	4,152,901	6,849	4,090	26,786	197,354	160,781	1,070,968	1,203,949	1,482,125
United States and instrumentalities	4,086,661	6,744	3,808	25,395	193,989	156,465	1,037,951	1,183,820	1,478,490
State and local	66,240	106	282	1,391	3,365	4,315	33,018	20,128	3,635
Investments in corporate bonds	7,037,133	16,256	7,048	50,808	277,462	258,635	1,719,836	1,858,056	2,849,031
Investments in corporate stock	15,740,143	14,801	18,393	99,895	495,693	455,555	3,115,893	3,445,250	8,094,664
Mortgage loans	422,250	280	257	6,465	18,067	23,764	78,411	185,995	109,010
Other investments	2,239,432	3,971	5,358	29,332	145,047	103,110	534,432	499,867	918,315
Depreciable assets held for investment purposes	400,891	768	503	1,264	20,549	17,782	139,661	88,715	131,649
Less: Accumulated depreciation	177,292	724	2	263	8,202	6,575	59,479	35,588	66,458
Depreciable assets held for charitable purposes	567,656	4,302	1,733	8,070	43,500	34,531	240,306	127,326	107,887
Less: Accumulated depreciation	124,033	845	662	2,495	5,130	8,024	45,458	32,380	29,038
Land held for investment purposes	378,048	1,057	251	4,187	20,316	20,757	130,145	136,503	64,833
Land held for charitable purposes	192,084	1,667	256	2,207	21,826	15,457	92,357	36,549	21,766
Other assets	1,027,924	3,723	28,575	11,923	136,931	34,003	291,440	240,267	281,062
Total liabilities	1,501,443	1,228	26,886	12,465	31,228	32,513	280,102	423,238	693,784
Accounts payable	133,850	89	3,520	1,632	6,878	5,243	27,136	21,930	67,421
Contributions, gifts, and grants payable	848,917	230	1,124	789	3,450	6,982	75,379	219,466	541,498
Mortgages and notes payable	298,505	267	20,165	7,149	8,230	12,010	113,126	108,784	28,774
Other liabilities	220,171	642	2,076	2,896	12,669	8,278	64,461	73,058	56,091
Net worth	33,166,587	57,796	74,069	329,041	1,641,507	1,298,318	7,924,312	7,910,766	13,930,778
Total receipts	6,013,129	13,972	92,924	95,819	361,384	269,453	1,501,945	1,392,499	2,285,133
Contributions, gifts, and grants received	2,281,838	7,903	78,325	69,585	227,440	144,606	681,745	562,152	510,082
Gross dues and assessments	5,682	93	58	195	483	758	3,974	121	—
Interest	1,224,691	3,599	3,282	12,815	65,526	54,839	314,982	317,669	451,979
Dividends	1,196,303	1,700	2,956	7,201	38,424	35,015	233,766	244,591	632,650
Gross rents and royalties	196,619	932	1,562	584	7,435	7,324	60,532	57,899	60,351
Net gain (or loss) from sale of assets	757,611	-373	959	2,112	13,100	18,844	139,600	170,550	412,819
Gross profit from business activities	50,464	6	2,583	1,469	4,256	2,323	25,723	11,418	2,687
Other income	299,919	112	3,200	1,856	4,720	5,743	41,623	28,100	214,565
Total deductions	3,535,777	19,535	108,053	79,534	241,278	182,192	929,210	827,397	1,148,578
Contributions, gifts, and grants paid	2,801,000	15,682	74,894	58,949	192,817	144,762	715,662	652,319	945,914
Compensation of officers	71,905	377	2,985	2,096	4,720	3,518	19,538	17,314	21,357
Other salaries and wages	166,558	187	13,103	5,057	11,546	7,221	48,585	36,228	44,631
Pension plan contributions	14,005	—	—	96	288	157	2,485	4,246	6,733
Other employee benefits	16,106	2	1,310	330	677	189	2,479	2,316	8,803
Investment, legal, and other professional services	81,430	484	2,367	2,398	5,986	5,153	22,744	19,618	22,681
Interest	17,084	1	103	287	927	693	6,257	6,067	2,750
Taxes	88,655	216	1,039	921	4,055	3,465	20,969	22,155	35,834
Depreciation, amortization, and depletion	27,233	303	170	538	1,536	1,695	10,325	5,879	6,787
Rent	16,744	93	1,809	592	801	662	4,668	3,453	4,665
Other expenses	235,051	2,191	10,273	8,268	17,922	14,676	75,498	57,802	48,421
Net income (less deficit)	2,477,354	-5,563	-15,129	16,285	120,107	87,261	572,735	565,102	1,136,555
Net income	2,826,936	3,725	9,755	31,662	161,147	114,452	695,338	630,449	1,180,407
Deficit	349,582	9,288	24,884	15,377	41,040	27,191	122,603	65,347	43,852
Total assets (fair market value)	44,647,789	—	61,674	322,136	1,564,737	1,448,981	9,320,233	9,875,653	22,054,375
Information items:									
Beginning of year assets, total	31,678,973	69,645	146,784	321,670	1,536,864	1,255,132	7,489,782	7,619,677	13,239,420
Selected beginning of year assets:									
Inventories	32,296	—	322	1,433	4,287	2,826	10,258	8,604	4,566
Investments in corporate stock	16,991,350	18,159	21,387	97,355	2,530,126	450,853	3,035,727	3,343,101	7,494,642
Depreciable assets held for investment purposes	403,747	2,303	487	1,232	19,289	17,318	136,212	98,368	128,539
Less: Accumulated depreciation	168,858	1,517	1	193	7,828	6,647	55,225	34,320	63,126
Depreciable assets held for charitable purposes	507,051	2,897	1,294	6,743	39,645	29,626	210,019	119,507	97,320
Less: Accumulated depreciation	105,764	636	517	2,098	4,293	6,811	39,248	27,135	25,027

NOTE: Detail may not add to total because of rounding.

Table 5. — All Foundations — Balance Sheets and Income Statements, by Size of Total Receipts

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Item	Total	Size of total receipts: Receipts zero or not reported	$1 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Number of foundations	**27,980**	**1,994**	**15,338**	**5,376**	**3,371**	**732**	**759**	**410**
Total assets (book value)	**34,668,031**	**85,854**	**1,110,684**	**2,150,050**	**4,920,660**	**3,409,746**	**11,315,976**	**11,675,062**
Cash, total	2,011,309	16,139	180,893	255,825	414,298	215,360	538,835	389,960
Savings and interest-bearing accounts	1,431,234	11,651	142,479	199,644	319,430	165,451	406,799	185,779
Other	580,074	4,488	38,413	56,181	94,867	49,909	132,035	204,180
Accounts receivable, net	236,680	510	9,295	8,790	29,620	14,971	77,291	96,203
Notes receivable, net	523,186	342	33,568	43,240	105,142	44,211	180,905	115,778
Inventories	39,712	2	3,073	6,121	8,385	7,203	13,069	1,858
Investments in government obligations, total	4,152,901	298	93,028	231,411	637,359	419,053	1,659,638	1,112,114
United States and instrumentalities	4,086,661	298	90,901	224,602	621,861	410,519	1,632,282	1,106,197
State and local	66,240	—	2,127	6,810	15,498	8,533	27,356	5,916
Investments in corporate bonds	7,037,133	1,294	176,023	410,516	1,014,946	788,129	2,339,963	2,306,262
Investments in corporate stock	15,740,143	30,766	377,315	812,803	1,938,098	1,347,340	4,841,796	6,392,025
Mortgage loans	422,250	—	14,661	48,427	61,783	20,678	171,627	105,075
Other investments	2,239,432	21,788	98,169	144,844	282,649	196,211	722,436	773,336
Depreciable assets held for investment purposes	400,891	1,111	10,589	21,794	73,859	50,242	134,397	108,899
Less: Accumulated depreciation	177,292	129	3,375	8,671	30,195	20,408	56,084	58,430
Depreciable assets held for charitable purposes	567,656	822	19,802	47,099	125,532	−101,009	168,159	105,231
Less: Accumulated depreciation	124,033	175	4,345	11,571	23,785	20,370	37,175	26,611
Land held for investment purposes	378,048	730	15,232	37,018	78,929	88,696	104,642	52,802
Land held for charitable purposes	192,084	1,916	14,637	25,687	41,520	33,898	52,547	21,879
Other assets	1,027,924	10,437	72,119	76,715	162,518	123,526	403,929	178,681
Total liabilities	**1,501,443**	**1,576**	**63,406**	**38,981**	**127,185**	**149,043**	**449,621**	**671,630**
Accounts payable	133,850	195	3,830	8,192	17,734	7,606	33,816	62,477
Contributions, gifts, and grants payable	848,917	—	2,637	4,014	21,750	33,635	251,951	534,930
Mortgages and notes payable	298,505	1,078	50,287	17,029	55,083	79,275	72,105	23,648
Other liabilities	220,171	304	6,653	9,746	32,618	28,526	91,749	50,575
Net worth	**33,166,587**	**84,277**	**1,047,277**	**2,111,068**	**4,793,475**	**3,260,702**	**10,866,355**	**11,003,432**
Total receipts	**6,013,129**	**—**	**103,691**	**275,979**	**738,976**	**502,669**	**1,952,673**	**2,439,141**
Contributions, gifts, and grants received	2,281,838	—	32,680	105,718	284,159	185,774	752,466	921,041
Gross dues and assessments	5,682	—	262	810	2,322	2,109	178	—
Interest	1,224,691	—	37,081	81,679	186,986	127,452	442,140	349,353
Dividends	1,196,303	—	28,258	58,133	146,444	103,982	367,329	492,157
Gross rents and royalties	196,619	—	2,367	9,565	28,933	22,663	83,759	49,332
Net gain (or loss) from sale of assets	757,611	—	764	12,115	61,563	41,101	227,764	414,302
Gross profit from business activities	50,464	—	489	2,549	10,310	3,670	33,307	139
Other income	299,919	—	1,789	5,407	18,258	15,918	45,729	212,818
Total deductions	**3,535,777**	**913**	**130,181**	**244,125**	**569,557**	**391,503**	**1,215,346**	**984,152**
Contributions, gifts, and grants paid	2,801,000	745	110,775	193,622	417,946	305,666	947,052	825,195
Compensation of officers	71,905	—	2,158	6,790	14,221	7,668	24,959	16,110
Other salaries and wages	166,558	[1]	1,359	6,668	43,099	21,285	58,655	35,491
Pension plan contributions	14,005	—	3	124	668	648	7,200	5,364
Other employee benefits	16,106	1	26	272	2,205	1,024	5,002	7,577
Investment, legal, and other professional services	81,430	43	4,460	7,739	16,518	9,566	24,260	18,844
Interest	17,084	21	499	806	3,136	2,765	7,806	2,050
Taxes	88,655	19	2,104	4,853	13,257	8,857	30,618	28,947
Depreciation, amortization, and depletion	27,233	33	952	2,131	5,865	3,908	9,175	5,168
Rent	16,744	3	463	1,067	3,514	1,112	6,991	3,593
Other expenses	235,051	49	7,379	20,053	49,126	29,003	93,628	35,813
Net income (less deficit)	**2,477,354**	**-913**	**-26,489**	**31,854**	**169,419**	**111,166**	**737,327**	**1,454,989**
Net income	2,826,936	—	23,306	76,688	243,622	165,618	828,282	1,489,420
Deficit	349,582	913	49,795	44,834	74,203	54,452	90,955	34,431
Total assets (fair market value)	44,647,789	99,841	2,382,930	2,432,352	5,615,908	4,080,020	14,211,854	15,824,885
Information items:								
Beginning of year assets, total	31,678,973	40,407	1,161,709	2,093,154	4,655,435	3,242,923	10,417,497	10,067,849
Selected beginning of year assets:								
Inventories	32,296	2	2,823	4,908	7,535	1,428	13,981	1,619
Investments in corporate stock	16,991,350	7,302	2,434,410	816,506	1,928,291	1,366,746	4,621,655	5,816,440
Depreciable assets held for investment purposes	403,747	1,041	11,084	22,200	78,148	45,983	137,324	107,967
Less: Accumulated depreciation	168,858	116	4,044	8,648	28,301	18,144	53,825	55,780
Depreciable assets held for charitable purposes	507,051	798	15,337	44,584	111,423	93,692	144,018	97,198
Less: Accumulated depreciation	105,764	155	3,667	10,146	20,993	17,044	29,333	24,426

[1] Less than $500.

NOTE: Detail may not add to total because of rounding.

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Table 6. — All Foundations — Balance Sheets and Income Statements, by Size of Total Contributions Received

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Item	Total	Size of total contributions received						
		Contributions zero or not reported	$1 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Number of foundations	**27,980**	**15,418**	**7,925**	**2,521**	**1,505**	**284**	**302**	**25**
Total assets (book value)	**34,668,031**	**20,560,271**	**3,207,755**	**2,383,668**	**2,672,466**	**1,122,461**	**3,501,046**	**1,220,364**
Cash, total	2,011,309	1,083,305	235,117	179,368	226,918	85,084	158,616	42,901
Savings and interest-bearing accounts	1,431,234	736,346	187,116	125,210	171,440	67,350	119,022	24,749
Other	580,074	346,958	48,001	54,158	55,478	17,733	39,594	18,152
Accounts receivable, net	236,680	127,985	16,906	15,800	11,091	9,676	41,829	13,393
Notes receivable, net	523,186	346,009	61,565	19,082	34,232	12,000	47,804	2,495
Inventories	39,712	12,546	4,856	5,069	9,500	6,736	712	292
Investments in government obligations, total	4,152,901	2,272,068	412,287	313,420	363,106	172,590	480,929	138,501
United States and instrumentalities	4,086,661	2,242,661	402,308	310,007	355,407	171,463	470,121	134,695
State and local	66,240	29,407	9,980	3,412	7,700	1,127	10,808	3,806
Investments in corporate bonds	7,037,133	3,935,543	726,510	577,193	460,774	208,032	616,803	512,278
Investments in corporate stock	15,740,143	10,284,722	1,290,460	884,562	1,078,977	385,552	1,511,960	303,910
Mortgage loans	422,250	230,682	32,712	45,466	14,778	33,227	45,355	20,030
Other investments	2,239,432	1,409,654	167,095	102,344	167,100	81,733	273,264	38,242
Depreciable assets held for investment purposes	400,891	218,221	49,072	21,898	45,112	29,315	30,612	6,661
Less: Accumulated depreciation	177,292	98,977	23,401	6,271	17,720	17,819	8,195	4,910
Depreciable assets held for charitable purposes	567,656	190,825	99,375	71,938	72,095	49,055	66,131	18,236
Less: Accumulated depreciation	124,033	54,654	25,539	16,770	11,575	7,478	7,954	64
Land held for investment purposes	378,048	191,688	36,943	11,389	61,910	13,311	46,483	16,324
Land held for charitable purposes	192,084	54,467	29,876	33,478	28,929	10,967	26,408	7,961
Other assets	1,027,924	356,182	93,919	125,701	127,240	50,479	170,289	104,114
Total liabilities	**1,501,443**	**746,818**	**131,722**	**130,062**	**125,961**	**87,465**	**197,382**	**82,033**
Accounts payable	133,850	89,405	9,975	10,800	6,735	4,357	10,770	1,808
Contributions, gifts, and grants payable	848,917	395,934	52,849	91,334	31,672	46,667	152,269	78,192
Mortgages and notes payable	298,505	170,628	41,000	12,738	61,111	8,887	4,038	104
Other liabilities	220,171	90,852	27,899	15,189	26,444	27,554	30,305	1,928
Net worth	**33,166,587**	**19,813,452**	**3,076,033**	**2,253,607**	**2,546,505**	**1,034,996**	**3,303,664**	**1,138,331**
Total receipts	**6,013,129**	**2,423,913**	**402,121**	**375,917**	**565,476**	**315,524**	**984,097**	**946,082**
Contributions, gifts, and grants received	2,281,838	—	47,103	125,640	316,843	186,363	702,511	903,378
Gross dues and assessments	5,682	776	2,378	1,457	945	81	43	—
Interest	1,224,691	726,060	119,685	87,837	90,837	46,459	128,126	25,687
Dividends	1,196,303	793,369	126,914	79,762	78,080	20,761	86,627	10,790
Gross rents and royalties	196,619	113,098	34,034	13,169	18,245	6,057	8,430	3,586
Net gain (or loss) from sale of assets	757,611	519,052	50,613	54,456	39,610	51,674	40,783	1,423
Gross profit from business activities	50,464	25,383	6,058	5,451	10,620	1,419	1,303	231
Other income	299,919	246,175	15,334	8,144	10,296	2,709	16,274	987
Total deductions	**3,535,777**	**1,789,107**	**337,018**	**267,962**	**360,386**	**182,042**	**455,335**	**143,928**
Contributions, gifts, and grants paid	2,801,000	1,486,092	240,267	179,200	246,617	142,382	375,243	131,200
Compensation of officers	71,905	40,231	7,495	7,433	7,664	2,834	5,218	1,031
Other salaries and wages	166,558	46,691	22,152	25,186	36,880	12,499	20,494	2,655
Pension plan contributions	14,005	5,135	1,095	2,339	1,460	637	2,880	459
Other employee benefits	16,106	7,583	1,055	1,998	2,593	1,062	1,596	219
Investment, legal, and other professional services	81,430	42,190	9,588	6,381	8,808	3,329	8,429	2,705
Interest	17,084	10,928	2,822	724	1,832	384	258	136
Taxes	88,655	53,142	9,472	5,706	7,249	4,337	7,337	1,412
Depreciation, amortization, and depletion	27,233	12,372	3,886	2,846	4,535	1,212	2,121	261
Rent	16,744	6,988	2,265	2,010	3,208	725	1,491	58
Other expenses	235,051	77,752	36,921	34,137	39,541	12,641	30,268	3,792
Net income (less deficit)	**2,477,354**	**634,809**	**65,103**	**107,955**	**205,089**	**133,481**	**528,763**	**802,154**
Net income	2,826,936	859,038	103,288	130,147	229,825	157,875	544,121	802,642
Deficit	349,582	224,229	38,184	22,192	24,736	24,394	15,359	488
Total assets (fair market value)	44,647,789	27,320,889	4,556,542	2,859,243	3,269,556	1,280,288	4,155,139	1,206,132
Information items:								
Beginning of year assets, total	31,678,973	19,526,936	3,114,490	2,271,745	2,429,198	948,453	2,971,972	416,180
Selected beginning of year assets:								
Inventories	32,296	13,051	4,175	4,464	8,917	950	469	270
Investments in corporate stock	16,991,350	11,930,334	1,318,042	947,297	1,038,009	342,968	1,250,384	164,316
Depreciable assets held for investment purposes	403,747	221,349	51,940	23,180	43,633	34,807	28,018	820
Less: Accumulated depreciation	168,858	94,675	23,181	6,243	15,624	21,740	6,622	773
Depreciable assets held for charitable purposes	507,051	173,327	88,344	70,802	63,540	41,198	52,899	16,941
Less: Accumulated depreciation	105,764	49,687	17,990	16,851	9,451	4,941	6,807	37

NOTE: Detail may not add to total because of rounding.

Table 7. — Number of Foundations, by Size of Total Book Value of Assets and by Size of Total Fair Market Value of Assets
[All figures are estimates based on samples]

Size of total book value of assets	Size of total fair market value of assets: Total	Assets zero or not reported	$1 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Total	**27,980**	**1,496**	**8,395**	**5,741**	**6,571**	**2,045**	**3,131**	**486**	**115**
Assets zero or not reported	1,223	1,132	*77	*5	*5	—	3	—	—
$1 under $25,000	8,557	261	8,066	215	*15	—	—	—	—
$25,000 under $100,000	5,967	53	224	5,204	459	*21	*5	—	—
$100,000 under $500,000	6,752	*26	*23	308	5,975	369	49	*2	*2
$500,000 under $1,000,000	1,965	7	3	6	109	1,569	266	3	—
$1,0000,000 under $10,000,000	3,026	16	1	3	6	87	2,798	113	2
$10,000,000 under $50,000,000	402	—	1	—	—	—	9	362	30
$50,000,000 or more	88	—	—	—	1	—	—	6	81

*Estimate should be used with caution because of the small number of sample returns on which it was based.
NOTE: Detail may not add to total because of rounding.

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Table 8. — Selected Balance Sheet and Income Statement Items, and Reconciliation of Net Worth, by Size of Total Book Value of Assets

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Item	Total	Size of total book value of assets							
		Assets zero or not reported	$1 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of foundations	**27,980**	**1,223**	**8,557**	**5,967**	**6,752**	**1,965**	**3,026**	**402**	**88**
Total assets (book value)	**34,668,031**	**—**	**63,690**	**333,096**	**1,606,756**	**1,390,765**	**8,814,871**	**8,314,042**	**14,144,810**
Selected assets:									
Cash, total:									
Number of foundations	25,910	—	8,220	5,834	6,558	1,907	2,922	384	86
Amount	2,011,309	—	31,303	91,612	268,776	188,417	673,833	398,637	358,733
Investments in government obligations, total:									
Number of foundations	6,334	—	389	865	2,040	915	1,781	273	71
Amount	4,152,901	—	3,532	23,531	164,804	164,149	1,176,164	1,152,643	1,468,078
Investments in corporate bonds:									
Number of foundations	9,876	—	752	1,832	3,421	1,257	2,207	330	76
Amount	7,037,133	—	5,412	46,046	271,630	268,803	1,805,796	1,833,959	2,805,487
Investments in corporate stock:									
Number of foundations	13,639	—	1,612	3,006	4,503	1,527	2,561	351	79
Amount	15,740,143	—	13,785	103,048	548,918	484,109	3,420,936	3,503,002	7,666,344
Total liabilities	**1,501,443**	**—**	**7,954**	**12,456**	**34,600**	**32,390**	**301,803**	**425,091**	**687,148**
Selected liabilities:									
Contributions, gifts, and grants payable:									
Number of foundations	805	—	169	101	166	52	207	69	40
Amount	848,917	—	1,118	928	3,724	6,819	92,608	185,237	558,482
Mortgages and notes payable:									
Number of foundations	755	—	154	150	194	77	154	24	3
Amount	298,505	—	1,427	7,330	14,551	11,360	111,863	150,450	1,524
Net worth (end of year)	**33,166,587**	**—**	**55,735**	**320,640**	**1,572,155**	**1,358,375**	**8,513,068**	**7,888,951**	**13,457,661**
Principal fund:									
Number of foundations	25,444	—	7,744	5,732	6,603	1,925	2,961	394	85
Amount	32,065,253	—	63,548	322,661	1,569,762	1,309,012	8,150,544	7,407,205	13,242,522
Income fund:									
Number of foundations	9,512	—	2,042	2,009	2,718	923	1,560	211	49
Amount	1,101,334	—	-7,813	-2,022	2,394	49,364	362,525	481,747	215,140
Reconciliation of net worth:									
Net worth (beginning of year):									
Number of foundations	26,386	329	8,233	5,818	6,618	1,930	2,980	391	87
Amount	30,286,667	15,685	73,030	304,761	1,470,121	1,256,939	7,856,758	7,244,935	12,064,438
Additions to net worth:									
Net income:									
Number of foundations	15,324	*55	3,538	3,442	4,404	1,356	2,145	309	75
Amount	2,826,936	*844	9,771	40,720	131,168	118,214	689,686	625,020	1,211,512
Other increases:									
Number of foundations	4,264	*54	721	934	1,182	421	770	140	42
Amount	702,491	*691	2,172	4,275	27,695	19,173	139,936	186,937	321,613
Subtractions from net worth:									
Deficit:									
Number of foundations	11,028	319	4,375	2,456	2,303	602	870	91	13
Amount	349,582	7,816	25,640	16,799	47,563	24,009	123,958	60,554	43,243
Other decreases:									
Number of foundations	4,870	*84	1,335	913	1,270	401	718	114	34
Amount	299,923	*9,404	3,597	12,317	9,265	11,942	49,353	107,386	96,658
Equals:									
Net worth (end of year):									
Number of foundations	26,599	—	8,404	5,962	6,752	1,965	3,026	402	88
Amount	33,166,587	—	55,735	320,640	1,572,156	1,358,375	8,513,068	7,888,951	13,457,661
Total receipts	**6,013,129**	**5,318**	**93,998**	**111,420**	**345,438**	**276,185**	**1,572,295**	**1,439,688**	**2,168,787**
Selected receipts:									
Contributions, gifts, and grants received:									
Number of foundations	12,561	237	4,336	2,679	2,876	861	1,359	174	38
Amount	2,281,838	4,409	79,118	81,006	197,903	140,684	663,094	557,736	557,886
Interest:									
Number of foundations	21,395	245	4,674	4,926	6,229	1,887	2,957	389	87
Amount	1,224,691	1,387	2,987	12,176	62,403	56,279	336,954	311,818	440,687
Dividends:									
Number of foundations	15,249	91	2,103	3,412	4,924	1,605	2,662	367	84
Amount	1,196,303	357	3,150	9,448	45,273	42,028	269,819	312,605	513,623
Net capital gain:									
Number of foundations	5,661	*17	645	908	1,718	701	1,391	227	54
Amount	701,601	*43	1,783	6,640	31,121	23,344	177,168	159,075	302,428
Net short-term capital gain:									
Number of foundations	1,765	1	200	267	438	197	507	121	35
Amount	51,444	[1]	91	1,556	2,637	2,798	12,101	13,528	18,733
Total deductions	**3,535,777**	**12,290**	**109,868**	**87,499**	**261,833**	**181,980**	**1,006,568**	**875,222**	**1,000,517**
Selected deductions:									
Contributions, gifts, and grants paid:									
Number of foundations	22,564	372	5,927	5,226	6,135	1,761	2,683	373	87
Amount	2,801,000	9,638	76,612	66,140	212,787	142,262	775,516	688,109	829,936
Compensation of officers:									
Number of foundations	5,424	*58	721	907	1,571	591	1,242	259	75
Amount	71,905	*282	3,075	2,085	4,642	3,751	21,052	17,152	19,865
Investments, legal, and other professional services:									
Number of foundations	13,226	223	2,320	2,773	3,854	1,328	2,295	352	82
Amount	81,430	360	2,351	2,407	6,621	5,161	24,304	19,867	20,360
Total assets (fair market value)	44,647,789	10,868	66,723	386,264	3,052,299	1,653,661	10,532,899	11,263,686	17,681,390

*Estimate should be used with caution because of the small number of sample returns on which it was based.
[1]Less than $500.
NOTE: Detail may not add to total because of rounding.

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Table 9. — Nonoperating Foundations — Balance Sheets and Income Statements, by Size of Total Book Value of Assets

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Item	Total	Size of total book value of assets: Assets zero or not reported	$1 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of nonoperating foundations	**26,970**	**1,192**	**8,245**	**5,813**	**6,555**	**1,880**	**2,824**	**379**	**83**
Total assets (book value)	**32,965,412**	**—**	**62,175**	**324,032**	**1,556,643**	**1,331,315**	**8,235,983**	**7,825,178**	**13,630,085**
Cash, total	1,821,415	—	30,365	88,748	262,634	178,031	647,221	393,134	221,283
Savings and interest-bearing accounts	1,376,581	—	19,304	66,751	200,150	139,162	514,442	294,544	142,229
Other	444,832	—	11,061	21,996	62,484	38,869	132,778	98,590	79,054
Accounts receivable, net	222,866	—	881	4,062	12,807	9,446	52,063	55,965	87,642
Notes receivable, net	509,921	—	731	5,430	29,730	30,224	169,068	155,705	119,034
Inventories	31,653	—	299	1,441	4,495	2,807	14,938	5,816	1,858
Investments in government obligations, total	3,977,883	—	3,526	23,494	160,853	159,849	1,116,773	1,101,022	1,412,366
United States and instrumentalities	3,913,623	—	3,244	22,393	156,831	155,054	1,086,220	1,081,150	1,408,730
State and local	64,260	—	282	1,101	4,022	4,795	30,554	19,872	3,635
Investments in corporate bonds	6,823,979	—	5,412	45,802	267,790	263,399	1,716,224	1,751,322	2,774,029
Investments in corporate stock	15,404,886	—	13,682	101,902	540,368	472,305	3,278,866	3,331,427	7,666,336
Mortgage loans	408,679	—	257	5,098	18,472	22,750	81,546	121,119	159,437
Other investments	2,144,264	—	4,422	27,318	136,558	102,945	539,631	436,545	896,846
Depreciable assets held for investment purposes	355,031	—	16	1,374	26,427	19,407	131,064	82,695	94,049
Less: Accumulated depreciation	162,983	—	1	647	10,366	8,191	58,233	36,772	48,775
Depreciable assets held for charitable purposes	357,425	—	1,655	5,597	21,017	24,765	150,029	81,126	73,237
Less: Accumulated depreciation	84,707	—	692	2,239	4,437	6,408	24,578	18,782	27,572
Land held for investment purposes	356,977	—	23	4,265	25,551	18,983	128,168	138,158	41,828
Land held for charitable purposes	134,366	—	282	2,951	14,455	11,617	60,692	33,118	11,251
Other assets	663,751	—	1,316	9,438	50,287	29,385	232,508	193,581	147,237
Total liabilities	**1,433,163**	**—**	**7,712**	**11,126**	**32,101**	**28,912**	**267,612**	**411,046**	**674,653**
Accounts payable	126,916	—	3,234	1,540	5,710	5,229	25,102	17,209	68,892
Contributions, gifts, and grants payable	838,751	—	1,118	925	3,683	6,589	91,647	185,125	549,663
Mortgages and notes payable	279,560	—	1,303	6,868	13,148	9,922	99,090	147,922	1,307
Other liabilities	187,937	—	2,057	1,793	9,560	7,172	51,773	60,790	54,791
Net worth	**31,532,249**	**—**	**54,463**	**312,906**	**1,524,543**	**1,302,402**	**7,968,371**	**7,414,132**	**12,955,432**
Total receipts	**5,703,975**	**5,211**	**91,348**	**102,848**	**329,481**	**255,195**	**1,452,732**	**1,365,586**	**2,101,574**
Contributions, gifts, and grants received	2,122,318	4,302	76,985	73,867	185,704	125,142	608,073	527,623	520,621
Gross dues and assessments	4,069	91	52	101	419	581	2,826	([1])	—
Interest	1,180,643	1,387	2,933	11,885	61,381	54,982	322,252	298,430	427,394
Dividends	1,167,147	357	3,142	9,339	44,569	41,019	258,262	300,467	509,992
Gross rents and royalties	181,903	202	1,475	1,931	11,652	8,259	66,287	61,377	30,721
Net gain (or loss) from sale of assets	734,219	-1,127	1,358	2,919	17,133	18,095	150,210	148,981	396,651
Gross profit from business activities	30,454	—	2,584	1,624	4,516	2,337	10,135	6,592	2,667
Other income	283,219	([1])	2,820	1,181	4,107	4,780	34,688	22,115	213,528
Total deductions	**3,362,022**	**12,183**	**107,437**	**79,568**	**251,109**	**168,912**	**920,978**	**840,476**	**981,358**
Contributions, gifts, and grants paid	2,777,758	9,562	76,462	65,676	211,082	139,141	769,997	684,453	821,385
Compensation of officers	64,696	282	2,553	1,914	3,745	3,237	17,904	15,748	19,313
Other salaries and wages	118,094	64	12,727	2,595	8,148	4,985	24,641	30,685	34,250
Pension plan contributions	11,010	—	—	65	183	123	1,295	3,953	5,390
Other employee benefits	13,387	—	1,274	232	420	143	1,007	1,864	8,447
Investment, legal, and other professional services	75,264	356	2,247	1,619	6,263	4,587	22,016	18,505	19,671
Interest	15,681	—	97	278	785	671	5,570	8,202	77
Taxes	82,186	64	982	806	4,512	3,382	20,533	23,272	28,635
Depreciation, amortization, and depletion	20,040	61	167	409	1,422	1,568	8,112	5,033	3,267
Rent	14,045	21	1,872	465	570	594	3,420	3,024	4,079
Other expenses	169,855	1,773	9,055	5,507	13,976	10,481	46,482	45,736	36,845
Net income (less deficit)	**2,341,955**	**-6,972**	**-16,089**	**23,280**	**78,373**	**86,283**	**531,755**	**525,109**	**1,120,216**
Net income	2,682,821	844	9,469	39,406	124,542	109,824	650,974	584,303	1,163,458
Deficit	340,866	7,816	25,558	16,126	46,169	23,541	119,219	59,194	43,243
Total assets (fair market value)	42,439,939	10,868	65,451	376,100	2,999,813	1,589,960	9,834,651	10,429,624	17,133,474
Information items:									
Beginning of year assets, total	30,151,957	13,305	80,024	307,796	1,463,249	1,256,605	7,569,204	7,192,350	12,269,424
Selected beginning of year assets:									
Inventories	26,136	—	287	1,173	3,146	2,906	9,653	7,247	1,724
Investments in corporate stock	16,655,377	2,694	16,568	99,625	2,575,525	466,922	3,187,885	3,197,995	7,108,164
Depreciable assets held for investment purposes	356,884	1,535	—	1,341	24,301	19,327	129,417	85,949	95,013
Less: Accumulated depreciation	157,351	821	—	585	9,848	8,442	54,882	30,808	51,964
Depreciable assets held for charitable purposes	312,973	—	1,234	4,387	18,903	21,433	132,893	65,187	68,936
Less: Accumulated depreciation	68,866	—	548	1,693	4,192	5,331	20,958	12,025	24,119

[1]Less than $500.

NOTE: Detail may not add to total because of rounding.

Table 10. — Nonoperating Foundations — Balance Sheets and Income Statements, by Size of Total Fair Market Value of Assets

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Item	Total	Size of total fair market value of assets							
		Assets zero or not reported	$1 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of nonoperating foundations	**26,970**	**1,444**	**8,092**	**5,598**	**6,383**	**1,961**	**2,927**	**457**	**109**
Total assets (book value)	**32,965,412**	**58,617**	**98,375**	**330,945**	**1,465,517**	**1,276,122**	**7,669,740**	**7,847,012**	**14,219,084**
Cash, total	1,821,415	6,153	31,005	87,468	254,719	167,568	631,324	350,070	293,108
Savings and interest-bearing accounts	1,376,581	4,163	19,730	66,929	195,695	128,776	496,737	262,298	202,253
Other	444,832	1,990	11,275	20,538	59,024	38,792	134,587	87,772	90,855
Accounts receivable, net	222,866	608	903	3,708	11,944	10,052	51,653	55,199	88,799
Notes receivable, net	509,921	151	928	6,080	31,001	28,979	158,356	155,027	129,400
Inventories	31,653	—	299	1,441	4,698	2,368	14,108	6,865	1,875
Investments in government obligations, total	3,977,883	6,849	4,084	26,548	152,847	157,194	1,019,477	1,153,297	1,457,586
United States and instrumentalities	3,913,623	6,744	3,803	25,157	149,637	152,879	988,069	1,133,384	1,453,951
State and local	64,260	106	282	1,391	3,210	4,315	31,408	19,912	3,635
Investments in corporate bonds	6,823,979	16,256	7,048	50,191	266,549	253,533	1,634,963	1,782,553	2,812,888
Investments in corporate stock	15,404,886	14,801	18,283	98,906	487,338	446,386	2,982,783	3,285,445	8,070,945
Mortgage loans	408,679	280	257	6,465	17,675	23,294	75,753	175,944	109,010
Other investments	2,144,264	3,971	5,335	28,951	131,765	101,344	504,773	458,298	909,828
Depreciable assets held for investment purposes	355,031	768	503	1,121	19,773	16,237	127,552	83,427	105,648
Less: Accumulated depreciation	162,983	724	2	251	7,996	6,259	56,240	32,779	58,731
Depreciable assets held for charitable purposes	357,425	3,676	1,577	4,104	17,968	24,453	142,508	63,699	99,440
Less: Accumulated depreciation	84,707	549	622	925	3,446	6,157	24,711	19,271	29,027
Land held for investment purposes	356,977	1,057	51	4,145	19,023	18,655	123,385	132,153	58,508
Land held for charitable purposes	134,366	1,598	256	1,680	14,337	10,650	57,705	27,562	20,579
Other assets	663,751	3,723	28,469	11,313	47,319	27,824	226,352	169,523	149,227
Total liabilities	**1,433,163**	**581**	**26,327**	**11,694**	**26,665**	**29,433**	**248,491**	**406,085**	**683,886**
Accounts payable	126,916	64	3,205	1,509	5,498	4,964	24,348	20,340	66,988
Contributions, gifts, and grants payable	838,751	230	1,124	786	3,408	6,753	74,424	219,348	532,678
Mortgages and notes payable	279,560	—	20,040	6,954	6,937	10,972	101,632	104,468	28,557
Other liabilities	187,937	287	1,959	2,446	10,822	6,744	48,088	61,928	55,663
Net worth	**31,532,249**	**58,036**	**72,048**	**319,250**	**1,438,851**	**1,246,689**	**7,421,249**	**7,440,927**	**13,535,199**
Total receipts	**5,703,975**	**13,791**	**89,927**	**86,787**	**307,091**	**248,665**	**1,392,569**	**1,310,995**	**2,254,150**
Contributions, gifts, and grants received	2,122,318	7,732	75,900	61,916	181,385	128,434	630,810	527,995	508,144
Gross dues and assessments	4,069	93	52	87	430	554	2,765	88	—
Interest	1,180,643	3,599	3,208	12,544	60,206	53,494	301,227	305,395	440,969
Dividends	1,167,147	1,700	2,948	7,127	37,741	34,215	222,935	232,773	627,708
Gross rents and royalties	181,903	922	1,475	540	7,133	7,018	57,711	55,569	51,535
Net gain (or loss) from sale of assets	734,219	-373	921	2,055	12,856	18,630	134,736	156,536	408,859
Gross profit from business activities	30,454	6	2,594	1,357	3,658	2,200	10,159	7,832	2,648
Other income	283,219	112	2,830	1,159	3,680	4,118	32,225	24,807	214,287
Total deductions	**3,362,022**	**19,334**	**105,307**	**72,131**	**227,737**	**169,545**	**852,538**	**785,584**	**1,129,846**
Contributions, gifts, and grants paid	2,777,758	15,597	74,744	58,664	191,200	141,360	710,220	648,610	937,363
Compensation of officers	64,696	377	2,463	1,934	3,776	2,910	16,486	15,938	20,812
Other salaries and wages	118,094	159	12,706	2,562	7,886	4,946	22,831	24,306	42,698
Pension plan contributions	11,010	—	—	65	202	101	1,187	3,046	6,408
Other employee benefits	13,387	2	1,272	233	453	105	957	1,587	8,777
Investment, legal, and other professional services	75,264	475	2,263	1,554	5,464	4,580	20,567	18,264	22,097
Interest	15,681	1	103	280	722	633	5,382	5,887	2,674
Taxes	82,186	194	976	743	3,509	3,213	18,648	20,360	34,544
Depreciation, amortization, and depletion	20,040	293	154	258	1,189	1,487	7,824	4,367	4,468
Rent	14,045	93	1,809	455	554	557	3,283	2,680	4,614
Other expenses	169,855	2,144	8,816	5,381	12,781	9,652	45,153	40,539	45,390
Net income (less deficit)	**2,341,955**	**-5,543**	**-15,380**	**14,656**	**79,354**	**79,120**	**540,031**	**525,412**	**1,124,305**
Net income	2,682,821	3,725	9,398	29,626	118,775	105,922	658,352	588,866	1,168,157
Deficit	340,866	9,268	24,778	14,969	39,421	26,802	118,321	63,454	43,852
Total assets (fair market value)	42,439,939	—	60,392	313,808	1,517,748	1,389,871	8,722,871	9,217,771	21,217,478
Information items:									
Beginning of year assets, total	30,151,957	69,228	144,684	312,925	1,370,957	1,208,493	6,996,037	7,196,442	12,853,192
Selected beginning of year assets:									
Inventories	26,136	—	287	1,173	3,752	2,077	7,433	8,312	3,103
Investments in corporate stock	16,655,377	18,159	21,301	96,575	2,521,519	441,784	2,902,679	3,184,360	7,469,000
Depreciable assets held for investment purposes	356,884	2,303	487	1,089	18,512	15,855	124,210	93,120	101,308
Less: Accumulated depreciation	157,351	1,517	1	182	7,650	6,368	52,319	31,644	57,671
Depreciable assets held for charitable purposes	312,973	2,272	1,156	3,255	15,521	21,142	127,030	53,623	88,973
Less: Accumulated depreciation	68,866	350	492	840	2,869	5,109	21,256	12,923	25,027

NOTE: Detail may not add to total because of rounding.

Table 11. — Nonoperating Foundations — Selected Balance Sheet and Income Statement Items, and Distributions, by Ratio of Investment Income to Total Fair Market Value of Assets

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Item	Total	Under 3 percent	3 percent under 4 percent	4 percent under 5 percent	5 percent under 6 percent	6 percent under 7 percent	7 percent under 8 percent	8 percent under 9 percent	9 percent under 10 percent	10 percent or more
	Ratio of investment income to total fair market value of assets									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Number of nonoperating foundations	**26,970**	**7,682**	**1,509**	**1,905**	**2,804**	**3,270**	**3,031**	**2,202**	**1,225**	**3,341**
Total assets (book value)	**32,965,412**	**3,079,837**	**804,417**	**2,176,674**	**4,075,603**	**7,188,475**	**5,072,779**	**2,927,685**	**4,284,904**	**3,355,037**
Selected assets:										
Cash, total:										
Number of foundations	24,971	6,138	1,479	1,883	2,752	3,156	2,933	2,151	1,201	3,279
Amount	1,821,415	215,173	52,625	103,937	182,191	253,279	257,681	155,235	131,514	469,779
Investments in government obligations, total:										
Number of foundations	6,108	431	217	453	766	1,169	1,200	824	354	695
Amount	3,977,883	116,345	48,880	239,257	418,910	923,846	899,234	459,915	424,973	446,523
Investments in corporate bonds:										
Number of foundations	9,600	605	449	615	1,224	1,720	1,672	1,289	689	1,338
Amount	6,823,979	663,936	63,751	357,266	841,065	1,709,143	1,121,064	643,938	735,037	688,779
Investments in corporate stock:										
Number of foundations	13,265	1,433	866	1,154	1,777	2,121	1,914	1,361	704	1,935
Amount	15,404,886	1,175,779	469,892	1,194,934	2,012,452	3,602,481	2,231,960	1,260,039	2,390,794	1,066,555
Total liabilities	**1,433,163**	**324,836**	**11,746**	**134,383**	**154,493**	**294,767**	**107,947**	**67,897**	**196,686**	**140,408**
Selected liabilities:										
Contributions, gifts, and grants payable:										
Number of foundations	783	154	*19	46	74	127	94	85	49	135
Amount	838,751	24,591	*6,341	104,755	120,074	240,436	68,328	49,105	133,203	91,918
Mortgages and notes payable:										
Number of foundations	659	406	21	57	41	28	27	20	13	45
Amount	279,560	244,050	2,275	7,726	5,613	2,903	5,353	3,066	2,568	6,007
Net worth (end of year)	**31,532,249**	**2,755,000**	**792,671**	**2,042,290**	**3,921,110**	**6,893,708**	**4,964,832**	**2,859,789**	**4,088,218**	**3,214,629**
Principal fund:										
Number of foundations	24,539	5,838	1,470	1,833	2,759	3,178	2,960	2,110	1,202	3,189
Amount	30,701,179	2,705,049	790,712	2,126,548	3,718,033	6,773,661	4,792,783	2,811,992	4,012,883	2,969,518
Income fund:										
Number of foundations	9,209	1,451	455	617	1,104	1,533	1,433	1,005	434	1,176
Amount	831,070	49,951	1,959	-84,258	203,077	120,048	172,049	47,797	75,335	245,111
Reconciliation of net worth:										
Net worth (beginning of year):										
Number of foundations	25,456	6,439	1,478	1,850	2,768	3,245	3,007	2,183	1,210	3,277
Amount	28,799,825	1,759,900	683,754	1,872,263	3,708,863	6,659,340	4,811,460	2,756,655	3,852,285	2,695,306
Additions to net worth:										
Net income:										
Number of foundations	14,724	2,854	855	1,163	1,683	1,891	1,919	1,473	778	2,107
Amount	2,682,821	862,154	109,536	161,957	177,357	227,314	166,773	144,631	223,238	609,861
Other increases:										
Number of foundations	4,066	689	250	263	500	691	498	404	188	584
Amount	683,718	223,164	22,052	27,149	91,931	92,223	100,059	10,508	57,768	58,864
Subtractions from net worth:										
Deficit:										
Number of foundations	10,728	3,442	652	731	1,086	1,353	1,070	722	445	1,228
Amount	340,866	47,509	14,653	13,072	28,205	40,879	36,224	17,068	31,016	112,240
Other decreases:										
Number of foundations	4,674	961	204	352	539	748	536	407	285	641
Amount	293,247	42,708	8,019	6,006	28,835	44,290	77,236	34,938	14,056	37,160
Equals:										
Net worth (end of year):										
Number of foundations	25,619	6,416	1,508	1,905	2,803	3,254	3,026	2,187	1,225	3,295
Amount	31,532,249	2,755,000	792,671	2,042,290	3,921,110	6,893,708	4,964,832	2,859,789	4,088,218	3,214,629
Total receipts	**5,703,975**	**1,147,102**	**189,602**	**369,063**	**536,529**	**778,615**	**626,117**	**450,512**	**525,668**	**1,080,768**
Selected receipts:										
Contributions, gifts, and grants received:										
Number of foundations	11,780	4,148	698	959	1,119	1,193	984	798	471	1,411
Amount	2,122,318	792,575	128,865	164,329	190,383	151,757	143,223	135,897	72,327	342,961
Interest:										
Number of foundations	20,717	2,893	1,339	1,693	2,561	3,094	2,885	2,119	1,177	2,956
Amount	1,180,643	42,780	13,896	61,478	129,216	269,061	217,765	137,790	144,408	164,249
Dividends:										
Number of foundations	14,847	1,449	930	1,269	1,948	2,429	2,161	1,566	782	2,312
Amount	1,167,147	63,188	34,604	109,628	155,446	255,861	201,559	122,554	137,377	86,930
Net investment income	**3,026,858**	**49,467**	**49,396**	**174,421**	**292,071**	**543,119**	**453,704**	**312,317**	**418,505**	**733,857**
Distribution items:										
Adjusted net income:										
Number of foundations	20,843	2,331	1,406	1,808	2,656	3,145	2,974	2,159	1,217	3,146
Amount	2,413,861	99,361	46,608	172,067	265,319	519,532	426,474	257,663	293,948	332,888
Minimum investment return:										
Number of foundations	22,590	4,402	1,281	1,720	2,592	3,132	2,899	2,112	1,195	3,256
Amount	1,826,335	102,855	55,422	172,101	242,241	393,341	291,829	174,478	208,551	185,516
Distributable amount:										
Number of foundations	23,281	4,598	1,418	1,813	2,672	3,168	2,974	2,166	1,217	3,256
Amount	2,450,298	148,682	56,800	178,695	267,003	508,977	418,426	252,732	287,002	331,980
Qualifying distributions:										
Number of foundations	24,347	5,569	1,444	1,798	2,740	3,215	2,966	2,132	1,203	3,279
Amount	3,233,279	313,593	89,570	215,188	369,109	581,729	463,062	303,905	340,313	556,808
Undistributed income:										
Number of foundations	7,854	1,037	373	568	966	1,221	1,299	876	455	1,058
Amount	688,770	51,547	16,636	32,431	74,727	117,805	141,978	101,022	44,300	108,324

*Estimate should be used with caution because of the small number of sample returns on which it was based.
NOTE: Detail may not add to total because of rounding.

Table 12. — Nonoperating Foundations — Computation of Minimum Investment Return, Distributable Amount, and Qualifying Distributions, by Size of Total Assets Not Held for Charitable Purposes

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Item	Size of total assets not held for charitable purposes								
	Total	Assets zero or not reported	$1 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of nonoperating foundations	**26,970**	**4,197**	**6,403**	**5,233**	**6,054**	**1,808**	**2,761**	**412**	**102**
Computation of minimum investment return:									
Fair market value of assets not used directly in carrying out exempt purposes, total	37,293,832	—	51,215	287,014	1,431,262	1,273,837	8,204,207	8,284,693	17,761,603
Monthly average of securities at fair market value	32,798,259	—	25,670	193,820	1,084,553	1,029,146	6,847,709	7,075,845	16,541,516
Monthly average of cash balances:	1,344,014	—	22,443	69,059	204,747	121,613	477,776	251,895	196,482
Fair market value of all other assets	3,151,555	—	3,102	24,135	141,961	123,077	878,721	956,954	1,023,606
Less: Acquisition indebtedness	209,113	(¹)	*276	1,360	7,441	5,969	36,826	119,829	37,412
Equals: Net fair market value of assets not used directly in carrying out exempt purposes	37,084,719	—	50,939	285,654	1,423,821	1,267,868	8,167,381	8,164,864	17,724,191
Less: Cash held for charitable activities	557,936	—	1,042	4,467	23,798	19,335	123,631	121,286	264,377
Equals: Base for calculating minimum investment return	36,526,779	—	49,896	281,186	1,400,022	1,248,533	8,043,750	8,043,578	17,459,814
Minimum investment return	**1,826,335**	**—**	**2,494**	**14,058**	**70,000**	**62,426**	**402,187**	**402,179**	**872,991**
Computation of distributable amount:									
Adjusted net income	2,413,861	55,266	5,137	21,380	100,856	87,204	548,241	518,232	1,077,545
Higher of adjusted net income or minimum investment return	2,502,567	55,554	5,773	23,136	105,709	90,868	568,451	540,896	1,112,180
Minus:									
Tax on investment income	59,080	635	132	502	2,451	2,168	13,777	12,688	26,727
Tax on unrelated business income	4,957	—	*13	—	223	*50	1,248	1,559	1,865
Equals: Distributable amount before adjustments	2,438,525	54,919	5,627	22,633	103,033	88,650	553,426	526,648	1,083,587
Net adjustments	11,772	-85	*92	*179	3,970	1,290	5,885	56	386
Positive adjustments:									
Number of foundations	119	1	*15	*22	37	13	22	5	4
Amount	12,581	208	*92	*234	4,012	1,291	5,937	420	386
Negative adjustments:									
Number of foundations	22	1	—	*11	*4	1	3	2	—
Amount	808	293	—	*55	*42	1	53	364	—
Equals: Distributable amount, adjusted	2,450,298	54,833	5,719	22,813	107,003	89,940	559,311	526,705	1,083,973
Total qualifying distributions	**3,233,279**	**144,681**	**57,026**	**77,757**	**220,097**	**155,564**	**786,505**	**692,584**	**1,099,065**
Disbursements for exempt purposes:									
Number of foundations	24,304	2,719	5,556	5,038	5,960	1,788	2,731	410	102
Amount	3,093,488	128,255	55,488	75,624	214,521	152,385	765,913	673,193	1,028,107
Program related investments:									
Number of foundations	148	*10	*47	*25	39	*10	12	3	2
Amount	9,463	*129	*120	*118	937	*578	4,274	717	2,591
Amounts paid to acquire assets used for charitable purposes:									
Number of foundations	648	123	125	78	82	60	119	34	27
Amount	62,025	15,820	1,164	1,442	4,036	2,532	13,537	13,445	10,048
Amounts set aside for charitable purposes:									
Number of foundations	163	36	*31	*30	39	6	16	2	3
Amount	68,302	476	*254	*573	603	68	2,782	5,228	58,318
Total assets (book value)	**32,965,412**	**1,029,815**	**105,800**	**342,622**	**1,487,228**	**1,247,462**	**7,709,609**	**7,613,664**	**13,429,212**
Selected assets:									
Investments in government obligations	3,977,883	82,048	3,929	24,073	160,799	156,682	1,040,657	1,053,384	1,456,310
Investments in corporate bonds	6,823,979	118,325	8,062	49,428	263,529	257,776	1,662,649	2,030,907	2,433,304
Investments in corporate stock	15,404,886	341,579	20,774	97,558	502,536	448,261	3,095,740	3,118,850	7,779,587

*Estimate should be used with caution because of the small number of sample returns on which it was based.

¹ Less than $500.

NOTE: Detail may not add to total because of rounding.

Private Foundations/1979

Table 13. — Nonoperating Foundations — Computation of Minimum Investment Return, Distributable Amount, and Qualifying Distributions, by Ratio of Qualifying Distributions to Total Assets Not Held for Charitable Purposes

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Item	Total	Ratio of qualifying distributions to total assets: Under 3 percent	3 percent under 4 percent	4 percent under 5 percent	5 percent under 6 percent	6 percent under 7 percent	7 percent under 8 percent	8 percent under 9 percent	9 percent under 10 percent	10 percent or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Number of nonoperating foundations	**26,970**	**6,870**	**886**	**1,495**	**2,345**	**2,469**	**1,988**	**1,240**	**907**	**8,770**
Computation of minimum investment return:										
Fair market value of assets not used directly in carrying out exempt purposes, total	37,293,832	1,517,985	2,534,086	4,625,639	8,667,819	9,507,499	3,807,388	1,348,480	710,980	4,573,955
Monthly average of securities at fair market value	32,798,259	1,010,533	2,333,769	4,031,665	7,818,359	8,783,400	3,474,078	1,156,772	576,106	3,613,577
Monthly average of cash balances	1,344,014	105,438	92,610	125,757	214,342	163,265	123,070	70,052	43,543	405,937
Fair market value of all other assets	3,151,555	402,014	107,708	468,217	635,118	560,834	210,240	121,656	91,332	554,439
Less: Acquisition indebtedness	209,113	91,572	11,909	11,944	21,784	3,689	1,932	1,108	1,292	63,884
Equals: Net fair market value of assets not used directly in carrying out exempt purposes	37,084,719	1,426,413	2,522,178	4,613,694	8,646,035	9,503,811	3,805,456	1,347,373	709,688	4,510,070
Less: Cash held for charitable activities	557,936	21,228	37,715	67,801	130,299	141,834	57,530	20,447	10,581	70,501
Equals: Base for calculating minimum investment return	36,526,779	1,405,185	2,484,463	4,545,893	8,515,736	9,361,976	3,747,926	1,326,925	699,107	4,439,568
Minimum investment return	**1,826,335**	**70,259**	**124,223**	**227,294**	**425,786**	**468,098**	**187,396**	**66,346**	**34,955**	**221,977**
Computation of distributable amount:										
Adjusted net income	2,413,861	125,789	118,327	256,080	496,854	618,567	283,500	96,128	53,046	365,572
Higher of adjusted net income or minimum investment return	2,502,567	138,760	136,253	269,493	520,983	625,550	286,868	96,903	54,002	373,754
Minus:										
Tax on investment income	59,080	2,842	3,160	7,498	12,059	15,045	5,992	2,181	1,202	9,101
Tax on unrelated business income	4,957	710	*16	*99	1,274	522	*1,575	*8	*146	609
Equals: Distributable amount before adjustments	2,438,525	135,208	133,077	261,896	507,650	609,983	279,301	94,714	52,655	364,043
Net adjustments	11,772	*- 30	- 358	394	397	*529	264	*1,386	*25	9,165
Positive adjustments:										
Number of foundations	119	*10	1	5	19	*11	6	*9	*5	53
Amount	12,581	*314	(1)	447	403	*529	264	*1,386	*27	9,211
Negative adjustments:										
Number of foundations	22	*11	1	2	1	—	—	—	1	*6
Amount	808	*344	358	53	6	—	—	—	1	*46
Equals: Distributable amount, adjusted	2,450,298	135,177	132,719	262,290	508,047	610,512	279,564	96,101	52,680	373,208
Total qualifying distributions	**3,233,279**	**168,469**	**91,142**	**211,409**	**478,248**	**607,321**	**284,868**	**114,227**	**66,967**	**1,210,627**
Disbursements for exempt purposes:										
Number of foundations	24,304	4,220	886	1,495	2,345	2,462	1,986	1,240	907	8,762
Amount	3,093,488	151,940	90,742	208,364	436,713	580,659	283,400	112,274	65,036	1,164,360
Program related investments:										
Number of foundations	148	*16	*7	2	*18	*7	*5	*7	*2	84
Amount	9,463	*140	*5	114	*171	*2,731	*403	*684	*34	5,182
Amounts paid to acquire assets used for charitable purposes:										
Number of foundations	648	150	27	72	41	55	14	27	18	244
Amount	62,025	15,902	395	2,757	5,643	1,236	962	981	1,565	32,584
Amounts set aside for charitable purposes:										
Number of foundations	163	40	—	2	*5	*13	3	*9	*13	78
Amount	68,302	487	—	174	*35,722	*22,694	104	*287	*333	8,501
Total assets (book value)	**32,965,412**	**2,711,079**	**1,492,569**	**3,842,235**	**6,605,745**	**8,784,941**	**2,952,947**	**1,266,392**	**676,402**	**4,633,101**
Selected assets:										
Investments in government obligations	3,977,883	258,034	204,862	410,394	753,002	930,167	510,357	177,273	109,798	623,994
Investments in corporate bonds	6,823,979	665,651	254,732	737,176	1,332,439	1,858,315	633,206	323,916	178,512	840,032
Investments in corporate stock	15,404,886	736,293	796,532	1,967,332	3,439,902	4,855,939	1,380,955	538,845	213,514	1,475,574

*Estimate should be used with caution because of the small number of sample returns on which it was based.

[1] Less than $500.

NOTE: Detail may not add to total because of rounding.

GLOSSARY OF TERMS

Non-technical terminology has been used in this article, wherever possible, to assist the understanding of the statistical content. However, in Tables 1-13 the technical terms are used as they appear on the tax return form. Therefore, to assist users of these data, explanations of some of these terms are provided with both their technical and non-technical meanings. (The latter are denoted in parentheses.) A more comprehensive glossary of terms appears in Statistics of Income--1974-1978, Private Foundations [5].

Adjusted Net Income (Receipts Less Expenses)

This item represented the excess of the gross income derived from, or in connection with, property held by the foundation reduced by allowable deductions. It included investment income, net short-term capital gain, repayment of "qualifying distributions," gross profit from business activities, and certain miscellaneous income. Excluded from income were gross contributions, gifts and grants (received), contributions from split-interest trusts, gross dues and assessments, net long-term capital gain, and net gain or loss from the sale of nonbusiness assets.

The amount of adjusted net income was one of the amounts used in determining the amount of charitable distributions that the foundation was required to make.

Distributable Amount (Required Minimum Distribution)

Distributable amount was the greater of the foundations' "minimum investment return" or "adjusted net income," less taxes on net investment income and unrelated business income, and net of any adjustments. Distributable amount represented the minimum payout which had to be distributed by the end of the year after the year for which the return was filed in order to avoid payment of an excise tax for failure to currently distribute income.

Expenditures for Exempt Purposes (Philanthropic or Charitable Spending)

These deductions represented expenditures for activities that were directly related to the tax-exempt purposes of the foundation. Included were necessary and reasonable administrative expenses paid for charitable, scientific, educational, or other similar purposes. These amounts were determined solely on the cash receipts and disbursements method of accounting.

Minimum Investment Return (Fixed Percent of Assets)

This was the aggregate fair market value of assets not used for charitable purposes less the sum of indebtedness incurred to acquire those assets and cash held for charitable activities, multiplied by a specified percentage of total assets. For taxable years beginning after December 31, 1975, and all succeeding years, the percentage was set at 5 percent. The rate was subject to change by the Secretary of the Treasury each year depending on money market interest rates and investment yields.

If the minimum investment return exceeded the "adjusted net income," it became the basis for calculating the "distributable amount." The purpose of establishing a minimum investment return was to insure that a foundation distributed for charitable purposes at least a specified percentage of its noncharitable assets, (i.e., assets held for investment purposes).

Nonoperating Foundations

Nonoperating foundations were organizations that carried on their charitable activities in an indirect manner by making grants to other organizations that were directly engaged in charitable activities, rather than engaging in charitable activities themselves.

Operating Foundations

These were private foundations that spent at least 85 percent of their adjusted net income directly on the conduct of the activities constituting the purpose or function for which they were exempt (the "income test"). In addition to the income test, operating foundations must have met one of the following tests: the "assets test," the "endowment test," or the "support test".

A) Foundations met the "assets test" if 65 percent or more of their assets were devoted directly to tax-exempt activities or to functionally related businesses that were related to the exempt purpose of the foundation.

B) Foundations met the "endowment test" if they made qualifying distributions directly related to the active conduct of their tax-exempt function, of at least two-thirds of their "minimum investment return."

C) Foundations met the "support test" if at least 85 percent of their support (exclusive of gross investment income) came from at least five unrelated tax-exempt organizations or from the general public (or both). In addition, no more than 25 percent of their support (exclusive of gross investment income) was derived from any one such exempt organization and no more than half of their support was derived from gross investment income.

Qualifying Distributions (Actual Distributions)

These were direct expenditures for charitable purposes or for assets used for such purposes. They included payouts to public charities and operating foundations, and payouts to other private foundations, if the recipient foundation agreed to distribute the same amount for charitable purposes by the end of the following tax year. In addition, funds set aside for major tax-exempt projects were also included. Qualifying distributions were creditable against a private foundation's obligation to pay out its "distributable amount."

Value of Noncharitable Assets (Investment Assets)

For purposes of calculating "minimum investment return," only the assets that were not used or held for use for exempt purposes entered the computation. An asset was not used directly in carrying out the foundation's exempt purpose if the asset was not used in the carrying on of a charitable, educational or other similar function which gave rise to the exempt status of the foundation.

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THE PRIVATE FOUNDATION

IN A PLURALISTIC SOCIETY

by

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Statistics of Income Division

This paper was prepared for presentation at the
Annual Meetings of the American Statistical Association,
Cincinnati, Ohio, August, 1982.

THE PRIVATE FOUNDATION IN A PLURALISTIC SOCIETY

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ABSTRACT

Since the federal government has initiated a period of retrenchment, philanthropy from the private sector has been called upon to offset public social program reductions. A large portion of the private sector organizations that engage in philanthropic activities are those that are recognized as tax-exempt in the Internal Revenue Code. Private foundations are an important type of these philanthropic tax-exempt organizations. In this paper, private foundations are examined with particular attention to their philanthropic activity, their growth as an independent sector, and their financial composition. Data from the forthcoming IRS private foundation study for 1979 are used to provide a current look at the foundation sector and its relationship to other economic activities.

A major shift is presently underway in the U.S. economy. A slowdown in economic activity coupled with a reduction in government programs has brought about a need to revaluate the type of activities that ought to be carried out in the public sector versus the private sector. Many of the cuts in government spending have been for domestic social programs. The effect of this reduction in government social spending is to place an increased burden on the private sector for conducting social welfare activities. A large portion of the private sector organizations that are involved in philanthropic activities are those that are recognized as tax-exempt in the Internal Revenue Code. Private foundations, an important type of these philanthropic tax-exempt organizations, are examined in this paper. In section 1, some background information on exemption from taxation is provided. In the second section, time series data on foundations are presented so that the size and growth of the foundation sector and its comparability to other economic entities can be ascertained. A comparison of foundation data from the forthcoming 1979 IRS study with data from a similar study for 1974 appears in section 3. In section 4, research plans for private foundations and other tax-exempt organizations are described. Finally, an appendix is provided describing the methodology used in the 1979 study.

I. Tax-Exempt Status and the Non-Profit Sector

In order to foster private philanthropy, the federal government has granted exemption from taxation to certain organizations that engage in charitable activities. While the legislative origins of tax-exempt status go back to before enactment of the first (constitutional) income tax law, the primary purpose was best established in the Ways and Means Committee report on the Revenue Act of 1938:

> "The exemption from taxation of money or property devoted to charitable or other purposes is based upon the theory that the government is compensated for the loss of revenue by its relief from the financial burden which would otherwise have to be made by appropriations from public funds, and by the benefits resulting from the promotion of the general welfare." [10]

A second reason that has historically been cited is that it is administratively unwise to tax organizations that are not expected to have any "meaningful income"

A. Deductibility of Contributions

The Revenue Act of 1917 established another benefit that indirectly assists the charitable, religious, and educational organizations that are engaged in philanthropic activities. This benefit, the allowance of deductions for charitable contributions from the tax base of individuals, effectively lowers the cost of a deduction by the amount of the deduction times the applicable marginal tax rate of the donor. In 1935 this benefit was extended to corporate donors. [32]

B. Public Involvement and the 1969 Tax Reform Act

Governmental involvement in the affairs of tax-exempt organizations has significantly increased over time. In the 1950's and 1960's, the privileges of tax-exempt status attracted increasing public attention. In particular, discussion focussed on private foundations, which had not been specifically defined in the Internal Revenue Code but were recognized as tax-exempt under Subsection 501(c)(3). Alleged instances of foundation involvement in questionable tax-exempt activities which surfaced at this time contributed to the passage of the Tax Reform Act of 1969. This Act significantly increased public involvement in the activities of foundations.

Under this act, private foundations were defined to mean any domestic or foreign organization, described in Subsection 501(c)(3) other than those mentioned in Subsections 509(a)(1-4) of the Internal Revenue Code, established and operated exclusively for religious, charitable, educational or similar purposes. Less technically, a private foundation is a non-government,non-profit organization with a narrow base of financial support whose goal is to maintain or assist social, educational, religious, or other activities deemed to serve the public good. [14] Foundations thus differ from other Subsection 501(c)(3) organizations (which are generally referred to as public charities) primarily in their base of financial support. Other 501(c)(3) organizations have a broad base of support, while foundation support is more highly concentrated.

Foundations are classified as either nonoperating or operating foundations. Nonoperating foundations, which account for approximately 96 percent of the total, are organizations that carry on charitable activities in an indirect manner by making grants to other organizations or persons that carry out these activities. Operating foundations, on the other hand, directly engage in charitable activities. Contributions to private nonoperating foundations are limited to 20 percent of adjusted gross income, while contributions to the other 501(c)(3) organizations and operating foundations are deductible up to 50 percent of adjusted gross income.

In addition to defining private foundations, other provisions of the 1969 Tax Reform Act that affected foundations include:

1. A required current minimum distribution for charitable purposes. (The greater of "Adjusted Net Income" or a fixed portion of charitable assets, the "Minimum Investment Return", must be distributed.)
2. Prohibition of self-dealing between foundations and certain related parties.
3. Prohibition of expenditures for lobbying, electioneering, and other activities not pursuant to the foundation's tax-exempt purpose.
4. Imposition of an excise tax on a foundation's net investment income to cover the Government's cost of monitoring their activities.

In general, the Act was a strong measure directed toward suspected widespread abuse of preferential treatment by foundations. The minimum distribution requirement, in particular, is considered a significant provision of the Act since it requires current distributions for charitable purposes as opposed to the unlimited accumulation of funds. If this required minimum distribution exceeds the rate of returns on assets, some assets would have to be liquidated.

C. Tax-Exempt Organizations and the 1981 Economic Recovery Tax Act

The Economic Recovery Tax Act of 1981 was the next major legislation affecting private foundations and other tax-exempt organizations. Under this Act, certain contributions by donors who do not itemize deductions were made deductible. As noted above, this effectively reduces the cost to a donor of making a contribution and is, thereby, expected to benefit the tax-exempt organizations that receive these contributions. In addition, marginal tax rates for individuals and corporations were lowered. This change reduces total tax liability and therefore increases the after tax income of individuals and corporations. In this regard, additional philanthropic spending might be expected. However, this change also increases the net cost of contributing to a tax-exempt organization since the effective cost of a contribution is equal to the contribution times one minus the marginal tax rate. Thus, as the marginal tax rate is reduced (increased), the donor cost is increased (reduced). Finally, the required minimum distribution of a private foundation is no longer the greater of adjusted net income and the minimum investment return. It is now only the latter. This change lowers the required minimum distribution for foundations whose adjusted net income exceeds their minimum investment return and, in general, is expected to reduce the amount of foundation grantmaking.

D. Tax-Exempt Organizations and Economic Pluralism

As we have seen, tax-exempt organizations are private sector organizations that, to a large extent, owe their existence to the preferential treatment afforded them in the tax code. Although philanthropic activities and private, non-profit organizations would exist without these benefits, the degree to which these activities and groups have become institutionalized would not have occurred without this favorable tax treatment. Furthermore, the diversity in the types of tax-exempt organizations, as determined by their degree of "publicness" in their sources and uses of funds and in the public involvement in their internal affairs, has created a broad range of mixed-sector organizations. Toward the private end of this spectrum are the private associations whose income is tax-exempt and whose benefits assist only their own members. On the other end of this spectrum are the philanthropic tax-exempt organizations whose benefits provided are broad-based. Private foundations are included in this group of philanthropic tax-exempt organizations. However, since foundations have a narrow base of financial support, their benefits are more private than the other philanthropic tax-exempt organizations.

From an IRS perspective, the tax-exempt population can best be viewed as being composed of the following general groups:

1. Organizations that are presumed to be tax-exempt by the nature of their activities and are not required to apply for tax-exempt status. (The most notable example of this group is that of a church.)

2. Organizations that must formally apply for and be recognized as tax-exempt under a specific section of the Internal Revenue Code.

This latter group can be subdivided into three major catagories: private foundations, farmers cooperatives, and all other types of tax-exempt organizations including public charities. This paper continues with a statistical analysis of private foundations.

II. Private Foundation Size, Growth, and Comparability to Other Entities

Data from five private foundation studies in the period 1962-79 are shown in Table 1 so that growth in the number of foundations and their aggregate financial activities can be examined. Of the five years presented, data for 1962 are from a survey of foundations conducted by the Treasury Department. Data for 1974 and 1979 are from IRS Statistics of Income studies that used stratified sampling designs. Data for the years 1977 and 1978 are from the IRS Master File system. The Master File data include 100 percent of their respective populations but are limited in item detail and are not subjected to the extensive testing for data consistency that was used in the stratified sample studies.

As can be seen, the number of foundations has increased substantially in the 1962-1979 period. Furthermore, in every period except the latest, the number of foundations has increased in each successive period. Since the decline in the number of foundations in 1979 is the first decrease in what appears to be a period of uninterrupted growth, it remains to be seen if this is the beginning of a trend.

Despite the decline in the number of foundations in 1979, both measures of foundation total assets (book and market valuations), plus foundation receipts, and contributions paid all increased in 1979, although the increase for the latter amount was negligible. The book value measure of total assets shows the most stable pattern of growth with annual growth rates ranging from 5 to 8 percent for the seventeen year period. The total market value of assets had its largest increase in 1979 with a growth of 20 percent. Foundation receipt data show modest growth early in the period but substantially more growth since 1974. (In the next section, the composition of foundation receipts in 1974 and 1979 will be compared to determine the source of this increase.) The contributions paid data indicate stable growth of around 5 percent before 1977, a substantial increase of 19 percent for 1978, but an increase of only 1 percent for 1979.

In constant dollars, the picture that emerges is somewhat different. The book value of total assets declined in the 1974-1979 period after showing modest growth in the 1962-1974 period. On the other hand, the market value of total assets hardly shows any growth in the 1962-1978 period, but growth at an annual rate of 11 percent for 1979. The constant dollar receipt data display a pattern of strong growth since 1974. This is similar to the trend in current dollars although the growth rate is less. Between 1974 and 1979 current dollar receipts increased at an annual rate of 15 percent while, in the same period, constant dollar receipts increased at annual rate of 8 percent. The contributions paid constant dollar data indicate considerable stability between 1962 and 1977, a 12 percent increase in 1978, and then a decline of 7 percent in 1979.

The time series data on foundations for the 1962-1979 period present a mixed picture of the current state of the foundation sector. The mandatory distribution requirement in the 1969 Tax Reform Act raised speculation that foundation asset values would decline in meeting this required minimum distribution. These data do not indicate that this is occurring, although aggregate constant dollar asset values are hardly showing any growth at all.

Data are presented in Table 2 for six years in the 1962-1979 period to show the relative magnitude of foundation and other tax-exempt organization philanthropic expenditures. The measure used in this comparison is expenditures for exempt purposes which includes disbursements for activities that are directly related to the tax-exempt purpose of the organization. A measure of public philanthropy called "Social Welfare Expenditures" is included for comparative purposes. This series includes public transfer payments and investment expenditures for schools, hospitals, and other similar facilities.

Expenditures for exempt purposes by foundations and other tax-exempt organizations are small in comparison to the Gross National Product (GNP). Public philanthropy, as measured by Social Welfare Expenditures, is by far the largest philanthropic entity, equal to 18 to 20 percent of the GNP for all years except 1962. Private foundation expenditures are relatively small even within the charitable tax-exempt sector, and they are considerably smaller in comparison to total Social Welfare Expenditures and, in particular, the GNP. Private foundation expenditures are showing a gradual decline relative to the GNP. The other time series indicate no significant trends except for the very large increase for public philanthropy that occurred between 1962 and 1974. Foundation expenditures are largest relative to the GNP in 1974, while expenditures for other charitable tax-exempt organizations are relatively largest in 1975.

It is evident from the data in Table 2 that foundation and private philanthropic spending in general are small in comparison to government spending for social welfare. However, the expenditures of these private philanthropic organizations account for billions of dollars and are highly concentrated among a relatively small number of very large organizations. [21, 30, 31] In addition, a large amount of private philanthropy is carried out by churches and other private, charitable organizations that are exempt from filing. Finally, the presence of large federal deficits is generating increasing pressure to further reduce public spending on social welfare programs. Therefore, although private philanthropy as a whole is a small component of total social welfare spending, private sector organizations are being looked upon to help fill the gap created by the public spending reductions.

III. The Financial Composition of Private Foundations

The 1974 and 1979 (forthcoming) IRS private foundation studies are similar in design and content and offer an ideal circumstance for inter-year comparisons on the internal composition of foundation financial data.

In Table 3, assets and liabilities by type are presented for 1974 and 1979. Except for accounts and notes receivable, all components increased between 1974 and 1979. Corporate stock, the largest asset item increased by $2.3 billion, while corporate bonds, the second largest asset item, increased by $2.0 billion. Government obligations, the third largest asset item, witnessed the largest increase both in actual amounts and on a percentage basis. This increase is $2.7 billion, which is almost twice the 1974 amount.

In regard to the percentage composition of assets, the relatively small percentage increase in corporate stock (17 percent) in comparison to some of the other components has bought about an 8 percent decline in the composition of assets accounted for by stockholdings (from 53 to 45 percent). Government obligations accounted for the largest relative increase, growing from 6 to 12 percent of the total. Most of the other asset composition shares were relatively stable between the two periods. Foundation liabilities declined by $139 million between the two periods. Contributions, gifts, and grants payable is the largest liability component, accounting for over 50 percent in each of the years. Although this amount declined slightly between the two years (2 percent), there was a greater decline in total liabilities (8 percent). This raised the ratio of contributions to total liabilities from 53 to 57 percent. Mortgages and notes payable, the second largest liability component, declined substantially between 1974 and 1979 and decreased relative to total liabilities from 32 to 20 percent. The net worth of private foundations increased by approximately the same amount as total assets ($9 billion), an increase of 39 percent.

In table 4, the composition of foundation receipts and deductions are presented. In both years, contributions, gifts, and grants is the largest receipt item, while dividends and interest are the two next largest items. Dividends ranked second in 1974 but dropped to third in 1979 as interest registered a larger increase. This increase in the share of interest relative to dividends is not surprising when two factors are considered. First, as the asset composition indicates, investment portfolios have shifted away from holdings of corporate stock toward holdings of government obligations. Second, in 1979 interest rates were at historically high levels so, even without portfolio changes, returns from these assets would be higher relative to those in 1974. Each of the three largest receipt items grew substantially on a percentage basis (between 61 and 88 percent); however, they all declined in relative importance to total receipts due to the large net gain from the sale of assets. In 1974 this component was -$0.2 billion, but it increased to $0.8 billion in 1979.

Contributions, gifts, and grants is by far the largest item in total deductions, and it increased its share of the total from 71 to 79 percent.

Although employee wages and benefits, professional services, and compensation of officers all registered large percentage increases, the relative share of the sum of these three items increased only from 8 to 10 percent.

A comparison of the composition of assets between 1974 and 1979 by size of total assets is shown in Table 5. Despite a decline in the relative share of corporate stock in the overall composition of assets, in both years corporate stock accounts for the largest share of total assets for all size groups except for the group under $25,000. Furthermore, corporate stock accounts for a greater share of total assets with increasing asset size in both years. This item accounts for less than 30 percent of assets in the smallest asset size class but over 50 percent in the largest class. The relative share of corporate bonds in total assets is stable at 20 percent in both years, and the relative shares across asset size classes are strikingly similar. Despite a difference in the smallest asset size class, both composition shares grow steadily from the 13 to 14 percent range (in the second smallest asset size group) to just over 20 percent (in the $1 million to $50 million range), then decline somewhat in the highest asset size class.

Government obligations, the third largest asset item, changed the most relative to total assets, increasing from 6 percent in 1974 to 12 percent in 1979. All but one asset size class increased its relative holdings of government obligations. However, the largest increases occurred in the medium and large asset size classes. The increases in government obligation holdings are similar in magnitude to the decreases in corporate stock holdings. In both years, cash holdings decrease relative to total assets as asset size increases. However, for each comparable asset size class, cash holdings are greater in 1979 than in 1974. The remaining asset items account for a relatively small portion of total assets.

Data on the percentage composition of receipts by size classes of assets for 1974 and 1979 are displayed in Table 6. The largest receipt item, contributions, gifts, and grants declined somewhat relative to total receipts and indicated a pattern of decreasing importance with increasing asset size in both years. This component accounts for over 80 percent of total receipts for the smallest asset size class; however, it declines as asset size increases and accounts for only 30 percent in the largest size class. Both dividends and interest, the second and third largest receipt items, increased in composition share with increasing asset size. However, for both items this increase is more pronounced in 1974 than in 1979. In 1974, dividends and interest together accounted for 14 percent of receipts in the smallest asset size class and 76 percent in the largest size class. In 1979, however, these two components accounted for 8 percent of receipts in the smallest asset size class and 44 percent in the largest asset class.

As previously noted, the only item that increased its share of total receipts is net gain from the sale of assets. In 1974 this item was negative both in total and in all but one of the asset size classes. In 1979, both the total and each size class were positive. Furthermore, in 1979 the composition share of this component increased steadily from 0.2 percent in the smallest asset size class to 19 percent in the largest size class. Although the size of the negatives in 1974 are most significant in the lowest and highest size classes, no other pattern is evident.

Distributions and distribution to asset percentages for 1974 and 1979 appear in Table 7. The minimum investment return is a fixed percent of non-charitable assets. In 1974 it was 5.5 percent for nonoperating foundations organized before May, 1969 and 6.0 percent for all other foundations. By 1979 it was lowered to 5.0 percent for all foundations. The distributable amount is the greater of the minimum investment return or adjusted net income and is the required minimum distribution that must be met to avoid penalties. Qualifying distributions are: (1) expenditures made by foundations for their exempt purpose, (2) amounts used to acquire additional charitable assets, and (3) amounts set aside for future charitable projects. Qualifying distributions are what a foundation chooses to distribute (as opposed to the distributable amount, which is what a foundation is required to distribute).

The minimum investment return increased from $1.5 billion to $1.9 billion between 1974 and 1979 and is a relatively stable percentage of assets, (as one would expect). The distributable amount increased from $1.5 billion in 1974 to $2.5 billion in 1979 and exceeds the minimum investment return in total and in each asset size class for both years. The difference by which the distributable amount exceeds the minimum investment return declines with increasing asset size. This indicates that the smaller foundations have amounts of adjusted net income that exceed their minimum investment returns by a higher rate than is the case for the larger foundations. The distributable amount to asset percentage is higher in total and in each asset size class in 1979 than in 1974. This occurred even though the rate of the minimum investment return was lower in 1979. The reason, however, was that adjusted net income increased more rapidly than the minimum investment return ($1.1 billion for the former and $0.4 billion for the latter). In 1974 the minimum investment return exceeded adjusted net income, but in 1979 it was $0.7 billion less. As a result of the 1981 Economic Recovery Tax Act, adjusted net income is no longer used in the determination of the distributable amount. This may reduce the amounts that foundations expend for charitable purposes. For example, if this had existed in 1979, the distributable amount would have been $0.7 billion less.

Qualifying distributions have increased from $2.5 to $3.4 billion between 1974 and 1979; however, the qualifying distribution to asset percentages remained stable at 10 percent in both periods. Qualifying distributions exceed the distributable amount for all asset size classes in both years, but the difference declines with increasing asset size. Thus, the smaller foundations are more inclined to distribute more than is required than the larger foundations. In the smallest asset size class, qualifying distributions exceed assets by a considerable amount in both years. While this appears inconsistent, it is probably caused by the presence of liquidations in this asset size class. Since the asset measure used in this comparison is the year end total book value, an organization that liquidated during the year would have (positive) distributions and no assets at year end.

IV. Future Research Planned

An article highlighting data from the 1979 private foundation study is planned for the fall (1982) issue of the SOI Bulletin. This article will present additional data not present in this paper.

The overall plan of research in the tax-exempt area is to accomplish more with less resources. Consequently, no new full-scale studies are planned for the 1982-87 period. Resources will be concentrated on the maximum utilization of Master File data and on selected small-scale studies. Although the Master File data are limited in item detail and are not subjected to extensive consistency testing, they are a useful alternative to other approaches because they are economical, timely, and not subject to sampling error. Since all three types of exempt organizations are included in the Business Master File (i.e., private foundations, farmers cooperatives, and other tax-exempt organizations), we are attempting to obtain a tape extract with data for all of these organizations. Tables could be programmed in the Statistics of Income Division and included as a periodic feature in the SOI Bulletin.

Beginning with tax year 1982, we will also initiate a series of annual "mini" studies of private foundations and other exempt organizations. The private foundation studies will use a sample of approximately 1,200 returns which will include all of the largest foundations (i.e., approximately 600 with at least $10 million in total book value of assets) and an additional 600 from a random, stratified sample of the remaining population. Although this sample size is a significant reduction from the full-scale studies of 1974 and 1979 (each of which had sample sizes of approximately 9,000 returns), the high concentration of foundation assets and income will allow us to obtain a large portion of these items in the selected returns. Furthermore, we are planning to supplement these data with data from the Master File to provide a comprehensive statistical profile of the foundation sector.

The proposed annual "mini" studies of other tax-exempt organizations (Form 990) will have a sample size of approximately 4,800 returns. Of this total, approximately 4,200 returns will be those of the largest organizations (i.e., those with total assets of $10 million or more), and 600 will be from a random, stratified sample. Although this sample size is extremely small in comparison to the population (over 300,000 returns), assets and income are also highly concentrated among the largest organizations for which the selection rates will be 80 to 100 percent. Our greatest concern is the analysis of the data of the smaller organizations (i.e., those with under $10 million in total assets). To minimize this problem, we are exploring options with confining this portion of the sample to particular strata, such as Subsection 501(c)(3), and to shift this emphasis over time.

After considerable delay, a study of farmers cooperatives for 1977 is once again proceeding. This study includes both tax-exempt (Form 990-C) and taxable (Form 1120) cooperatives. The Department of Agriculture has contracted to test and resolve problems with these data and to program tabulations. We plan to publish an analysis of these data in the SOI Bulletin in 1983. Presently, we have no plans for another SOI study of these organizations.

In conclusion, the tax-exempt sector is a diversified part of the U.S. economic system that has several significant attributes concerning tax policy analysis and overall economic behavior. Because of its diversity, the tax-exempt sector is difficult to analyze with limited resources. However, we are committed to developing an approach that will lead to the establishment of a timely and economical data base which will be of interest to many researchers in this area.

ACKNOWLEDGEMENTS

The author would like to extend his gratitude to several individuals who made important contributions to this paper and the 1979 Private Foundation data file. Most significantly, thanks go to Dave Johnston and Craig Schuler for their programming and systems support in a much accelerated time frame. In addition, thanks go to Jim Harte for deriving the weights and to John Gorman, Dan Skelly, Mike Coleman, and John Sullivan for their review of the manuscript. All of these people are in the Statistics of Income Division of IRS, except for John Gorman, who is with the Bureau of Economic Analysis. Finally, thanks to Bob Cripe, Felix Vera, and Linda Daniel for their work on typing and the tables. Any errors that remain are the responsibility of the author.

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Appendix: Method of Estimation in the 1979 Private Foundation Study

The data for 1979 in this paper are estimates based on a random, stratified sample of Forms 990-PF, Returns of Private Foundations Exempt from Income Tax. All returns were selected before audit. Tentative and amended returns were excluded from the sample. Tentative returns were not subjected to sampling because a later revised return could have been sampled. Amended returns were not sampled because the original returns had already been subjected to sampling.

A. Sample Selection and Method of Estimation

Foundation returns processed during 1980 were computer stratified based on the size of total book value of assets. Within each sample stratum, returns were randomly selected based on a transformed value of digits in the Employer Identification Number (EIN). Sampling rates varied between 7 and 100 percent. A summary of data on the population, sample, and method of estimation is provided in Table 8.

The population of 29,673 was sampled, and a total of 9,925 returns were selected. This sample included duplicate returns, prior year returns of selected entities, and amended returns. A total of 83 duplicate returns were excluded from the sample file, and weighting factors were derived by dividing the estimated population in each stratum by the sample count for that stratum. The weighting factors were applied to the accepted records, which consist of the sample counts less the prior year duplicate entity returns and amended returns for that stratum. In the 100 percent portion of the sample, special efforts were made to insure the inclusion of the largest foundation returns. This portion of the file was matched against comparable portions of the IRS Business Master File and a file from the Foundation Center. Discrepancies between these files were investigated. The returns of 45 very large foundations (i.e., those with $10 million or more in total assets) that were missed were added to the file, and special adjustment factors were derived to account for additional "missing" returns that we did not attempt to locate.

B. Response and Other Nonsampling Errors

Various checks were imposed to improve the quality of the information in the returns of the sample. During statistical editing, editors were instructed to correct tax return errors wherever possible through reference to the actual return form and accompanying schedules. The quality of editing was controlled by means of a continuous subsampling verification system, and the Statistics of Income Division independently reprocessed a small sample of returns to evaluate the quality of the editing after verification to determine adherence to the processing instructions.

All records in the sample were subjected to a series of tests to determine their internal consistency, balance, and completeness. If a record failed any of these tests, it was printed in its entirety on an error register. The type and incidence of the errors were evaluated, and corrections were applied either automatically by computer, or by clerical or professional review (depending on the nature of the error). Finally, prior to publication, all tables were reviewed for accuracy and reasonableness in light of provisions of the tax laws, taxpayer reporting variations and limitations, economic conditions, and comparability with other statistical information.

Table.1--Private Foundations--Number of Organizations, Measures of Total Assets, Total Receipts, and Contributions Paid for Selected Years, 1962-79

[Money amounts are in millions of dollars]

Selected years	Number of foundations	Total assets: Book value	Total assets: Market value	Total receipts	Contributions paid
	(1)	(2)	(3)	(4)	(5)
1962....	14,865	11,648	16,262	1,898	1,012
1974....	26,889	25,514	n.a.	2,792	1,953
1977....	27,691	30,328	34,817	4,369	2,289
1978....	29,659	32,935	36,735	4,933	2,764
1979....	27,980	34,668	44,648	6,013	2,801
	Money amounts are in millions of constant (1972) dollars				
1962....	14,865	16,496	23,031	2,688	1,433
1974....	26,889	22,202	n.a.	2,430	1,699
1977....	27,691	21,689	24,900	3,125	1,637
1978....	29,659	21,949	24,482	3,288	1,842
1979....	27,980	21,299	27,430	3,694	1,721
	Annual current dollar growth rates (%) from year of prior study				
1962....	n.a.	n.a.	n.a.	n.a.	n.a.
1974....	4.9	6.5	n.a.	3.2	5.5
1977....	1.0	5.8	5.1	14.9	5.3
1978....	6.9	8.2	5.4	12.1	18.9
1979....	-5.8	5.1	19.5	19.8	1.3
	Annual constant dollar growth rates (%) from year of prior study				
1962....	n.a.	n.a.	n.a.	n.a.	n.a.
1974....	4.9	2.5	n.a.	-.8	1.4
1977....	1.0	-0.8	0.5	8.4	-1.2
1978....	6.9	1.2	-1.7	5.1	11.8
1979....	-5.8	-3.0	11.4	11.6	-6.8

n.a. - Not available

SOURCES: Data for 1962 are from [37], data for 1974, 1977, and 1978 are (or were derived) from [14], and data for 1979 are from [22]. Constant dollar estimates were derived using the GNP Implicit Deflator from [33, 34].

Table 2.-- Expenditures for Exempt Purposes by Private Foundations and Other Charitable Tax-Exempt Organizations, Social Welfare Expenditures, and the Gross National Product

[Money amounts are in millions of dollars]

Selected years	Expenditures for Exempt Purposes		Social Welfare Expenditures	Gross National Product
	Private Foundations	Other Charitable Organizations		
	(1)	(2)	(3)	(4)
1962....	1,012	n.a.	64,713	565,039
1974....	2,409	n.a.	264,681	1,434,220
1975....	n.a.	36,770	311,216	1,549,212
1977....	2,692	29,135	369,289	1,918,011
1978....	3,101	30,380	402,887	2,156,087
1979....	3,246	n.a.	440,264	2,413,900
	Amount as a percent of the Gross National Product			
1962....	0.18	n.a.	11.45	100.00
1974....	0.17	n.a.	18.45	100.00
1975....	n.a.	2.37	20.09	100.00
1977....	0.14	1.52	19.25	100.00
1978....	0.14	1.41	18.69	100.00
1979....	0.13	n.a.	18.24	100.00

n.a. - Not available

SOURCES: Column (1) data are from [14, 22, 37], column (2) are unpublished from the IRS, column (3) are derived from [25, 26, 27], and column (4) are from [33, 34].

Table 3.--The Composition of Total Assets, Liabilities, and Net Worth in 1974 and 1979

[Money amounts are in millions of dollars]

Item	1974	1979	Change
	(1)	(2)	(3)
Number of foundations	26,889	27,980	1,091
Total assets	25,514	34,668	9,154
Corporate stock	13,407	15,740	2,333
Corporate bonds	5,045	7,037	1,992
Government obligations	1,441	4,153	2,712
Cash	1,165	2,011	846
Accounts and notes receivable	984	760	-224
Land	406	570	164
Net depreciable assets	345	667	332
Other assets	2,722	3,729	1,007
Total liabilities	1,640	1,501	-139
Contributions, gifts, grants payable	866	849	-17
Mortgages and notes payable	525	299	-226
Accounts payable	69	134	65
Other liabilities	180	220	40
Net worth	23,874	33,167	9,293
	Composition Percentages		Percent Changes
Total assets	100.0	100.0	35.9
Corporate stock	52.5	45.4	17.4
Corporate bonds	19.8	20.3	39.5
Government obligations	5.6	12.0	188.2
Cash	4.6	5.8	72.6
Accounts and notes receivable	3.9	2.2	-22.8
Land	1.6	1.6	40.4
Net depreciable assets	1.4	1.9	93.3
Other assets	10.7	10.8	37.0
Total liabilities	100.0	100.0	-8.5
Contributions, gifts, grants payable	52.8	56.6	-2.0
Mortgages and notes payable	32.0	19.9	-43.0
Accounts payable	4.2	8.9	94.2
Other liabilities	11.0	14.7	22.2
Net worth	100.0	100.0	38.9

SOURCES: Column (1) data are from [14], and column (2) data are from [22].

Table 4.--The Composition of Total Receipts and Deductions in 1974 and 1979

[Money amounts are million of dollars]

Item	1974	1979	Change
	(1)	(2)	(3)
Number of foundations	26,889	27,980	1,091
Total receipts	2,792	6,013	3,221
Contributions, gifts, grants	1,217	2,282	1,065
Dividends	743	1,196	453
Interest	671	1,225	554
Net gain from sale of assets	-175	758	933
Gross rents and royalties	120	197	77
Gross profits from business	40	50	10
Other receipts	175	306	131
Total deductions	2,717	3,536	819
Contributions, gifts, grants	1,953	2,801	848
Employee wages and benefits	124	197	73
Taxes	73	89	16
Professional services	46	81	35
Compensation of officers	44	72	28
Depreciation, amortization, depletion	21	27	6
Interest	18	17	-1
Other expenses	437	252	-185
	Composition Percentages		Percent Change
Total receipts	100.0	100.0	115.4
Contributions gifts, grants	43.6	38.9	87.5
Dividends	26.6	19.9	61.0
Interest	24.0	20.4	82.6
Net gain from sale of assets	-6.3	12.6	-533.1
Gross rents and royalties	4.3	3.3	64.2
Gross profits from business	1.4	.8	25.0
Other receipts	6.3	5.1	74.9
Total deductions	100.0	100.0	30.1
Contributions, gifts, grants	71.9	79.2	43.4
Employee wages and benefits	4.6	5.6	58.9
Taxes	2.7	2.5	21.9
Professional services	1.7	2.3	76.1
Compensation of officers	1.6	2.0	63.6
Depreciation, amortization, depletion	.8	.8	28.6
Interest	.7	.5	-5.6
Other expenses	16.1	7.1	-42.3

SOURCES: Column (1) data are from [14], and column (2) data are from [22].

Table 5.--The Percentage Composition of Assets by Size of Assets in 1974 and 1979

Item	Total	Size of total assets: Under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1974								
Total assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Corporate stock	52.5	25.7	36.8	42.8	44.4	47.1	48.9	61.5
Corporate bonds	19.8	12.4	12.7	17.2	19.1	21.1	21.4	18.6
Government obligations	5.6	3.8	7.6	6.3	6.4	6.1	6.7	4.5
Cash	4.6	40.1	21.6	13.2	9.4	6.2	3.4	1.6
Accounts and notes receivable	3.9	2.4	3.5	2.8	3.3	2.8	4.1	4.7
Land	1.6	0.9	2.9	2.9	3.5	2.9	1.3	0.4
Net depreciable assets	1.4	(*)	1.3	1.8	2.5	2.1	1.4	0.6
Other assets	10.7	12.7	13.1	13.0	11.5	11.6	12.9	8.1
1979								
Total assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Corporate stock	45.4	21.6	30.9	34.2	34.8	38.8	42.1	54.2
Corporate bonds	20.3	8.5	13.8	16.9	19.3	20.5	22.1	19.8
Government obligations	12.0	5.5	7.1	10.3	11.8	13.3	13.9	10.4
Cash	5.8	49.1	27.5	16.7	13.5	7.6	4.8	2.5
Accounts and notes receivable	2.2	2.9	3.0	2.8	2.9	2.6	2.6	1.5
Land	1.6	.5	2.4	2.9	2.7	2.7	2.2	.4
Net depreciable assets	1.9	1.7	2.1	2.5	2.9	3.4	1.8	1.0
Other assets	10.8	10.1	13.2	13.8	12.0	11.1	10.6	10.1

SOURCES: 1974 data are from [14], and 1979 data are from [22].

Table 6.--The Percentage Composition of Receipts by Size of Assets in 1974 and 1979

Item	Total	Size of total assets						
		Under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<u>1974</u>								
Total receipts.................	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Contributions, gifts, grants..	43.6	88.8	76.8	61.3	56.7	46.9	33.0	33.3
Dividends....................	26.6	3.6	9.1	14.6	16.7	20.3	27.4	43.5
Interest.....................	24.0	10.6	12.7	16.4	18.8	20.7	25.6	32.7
Gross rents and royalties.....	4.3	1.0	2.7	3.7	5.9	5.3	5.7	2.1
Gross profit from business....	1.4	.6	.7	2.1	1.0	2.4	1.2	.4
Net gain from sale of assets..	-6.3	-9.6	-4.7	-1.4	-2.0	1.9	-.4	-23.9
Other receipts...............	6.3	5.0	2.8	3.3	3.0	2.6	7.6	11.9
1979								
Total receipts.................	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Contributions, gifts, grants..	37.9	84.1	72.7	57.3	50.9	42.2	38.7	25.7
Dividends....................	19.9	3.5	8.5	13.1	15.2	17.2	21.7	23.7
Interest.....................	20.4	4.4	10.9	18.1	20.4	21.4	21.7	20.3
Gross rents and royalties.....	3.3	1.8	1.8	3.5	3.1	4.4	4.4	1.8
Gross profit from business....	.8	2.6	1.6	1.4	1.0	1.7	.6	.1
Net gain from sale of assets..	12.6	.2	2.7	5.0	6.7	10.0	11.2	18.5
Other receipts...............	5.1	3.4	1.8	1.6	2.7	3.2	1.7	9.9

SOURCES: 1974 data are from [14], and 1979 data are from [22].

Table 7.--Distributions and Distribution to Asset Percentages in 1974 and 1979

[Money amounts are in millions of dollars]

Item	Total	Size of total assets						
		Under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1974								
Distributions:								
Minimum investment return........	1,455	6	14	72	54	386	348	586
Distributable amount.............	1,544	10	18	77	61	407	362	609
Qualifying distributions.........	2,542	85	77	100	126	663	566	826
Distribution to asset percentages:								
Minimum investment return/Assets.	5.7	8.6	4.3	4.6	5.0	5.6	5.9	5.9
Distributable amount/Assets......	6.1	13.9	5.3	5.8	5.7	5.9	6.1	6.2
Qualifying distributions/Assets..	10.0	117.9	23.3	15.0	11.6	9.6	9.5	8.4
1979								
Distributions:								
Minimum investment return........	1,878	4	16	79	71	461	482	766
Distributable amount.............	2,450	15	25	118	100	614	616	961
Qualifying distributions.........	3,438	119	85	254	171	950	844	1,015
Distribution to asset percentages:								
Minimum investment return/Assets.	5.4	6.3	4.7	4.9	5.1	5.2	5.8	5.3
Distributable amount/Assets......	7.1	23.5	7.6	7.3	7.2	7.0	7.4	6.8
Qualifying distributions/Assets..	9.9	186.5	25.5	15.8	12.3	10.8	10.2	7.2

SOURCES: 1974 data are from [14], and 1979 data are from [22].

Table 8.--Population, Sample Counts, Accepted Records, Weight Determination, and Weighted Counts in the 1979 Private Foundation Study

Size of total assets	Population 1/	Sampled returns	Identical returns	Sample counts	Prior year duplicate returns	Amended returns	Accepted records	Weight 2/	Weighted Counts
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Total	29,673	9,925	83	9,842	398	6	9,438	-	27,980
Under $25,000..............	10,911	721	10	711	72	1	638	15.35	9,780
$25,000 under $100,000......	6,317	1,198	16	1,182	57	1	1,124	5.34	5,967
$100,000 under $200,000.....	3,267	800	5	795	34		761	4.11	3,158
$200,000 under $500,000.....	3,688	1,827	15	1,812	66	1	1,745	2.04	3,594
$500,000 under $5,000,000...	4,537	4,404	28	4,376	131	3	4,242	1.07 1/	4,528
$5,000,000 under $10,000,000	463	453	2	451	13		438	1.06 1/	463
$10,000,000 or more.........	490	522	7	515	25		490	1.00 1/	490

Table Notes: 1/ Includes duplicate and amended returns.

2/ This is the estimated population (column (1)) divided by the sample count (column (4)) for asset sizes under $500,000. For the strata with assets greater than $500,000, special procedures were used that are described in the text of the appendix.

3/ These are the accepted records (column (7)) times the weight (column (8)). Detail does not check due to rounding.

Private Foundation Information Returns, 1982

By Margaret Riley*

Private foundation giving to philanthropic organizations rose by $1.6 billion between 1979 and 1982 [1]. The $4.4 billion in contributions, gifts and grants (hereafter referred to as "grants") awarded by the 23,306 grantmaking private foundations represents an inflation-adjusted real increase of nearly 25 percent over grant payouts made in 1979, the last year for which statistics are available [2]. (See Table 1 for data on the various categories of private foundations.) These grants helped to support charitable programs and research in the areas of health, education, science, the arts, community development, social services and other causes deemed to serve the public good.

In addition to making a small number of grants, 3,105 "operating" foundations actively conducted charitable programs and provided direct services as a means of carrying out their philanthropic mission. Operating foundations, as a condition of such status, are required to expend substantially all of their income directly for the active conduct of their exempt purposes. In contrast, "nonoperating" foundations carry out exempt (charitable) activities in an indirect manner by making grants to other organizations that carry out these activities.

Approximately 3,300, or 13 percent, of the 25,363 nonoperating foundations did not make any grants for 1982. However, the majority were small organizations, and about 75 percent of them set aside funds earmarked for future charitable projects, made program-related investments, or incurred qualifying expenses for charitable purposes which met or exceeded the required minimum distribution for 1982. It should also be noted that many nonoperating foundations which do not make grants were formerly classified by the Internal Revenue Service (IRS) as public charities. If an organization fails to meet IRS' requirements for retaining its public charity status, that organization is reclassified as a private foundation. Most often, these reclassified organizations continue to operate as public charities, operating programs or providing direct services as opposed to making grants to accomplish a charitable purpose.

For 1982, it is estimated that there were 28,468 active private foundations (both grantmaking and nongrantmaking), an overall growth of 1.7 percent over 1979. The growth of foundations in asset classes of $100,000 and above increased at successively higher rates with each graduated asset bracket. This is not

Size of Fair Market Value of Assets	Number of Private Foundations[1] 1979	1982	Percent Change, 1979 to 1982
Total	27,980	28,468	1.7
Under $100,000[2]...	15,632	14,752	-5.6*
$100,000 under $1,000,000......	8,616	9,125	5.9
$1,000,000 under $10,000,000.....	3,131	3,771	20.4
$10,000,000 under $50,000,000.....	486	655	34.8
$50,000,000 or more.........	115	165	43.5

*Estimate should be used with caution because of the small sample size for this asset bracket.
[1]Includes former public charities reclassified as private foundations.
[2]Includes returns with assets zero or unreported.

surprising as many organizations that were in a lower asset class in 1979 grew into a higher class by 1982. In the asset range of less than $100,000, there appears to be a 5.6-percent decrease in the number of foundations. However, because of the small number of returns studied with assets below $100,000, this apparent decline also could be attributed to sampling variability. (See the coefficients of variation explained in the "Data Sources and Limitations" section of this article.) [3]

The Ford Foundation clearly maintained its position as the front-runner in terms of the

*Foreign Special Projects Section. Prepared under the direction of Marvin Schwartz, Acting Chief.

size of asset holdings and amount of grants awarded [4]. While Ford remained well ahead of all other foundations, some foundations had assets in, or near, the billion-dollar range. Excluding the J. Paul Getty Museum Trust, which is classified as an operating foundation and for 1982 had nearly $2 billion in assets, Figure A lists foundations which reported fair market value of assets above $500 million. Also provided in Figure A are data on ledger assets, grants paid, and the 5-year carryover of distributions made in excess of the amount required. These 11 largest organizations held 19.2 percent of all assets owned by private foundations, and were responsible for 8.6 percent of the dollar value of all grants paid.

Figure A
[illegible] Fair Market Value (FMV) [illegible] 1982
([illegible])

Rank	Name	FMV Assets	Ledger Assets	Grants Paid	Excess Distributions Carryover
1	Ford Foundation	3,529.2	3,529.2	103.9	8.0
2	Robert Wood Johnson Foundation	1,310.6	[illegible]	75	21.6
3	Andrew W. Mellon Foundation	1,089.7	774.2	59.3	3.9
4	Rockefeller Foundation	[illegible]	[illegible]	[illegible]	6.1
5	The MacArthur Foundation	990.3	707.5	22.3	—
6	[illegible]	[illegible]	329.7	37.6	—
7	Fundacao Calouste Gulbenkian	847.9	211.2	27.0	—
8	Lilly Endowment	705.3	[illegible]	12.6	10.7
9	Kresge Foundation	681.5	519.2	8.9	3.1
10	The Hewlett Foundation	531.5	331.5	12.4	9.0
11	Carnegie Corporation of N.Y.	511.3	416.7	13.4	—

The four foundations listed which show no excess distributions carryover did not distribute the minimum amount required for 1982 because they first had to apply a portion of their 1982 distributions against amounts remaining undistributed from 1981. Foundations have until the end of their next tax year to distribute the minimum amount required for the current year before they are liable for the excise tax levied on undistributed income. This 1-year grace period provides to foundations the opportunity to plan systematically their grantmaking activity to correspond with their investment performance.

To measure private foundation philanthropic giving, the contributions reported by foundations on returns filed with the Internal Revenue Service (IRS) for 1982 were compared to those reported to IRS by all other private sources [5]. Foundations accounted for approximately one dollar out of every ten contributed from a private donor.

Type of Donor	Contributions ($ Billions)	Percent of Total
Total	45.11	100.0%
Individuals [6]	34.05	75.5
Foundations [7]	4.43	9.8
Corporations [8]	2.91	6.5
Bequests [9]	2.25	5.0
Trusts & Estates [10]	1.42	3.1

NOTE: Detail may not add to total due to rounding.

Government social welfare expenditures, a measure of public philanthropy compiled by the Social Security Administration [11], can also be used as a comparative base to show the magnitude of public versus private support for philanthropic programs. The amount of social welfare expenditures for Fiscal Year 1982, adjusted to exclude $302.6 billion for social security insurance benefit payments, was $291.8 billion. These public expenditures were about 6 times greater than total private contributions and about 66 times greater than the contributions of private foundations.

If administrative and direct operating expenses incurred in the conduct of foundations' charitable purposes are added to the amount of the contributions they paid out, the resulting total charitable expenditures of all foundations for 1982 were $5.2 billion. Compared to the Gross National Product (GNP) for 1982, Government social welfare expenditures (minus the social security portion) comprised 9.5 percent of GNP while private foundation charitable expenditures were less than 0.2 percent of GNP. However, the nature of systematic foundation funding provides an opportunity for initiating innovative research, programs, and test projects which the Government cannot undertake because of political, legislative, or budgetary constraints. In the wake of recent budget cuts in many Government-supported programs, some foundations are thinking more about public-private partnerships. Although they do not believe their role should be solely one of filling Federal philanthropic spending gaps, these foundations foresee situations where the formation of creative public-private partnerships to devise new approaches to social needs can produce positive results [12].

CHARACTERISTICS OF THE PRIVATE FOUNDATION UNIVERSE

A private foundation is a nonprofit corporation, association or trust with a narrow source of funds which operates or supports social, educational, scientific, charitable, religious and other programs dedicated to improving the general welfare of society. By IRS definition, a private foundation is an organization which qualifies for tax exempt status under Internal Revenue Code section 501(c)(3) and is not a church; school; hospital; medical research organization; an organization with broad public support (public charity); an organization which is operated by, or in connection with, any of the above described organizations; or an organization which tests for public safety. The primary difference between foundations and public charities lies in the sources of their funding. Foundations usually receive their funds from an individual, a family or a corporation, while, as their name implies, public charities' funds are derived mainly from a large number of sources within the general public.

Another distinction of a private foundation is that it primarily makes grants to other nonprofit organizations, such as public charities, rather than directly operating its own charitable programs. (An exception is the operating foundation which is described below.) As noted earlier, some organizations which are classified as private foundations were formerly public charities whose status as such was revoked because they failed to maintain the required minimum of support from public sources. While classified as private foundations, they generally continue to operate as public charities.

Foundations form a diverse community distinguished by a wide range of characteristics, including asset size; sources of support; size of managing staff; type of control; and grant size, type, and recipient. Foundations can be classified into two broad categories, operating and nonoperating. While the great majority of foundations are nonoperating (generally grantmaking) organizations, some use their funds to actively operate charitable programs, rarely making contributions or grants to other organizations. These are called operating foundations.

Nonoperating foundations include independent and company-sponsored foundations. Independent foundations can be general-purpose, special-purpose or family foundations [13]. The general-purpose foundation supports a broad range of charitable endeavors while the special-purpose foundation concentrates on limited fields of interest. Family foundations are established with a gift from a single donor and are operated or controlled by members of the donor's family. Some large independent foundations operate with staffs whose members are unrelated to the foundation's donor(s). All of the domestic foundations listed in Figure A are independent foundations.

Company foundations are closely related to the corporations which sponsor them. Many of their grants support charitable activities and improvement projects in the locality in which the company is based, or are made to tax-exempt organizations to conduct charitable research in areas related to the company's interests. Although contributions to company-sponsored foundations usually correspond to the profits of the corporation, i.e., more corporate giving in good years and less in poor years, they have the ability to maintain and control their endowment in a way to provide a steady flow of grants, even when corporate profits are down. Alcoa Foundation, General Motors Foundation, and Western Electric Fund are three of the largest company-sponsored foundations.

Community foundations are established to make grants for nonprofit programs conducted in a specific community or region [14]. Although largely publicly supported by the citizens and businesses of the community, and therefore excluded from IRS' private foundation definition (and also from the statistics presented in this report), community foundations account for a respectable portion of grantmaking philanthropic activity in the private sector. For example, 234 community foundations for 1982 made grants estimated at $233.8 million, an amount equal to 5.0 percent of total foundation giving [15]. It should be noted, however, that $102.2 million of total community foundation grants can be attributed solely to the San Francisco Foundation, the New York Community Trust, the Cleveland Foundation, and the Chicago Community Trust.

FINANCIAL DATA AND CHARITABLE DISTRIBUTIONS

The $47.2 billion in market value assets of the 820 largest private foundations, those with asset holdings of $10 million or more, comprised 75 percent of all assets held by foundations for 1982. In contrast, 84 percent of the foundation population, holding assets worth less than $1 million, accounted for only 6 percent of the total, or $3.7 billion (see Figure B). Assets of all foundations rose by 41 percent between 1979 and 1982. Total receipts increased by 52 percent, while deductions rose by 65 percent. The resulting net income (less deficit) for 1982 was $3.3 billion, a growth of 33 percent from 1979 [16]. The graphic depiction of aggregate foundation receipts, assets (fair market value), and grants paid in Figure C shows that constant dollar increases in these financial data were 19, 11, and 23 percent, respectively.

Sources of Income and Deductions

Dividend and interest income was the largest source of foundation receipts for 1982. While

Figure B
Number of Foundations and Their Assets, By Size of Total Fair Market Value of Assets, 1982
(Money amounts are in billions of dollars)

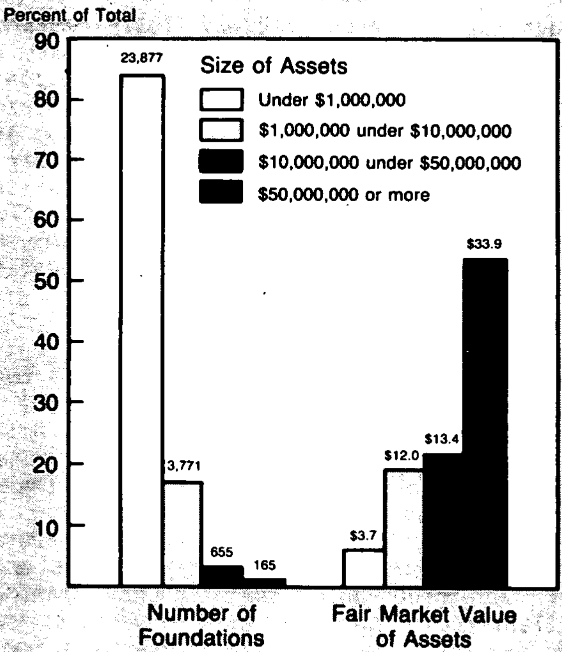
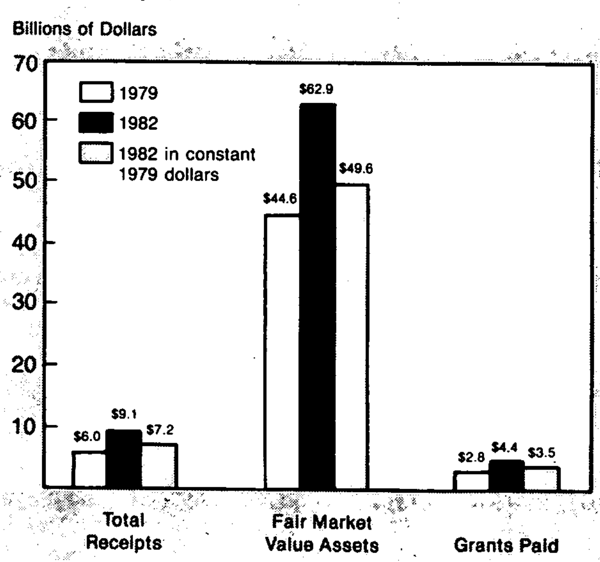


Figure C
Measure of Total Receipts, Total Assets, and Grants Paid, 1979 and 1982



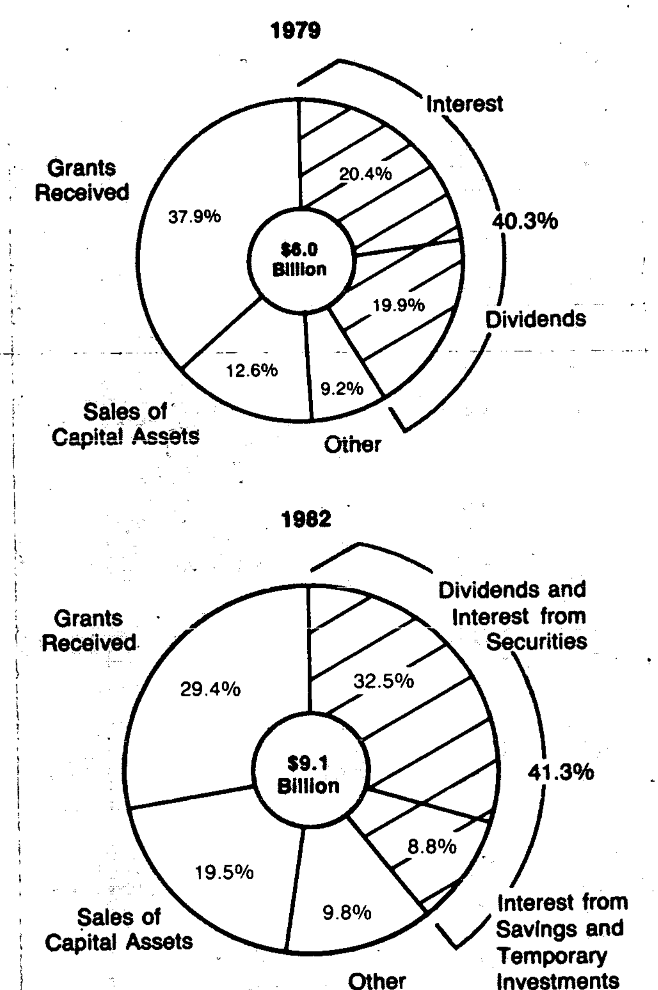
these items together also ranked as the number-one income source for the large foundations, contributions dominated as the leading income source for organizations with assets under $1 million. The primary source of receipts for foundations with assets of $1 million to $10 million was nearly equally split between interest and dividend income and contributions. The reliance upon contributions from outside sources as a major form of support is more common for small organizations. As their assets increase, foundations usually develop larger and more diverse investment portfolios, freeing them from dependence on large amounts of contributions. Most large foundations have received a single substantial bequest or endowment which serves as their primary base from which to produce income and further increase their assets. These endowed foundations rely on their investments to produce income and, therefore, do not need to depend heavily on the receipt of contributions.

The most significant shift in the composition of total income, shown in Figure D, between 1979 and 1982 occurred in sales of capital assets and in contributions, gifts and grants received. The increase in sales of capital assets possibly indicates that foundations are beginning to restructure their investment portfolios, a newfound freedom made available by a 1981 tax law change which eliminated the requirement for foundations to pay out all of their investment income for charitable purposes. (The effect of the law change is explained more fully in the "Composition of Assets" section of this article.)

Because of a 1981 IRS return form change in the method of reporting dividends and interest, these income items individually cannot be compared between 1979 and 1982. For 1982, total interest was reported separately either as amounts received from securities investments (which also included dividends received from stocks) or amounts received from savings accounts and temporary cash investments, such as certificates of deposit, money market funds, and U.S. Treasury bills that mature in less than one year. Taken as an aggregate amount, however, the proportion of total receipts attributable to dividend and interest income for 1982 remained virtually unchanged from 1979. The average annual prime rate charged by banks was 12.7 percent in 1979, rose erratically to 18.9 percent in 1981, and then steadily declined to 14.9 percent in 1982 [17]. During the same period, corporate profits (in current dollars) fell 30 percent to their lowest level since 1976 [18]. Economic conditions leading up to, and including, the harsh recession of 1982 contributed to the decline in profits and likely resulted in dividends on stocks which were lower than they would have been in a nonrecessionary period. Despite the fluctuations in interest rates and dividends paid on investments, the amount of foundation dividend and interest income rose by $1.4 billion between 1979 and 1982.

Compared to the investment income received by individuals from interest and dividends,

Figure D
Major Sources of Income, 1979 and 1982



foundations fared much worse in the rate at which these items grew from 1979 to 1982. Foundation income from these sources increased 56 percent, from $2.4 billion to $3.8 billion, at the same time as the increase for individuals was 94 percent, from $108.9 billion to $211.1 billion. The investment outlook for foundations should improve after 1982 because of the law change mentioned above which freed them from the constraint of having to distribute all of their interest and dividend income each year. (For an explanation of how the law change affected the structure of foundation investment portfolios, see the discussion of the "total return" philosophy in the "Composition of Asset" section of this article.)

Foundations must report both total expenses as recorded on their books of account, and the part of those expenses which can be attributed to the direct conduct of their charitable mission. Charitable-purpose expenditures are reported separately from total expenses because the IRS recognizes, as a qualifying distribution for purposes of meeting the required minimum payout, only the part of an expense item allocable to charitable purposes (as opposed to the production of income or other noncharitable purposes). Effective with Tax Year 1985, Congress placed a cap on the amount of administrative expenses incurred in making grants which a foundation can apply as a qualifying distribution. The Treasury Department has been mandated to conduct a study of foundation administrative expenses and to submit findings to Congress upon its completion.

Depreciation and depletion are allowed as deductions on a foundation's books, but may not be treated as a charitable-purpose expenditure because the entire cost of a charitable-use asset is treated as a qualifying distribution when the asset is acquired. Figure E shows nonoperating foundation expenses as reported on their books and distributions for their charitable purposes. The portion of nonoperating foundations' expenses which was directly related to activities which constituted their charitable purposes totalled $4.7 billion. For ease of comparison, the three categories of nonoperating foundation asset sizes shown in the figure are described as small, medium, and large. Across all three asset sizes, contributions, gifts and grants made up the largest single share of total expenses, reported both on the books and as a charitable disbursement. More than 93 percent of aggregate charitable-purpose expenses were in the form of grants paid. A distant second to grants was "other expenses," at 2.4 percent of total charitable disbursements. The remaining eight categories of itemized expenses accounted altogether for only 4.2 percent of the total.

The ratio of direct charitable-purpose expenditures to expenses reported on the books reveals different charitable distribution patterns for the three foundation sizes. Small foundations have much lower ratios for the three categories related to paid staff--officer compensation, other salaries, and employee benefits (including pension plan contributions). Since small foundations usually are operated by volunteers and fund programs of smaller size, they do not have the personnel expenses of larger foundations for reviewing grant proposals, administrative record-keeping of grant programs, and research and ongoing involvement in new grantmaking program activities.

Medium size foundations claimed a larger percentage of their interest expense as a direct charitable expenditure. This is probably due to the fact that, in proportion to their total assets, medium foundations hold approximately two-to-three times more land,

Figure E.--Nonoperating Foundations: Expenses Per Books (EPB), Disbursements for Charitable Purposes (DCP), and Ratio of Charitable Disbursements to Expenses Per Books, by Size of Total Fair Market Value of Assets, 1982

[Money amounts are in millions of dollars]

Expense Item	Total			Size of Total Fair Market Value of Assets: Less than $1,000,000		
	EPB	DCP	Ratio	EPB	DCP	Ratio
	(1)	(2)	(3)	(4)	(5)	(6)
Total expenses	5,260.77	4,670.65	88.8	923.07	875.10	94.8
Contributions, gifts, grants	4,423.31	4,364.34	98.7	863.88	854.76	98.9
Compensation of officers	89.80	49.50	55.1	8.22	1.42	17.3
Other salaries and wages	86.37	68.52	79.3	2.86	1.21	42.3
Pension plans, employee benefits	25.02	17.44	69.7	1.17	0.23	19.7
Professional services	122.13	35.69	29.2	12.78	3.86	30.2
Interest	15.31	2.66	17.4	1.44	0.19	13.2
Taxes	153.52	6.56	4.3	7.32	0.91	12.4
Depreciation and depletion	29.68	N/A	N/A	1.77	N/A	N/A
Occupation	16.41	13.47	82.1	0.94	0.80	85.1
Other expenses	299.22	112.47	37.6	22.69	14.90	65.7

Expense Item	Size of Total Fair Market Value of Assets--continued: $1,000,000 Under $10,000,000			$10,000,000 or more		
	EPB	DCP	Ratio	EPB	DCP	Ratio
	(7)	(8)	(9)	(10)	(11)	(12)
Total expenses	1,228.61	1,174.20	95.6	3,109.08	2,618.35	84.2
Contributions, gifts, grants	1,080.82	1,118.16	103.5[1]	2,478.61	2,391.42	96.5
Compensation of officers	23.66	11.23	47.5	57.93	36.85	63.6
Other salaries and wages	12.77	10.17	79.7	70.74	57.14	80.8
Pension plans, employee benefits	1.34	1.23	91.8	22.51	16.00	71.1
Professional services	33.68	9.55	28.4	75.66	22.28	29.4
Interest	2.13	0.63	29.6	11.73	2.01	17.1
Taxes	31.77	2.14	6.7	114.43	3.51	3.1
Depreciation and depletion	6.73	N/A	N/A	21.18	N/A	N/A
Occupation	2.55	1.91	74.9	12.93	10.76	83.2
Other expenses	33.18	19.17	57.8	243.36	78.39	32.2

N/A - Not Applicable.

[1]While foundations are required to use the cash method of accounting to report disbursements for their charitable purposes, they have an option to use either the cash or accrual method in reporting expenses on their books. Using the accrual method for expenses on the books can result in a ratio which exceeds 100 percent.

NOTE: Detail may not add to total because of rounding.

buildings and equipment which are used for charitable purposes than the other foundation sizes.

The proportion of charitable-purpose expenditures allocated by large organizations for taxes was small in comparison to foundations in the other two groups. Large foundations hold more than twice as much depreciable investment property compared to the other foundations, so they pay more in real estate taxes. Since real estate taxes on investment property can be reported as a total expense item, but are not includable as an exempt purpose expense item, the ratio for taxes paid by large foundations is lower than the ratio for the small and medium size foundations. The excise tax on investment income paid by all three foundation asset categories is not deductible by nonoperating foundations as a charitable-purpose expenditure.

Composition of Assets

Total fair market value of foundation assets for 1982 showed an increase from 1979 of 41 percent. Investments in securities constituted the greatest share of market assets held by foundations, with holdings of cash placing second. Holdings in long-term investments other than in securities accounted for the next largest portion of assets.

For 1982, foundations held a total investment in stocks and bonds having a fair market value of $49.8 billion. These investments earned dividends and interest totalling $3.0 billion, a yield of 6.0 percent. It has been argued by some that foundations fail to obtain a reasonable rate of return on their stock and bond investments [20]. To test this argument, a base for comparison was constructed for 1982 using measures of average yield for composite investments: 1982 dividend yields on common stocks of the 500 corporations included in the Standard and Poor's composite average and the 1982 yield for the composite U.S. Treasury long-term bond average [21]. Had foundations invested in these composite assets in the same proportions as they invested in stocks and bonds in 1979 (stocks and bonds together were reported as a single amount on the 1982 information return), they would have enjoyed a significantly higher return of 8.5 percent. However, it was only beginning in 1982 that foundations could restructure their portfolios to take advantage of the 1981 law change in the payout rule. (See the discussion of the law change below.)

An examination of yield data for various fair market value asset distributions revealed that as asset size increased the yield on security investments decreased, from a high of 8.9 percent earned by foundations holding assets worth less than $100,000 to a low of 5.3 percent earned by those holding assets worth $50 million or more. This may support the theory that the investment strategies of larger foundations (traditionally more heavily invested in securities than smaller foundations) were significantly affected by a pre-1982 payout rule which required foundations to distribute for charitable purposes the greater of their current investment income or 5 percent of their investment assets (both amounts subject to further adjustments).

Because of the decline in the real value of foundation securities caused by high inflation rates and the requirement to pay out their current investment income (if greater than 5 percent of investment assets), many foundations opted for a "total return" philosophy on stocks and bonds which takes into account not only dividends, but also appreciation. These foundations were inclined to hold greater concentrations of securities which had lower income yields but the potential for higher appreciation values.

Under the new payout rule, enacted in late 1981, foundations no longer are required to make distributions out of current income in excess of 5 percent of their investment assets. The new law offers foundations an opportunity to restructure their investment portfolios to include securities which produce higher rates of return. In so doing, yields in excess of 5 percent could be put back into their endowments. While the percent yield on securities held by larger foundations remains comparatively low for 1982, the increase in sales of capital assets mentioned in the "Sources of Income and Deductions" section tends to suggest a changing trend in foundation investment practices.

Market Value Asset Size	Investments in Securities ($ Millions)	Interest and Dividend Income From Securities ($ Millions)	Percent Yield
Total.......	49,822.6	2,970.2	6.0%
Under $100,000[1]......	176.9	15.7	8.9
$100,000 under $1,000,000.....	1,975.8	174.1	8.0
$1,000,000 under $10,000,000....	8,080.0	566.8	7.8
$10,000,000 under $50,000,000....	10,017.1	646.1	6.5
$50,000,000 or more......	29,572.8	1,567.5	5.3

[1] Includes returns with assets zero or unreported.

Assets in terms of book value rose at nearly the same rate as market value assets, by 39 percent from 1979 to 1982. Since 1981 was the first year for which foundations were required to report their asset components at market value on the Form 990-PF return, comparisons of 1982 data to earlier years must be presented using amounts reported on the foundations' books. Also effective with 1981, the reporting of securities on the information return was not required to be separated into stocks, bonds, and Government obligations as in previous years. Comparison is therefore limited to the aggregate amount of securities as reported for 1982. Securities, long the most prominent type of assets in the portfolios of foundations, continued an upward trend increasing by 89 percent since 1974 [22]. For all 3 years presented in the table below, holdings of securities in terms of their proportion to total assets remained constant at 78 percent.

Type of Asset	Income Year 1974	1979	1982	Percent Change, 1979 to 1982
	($Billions)[1]			
Total........	25.5	34.7	48.2	39%
Securities[2].....	19.9	26.9	37.4	39
Cash, total	1.2	2.0	4.6	131
Savings and interest-bearing accounts	0.8	1.4	4.2	190
Non-interest-bearing accounts......	0.4	0.6	0.5	-15
Depreciable assets and land held for charitable purposes.......	0.3	0.6	1.1	77
Accounts and notes receivable.....	1.0	0.8	0.9	22
Other...........	3.1	4.3	4.1	-5

[1]Assets used were the book value reported.
[2]Includes corporate stocks, corporate bonds, and Government obligations.

The large increase in total cash held by foundations in general is attributable to savings and temporary cash investments, which rose by 190 percent between 1979 and 1982. For foundations with assets of $10 million or more, the increase was 338 percent. Even though a downward trend in interest rates began in mid-1982, the average annual prime rate was still significantly higher for 1982 than it was for 1979, 14.86 percent compared to 12.67 percent. Still riding on the thrust of interest rates which had reached an all-time high during 1981, foundations evidently continued to funnel more income into short-term investments for 1982.

For foundations with less than $100,000 in book value assets, holdings of cash and securities switched their positions of importance, with cash comprising 41 percent of assets and securities ranking second at 37 percent. The book value of land and depreciable assets held for charitable purposes (as opposed to investment purposes) also rose significantly between 1979 and 1982, although their dollar amount remained small in relation to total assets.

There was an increase in all components of liabilities from 1979 to 1982. The increases ranged from 42 percent for mortgages and all other notes payable to 216 percent for accounts payable. Foundations reported total liabilities that were 73 percent higher for 1982 than they were for 1979. However, as a ratio to total assets, liabilities for these 2 years differed by only 1 percent, with liabilities for 1979 being 4 percent of assets and for 1982, 5 percent. Traditionally, the proportion of liabilities has remained relatively low from year-to-year because foundations normally do not borrow funds but operate principally using contributions they receive and income from investments. (Foundation income from investments which were purchased with borrowed funds are subject to the unrelated business income tax under the debt-financed provisions of the Internal Revenue Code.)

Excise Tax on Net Investment Income

Approximately 24,000 private foundations incurred excise taxes totalling $111.4 million on their net investment income for 1982. The amount of excise tax reported increased by 78 percent between 1979 and 1982.

The excise tax on net investment income is a type of "audit" tax levied on foundations under the Tax Reform Act of 1969 to provide funds for IRS oversight of foundation activities and enforcement of laws governing their exempt status. Since the excise tax is computed as a specified percentage of income earned on investments (after allowance for certain expenses), its burden is borne most heavily by foundations with more successful investment portfolios [23]. As the asset size of a foundation grows, it relies more on investments for the production of income. This results in larger excise tax payments in proportion to asset size for the larger foundations.

Charitable Distributions

The following discussion of foundation charitable distributions excludes operating foundations. Because they disburse their funds for the active conduct of charitable projects, operating foundations are not subject to the distribution requirement. All references to foundations in this section on charitable distributions are for nonoperating foundations.

Private foundations are required to distribute annually a minimum amount for charitable purposes. This computed minimum amount is based on 5 percent of a monthly average of their investment assets after allowances are deducted for indebtedness incurred in acquiring the assets and any cash reserved for charitable activities. The result of the computation is called the "minimum investment return." Foundations are then allowed additional adjustments to the minimum investment return, including deductions for the excise tax on net investment income and taxes on any "unrelated business income." The adjusted minimum investment return, called the "distributable amount," is the actual amount foundations must distribute for charitable purposes during their annual accounting period. A foundation is subject to a two-tier system of penalty taxes for any portion of the distributable amount which it fails to pay out for charitable causes by the end of its next accounting period.

Amounts which qualify toward meeting the minimum required distribution include foundation expenditures for accomplishing its charitable purpose; program-related investments; amounts paid to acquire assets directly used, or held for use, in carrying out its charitable function; and any amounts set aside for future payment for a specific charitable project. These amounts are called "qualifying distributions." Foundations may also utilize carryovers (amounts paid out in excess of the amount required) from 5 previous years' grantmaking to meet the minimum payout requirement.

As discussed earlier, the distributable amount prior to 1981 was defined as the greater of "adjusted net income" (current income derived from the ownership of property or from income-producing activities, whether charitable or not, less allowable expenses) or the minimum investment return. With the enactment of the Economic Recovery Tax Act of 1981, Congress changed the definition to limit the computation of the distributable amount to the minimum investment return without regard to the adjusted net income. The change was intended to provide relief to foundations during a period of high inflation (1981 saw the height of inflation rates) [24]. High inflation rates tended to decrease the real value of a foundation's net income. If the distributable amount was based on the entire amount of a foundation's adjusted net income (the real portion plus the inflation-produced portion), the gradual effect would be an erosion of the real value of its investment assets [25].

The data presented in Figure F show the effect of the 1981 tax law change on the amount foundations were required to expend for charitable purposes for 1982. Under the pre-1982 rules, foundations would have been required to pay out $4 billion, $1.6 billion more than was required for 1982. Private nonoperating foundations for 1982 made qualifying distributions of $4.9 billion, over twice the amount required to be distributed. The effect of the revised distribution calculation is further demonstrated by a comparison of the distributable amount for 1979 to that for 1982, in constant 1979 dollars, which shows a 23-percent real decline between the two years. Although nonoperating foundations collectively made qualifying distributions for 1982 that exceeded the distributable amount required under both the existing and previous laws, organizations with $10 million or more in assets as a group distributed $126.8 million less than the amount that would have been required if adjusted net income had still been a factor in determining the distributable amount. This would be expected since the law change, limiting the required payout to 5 percent of investment assets, was intended to help most those foundations which relied more heavily on investments as a principal source of income.

Based on the higher rate by which their adjusted net income exceeded their minimum investment return, it appears on the surface

Figure F.--Nonoperating Foundations: Comparison of Adjusted Net Income (ANI) with Minimum Investment Return (MIR), by Size of Total Fair Market Value of Assets

[Money amounts are in millions of dollars]

Item	Total	Size of Total Fair Market Value of Assets: Under $100,000	$100,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)
Number of returns, total	25,363	12,690	8,577	3,346	750
Number of returns with ANI greater than MIR	17,970	7,007	7,314	2,995	654
Greater of ANI or MIR	4,097.1	41.1	256.8	827.5	2,971.7
MIR	2,458.3	21.4	138.2	466.5	1,832.3
Difference	1,638.8	19.7	118.6	361.0	1,139.5
Difference as percent of MIR	66.7	92.1	85.8	77.4	62.2

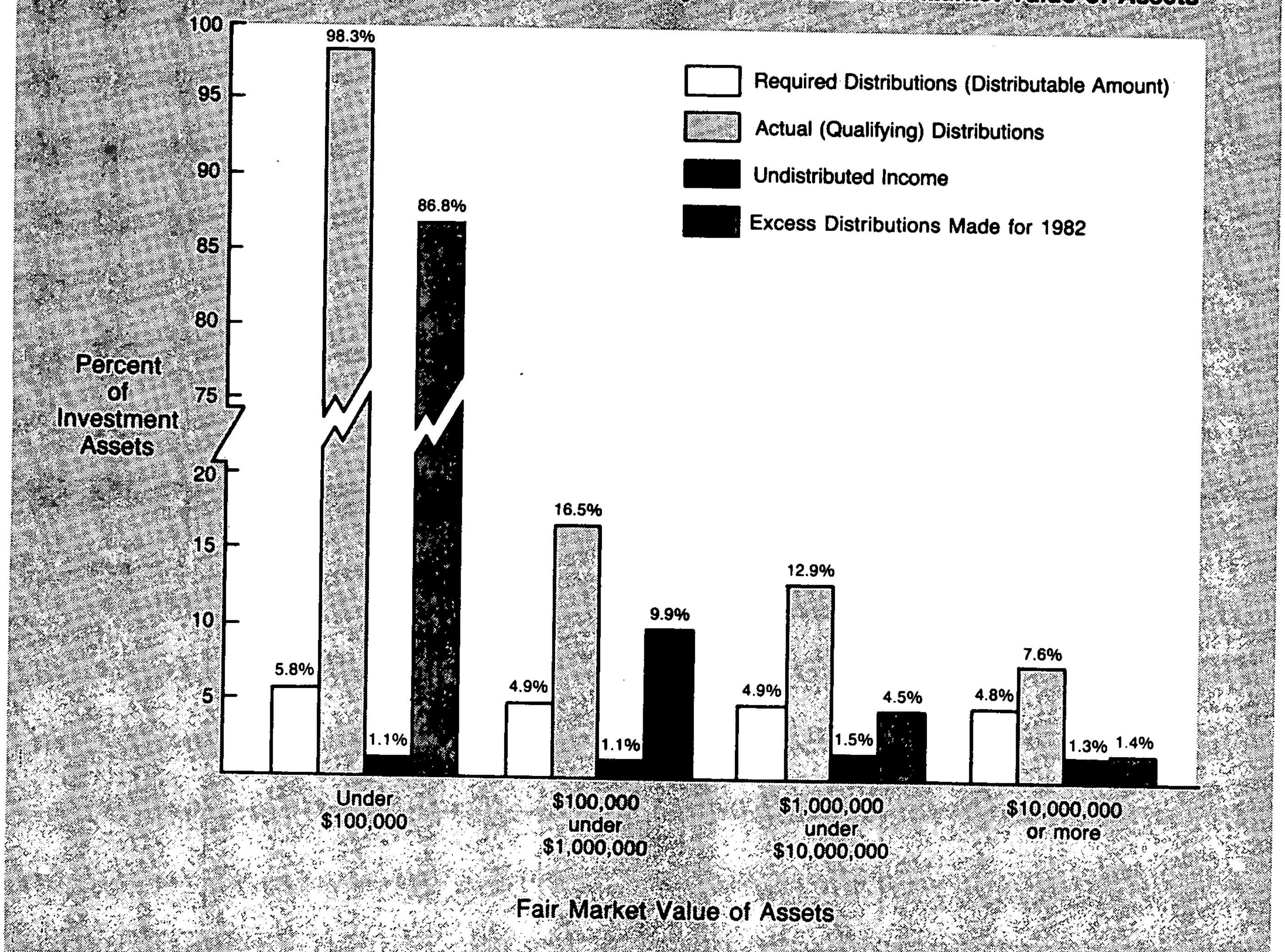
NOTE: Detail may not add to total because of rounding.

that the smaller foundations benefited the most from the new provision. However, small organizations historically have made charitable distributions that well exceeded their annual required minimum. Unlike small foundations, most of the money distributed by large foundations for charitable purposes comes from their investment income. Since the distributable amount is dependent on the size of investment assets, the reduction in the distributable amount is more significant to large organizations. This concept is discussed more fully in the analysis of Figure G data which follows below.

Eighty-five percent of all nonoperating foundations made qualifying distributions above the required 5 percent of net investment assets (after allowed adjustments), and more than half of these foundations paid out amounts which were equal to 10 percent or more. While the remaining 15 percent made qualifying distributions which were less than the required percentage, they may have exercised their option to combine all or a portion of their 5-year excess distributions carryover with their current-year qualifying distributions to fulfill the required distributable amount for 1982. As noted earlier, no penalty or tax would have been imposed on a foundation which did not pay out the required amount for 1982 unless it failed to do so by the end of its 1983 tax year. A small number of those paying out less than 5 percent were allowed to do so because their IRS return was filed for an accounting period of less than one year.

Figure G graphically measures, through the use of ratios to total investment assets, how various asset size classes stack up in a com-

Figure G
Nonoperating Foundations: Required Distributions, Qualifying Distributions, Undistributed Income, and Excess Distributions Made for 1982, By Size of Total Fair Market Value of Assets



parison of charitable distribution items. While the smallest foundations made philanthropic disbursements which were extremely large in proportion to their investment assets, the aggregate distributions of the other asset classes still exceeded the required amount.

It is important to differentiate between small (assets under $100,000) and large (assets of $10 million or more) foundations by each group's principal source of income and how it affects their qualifying distributions. When income sources are considered, the dramatic decreases in qualifying distribution percentages that accompany increases in asset size are more understandable.

Since the distributable amount is based on a percentage of investment assets, and the principal source of income for large foundations is their return on investments, it is not surprising that the amount of their qualifying distributions is relatively close to the required distributable amount. Small organizations generally make qualifying distributions which are much higher than those required because the contributions they receive, which comprise most of their income, are not taken into account in computing the distributable amount. In fact, as a percent of their assets, contributions received by small organizations for 1982 equalled 53.4 percent compared to 2.9 percent when calculated for large foundations.

Traditionally, small foundations not only serve as a conduit for all of the contributions they receive, but they pay out substantially more of their income as well. To illustrate further the effect that the omission of contributions from the distributable amount had on the required and actual payouts of the two asset groups, contributions received for 1982 as a percentage of their respective distributable amounts were 806 percent for small foundations compared to 68 percent for large foundations.

The 1982 undistributed income (the portion of the required distribution which was not actually paid out as a qualifying distribution for 1982) of all asset groups appears to be a fairly stable proportion of their investment assets, ranging from 1.1 to 1.5 percent.

As would be expected because of their direct relationship to qualifying distributions, excess distributions for 1982 (amounts paid out which were in excess of the amount required) were much higher, relative to investment assets, for small foundations than for large foundations. After applying their 1982 qualifying distributions toward any prior-year undistributed income and the current-year distributable amount, foundations made excess distributions for 1982 of $1.6 billion.

Legislative Analysis

Following is a brief analysis of major tax law changes affecting private foundations from 1969 to 1984. For a more in-depth account of private foundation legislation, see the Appendix at the end of this article.

The Tax Reform Act of 1969 was the first comprehensive piece of legislation affecting private foundations. Recommendations for increased Governmental regulation of foundations from a Treasury Department study (described in the Appendix to this article) and heightened public concern over reported controversial foundation activities culminated in hearings of the House Ways and Means Committee in early 1969. The Committee's findings led to the passage of the 1969 Act. The provisions of the 1969 Act covering foundations were enacted to correct and prevent any real and potential abuses of their charitable status.

Enactment of the Economic Recovery Tax Act of 1981 afforded individuals who could not itemize their deductions the tax benefit of deducting charitable contributions. Congress believed this would stimulate charitable giving and provide funds to nonprofit organizations providing services which the Federal Government might otherwise need to fund. This provision terminates after 1986, so that its effectiveness in stimulating contributions can be analyzed. The 1981 Act also changed the method of computing the minimum payout requirement in an effort to provide relief to foundations from the effects of high inflation.

Many of the foundation provisions of the Tax Reform Act of 1984 provide tax incentives and remove regulatory restraints in an effort to encourage the formation of new foundations. Provisions of the tax bill which are expected to promote philanthropic giving are increased deductibility allowances for individuals' gifts to charities, the 1-percent reduction in the 2-percent excise tax if a 5-year average of the foundation's qualifying distributions increases by a like amount, and a change in the minimum payout rule that limits the amount of administrative expenses incurred in the making of grants that may be treated as qualifying distributions. The Treasury Department has been directed to study the effects of the new payout requirement, which expires on December 31, 1990, unless Congress acts to continue it.

SUMMARY

For 1982, approximately 28,500 private foundations spent over $5.2 billion for philanthropic purposes. Of this expenditure, $4.4 billion was in the form of grants made to tax-exempt organizations directly operating charitable programs.

In 1979 dollars, total fair market value of assets for 1982 increased by 11 percent over 1979. Despite erratic shifts in the economy between 1979 and 1982, foundation interest and dividend income, the primary aggregate income source, rose by 56 percent over 1979.

A 1981 tax law change, intended to provide relief to foundations from high inflation, effectively lowered the amount foundations were required to distribute for 1982. The new law seemed to have a positive effect on many foundations and had no apparent negative impact on the amount of qualifying distributions made for philanthropic purposes.

DATA SOURCES AND LIMITATIONS

The statistics in this article are based on a sample of 1982 Income Year private foundation returns, Forms 990-PF, filed with the Internal Revenue Service and having accounting periods ending December 1982 through November 1983. Forms 990-PF filed by nonexempt charitable trusts and certain taxable foundations were excluded from the study. The sample was stratified based on size of total book (ledger) value of assets and selected at rates that ranged from 0.7 percent to 100 percent. There were 1,309 returns in the sample drawn from an estimated population of 28,468.

The 1982 sample was designed to provide the most reliable estimates of total assets and total income using limited resources (budgetary constraints necessitated a very small sample size). The methodology employed to obtain the desired results was to include in the sample all returns with assets (book value) of $10 million or more, the category where the highest concentration of assets exists. The 634 returns in this group accounted for approximately 70 percent of total assets and 50 percent of the sample. The remaining 675 returns in the sample were randomly selected at various rates, depending on their asset size. Due to the small number of sample returns selected to represent the population of returns with assets worth under $100,000 (99 sample returns), the statistics presented for this group are subject to significant sampling variability and should, therefore, be used with caution.

The population from which the sample was drawn consisted of the latest private foundation records on the IRS Business Master File. Determinations of active filing status were made regarding the sample records. Some of the records drawn were deemed inactive (no return had been filed for at least 3 years), terminated, or not yet filed for 1982. Inactive and terminated private foundations were not reflected in the estimates. Prior-year returns were substituted for the small number of large private foundations for which a 1982 return had not yet been filed or was unobtainable for inclusion in the study. Sample weights applied to small organizations were revised upward to compensate for missing returns in the latter category. Asset distributions presented in the 1982 tables have been compressed due to the small numbers of returns with assets less than $10 million selected for the sample.

Because the data presented in this article are estimated based on a sample, they are subject to sampling error, as well as nonsampling error. To use the statistical data properly, the magnitude of the sampling error should be known. Coefficients of variation (CV's) are used to measure that magnitude.

The table below presents an estimate of the sampling error, expressed as a coefficient of variation, for frequency estimates of private foundation returns with less than $10 million in assets. Returns reporting assets of $10 million or more were selected at a rate of 100 percent; therefore, this category is not subject to sampling error. The approximate CV's shown here are intended only as a general indication of the reliability of the data. For a number other than those shown below, the corresponding CV's can be estimated by interpolation.

Estimated Number of Returns by Size of Total Assets[1]: Under $100,000 or Not Reported	$100,000 Under $1,000,000	$1,000,000 Under $10,000,000	Approximated Coefficient of Variation
-	-	3,567	.05
-	9,683	1,897	.07
14,584	4,126	928	.10
6,482	1,810	412	.15
3,683	1,010	237	.20
1,620	463	103	.30

[1]Total assets used were the book value reported. The uppermost number in each column is the actual total number of returns in the asset class.

A discussion of the reliability of estimates based on samples and the use of coefficients of variation for evaluating the precision of sample estimates can be found in the general Appendix to this publication.

EXPLANATION OF TERMS

Non-technical terminology has been used in this article, wherever possible, to assist in the understanding of the statistical content. However, in Tables 1-6, the technical terms are used as they appear on the tax return form.

Therefore, to assist users of these data, explanations of some of these terms are provided with both their technical and nontechnical meanings. (The latter are denoted in parentheses.) A more comprehensive explanation of terms appears in Statistics of Income--1974-1978, Private Foundations (see reference [22]).

Adjusted Net Income (Receipts Less Expenses)

This item represented the gross income derived from, or in connection with, property held by the foundation or from income-producing activities reduced by allowable deductions. It included investment income, net short-term capital gain, repayment of "qualifying distributions," gross profit from business activities, and certain miscellaneous income. Excluded from income were gross contributions, gifts, and grants (received); contributions from split-interest trusts; gross dues and assessments; net long-term capital gains; and net short- and long-term capital losses.

Distributable Amount (Required Minimum Distribution)

Distributable amount was the foundations' "minimum investment return" less taxes on net investment income and unrelated business income, and net of any adjustments. The distributable amount represented the minimum payout which had to be distributed by the end of the year following the year for which the return was filed in order to avoid payment of an excise tax for failure to currently distribute income.

Expenditures for Exempt Purposes (Philanthropic or Charitable Spending)

These deductions represented expenditures for activities that were directly related to the tax-exempt purposes of the foundation. Included were necessary and reasonable administrative expenses paid for charitable, scientific, educational, or other similar purposes. These amounts were determined solely on the cash receipts and disbursements method of accounting.

Minimum Investment Return (Fixed Percent of Assets)

This was the aggregate fair market value of assets not used for charitable purposes less the sum of indebtedness incurred to acquire those assets and cash held for charitable activities, multiplied by 5 percent.

Qualifying Distributions (Actual Distributions)

These were direct expenditures for charitable purposes or for assets used for such purposes. They included payouts to public charities and operating foundations, and payouts to other private foundations, if the recipient foundation agreed to distribute the same amount for charitable purposes by the end of the following tax year. In addition, funds set aside for major tax-exempt projects were also included. Qualifying distributions were creditable against a private foundation's obligation to pay out its "distributable amount."

Value of Noncharitable Assets (Investment Assets)

For purposes of calculating "minimum investment return," only the assets that were not used or held for use for exempt purposes entered into the computation. An asset was not used directly in carrying out the foundation's exempt purpose if the asset was not used in the carrying on of a charitable, educational or other similar function which gave rise to the exempt status of the foundation.

NOTES AND REFERENCES (to Article)

[1] Data cited for 1979 are from Petska, Thomas B., "An Examination of Private Foundations for 1979," Statistics of Income Bulletin, Fall 1982, Volume 2, Number 2.

[2] All inflation-adjusted figures cited in this article have been derived using the Gross National Product Implicit Price Deflator. See U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business, 1974, 1979, and 1982.

[3] Since the returns selected for the 1982 study form a panel to be studied in successive years, the question of an actual decline in the foundation birth rate will be investigated as these foundations are tracked from year to year.

[4] Under Internal Revenue Code section 6104(b), the Internal Revenue Service can disclose to the public the information which is required to be reported on private foundation information returns.

[5] The contribution data presented for individuals, corporations, bequests, trusts and estates were obtained from income tax returns and are subject to certain limitations inherent in the use of administrative records. The use of these data is intended here as a general measure for comparison with foundation charitable giving, and may not necessarily represent contributions actually paid or received in a given tax period. Factors which can affect the amount of contributions reported on certain tax returns are a limitation on the amount

which can be deducted, allowance of a carryover of disallowed contributions from previous years and, in the case of fiduciary returns (trusts and estates), an election to treat contributions made in one taxable year as being paid in the preceding taxable year. The charitable bequest data were obtained from a study of estate tax returns filed with gross estate of $300,000 or more. Had the bequests of persons with estates less than $300,000 been included, it is estimated that the amount shown would have been approximately 10 percent higher.

[6] U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income--1982, Individual Income Tax Returns, pp. 54 and 61.

[7] Includes company-sponsored foundations which filed a Form 990-PF, Return of Private Foundation, for 1982.

[8] U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income--1982, Corporation Source Book, p. 8.

[9] U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income Division, unpublished table of estate tax returns filed during 1982.

[10] Estep, Gary J., "Fiduciary Income Tax Returns, 1982," Statistics of Income Bulletin, Spring 1985, Volume 4, Number 4, pp. 49 and 56.

[11] U.S. Department of Health and Human Services, Social Security Administration, Social Security Bulletin: Annual Statistical Supplement, 1983, p. 60. Social welfare expenditures include direct Government disbursements to the aged, disabled, unemployed, and poor, plus Government expenditures for schools, hospitals, and other similar facilities.

[12] See Joseph, James A., Private Philanthropy and the Making of Public Policy, Washington, D.C.: The Council on Foundations, 1985, pp. 24-36. (President's platform presented at the 36th annual Conference of the Council on Foundations held on April 24-26, 1985.)

[13] Nason, John W., Trustees and the Future of Foundations, New York, Council on Foundations: 1979, p. 3.

[14] Sugarman, Norman A., "Community Foundations," Research Papers Sponsored by the Commission on Private Philanthropy and Public Needs, Volume III, Special Behavioral Studies, Foundations, and Corporations, U.S. Department of the Treasury, 1977, pp. 1692-1693.

[15] Data were derived from The Foundation Center, National Data Book, 9th Edition, New York: 1985, pp. 699-706.

[16] For readers who are familiar with the terminology used on Form 990-PF, Return of Private Foundation, the following clarification of income statement terms used in this article and related tables is provided. Total "receipts" is comparable to total "revenue" (Part I, line 13, column A); total "deductions" is comparable to total "expenses" (Part I, line 24, column A); and "net income (less deficit)" is comparable to "excess of revenue over expenses" (Part I, line 25(a), column A).

[17] U.S. Department of Commerce, Bureau of Economic Analysis, Handbook of Cyclical Indicators, 1984, p. 99.

[18] Ibid., p. 143.

[19] Individual data for 1979 derived from U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income--1979, Individual Income Tax Returns, Table 1.3. Data for 1982 were derived from the same publication, 1982 edition, Table 1.4.

[20] The Commission on Foundations and Private Philanthropy, Foundations, Private Giving, and Public Policy, The Chicago University Press, 1970.

[21] Federal Reserve Bulletin, March 1985, Table 1.35.

[22] Data cited for 1974 are from U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income--1974-78, Private Foundations.

[23] Hopkins, Bruce R., The Law of Tax-Exempt Organizations, Third Edition, John Wiley and Sons, Inc., 1979, pp. 475-476.

[24] U.S. Congress, Joint Committee on Taxation, General Explanation of the Economic Recovery Tax Act of 1981 (Public Law 97-34), U.S. Government Printing Office, December 31, 1981, pp. 366-367.

[25] For detailed discussions of the effect on foundations of the pre-1981 requirement to distribute their actual income if it was higher than their minimum investment return, see Steuerle, Eugene, "Pay-out Requirements for Foundations," in Research Papers Sponsored by The Commission on Private Philanathropy and Public Needs, Volume III, Special Behaviorial Studies, Foundations, and Corporations, U.S. Department of the Treasury, pp. 1663-78, and Williamson, J. Peter, "Inflation and the Foundation Payout Rate," Foundation News, March-April 1981, Volume 2, Number 2, pp. 18-24.

APPENDIX: HIGHLIGHTS IN FOUNDATION LEGISLATIVE HISTORY

Since this study is the first in an annual Statistics of Income (SOI) series designed to track and report on private foundation trends and changes in reporting patterns, it seems appropriate to provide, as background information for future SOI reports on foundation data, a historical review of major private foundation legislation [1] [2].

Foundations, which (as we know them today) had their beginnings around the late 1800's [3], have had their share of proponents and opponents alike throughout their existence. Some question their qualification for tax-exempt status because of their narrow base of support and the advantageous tax treatment given to their usually wealthy donors. Others see foundations as playing a key role in meeting public needs by funding continuing non-profit projects or by supporting innovative or risky undertakings which could not be funded by more conventional sources. Throughout foundation history, Congress has recognized the need for Government regulation and public accountability, yet has maintained that foundation philanthropic activities are deserving of tax exemption. The following historical account summarizes major legislative events affecting private foundations.

- 1917 Individuals allowed deductions for charitable contributions.

- 1934 Law passed prohibiting tax-exempt charitable organizations from lobbying.

- 1935 Corporations allowed deductions for charitable contributions.

- 1943 Passage of the Revenue Act of 1943. Required certain tax-exempt organizations, including foundations, to file annual information returns.

- 1947-48 Hearings held by the House Ways and Means and the Senate Interstate and Foreign Commerce Committees on foundation activities. No legislative outcome.

- 1950 Passage of the Revenue Act of 1950. Imposed regulations on foundations regarding unrelated business income, excessive accumulation of income, prohibited activities, and public disclosure of annual information returns.

- 1952-62 Several Congressional committees established to investigate alleged abusive foundation activities. The committees each issued reports containing their findings and recommendations but no legislative action was taken.
  - House Select Committee to Investigate and Study Educational and Philanthropic Foundations and Other Comparable Organizations Which are Exempt from Federal Taxation, Chaired by Rep. Eugene E. Cox. (Established in 1952.)
  - House Special Committee to Investigate Tax-Exempt Foundations and Comparable Organizations, chaired by Rep. Carroll B. Reece. (Established in 1953.)
  - House Select Committee on Small Business, Chaired by Rep. Wright Patman. (Established in 1962; last installment of eight reports issued in 1972.)

- 1965 U.S. Treasury Department Report on Private Foundations issued. Treasury concluded that while private foundations play an important role in our society and generally operate free of abuse, serious problems did exist among a small number of them. The study resulted in extensive recommendations for dealing with six categories of major abuses. No immediate legislation was passed.

- 1969 Passage of Tax Reform Act of 1969. The 1969 Act for the first time defined private foundations in the Internal Revenue Code, subjected foundations to an excise tax on investment income (to cover the cost of IRS oversight), and imposed a two-tier system of penalty taxes on foundations that engage in "prohibited acts." Provisions dealing with penalty taxes on prohibited acts included the following:
  - taxes on self-dealing (transactions between a foundation and a disqualified person. E.g., lending money; sale, exchange or leasing of property; transfer of foundation income or assets to disqualified persons).
  - taxes on undistributed income (the amount required to be distributed in a given tax year for charitable purposes which the foundation fails to pay out by the end of the following tax year).

- taxes on excess business holdings (amount by which stockholdings or other interest in a business enterprise exceeds the amount of permitted holdings).
- taxes on investments which jeopardize the carrying out of a foundation's exempt purpose (the lack of ordinary care and prudence in making investment decisions).
- taxes on taxable expenditures includes engaging in nonexempt, political, or legislative activities; and disbursements of funds to other organizations or individuals, without sufficient oversight to ensure the funds are used exclusively for exempt purposes).

- 1973-74 Hearings on a variety of private foundation issues held by the following Congressional committees, but no legislation enacted.
  - Subcommittee on Domestic Finance of the House Committee on Banking and Currency (on compliance of private foundations with provisions of the Tax Reform Act of 1969).
  - House Ways and Means Committee (on tax treatment of private foundations).
  - Subcommittee on Foundations of the Senate Finance Committee (1973 hearings on the role of foundations in society and the impact of the provisions of the Tax Reform Act of 1969; 1974 hearings to determine the influence of private foundations on public broadcasting; additional 1974 hearings on the impact of the economy on private foundations and their grant recipients).
- 1976 Legislation enacted to change the required minimum payout to charity from 6 percent to 5 percent of market value investment assets for accounting periods beginning in 1976.
- 1978 Legislation enacted to change the excise tax on net investment income from 4 percent to 2 percent for domestic foundations.
- 1980 Legislation enacted to simplify IRS reporting requirements placed on private foundations.
- 1981 Passage of the Economic Recovery Tax Act of 1981. Allowed individuals who could not itemize their deductions to deduct part of their charitable contributions anyway; provided favorable tax treatment for corporate charitable donations of scientific equipment; and restricted the minimum payout computation base to investment assets, without regard to the amount of the foundation's income for the year.
- 1983 Hearings held by House Subcommittee on Oversight of the Ways and Means Committee on the impact of the Tax Reform Act of 1969 on private foundations.
- 1984 Passage of the Tax Reform Act of 1984. Its major private foundation provisions include the following:
  - Limitation on the amount of grant administrative expenses which can be applied toward meeting the minimum payout requirement. The Act also directed the Treasury Department to conduct a study of foundation administrative expenses. This provision terminates on December 31, 1990.
  - Waiver of the 2-percent excise tax for a new classification called "exempt operating foundations" and reduction in the tax to 1 percent for nonoperating foundations if a 5-year average of their qualifying distributions increases by a like amount.
  - Extension of the divestiture period for excess business holdings under certain circumstances.
  - Authority granted to IRS to abate the first-tier penalty tax on prohibited foundation activities (except self-dealing) when reasonable cause for the violation can be proven.
  - Definition of "family members" of a substantial contributor modified to treat as a "disqualified person" only those descendents through the great grandchildren level. Substantial contributor status is terminated if no connection with the foundation can be demonstrated for a 10-year period.
  - Directive issued to the Treasury Department to review the expenditure responsibility regulations

(requiring oversight of certain organizations to which grants are made) to determine if they are overly burdensome; to extend to 5 years the advance ruling period during which a new organization is treated as a public charity; and to permit donor foundations greater reliance an IRS rulings for making grants to such new organizations.

- Increase in the deductible portion of an individual's gift to a private foundation from 20 percent to 30 percent of adjusted gross income, except for donations of appreciated property (which remain deductible up to 20 percent). Appreciated publicly-traded stock can now be deducted at fair market value, subject to a limitation of not more than 10 percent of all the stock of a given company.

REFERENCES (to Appendix)

[1] "Philanthropy Goes to Congress," Foundation News, May-June 1983, pp. 12-21.

[2] Feller, Nancy, "1984 Tax Reform Act," Non-Profit Organizations: Current Issues and Developments, Practicing Law Institute, Course Handbook Series Number 217, December 1984.

[3] The Foundation Center, The Foundation Directory, 8th Edition, New York, 1981, p. xiv.

Private Foundation Information Returns, 1982

Table 1.—Number of Foundations, Total Receipts and Total Deductions, Net Investment Income and Tax, Total Assets, Net Worth, and Distributions, by Type of Foundation and Size of Total Fair Market Value of Assets

[Money amounts are in thousands of dollars]

Size of total fair market value of assets	Number of returns	Total receipts		Total deductions		Disbursements for exempt purposes		Qualifying contributions, gifts, and grants paid		Net income (less deficit)	
		Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
All foundations, total	**28,468**	**27,603**	**9,126,529**	**27,645**	**5,834,328**	**26,410**	**5,156,993**	**23,306**	**4,429,979**	**27,108**	**3,292,200**
Zero, negative or unreported	1,515	1,368	6,906	1,515	6,721	*1,073	*6,280	*884	*5,621	*1,073	*186
$1 under $100,000	13,237	12,606	264,945	12,500	458,142	11,869	444,940	9,659	406,020	12,500	-193,198
$100,000 under $1,000,000	9,125	9,040	662,390	9,040	524,324	8,914	483,780	8,577	455,477	8,956	138,065
$1,000,000 under $10,000,000	3,771	3,771	2,097,182	3,771	1,515,561	3,741	1,431,404	3,419	1,142,658	3,761	581,621
$10,000,000 under $25,000,000	493	492	1,010,618	492	746,510	490	664,048	462	585,549	491	264,108
$25,000,000 under $50,000,000	162	161	767,421	161	473,535	159	406,261	150	339,597	161	293,886
$50,000,000 under $100,000,000	85	85	1,165,244	85	527,937	84	474,789	78	413,269	85	637,306
$100,000,000 or more	80	80	3,151,824	80	1,581,598	80	1,245,491	77	1,081,789	80	1,570,226
Nonoperating foundations, total	**25,363**	**24,540**	**8,077,449**	**24,582**	**5,260,767**	**23,599**	**4,670,649**	**22,044**	**4,364,340**	**24,192**	**2,816,681**
Zero, negative or unreported	1,515	1,368	6,906	1,515	6,721	*1,073	*6,280	*884	*5,621	*1,073	*186
$1 under $100,000	11,175	10,543	235,993	10,438	425,797	9,954	414,887	8,923	401,734	10,585	-189,805
$100,000 under $1,000,000	8,577	8,535	631,152	8,535	490,555	8,493	456,935	8,198	447,407	8,451	140,596
$1,000,000 under $10,000,000	3,346	3,346	1,695,040	3,346	1,228,612	3,336	1,174,197	3,305	1,118,157	3,336	466,428
$10,000,000 under $25,000,000	459	458	915,955	458	693,288	456	619,961	449	572,680	457	222,668
$25,000,000 under $50,000,000	143	142	677,744	142	423,874	140	362,808	139	337,306	142	253,870
$50,000,000 under $100,000,000	75	75	1,055,625	75	487,175	74	446,331	74	410,608	75	568,450
$100,000,000 or more	73	73	2,859,034	73	1,504,744	73	1,189,250	73	1,070,826	73	1,354,290
Operating foundations, total	**3,105**	**3,063**	**1,049,080**	**3,063**	**573,561**	**2,811**	**486,344**	**1,262**	**65,639**	**2,916**	**475,519**
Zero, negative or unreported	—	—	—	—	—	—	—	—	—	—	—
$1 under $100,000	2,062	2,062	28,952	2,062	32,345	1,915	30,053	*737	*4,286	1,915	-3,393
$100,000 under $1,000,000	547	505	31,238	505	33,769	421	26,845	*379	*8,069	505	-2,531
$1,000,000 under $10,000,000	425	425	402,141	425	286,949	405	257,207	114	24,501	425	115,193
$10,000,000 under $25,000,000	34	34	94,662	34	53,222	34	44,088	13	12,869	34	41,440
$25,000,000 under $50,000,000	19	19	89,677	19	49,660	19	43,453	11	2,291	19	40,017
$50,000,000 under $100,000,000	10	10	109,619	10	40,762	10	28,458	4	2,661	10	68,857
$100,000,000 or more	7	7	292,791	7	76,854	7	56,240	4	10,962	7	215,937
Grantmaking foundations, total	**23,306**	**23,159**	**8,441,654**	**23,306**	**5,398,386**	**23,306**	**4,825,580**	**23,306**	**4,429,979**	**23,063**	**3,043,267**
Zero, negative or unreported	*884	*884	*5,064	*884	*5,901	*884	*5,900	*884	*5,621	*737	*-837
$1 under $100,000	9,659	9,512	220,764	9,659	413,997	9,659	409,736	9,659	406,020	9,659	-193,233
$100,000 under $1,000,000	8,577	8,577	632,560	8,577	511,847	8,577	479,618	8,577	455,477	8,493	120,712
$1,000,000 under $10,000,000	3,419	3,419	1,764,536	3,419	1,269,654	3,419	1,215,777	3,419	1,142,658	3,409	494,882
$10,000,000 under $25,000,000	462	462	937,335	462	698,857	462	631,492	462	585,549	461	238,478
$25,000,000 under $50,000,000	150	150	702,732	150	443,303	150	385,641	150	339,597	150	259,429
$50,000,000 under $100,000,000	78	78	1,116,349	78	499,798	78	461,036	78	413,269	78	616,551
$100,000,000 or more	77	77	3,062,314	77	1,555,030	77	1,236,380	77	1,081,789	77	1,507,284
Grantmaking-nonoperating foundations, total	**22,044**	**21,897**	**7,982,283**	**22,044**	**5,197,952**	**22,044**	**4,640,110**	**22,044**	**4,364,340**	**21,802**	**2,784,329**
Zero, negative or unreported	*884	*884	*5,064	*884	*5,901	*884	*5,900	*884	*5,621	*737	*-837
$1 under $100,000	8,923	8,775	216,694	8,923	409,157	8,923	405,415	8,923	401,734	8,923	-192,463
$100,000 under $1,000,000	8,198	8,198	607,200	8,198	485,278	8,198	454,917	8,198	447,407	8,114	121,922
$1,000,000 under $10,000,000	3,305	3,305	1,686,370	3,305	1,220,806	3,305	1,168,107	3,305	1,118,157	3,294	465,565
$10,000,000 under $25,000,000	449	449	894,052	449	672,619	449	608,343	449	572,680	448	221,433
$25,000,000 under $50,000,000	139	139	670,383	139	416,495	139	361,847	139	337,306	139	253,889
$50,000,000 under $100,000,000	74	74	1,043,484	74	482,954	74	446,331	74	410,608	74	560,531
$100,000,000 or more	73	73	2,859,034	73	1,504,744	73	1,189,250	73	1,070,826	73	1,354,290
Nongrantmaking-nonoperating foundations, total	**3,318**	**2,643**	**95,167**	**2,538**	**62,815**	**1,554**	**30,540**	**—**	**—**	**2,390**	**32,352**
Zero, negative or unreported	*631	*484	*1,842	*631	*821	*189	*380	—	—	*337	*1,022
$1 under $100,000	2,252	1,768	19,299	1,515	16,641	*1,031	*9,472	—	—	1,663	2,658
$100,000 under $1,000,000	*379	*337	*23,951	*337	*5,277	*295	*2,018	—	—	*337	*18,674
$1,000,000 under $10,000,000	*41	*41	*8,670	*41	*7,807	*31	*6,090	—	—	*41	*863
$10,000,000 under $25,000,000	10	9	21,903	9	20,668	7	11,618	—	—	9	1,234
$25,000,000 under $50,000,000	4	3	7,361	3	7,380	1	961	—	—	3	-19
$50,000,000 under $100,000,000	1	1	12,141	1	4,222	—	—	—	—	1	7,919
$100,000,000 or more	—	—	—	—	—	—	—	—	—	—	—

Footnotes at end of table.

Table 1. — Number of Foundations, Total Receipts and Total Deductions, Net Investment Income and Tax, Total Assets, Net Worth, and Distributions, by Type of Foundation and Size of Total Fair Market Value of Assets — Continued

[Money amounts are in thousands of dollars]

Size of total fair market value of assets	Net income		Net investment income		Net capital gain		Excise tax on net investment income				
							Total amount	Domestic organizations		Foreign organizations	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount		Number of returns	Amount	Number of returns	Amount
	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
All foundations, total	**16,044**	**4,274,832**	**23,442**	**5,590,700**	**5,513**	**1,754,665**	**111,440**	**23,385**	**110,651**	**54**	**789**
Zero, negative or unreported	*484	*1,048	*189	*433	—	—	*9	*189	*9	—	—
$1 under $100,000	6,376	41,734	9,954	44,233	*737	*1,885	881	9,954	881	—	—
$100,000 under $1,000,000	6,041	246,205	8,788	308,285	2,210	65,742	6,187	8,746	6,141	*42	*45
$1,000,000 under $10,000,000	2,547	775,798	3,699	1,095,371	2,021	244,538	21,907	3,699	21,907	—	—
$10,000,000 under $25,000,000	341	373,646	488	657,514	323	171,373	13,187	482	13,147	5	40
$25,000,000 under $50,000,000	123	366,377	160	544,544	102	141,992	10,876	155	10,787	4	89
$50,000,000 under $100,000,000	71	674,890	84	578,577	58	202,586	11,628	82	11,515	2	112
$100,000,000 or more	61	1,795,134	80	2,361,743	62	926,549	46,767	78	46,265	1	502
Nonoperating foundations, total	**14,714**	**3,773,644**	**21,496**	**5,090,322**	**4,827**	**1,561,047**	**102,138**	**21,440**	**101,349**	**54**	**789**
Zero, negative or unreported	*484	*1,048	*189	*433	—	—	*9	*189	*9	—	—
$1 under $100,000	5,640	37,928	8,923	39,394	*442	*98	786	8,923	786	—	—
$100,000 under $1,000,000	5,788	242,921	8,325	296,574	2,084	63,278	5,953	8,283	5,907	*42	*45
$1,000,000 under $10,000,000	2,266	655,270	3,315	1,002,737	1,803	217,863	20,054	3,315	20,054	—	—
$10,000,000 under $25,000,000	308	331,917	455	619,800	302	163,075	12,416	450	12,376	5	40
$25,000,000 under $50,000,000	109	322,544	141	479,874	91	112,371	9,583	136	9,494	4	89
$50,000,000 under $100,000,000	62	605,529	75	526,118	50	175,756	10,578	73	10,466	2	112
$100,000,000 or more	56	1,576,487	73	2,125,392	56	828,606	42,759	72	42,257	1	502
Operating foundations, total	**1,330**	**501,188**	**1,947**	**500,378**	**685**	**193,618**	**9,302**	**1,945**	**9,302**	**—**	**—**
Zero, negative or unreported	—	—	—	—	—	—	—	—	—	—	—
$1 under $100,000	*737	*3,805	*1,031	*4,839	*295	*1,787	*94	*1,031	*94	—	—
$100,000 under $1,000,000	*253	*3,284	463	11,711	*126	*2,464	234	463	234	—	—
$1,000,000 under $10,000,000	280	120,528	384	92,634	218	26,675	1,853	384	1,853	—	—
$10,000,000 under $25,000,000	32	41,729	33	37,714	21	8,298	771	32	771	—	—
$25,000,000 under $50,000,000	14	43,834	19	64,670	11	29,621	1,293	19	1,293	—	—
$50,000,000 under $100,000,000	9	69,361	9	52,459	8	26,830	1,049	9	1,049	—	—
$100,000,000 or more	5	218,647	7	236,352	6	97,943	4,008	6	4,008	—	—
Grantmaking foundations, total	**13,309**	**4,007,419**	**21,052**	**5,357,394**	**5,084**	**1,665,730**	**107,459**	**21,001**	**106,739**	***49**	***720**
Zero, negative or unreported	*147	*26	*147	*18	—	—	*(1)	*147	*(1)	—	—
$1 under $100,000	4,609	35,374	8,334	41,071	*737	*1,885	818	8,334	818	—	—
$100,000 under $1,000,000	5,704	227,202	8,409	295,330	1,999	63,992	5,928	8,367	5,882	*42	*45
$1,000,000 under $10,000,000	2,298	684,919	3,399	1,019,060	1,834	226,095	20,381	3,399	20,381	—	—
$10,000,000 under $25,000,000	314	343,168	460	632,769	302	163,033	12,682	456	12,661	3	21
$25,000,000 under $50,000,000	113	330,907	149	502,684	98	118,628	10,034	146	9,955	2	79
$50,000,000 under $100,000,000	65	653,631	78	555,274	54	194,096	11,142	77	11,069	1	72
$100,000,000 or more	58	1,732,192	77	2,311,186	60	898,000	46,475	76	45,973	1	502
Grantmaking-nonoperating foundations, total	**12,727**	**3,733,303**	**19,949**	**5,064,645**	**4,654**	**1,557,408**	**101,590**	**19,899**	**100,870**	***49**	***720**
Zero, negative or unreported	*147	*26	*147	*18	—	—	*(1)	*147	*(1)	—	—
$1 under $100,000	4,314	34,258	7,744	37,418	*442	*98	747	7,744	747	—	—
$100,000 under $1,000,000	5,494	224,003	8,030	286,004	1,915	61,541	5,741	7,988	5,696	*42	*45
$1,000,000 under $10,000,000	2,246	653,352	3,294	999,689	1,803	217,863	19,993	3,294	19,993	—	—
$10,000,000 under $25,000,000	302	326,017	448	613,287	297	161,173	12,276	445	12,255	3	21
$25,000,000 under $50,000,000	107	321,550	138	477,718	91	112,371	9,535	135	9,455	2	79
$50,000,000 under $100,000,000	61	597,610	74	525,118	50	175,756	10,539	73	10,466	1	72
$100,000,000 or more	56	1,576,487	73	2,125,392	56	828,606	42,759	72	42,257	1	502
Nongrantmaking-nonoperating foundations, total	**1,987**	**40,341**	**1,547**	**25,677**	***173**	***3,639**	**548**	**1,542**	**479**	***5**	***69**
Zero, negative or unreported	*337	*1,022	*42	*415	—	—	*8	*42	*8	—	—
$1 under $100,000	*1,326	*3,670	*1,178	*1,975	—	—	*39	*1,178	*39	—	—
$100,000 under $1,000,000	*295	*18,919	*295	*10,570	*168	*1,737	*211	*295	*211	—	—
$1,000,000 under $10,000,000	*21	*1,918	*21	*3,048	—	—	*61	*21	*61	—	—
$10,000,000 under $25,000,000	6	5,900	7	6,513	5	1,902	140	5	121	2	19
$25,000,000 under $50,000,000	2	993	3	2,156	—	—	48	1	38	2	10
$50,000,000 under $100,000,000	1	7,919	1	1,000	—	—	40	—	—	1	40
$100,000,000 or more	—	—	—	—	—	—	—	—	—	—	—

Footnotes at end of table.

Table 1.—Number of Foundations, Total Receipts and Total Deductions, Net Investment Income and Tax, Total Assets, Net Worth, and Distributions, by Type of Foundation and Size of Total Fair Market Value of Assets—Continued

[Money amounts are in thousands of dollars]

Size of total fair market value of assets	Total assets (book value)		Investments in securities (book value)		Total assets (fair market value)		Investments in securities (fair market value)		Net worth	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)
All foundations, total	**27,584**	**48,227,043**	**16,815**	**37,418,071**	**26,953**	**62,886,606**	**17,025**	**49,822,624**	**27,584**	**45,633,124**
Zero, negative or unreported	*631	*6,107	*42	*3,814	—	—	—	—	*631	*6,087
$1 under $100,000	13,237	408,901	5,535	155,798	13,237	416,696	5,935	176,924	13,237	184,547
$100,000 under $1,000,000	9,125	2,981,006	7,104	1,770,325	9,125	3,262,919	6,967	1,975,788	9,125	2,920,886
$1,000,000 under $10,000,000	3,771	10,096,084	3,348	6,579,417	3,771	11,981,973	3,347	8,080,023	3,771	9,658,355
$10,000,000 under $25,000,000	493	5,967,814	470	4,466,902	493	7,543,920	461	5,571,440	493	5,749,762
$25,000,000 under $50,000,000	162	4,751,234	154	3,534,173	162	5,816,852	155	4,445,653	162	4,527,953
$50,000,000 under $100,000,000	85	4,639,926	83	3,652,311	85	6,035,403	81	4,657,527	85	4,258,569
$100,000,000 or more	80	19,375,972	80	17,255,330	80	27,828,843	80	24,915,268	80	18,326,964
Nonoperating foundations, total	**24,479**	**42,542,775**	**15,461**	**33,846,950**	**23,847**	**56,217,321**	**15,670**	**45,867,953**	**24,479**	**40,493,974**
Zero, negative or unreported	*631	*6,107	*42	*3,814	—	—	—	—	*631	*6,087
$1 under $100,000	11,175	336,980	4,945	133,425	11,175	344,575	5,345	153,985	11,175	129,092
$100,000 under $1,000,000	8,577	2,806,744	6,725	1,711,118	8,577	3,071,767	6,588	1,911,122	8,577	2,755,104
$1,000,000 under $10,000,000	3,346	8,821,517	3,026	5,980,040	3,346	10,527,069	3,025	7,361,064	3,346	8,672,335
$10,000,000 under $25,000,000	459	5,517,225	441	4,246,382	459	7,018,752	430	5,313,359	459	5,306,778
$25,000,000 under $50,000,000	143	4,215,273	136	3,157,498	143	5,138,036	137	3,961,093	143	4,018,709
$50,000,000 under $100,000,000	75	4,101,952	74	3,311,863	75	5,337,882	72	4,228,604	75	3,796,866
$100,000,000 or more	73	16,736,978	73	15,302,810	73	24,779,239	73	22,938,726	73	15,809,002
Operating foundations, total	**3,105**	**5,684,268**	**1,354**	**3,571,121**	**3,105**	**6,669,286**	**1,355**	**3,954,671**	**3,105**	**5,139,150**
Zero, negative or unreported	—	—	—	—	—	—	—	—	—	—
$1 under $100,000	2,062	71,922	*589	*22,373	2,062	72,120	*589	22,940	2,062	55,455
$100,000 under $1,000,000	547	174,262	*379	*59,207	547	191,152	*379	64,667	547	165,782
$1,000,000 under $10,000,000	425	1,274,567	322	599,377	425	1,454,904	322	718,959	425	986,020
$10,000,000 under $25,000,000	34	450,589	29	220,520	34	525,168	30	258,081	34	442,983
$25,000,000 under $50,000,000	19	535,961	18	376,675	19	678,816	18	484,560	19	509,245
$50,000,000 under $100,000,000	10	537,974	9	340,448	10	697,521	9	428,923	10	461,703
$100,000,000 or more	7	2,638,993	7	1,952,521	7	3,049,604	7	1,976,542	7	2,517,963
Grantmaking foundations, total	**22,864**	**45,462,726**	**15,679**	**36,114,133**	**22,422**	**59,429,355**	**15,825**	**48,248,839**	**22,864**	**43,283,312**
Zero, negative or unreported	*442	*577	—	—	—	—	—	—	*442	*557
$1 under $100,000	9,659	343,928	5,051	140,369	9,659	355,844	5,345	164,575	9,659	135,903
$100,000 under $1,000,000	8,577	2,818,775	6,809	1,687,649	8,577	3,073,946	6,672	1,884,883	8,577	2,768,229
$1,000,000 under $10,000,000	3,419	9,054,558	3,078	6,062,852	3,419	10,754,371	3,077	7,449,804	3,419	8,779,479
$10,000,000 under $25,000,000	462	5,546,119	443	4,274,580	462	7,058,159	433	5,337,881	462	5,410,414
$25,000,000 under $50,000,000	150	4,411,650	145	3,368,556	150	5,385,686	145	4,208,735	150	4,230,565
$50,000,000 under $100,000,000	78	4,290,338	77	3,507,336	78	5,578,857	75	4,468,426	78	3,979,898
$100,000,000 or more	77	18,996,782	77	17,072,790	77	27,222,492	77	24,734,534	77	17,978,268
Grantmaking-nonoperating foundations, total	**21,602**	**41,946,501**	**14,704**	**33,642,880**	**21,160**	**55,535,910**	**14,848**	**45,618,008**	**21,602**	**40,024,466**
Zero, negative or unreported	*442	*577	—	—	—	—	—	—	*442	*557
$1 under $100,000	8,923	305,527	4,461	117,997	8,923	316,876	4,756	141,636	8,923	97,663
$100,000 under $1,000,000	8,198	2,688,326	6,514	1,646,541	8,198	2,933,759	6,378	1,842,527	8,198	2,645,982
$1,000,000 under $10,000,000	3,305	8,728,573	3,015	5,976,347	3,305	10,407,120	3,014	7,357,444	3,305	8,587,101
$10,000,000 under $25,000,000	449	5,355,018	433	4,175,348	449	6,844,371	422	5,229,121	449	5,223,688
$25,000,000 under $50,000,000	139	4,102,936	134	3,131,213	139	4,990,047	134	3,899,189	139	3,936,992
$50,000,000 under $100,000,000	74	4,028,566	73	3,292,625	74	5,264,496	71	4,209,366	74	3,723,481
$100,000,000 or more	73	16,736,978	73	15,302,810	73	24,779,239	73	22,938,726	73	15,809,002
Nongrantmaking-nonoperating foundations, total	**2,876**	**596,274**	**758**	**204,070**	**2,687**	**681,411**	**822**	**249,945**	**2,876**	**469,508**
Zero, negative or unreported	*189	*5,530	*42	*3,814	—	—	—	—	*189	*5,530
$1 under $100,000	2,252	31,453	*484	*15,428	2,252	27,699	*589	*12,349	2,252	31,429
$100,000 under $1,000,000	*379	*118,418	*211	*64,577	*379	*138,008	*211	*68,595	*379	*109,123
$1,000,000 under $10,000,000	*41	*92,944	*10	*3,694	*41	*119,949	*10	*3,621	*41	*85,234
$10,000,000 under $25,000,000	10	162,207	8	71,034	10	174,381	8	84,238	10	83,090
$25,000,000 under $50,000,000	4	112,338	2	26,285	4	147,989	3	61,904	4	81,717
$50,000,000 under $100,000,000	1	73,386	1	19,238	1	73,386	1	19,238	1	73,386
$100,000,000 or more	—	—	—	—	—	—	—	—	—	—

Footnotes at end of table.

Private Foundation Information Returns, 1982

Table 1.—Number of Foundations, Total Receipts and Total Deductions, Net Investment Income and Tax, Total Assets, Net Worth, and Distributions, by Type of Foundation and Size of Total Fair Market Value of Assets—Continued

[Money amounts are in thousands of dollars]

Size of total fair market value of assets	Minimum investment return		Distributable amount		Qualifying distributions		Undistributed income for 1982		Excess distributions carryover to 1983	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)
All foundations, total	**24,788**	**2,658,490**	**23,278**	**2,397,587**	**26,429**	**5,529,765**	**6,525**	**663,503**	**15,585**	**4,857,481**
Zero, negative or unreported	*484	*796	*484	*787	*1,073	*6,495	—	—	*631	*6,399
$1 under $100,000	11,027	22,770	10,291	24,092	11,869	449,158	2,652	4,724	6,713	1,463,538
$100,000 under $1,000,000	8,872	143,612	8,451	134,791	8,914	482,908	2,189	29,350	6,009	852,021
$1,000,000 under $10,000,000	3,606	502,053	3,315	460,368	3,761	1,481,878	1,354	135,379	1,857	1,273,912
$10,000,000 under $25,000,000	479	312,213	453	291,771	489	697,065	196	86,153	223	494,538
$25,000,000 under $50,000,000	156	242,572	138	212,690	159	429,727	59	59,800	80	211,911
$50,000,000 under $100,000,000	83	245,575	74	222,042	84	508,213	35	71,428	40	245,530
$100,000,000 or more	80	1,188,900	73	1,051,046	80	1,474,322	40	276,668	31	309,632
Nonoperating foundations, total	**22,995**	**2,458,286**	**23,278**	**2,397,587**	**23,555**	**4,872,483**	**6,525**	**663,503**	**15,585**	**4,857,481**
Zero, negative or unreported	*484	*796	*484	*787	*1,073	*6,495	—	—	*631	*6,399
$1 under $100,000	9,996	20,586	10,291	24,092	9,954	415,276	2,652	4,724	6,713	1,463,538
$100,000 under $1,000,000	8,451	138,174	8,451	134,791	8,451	455,690	2,189	29,350	6,009	852,021
$1,000,000 under $10,000,000	3,325	466,465	3,315	460,368	3,336	1,204,782	1,354	135,379	1,857	1,273,912
$10,000,000 under $25,000,000	453	299,069	453	291,771	455	633,950	196	86,153	223	494,538
$25,000,000 under $50,000,000	139	219,865	138	212,690	140	364,203	59	59,800	80	211,911
$50,000,000 under $100,000,000	74	225,881	74	222,042	74	457,964	35	71,428	40	245,530
$100,000,000 or more	73	1,087,450	73	1,051,046	73	1,334,123	40	276,668	31	309,632
Operating foundations, total	**1,793**	**200,206**	**N/A**	**N/A**	**2,874**	**657,282**	**N/A**	**N/A**	**N/A**	**N/A**
Zero, negative or unreported	—	—	N/A	N/A	—	—	N/A	N/A	N/A	N/A
$1 under $100,000	*1,031	*2,184	N/A	N/A	1,915	33,882	N/A	N/A	N/A	N/A
$100,000 under $1,000,000	421	5,436	N/A	N/A	463	27,217	N/A	N/A	N/A	N/A
$1,000,000 under $10,000,000	281	35,589	N/A	N/A	425	277,096	N/A	N/A	N/A	N/A
$10,000,000 under $25,000,000	26	13,144	N/A	N/A	34	63,115	N/A	N/A	N/A	N/A
$25,000,000 under $50,000,000	17	22,707	N/A	N/A	19	65,524	N/A	N/A	N/A	N/A
$50,000,000 under $100,000,000	9	19,695	N/A	N/A	10	50,248	N/A	N/A	N/A	N/A
$100,000,000 or more	7	101,450	N/A	N/A	7	140,199	N/A	N/A	N/A	N/A
Grantmaking foundations, total	**22,235**	**2,575,722**	**21,347**	**2,382,725**	**23,263**	**5,113,738**	**5,754**	**658,464**	**14,918**	**4,800,748**
Zero, negative or unreported	*442	*39	*442	*39	*884	*5,900	—	—	*589	*5,340
$1 under $100,000	9,217	21,033	8,775	22,936	9,659	410,125	2,062	4,303	6,229	1,458,272
$100,000 under $1,000,000	8,451	137,215	8,114	129,224	8,535	477,368	2,021	25,964	5,883	845,841
$1,000,000 under $10,000,000	3,368	469,337	3,284	457,056	3,419	1,251,174	1,344	135,246	1,846	1,269,177
$10,000,000 under $25,000,000	455	301,811	448	289,660	461	646,450	194	85,611	219	455,046
$25,000,000 under $50,000,000	148	231,308	137	210,723	150	389,429	58	59,244	80	211,911
$50,000,000 under $100,000,000	78	237,124	74	222,042	78	476,720	35	71,428	40	245,530
$100,000,000 or more	77	1,177,856	73	1,051,046	77	1,454,571	40	276,668	31	309,632
Grantmaking-nonoperating foundations, total	**21,359**	**2,443,838**	**21,347**	**2,382,725**	**22,001**	**4,830,312**	**5,754**	**658,464**	**14,918**	**4,800,748**
Zero, negative or unreported	*442	*39	*442	*39	*884	*5,900	—	—	*589	*5,340
$1 under $100,000	8,775	19,403	8,775	22,936	8,923	405,803	2,062	4,303	6,229	1,458,272
$100,000 under $1,000,000	8,114	133,278	8,114	129,224	8,156	452,518	2,021	25,964	5,883	845,841
$1,000,000 under $10,000,000	3,294	463,091	3,284	457,056	3,305	1,198,603	1,344	135,246	1,846	1,269,177
$10,000,000 under $25,000,000	448	296,837	448	289,660	448	612,609	194	85,611	219	455,046
$25,000,000 under $50,000,000	138	217,859	137	210,723	139	362,792	58	59,244	80	211,911
$50,000,000 under $100,000,000	74	225,881	74	222,042	74	457,964	35	71,428	40	245,530
$100,000,000 or more	73	1,087,450	73	1,051,046	73	1,334,123	40	276,668	31	309,632
Nongrantmaking-nonoperating foundations, total	**1,636**	**14,446**	**1,931**	**14,862**	**1,554**	**42,171**	**771**	**5,039**	**667**	**56,733**
Zero, negative or unreported	*42	*757	*42	*748	*189	*594	—	—	*42	*1,059
$1 under $100,000	*1,221	*1,183	1,515	1,155	*1,031	*9,472	*589	*421	*484	*5,266
$100,000 under $1,000,000	*337	*4,895	*337	*5,567	*295	*3,173	*168	*3,386	*126	*6,180
$1,000,000 under $10,000,000	*31	*3,373	*31	*3,312	*31	*6,178	*10	*134	*10	*4,735
$10,000,000 under $25,000,000	5	2,232	5	2,111	7	21,341	2	542	4	39,493
$25,000,000 under $50,000,000	1	2,006	1	1,967	1	1,412	1	556	—	—
$50,000,000 under $100,000,000	—	—	—	—	—	—	—	—	—	—
$100,000,000 or more	—	—	—	—	—	—	—	—	—	—

N/A – Not applicable.
*Estimate should be used with caution because of the small number of sample returns on which it is based.
[1]Less than $500.
NOTE: Detail may not add to total because of rounding.

Table 2. — All Foundations: Balance Sheets and Income Statements, by Size of Total Book Value of Assets

[Money amounts are in thousands of dollars]

Item	Total	Size of total book value of assets							
		Assets zero or unreported	$1 under $100,000	$100,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $25,000,000	$25,000,000 under $50,000,000	$50,000,000 under $100,000,000	$100,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of returns	**28,468**	***884**	**13,700**	**9,683**	**3,567**	**371**	**136**	**74**	**53**
Total assets (Book value)	**48,227,043**	**—**	**391,663**	**3,324,798**	**11,153,659**	**5,848,437**	**4,761,337**	**5,154,433**	**17,592,715**
Cash, total	4,643,217	—	161,456	816,874	1,543,708	642,341	424,159	400,596	654,083
Non-interest bearing accounts	490,462	—	44,544	168,370	163,021	44,253	20,258	23,482	26,535
Savings and temporary cash investments	4,152,755	—	116,913	648,504	1,380,687	598,088	403,901	377,114	627,548
Accounts receivable, net	247,814	—	*11,036	3,915	45,905	43,898	14,821	34,188	94,050
Pledges receivable, net	*14,853	—	—	*3,125	*1,725	10,000	2	—	—
Grants receivable	43,003	—	—	*3,158	*35,184	1,877	21	—	2,763
Receivables due from disqualified persons	60,609	—	*7,730	*1,376	*12,895	23,603	1	—	15,006
Other notes and loans receivable, net	560,221	—	*3,911	46,110	268,746	116,985	39,931	63,727	20,812
Inventories	33,909	—	—	*6,755	10,614	12,332	2,853	279	1,076
Prepaid expenses and deferred charges	23,287	—	—	*668	3,047	13,936	2,477	627	2,532
Investments, total	40,290,739	—	176,114	2,344,450	8,442,056	4,640,174	4,000,886	4,357,884	16,329,176
Securities	37,418,071	—	142,955	1,963,647	7,564,220	4,271,492	3,513,521	4,123,579	15,838,658
Land, buildings, and equipment (Less accumulated depreciation)	733,440	—	*3,827	83,457	183,039	130,591	145,478	31,688	155,361
Mortgage loans	392,490	—	*9,006	*17,138	100,333	56,877	38,822	35,287	135,027
Other investments	1,746,738	—	*20,326	280,208	594,464	181,214	303,065	167,331	200,131
Charitable-purpose land, buildings, and equipment (Less accumulated depreciation)	1,125,326	—	*21,610	63,627	478,620	185,961	133,435	106,613	135,460
Other assets	1,184,067	—	9,807	34,742	311,159	157,330	142,751	190,520	337,757
Total liabilities	**2,593,918**	**—**	**224,373**	**69,152**	**449,373**	**243,807**	**288,827**	**305,975**	**1,012,412**
Accounts payable and accrued expenses	423,918	—	12,191	13,468	47,871	19,480	101,648	28,306	200,952
Grants payable	1,264,317	—	*196,053	*11,221	83,974	73,343	78,229	164,644	656,852
Support and revenue held for future periods	73,222	—	—	*3,808	*38,900	11,584	11,425	7,506	—
Loans from officers, directors, trustees, etc.	*6,479	—	—	*1,109	*2,041	2,160	—	1,169	—
Mortgages and other notes payable	418,791	—	*1,131	*15,581	160,381	55,819	80,624	76,667	28,587
Other liabilities	407,191	—	*14,997	23,965	116,204	81,421	16,901	27,682	126,020
Net worth	**45,633,125**	**—**	**167,290**	**3,255,646**	**10,704,286**	**5,604,630**	**4,472,511**	**4,848,458**	**16,580,304**
Total receipts	**9,126,529**	***1,013**	**267,211**	**873,963**	**2,076,409**	**1,068,363**	**925,567**	**1,157,087**	**2,756,916**
Contributions, gifts and grants received	2,679,359	*935	220,893	456,347	648,559	342,829	236,746	565,056	207,995
Membership dues and assessments	24,482	*58	*494	*4,323	13,583	5,893	132	—	—
Interest on savings and temporary cash investments	799,713	*20	27,096	85,901	250,788	117,118	103,443	73,261	142,085
Dividends and interest from securities	2,970,206	—	15,168	191,479	655,296	382,674	347,350	294,187	1,084,051
Gross rents	181,971	—	*775	31,138	60,233	27,316	29,413	11,995	21,101
Net gain (or loss) from sale of assets	1,783,651	—	*959	56,517	301,431	145,103	132,069	178,821	968,751
Gross profit from business activities	113,222	—	—	*10,713	79,415	16,664	1,201	253	4,975
Other income	573,924	—	1,826	37,544	67,105	30,765	75,214	33,513	327,957
Total deductions	**5,834,328**	***1,411**	**459,720**	**717,455**	**1,489,615**	**769,213**	**634,432**	**415,888**	**1,346,594**
Contributions, gifts, and grants paid	4,477,761	*1,118	417,074	584,416	1,101,782	598,934	488,766	304,541	981,129
Compensation of officers	105,365	*4	*767	8,272	36,305	15,587	10,798	10,514	23,119
Other salaries and wages	254,176	*56	—	35,243	90,826	35,395	19,595	20,771	52,290
Pension plans, employee benefits	50,572	—	*8	*5,481	10,816	6,437	4,758	5,342	17,730
Investment, legal and other professional services	144,007	*4	3,987	13,038	45,951	18,793	14,549	13,046	34,638
Interest	35,859	—	*151	1,334	14,096	6,997	2,757	7,648	2,876
Taxes	177,208	—	769	9,086	40,251	25,794	32,574	19,233	49,501
Depreciation and depletion	51,080	—	*1,627	4,111	18,062	8,118	9,795	4,948	4,418
Occupancy	33,411	—	*1,923	*3,372	9,380	3,781	2,887	3,343	8,727
Other expenses	504,889	*229	33,415	53,103	122,145	49,377	47,953	26,502	172,165
Net income (less deficit)	**3,292,200**	***– 397**	**– 192,510**	**156,508**	**586,794**	**299,150**	**291,135**	**741,199**	**1,410,323**
Net income	4,274,832	*([1])	41,920	296,080	772,941	402,368	362,806	778,688	1,620,028
Deficit	982,631	*398	234,430	139,573	186,147	103,218	71,671	37,489	209,706
Total assets (fair market value)	**62,886,606**	**—**	**409,055**	**3,839,783**	**13,891,391**	**8,052,683**	**6,949,015**	**6,800,151**	**22,944,528**
Selected fair market value assets:									
Cash, total	4,597,266	—	160,188	808,172	1,530,035	638,609	400,436	406,378	653,449
Investments in securities	49,822,624	—	173,432	2,342,702	9,600,908	6,174,613	5,464,150	5,329,804	20,737,016
Investment-purpose land, buildings, and equipment (Less accumulated depreciation)	1,512,375	—	*3,827	108,412	513,696	262,340	208,233	86,411	329,455
Charitable-purpose land, buildings and equipment (Less accumulated depreciation)	1,491,368	—	*21,167	119,963	583,085	244,341	247,562	126,051	149,199
Beginning of year assets (book value), total	**43,181,895**	***398**	**578,248**	**3,139,067**	**10,225,418**	**5,448,507**	**4,305,161**	**4,303,934**	**15,181,162**
Selected beginning of year assets:									
Investments in securities	31,673,360	—	142,686	1,948,726	6,838,747	3,998,511	3,135,425	3,239,446	12,369,819
Investment-purpose land, buildings, and equipment (Less accumulated depreciation)	712,059	—	*7,355	81,291	167,487	142,090	137,658	25,452	150,726

*Estimate should be used with caution because of the small number of sample returns on which it is based.

[1]Less than $500.

NOTE: Detail may not add to total because of rounding.

Table 3. — All Foundations: Balance Sheets and Income Statements, by Size of Total Fair Market Value of Assets

[Money amounts are in thousands of dollars]

Item	Total	Size of total fair market value of assets: Assets zero or unreported	$1 under $100,000	$100,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $25,000,000	$25,000,000 under $50,000,000	$50,000,000 under $100,000,000	$100,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of returns	**28,468**	**1,515**	**13,237**	**9,125**	**3,771**	**493**	**162**	**85**	**80**
Total assets (Book value)	**48,227,043**	***6,107**	**408,901**	**2,981,006**	**10,096,084**	**5,967,814**	**4,751,234**	**4,639,926**	**19,375,972**
Cash, total	4,643,217	*2,218	161,414	726,422	1,528,103	622,003	453,605	386,393	763,060
Non-interest bearing accounts	490,462	*2,031	43,745	134,537	187,276	36,558	29,826	26,011	30,477
Savings and temporary cash investments	4,152,755	*187	117,669	591,885	1,340,827	585,445	423,779	360,382	732,583
Accounts receivable, net	247,814	—	*11,036	2,883	37,616	39,272	25,795	32,076	99,136
Pledges receivable, net	14,853	—	—	*3,125	*1,725	10,000	2	—	—
Grants receivable	43,003	—	—	—	*38,341	1,823	75	—	2,763
Receivables due from disqualified persons	60,609	—	*7,730	*1,376	*12,895	23,603	1	—	15,006
Other notes and loans receivable, net	560,221	—	*3,911	46,110	268,493	92,808	44,308	57,020	47,570
Inventories	33,909	—	—	*6,755	10,623	12,233	2,761	291	1,245
Prepaid expenses and deferred charges	23,287	—	—	*17	3,337	13,887	2,839	506	2,701
Investments, total	40,290,739	*3,814	190,967	2,111,743	7,441,897	4,809,809	3,987,095	3,943,535	17,801,878
Securities	37,418,071	*3,814	155,798	1,770,325	6,579,417	4,466,902	3,534,173	3,652,311	17,255,330
Land, buildings, and equipment (Less accumulated depreciation)	733,440	—	*3,827	77,984	170,751	128,087	136,416	46,564	169,812
Mortgage loans	392,490	—	*9,006	*17,070	100,167	40,328	47,713	35,299	142,906
Other investments	1,746,738	—	22,337	246,363	591,562	174,493	268,794	209,360	233,830
Charitable-purpose land, buildings and equipment (Less accumulated depreciation)	1,125,326	*75	*24,037	60,841	446,181	181,203	139,197	108,836	164,955
Other assets	1,184,067	*[1]	9,807	21,734	306,872	161,173	95,554	111,269	477,658
Total liabilities	**2,593,918**	***20**	**224,354**	**60,120**	**437,728**	**218,052**	**223,281**	**381,357**	**1,049,008**
Accounts payable and accrued expenses	423,918	*20	*12,172	9,031	47,155	18,578	18,611	113,472	204,879
Grants payable	1,264,317	—	196,053	*11,221	*69,741	69,532	83,261	148,122	686,387
Support and revenue held for future periods	73,222	—	—	*3,808	*38,900	17,406	5,603	7,506	—
Loans from officers, directors, trustees, etc.	6,479	—	—	*1,109	2,041	2,160	—	1,169	—
Mortgages and other notes payable	418,791	—	*1,131	*15,581	160,381	50,540	80,904	81,667	28,587
Other liabilities	407,191	—	*14,997	19,370	119,509	59,837	34,903	29,420	129,155
Net worth	**45,633,125**	***6,087**	**184,547**	**2,920,886**	**9,658,355**	**5,749,762**	**4,527,953**	**4,258,569**	**18,326,964**
Total receipts	**9,126,529**	**6,906**	**264,945**	**662,390**	**2,097,182**	**1,010,618**	**767,421**	**1,165,244**	**3,151,824**
Contributions, gifts and grants received	2,679,359	*5,673	216,874	349,425	754,358	319,503	188,382	539,185	305,960
Membership dues and assessments	24,482	*58	*494	*1,902	*16,002	*5,895	132	—	—
Interest on savings and temporary cash investments	799,713	*276	27,282	74,813	231,696	119,536	110,388	75,703	160,019
Dividends and interest from securities	2,970,206	*413	15,332	174,098	566,829	371,605	274,475	281,222	1,286,232
Gross rents	181,971	—	*775	5,776	76,398	30,613	25,951	13,043	29,414
Net gain (or loss) from sale of assets	1,783,651	*419	*959	41,700	277,832	134,937	123,135	179,007	1,025,662
Gross profit from business activities	113,222	—	—	*4,263	85,865	3,997	13,784	337	4,975
Other income	573,924	*67	3,228	10,414	88,201	24,531	31,173	76,746	339,562
Total deductions	**5,834,328**	**6,721**	**458,142**	**524,324**	**1,515,561**	**746,510**	**473,535**	**527,937**	**1,581,598**
Contributions, gifts, and grants paid	4,477,761	*5,630	414,534	456,305	1,098,908	594,660	342,470	390,319	1,174,935
Compensation of officers	105,365	*4	*767	7,514	33,798	14,680	10,852	10,980	26,771
Other salaries and wages	254,176	*206	—	12,421	106,598	32,096	22,608	20,294	59,953
Pension plans, employee benefits	50,572	—	*8	*1,900	13,866	4,914	4,691	5,108	20,084
Investment, legal and other professional services	144,007	*185	3,871	11,003	40,906	21,888	12,950	15,750	37,456
Interest	35,859	—	*151	1,324	13,807	6,649	2,466	8,183	3,278
Taxes	177,208	*53	920	7,615	36,925	19,247	25,149	29,174	58,126
Depreciation and depletion	51,080	—	*2,517	1,727	17,899	8,070	9,465	6,206	5,196
Occupancy	33,411	—	*1,923	*936	10,854	3,785	2,793	3,641	9,479
Other expenses	504,889	*644	33,452	23,579	142,001	40,521	40,090	38,281	186,321
Net income (less deficit)	**3,292,200**	***186**	**- 193,198**	**138,065**	**581,621**	**264,108**	**293,886**	**637,306**	**1,570,226**
Net income	4,274,832	*1,048	41,734	246,205	775,798	373,646	366,377	674,890	1,795,134
Deficit	982,631	*862	234,932	108,140	194,177	109,538	72,491	37,584	224,907
Total assets (fair market value)	**62,886,606**	**—**	**416,696**	**3,262,919**	**11,981,973**	**7,543,920**	**5,816,852**	**6,035,403**	**27,828,843**
Selected fair market value assets:									
Cash, total	4,597,266	—	161,161	718,922	1,514,107	617,710	430,765	389,131	765,469
Investments in securities	49,822,624	—	176,924	1,975,788	8,080,023	5,571,440	4,445,653	4,657,527	24,915,268
Investment-purpose land, buildings, and equipment (Less accumulated depreciation)	1,512,375	—	*3,827	99,361	329,802	338,938	254,981	88,845	396,621
Charitable-purpose land, buildings, and equipment (Less accumulated depreciation)	1,491,368	—	*22,825	75,228	562,264	225,440	213,312	212,698	179,600
Beginning of year assets (book value), total	**43,181,895**	***5,902**	**596,194**	**2,796,059**	**9,279,226**	**5,535,151**	**4,286,246**	**3,884,496**	**16,798,623**
Selected beginning of year assets:									
Investments in securities	31,673,360	*3,902	153,405	1,789,958	5,889,219	4,168,101	3,192,059	2,957,995	13,518,721
Investment-purpose land, buildings, and equipment (Less accumulated depreciation)	712,059	—	*7,355	75,818	161,048	109,502	157,826	37,504	163,005

*Estimate should be used with caution because of the small number of sample returns on which it is based.

[1] Less than $500.

NOTE: Detail may not add to total because of rounding.

Table 4.—All Foundations: Selected Balance Sheet and Income Statement Items, and Reconciliation of Net Worth, by Size of Total Fair Market Value of Assets

[Money amounts are in thousands of dollars]

Item	Total: Number of returns	Total: Amount	Size of total fair market value of assets: Assets zero or unreported: Number of returns	Assets zero or unreported: Amount	$1 under $100,000: Number of returns	$1 under $100,000: Amount	$100,000 under $1,000,000: Number of returns	$100,000 under $1,000,000: Amount	$1,000,000 under $10,000,000: Number of returns	$1,000,000 under $10,000,000: Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All foundations, total	**28,468**	**62,886,606**	**1,515**	**—**	**13,237**	**416,696**	**9,125**	**3,262,919**	**3,771**	**11,981,973**
Foundations with—										
Total assets (Book value)	**27,584**	**48,227,043**	***631**	***6,107**	**13,237**	**408,901**	**9,125**	**2,981,006**	**3,771**	**10,096,084**
Selected assets:										
Cash, total	26,507	4,643,217	*484	*2,218	12,795	161,414	8,830	726,422	3,606	1,528,103
Investments in securities	16,815	37,418,071	*42	*3,814	5,535	155,798	7,104	1,770,325	3,348	6,579,417
Total liabilities	**7,001**	**2,593,918**	***147**	***20**	**2,210**	**224,354**	**2,452**	**60,120**	**1,627**	**437,728**
Selected liabilities:										
Contributions, gifts, and grants payable	1,142	1,264,317	—	—	*589	*196,053	*211	*11,221	176	69,741
Mortgages and other notes payable	464	418,791	—	—	*147	*1,131	*126	*15,581	155	160,381
Net worth/fund balances (end of year)	**27,584**	**45,633,125**	***631**	***6,087**	**13,237**	**184,547**	**9,125**	**2,920,886**	**3,771**	**9,658,355**
Reconciliation of net worth/fund balances:										
Net worth/fund balances (beginning of year)	27,283	40,807,229	*926	*5,902	12,648	332,050	9,125	2,743,832	3,771	8,840,121
Plus:										
Net income	15,896	4,274,833	*337	*1,048	6,376	41,734	6,041	246,206	2,547	775,798
Other increases	5,170	1,818,190	—	—	2,210	52,714	1,642	57,482	1,017	259,238
Minus:										
Deficit	11,064	982,632	*589	*862	6,124	234,932	2,915	108,141	1,215	194,177
Other decreases	4,928	284,495	—	—	2,357	7,018	1,578	18,494	786	22,624
Equals:										
Net worth/fund balances (end of year)	27,584	45,633,125	*631	*6,087	13,237	184,547	9,125	2,920,886	3,771	9,658,355
Total receipts	**27,603**	**9,126,529**	***1,368**	***6,906**	**12,606**	**264,945**	**9,040**	**662,390**	**3,771**	**2,097,182**
Selected receipts:										
Contributions, gifts, and grants received	13,222	2,679,359	*1,221	*5,673	6,376	216,874	3,621	349,425	1,670	754,358
Interest on savings and temporary cash investments	18,200	799,713	*337	*276	8,334	27,282	6,283	74,813	2,631	231,696
Dividends and interest from securities	17,389	2,970,206	*189	*413	5,787	15,332	7,356	174,098	3,276	566,829
Net capital gain	5,513	1,754,665	—	—	*737	*1,885	2,210	65,742	2,021	244,538
Net short-term capital gain	2,699	461,233	—	—	*442	*480	968	16,358	962	35,845
Total deductions	**27,645**	**5,834,328**	**1,515**	**6,721**	**12,500**	**458,142**	**9,040**	**524,324**	**3,771**	**1,515,561**
Selected deductions:										
Contributions, gifts, and grants paid	23,806	4,477,761	*1,031	*5,630	9,954	414,534	8,619	456,305	3,429	1,098,908
Compensation of officers	5,135	105,365	*147	*4	*1,178	*767	1,895	7,514	1,371	33,798
Investment, legal and other professional services	14,532	144,007	*337	*185	5,156	3,871	5,357	11,003	2,933	40,906
Total assets (fair market value)	**26,953**	**62,886,606**	**—**	**—**	**13,237**	**416,696**	**9,125**	**3,262,919**	**3,771**	**11,981,973**
Cash, total	25,829	4,597,266	—	—	12,648	161,161	8,788	718,922	3,605	1,514,107
Non-interest bearing accounts	19,890	549,787	—	—	9,323	47,447	7,009	134,526	2,908	190,632
Savings and temporary cash investments	16,904	4,047,479	—	—	7,597	113,714	6,031	584,396	2,684	1,323,476
Accounts receivable, net	2,781	235,831	—	—	*1,178	*8,129	600	2,882	704	32,940
Pledges receivable, net	*55	*20,851	—	—	—	—	*42	*3,125	*10	*1,725
Grants receivable	60	43,001	—	—	—	—	—	—	*52	*38,341
Receivables due from disqualified persons	116	35,929	—	—	—	—	*84	*1,376	*21	*41
Other notes and loans receivable, net	1,676	552,997	—	—	*589	*3,911	505	46,029	454	262,449
Inventories	287	45,106	—	—	—	—	*126	*9,844	125	10,455
Prepaid expenses and deferred charges	504	40,587	—	—	—	—	*126	*20,897	271	4,152
Investments, total	19,110	54,020,434	—	—	6,903	210,642	7,819	2,325,920	3,585	9,181,129
Securities	17,025	49,822,624	—	—	5,935	176,924	6,967	1,975,788	3,347	8,080,023
Land, buildings, and equipment (Less accumulated depreciation)	1,727	1,512,375	—	—	*442	*3,827	632	99,361	467	329,802
Mortgage loans	1,018	418,754	—	—	*295	*8,002	*253	*53,936	382	94,362
Other investments	3,520	2,266,681	—	—	*1,010	*21,889	1,231	196,834	1,037	676,942
Charitable-purpose land, buildings, and equipment (Less accumulated depreciation)	2,593	1,491,368	—	—	*779	*22,825	716	75,228	777	562,264
Other assets	7,447	1,803,238	—	—	3,094	10,027	2,368	58,695	1,541	374,368

Footnotes at end of table.

Table 4. — All Foundations: Selected Balance Sheet and Income Statement Items, and Reconciliation of Net Worth, by Size of Total Fair Market Value of Assets — Continued

[Money amounts are in thousands of dollars]

Item	Size of total fair market value of assets — Continued							
	$10,000,000 under $25,000,000		$25,000,000 under $50,000,000		$50,000,000 under $100,000,000		$100,000,000 or more	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
All foundations, total	**493**	**7,543,920**	**162**	**5,816,852**	**85**	**6,035,403**	**80**	**27,828,843**
Foundations with —								
Total assets (Book value)	**493**	**5,967,814**	**162**	**4,751,234**	**85**	**4,639,926**	**80**	**19,375,972**
Selected assets:								
Cash, total	477	622,003	155	453,605	80	386,393	80	763,060
Investments in securities	470	4,466,902	154	3,534,173	83	3,652,311	80	17,255,330
Total liabilities	**317**	**218,052**	**113**	**223,281**	**66**	**381,357**	**69**	**1,049,008**
Selected liabilities:								
Contributions, gifts, and grants payable	67	69,532	38	83,261	20	148,122	41	686,387
Mortgages and other notes payable	19	50,540	9	80,904	5	81,667	3	28,587
Net worth/fund balances (end of year)	**493**	**5,749,762**	**162**	**4,527,953**	**85**	**4,258,569**	**80**	**18,326,964**
Reconciliation of net worth/fund balances:								
Net worth/fund balances (beginning of year)	491	5,352,350	160	4,095,532	84	3,538,428	79	15,899,015
Plus:								
Net income	341	373,646	123	366,377	71	674,890	61	1,795,134
Other increases	163	163,536	57	167,981	39	147,089	43	970,149
Minus:								
Deficit	150	109,538	38	72,491	14	37,584	19	224,907
Other decreases	115	30,233	37	29,446	27	64,254	26	112,426
Equals:								
Net worth/fund balances (end of year)	493	5,749,762	162	4,527,953	85	4,258,569	80	18,326,964
Total receipts	**492**	**1,010,618**	**161**	**767,421**	**85**	**1,165,244**	**80**	**3,151,824**
Selected receipts:								
Contributions, gifts, and grants received	197	319,503	61	188,382	41	539,185	35	305,960
Interest on savings and temporary cash investments	350	119,536	135	110,388	65	75,703	66	160,019
Dividends and interest from securities	466	371,605	153	274,475	82	281,222	80	1,286,232
Net capital gain	323	171,373	102	141,992	58	202,586	62	926,549
Net short-term capital gain	168	38,707	71	28,321	37	44,297	51	297,225
Total deductions	**492**	**746,510**	**161**	**473,535**	**85**	**527,937**	**80**	**1,581,598**
Selected deductions:								
Contributions, gifts, and grants paid	464	594,660	151	342,470	79	390,319	78	1,174,935
Compensation of officers	287	14,680	119	10,852	68	10,980	70	26,771
Investment, legal and other professional services	453	21,888	144	12,950	77	15,750	76	37,456
Total assets (fair market value)	**493**	**7,543,920**	**162**	**5,816,852**	**85**	**6,035,403**	**80**	**27,828,843**
Cash, total	475	617,710	155	430,765	79	389,131	79	765,469
Non-interest bearing accounts	387	36,254	129	78,475	69	31,767	65	30,686
Savings and temporary cash investments	360	581,456	112	352,289	56	357,364	64	734,783
Accounts receivable, net	173	35,907	63	26,205	30	32,102	33	97,667
Pledges receivable, net	1	10,000	—	—	1	3,000	1	3,000
Grants receivable	4	1,821	3	75	—	—	1	2,763
Receivables due from disqualified persons	5	19,505	1	1	—	—	5	15,006
Other notes and loans receivable, net	65	97,013	31	43,614	17	53,579	15	46,402
Inventories	12	19,814	13	3,140	6	312	5	1,540
Prepaid expenses and deferred charges	51	10,724	25	2,836	17	493	14	1,484
Investments, total	478	6,278,018	161	5,042,504	84	5,062,360	80	25,919,860
Securities	461	5,571,440	155	4,445,653	81	4,657,527	80	24,915,268
Land, buildings, and equipment (Less accumulated depreciation)	88	338,938	43	254,981	26	88,845	30	396,621
Mortgage loans	43	38,121	24	49,206	13	35,299	8	139,826
Other investments	139	329,520	49	292,663	26	280,689	27	468,145
Charitable-purpose land, buildings, and equipment (Less accumulated depreciation)	164	225,440	71	213,312	49	212,696	38	179,600
Other assets	233	227,968	98	54,399	57	281,728	57	796,052

*Estimate should be used with caution because of the small number of sample returns on which it is based.
NOTE: Detail may not add to total because of rounding.

Table 5.—Nonoperating Foundations: Minimum Investment Return, Distributable Amount, Qualifying Distributions, and Undistributed Income, by Size of Total Assets not Held for Charitable Purposes

[Money amounts are in thousands of dollars]

Item	Total		Size of total assets not held for charitable purposes							
			Assets zero or unreported		$1 under $100,000		$100,000 under $1,000,000		$1,000,000 under $10,000,000	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Nonoperating foundation returns, total	**25,363**	**50,028,879**	**2,365**	**—**	**10,439**	**325,654**	**8,638**	**2,948,807**	**3,229**	**9,824,368**
Computation of minimum investment return:										
Fair market value of assets not used directly in carrying out charitable purposes, total	22,998	50,028,879	—	—	10,439	325,654	8,638	2,948,807	3,229	9,824,368
Minus:										
Acquisition indebtedness	271	106,805	—	—	—	—	*126	*386	115	40,918
Cash held for charitable purposes	22,941	748,377	—	—	10,439	4,893	8,596	43,971	3,217	147,581
Equals: Base for computing minimum investment return	22,995	49,173,693	—	—	10,439	320,759	8,638	2,904,448	3,227	9,635,868
Minimum investment return (5% of base)[1]	**22,995**	**2,458,286**	**—**	**—**	**10,439**	**15,958**	**8,638**	**145,222**	**3,227**	**481,793**
Computation of distributable amount for 1982:										
Minimum investment return	22,995	2,458,286	—	—	10,439	15,958	8,638	145,222	3,227	481,793
Minus:										
Tax on investment income	20,951	101,962	—	—	8,586	587	8,470	6,236	3,207	20,765
Income tax under subtitle A	173	3,688	—	—	—	—	*137	*592	*21	*82
Equals: Distributable amount before adjustments	22,994	2,352,636	—	—	10,439	15,370	8,638	138,392	3,227	460,946
Net adjustments	1,205	44,953	—	—	*631	*4,281	*379	*5,238	147	12,570
Positive adjustments	982	47,252	—	—	*589	*4,299	*253	*5,297	96	14,667
Negative adjustments	223	2,299	—	—	*42	*18	*126	*59	*52	*2,098
Distributable amount, adjusted	**22,983**	**2,397,588**	**—**	**—**	**10,439**	**19,651**	**8,638**	**143,631**	**3,217**	**473,515**
Total qualifying distributions	**23,555**	**4,872,483**	**1,273**	**53,531**	**9,808**	**72,838**	**8,554**	**833,753**	**3,229**	**1,175,376**
Disbursements for charitable purposes	23,555	4,666,652	1,273	53,531	9,808	72,838	8,554	818,114	3,229	1,145,479
Program-related investments	126	49,442	—	—	—	—	*52	*7,787	*53	*15,718
Amounts paid to acquire charitable-use assets	376	55,284	—	—	—	—	*242	*7,854	69	14,076
Amounts set aside for charitable projects:										
Under the suitability test	*153	*24,878	—	—	*147	*[2]	—	—	—	—
Under the cash distribution test	*13	*76,228	—	—	—	—	—	—	*10	*104
Undistributed income for 1982	**6,525**	**663,503**	**—**	**—**	**2,631**	**4,422**	**2,273**	**30,841**	**1,308**	**136,145**
Excess distributions carryover to 1983	**15,585**	**4,857,481**	***452**	***144,204**	**6,693**	**150,118**	**6,281**	**2,053,832**	**1,794**	**1,298,353**

Item	Size of total assets not held for charitable purposes—Continued							
	$10,000,000 under $25,000,000		$25,000,000 under $50,000,000		$50,000,000 under $100,000,000		$100,000,000 or more	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
Nonoperating foundation returns, total	**434**	**6,353,042**	**128**	**4,614,035**	**66**	**4,666,254**	**64**	**21,296,720**
Computation of minimum investment return:								
Fair market value of assets not used directly in carrying out charitable purposes, total	434	6,353,042	128	4,614,035	66	4,666,254	64	21,296,720
Minus:								
Acquisition indebtedness	16	12,639	7	40,333	2	4,322	4	8,209
Cash held for charitable purposes	433	95,413	126	68,070	66	69,122	64	319,327
Equals: Base for computing minimum investment return	434	6,244,990	127	4,505,633	66	4,592,811	64	20,969,183
Minimum investment return (5% of base)	**434**	**311,932**	**127**	**225,282**	**66**	**229,641**	**64**	**1,048,460**
Computation of distributable amount for 1982:								
Minimum investment return	434	311,932	127	225,282	66	229,641	64	1,048,460
Minus:								
Tax on investment income	433	12,411	126	10,149	66	11,332	64	40,483
Income tax under subtitle A	6	329	5	1,718	—	—	5	968
Equals: Distributable amount before adjustments	434	299,192	126	213,414	66	218,308	64	1,007,009
Net adjustments	25	5,611	9	3,204	8	11,056	5	2,993
Positive adjustments	24	5,612	8	3,232	7	11,152	5	2,993
Negative adjustments	1	[2]	1	27	1	96	—	—
Distributable amount, adjusted	**434**	**304,803**	**126**	**216,619**	**66**	**229,364**	**64**	**1,010,002**
Total qualifying distributions	**434**	**605,662**	**128**	**406,967**	**66**	**434,065**	**64**	**1,290,290**
Disbursements for charitable purposes	434	603,050	128	400,363	66	427,834	64	1,145,444
Program-related investments	4	380	4	736	1	14	12	24,807
Amounts paid to acquire charitable-use assets	23	2,240	10	3,302	10	6,217	22	21,595
Amounts set aside for charitable projects:								
Under the suitability test	2	167	1	2,567	1	[2]	2	22,144
Under the cash distribution test	1	-175	—	—	—	—	2	76,300
Undistributed income for 1982	**190**	**91,000**	**56**	**63,708**	**32**	**67,714**	**36**	**269,671**
Excess distributions carryover to 1983	**232**	**469,002**	**72**	**247,102**	**34**	**231,350**	**26**	**263,520**

*Estimate should be used with caution because of the small number of sample returns on which it is based.
[1]A computation using less than 5 percent is allowed on returns covering an accounting period of less than one year.
[2]Indicates amount between -$500 and +$500.
NOTE: Detail may not add to total because of rounding.

Table 6. — All Foundations With Total Book Value of Assets of $10 Million or More–Summary: Number of Foundations; Total Book Value and Fair Market Value of Assets; Contributions, Gifts, and Grants Received; and Contributions, Gifts, and Grants Paid; by State

[Money amounts are in thousands of dollars]

State	Number of returns	Percent	Total assets						Contributions, gifts and grants					
			Book value			Fair market value			Received			Paid		
			Number of returns	Amount	Percent	Number of returns	Amount	Percent	Number of returns	Amount	Percent	Number of returns	Amount	Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
United States, total	**620**	**100.0**	**620**	**32,825,180**	**100.0**	**620**	**43,547,780**	**100.0**	**262**	**1,352,453**	**100.0**	**583**	**2,254,342**	**100.0**
Alabama	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Alaska	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Arizona	2	0.3	2	60,054	0.2	2	60,057	0.1	1	24,924	1.8	2	2,134	0.1
Arkansas	2	0.3	2	30,885	0.1	2	36,374	0.1	1	3,500	0.3	2	2,114	0.1
California	61	9.8	61	4,952,662	15.1	61	5,779,338	13.3	27	177,807	13.1	59	236,096	10.5
Colorado	8	1.3	8	320,137	1.0	8	427,010	1.0	3	2,851	0.2	7	20,423	0.9
Connecticut	14	2.3	14	422,400	1.3	14	546,211	1.3	9	5,135	0.4	12	53,478	2.4
Delaware	13	2.1	13	453,944	1.4	13	603,736	1.4	2	43,055	3.2	13	28,911	1.3
Florida	14	2.3	14	405,056	1.2	14	444,128	1.0	4	8,764	0.6	11	18,738	0.8
Georgia	10	1.6	10	256,769	0.8	10	411,350	0.9	1	9,122	0.7	10	21,267	0.9
Hawaii	3	0.5	3	55,453	0.2	3	78,874	0.2	—	—	—	3	6,991	0.3
Idaho	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Illinois	29	4.7	29	1,712,889	5.2	29	2,985,740	6.9	14	44,993	3.3	24	142,841	6.3
Indiana	11	1.8	11	369,107	1.1	11	994,399	2.3	4	10,498	0.8	10	63,217	2.8
Iowa	2	0.3	2	41,204	0.1	2	42,636	0.1	1	10,890	0.8	2	2,779	0.1
Kansas	2	0.3	2	29,783	0.1	2	38,013	0.1	1	17,036	1.3	2	1,502	0.1
Kentucky	1	0.2	1	135,689	0.4	1	135,592	0.3	—	—	—	1	6,381	0.3
Louisiana	6	1.0	6	100,791	0.3	6	161,744	0.4	3	12,440	0.9	4	2,773	0.1
Maine	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Maryland (Includes D.C.)	19	3.1	19	422,855	1.3	19	658,395	1.5	10	11,653	0.9	16	26,542	1.2
Massachusetts	11	1.8	11	223,189	0.7	11	319,517	0.7	5	740	0.1	8	11,914	0.5
Michigan	16	2.6	16	1,386,717	4.2	16	1,789,727	4.1	7	84,189	6.2	15	138,180	6.1
Minnesota	18	2.9	18	1,376,942	4.2	18	1,383,744	3.2	9	16,350	1.2	16	81,974	3.6
Mississippi	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Missouri	15	2.4	15	373,378	1.1	15	531,265	1.2	6	19,404	1.4	14	39,175	1.7
Montana	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Nebraska	4	0.6	4	102,934	0.3	4	121,816	0.3	3	1,451	0.1	3	5,509	0.2
Nevada	1	0.2	1	22,168	0.1	1	24,257	0.1	1	301	[1]	1	1,473	0.1
New Hampshire	—	—	—	—	—	—	—	—	—	—	—	—	—	—
New Jersey	19	3.1	19	1,093,896	3.3	19	1,985,558	4.6	9	3,914	0.3	17	40,770	1.8
New Mexico	1	0.2	1	26,957	0.1	1	27,194	0.1	—	—	—	—	—	—
New York	159	25.6	159	11,249,493	34.3	159	13,296,293	30.5	69	307,950	22.8	156	588,363	26.1
North Carolina	8	1.3	8	454,026	1.4	8	752,272	1.7	3	532	[1]	8	53,442	2.4
North Dakota	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Ohio	30	4.8	30	669,772	2.0	30	860,265	2.0	12	29,289	2.2	29	56,613	2.5
Oklahoma	12	1.9	12	493,592	1.5	12	1,046,549	2.4	8	13,549	1.0	12	39,491	1.8
Oregon	3	0.5	3	194,057	0.6	3	205,249	0.5	1	120,201	8.9	3	4,710	0.2
Pennsylvania	34	5.5	34	1,950,842	5.9	34	3,108,441	7.1	10	84,619	6.3	33	204,164	9.1
Rhode Island	2	0.3	2	26,291	0.1	2	26,023	0.1	1	1	[1]	2	1,554	0.1
South Carolina	3	0.5	3	47,653	0.1	3	50,300	0.1	1	10	[1]	3	3,390	0.2
South Dakota	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Tennessee	6	1.0	6	246,741	0.8	6	301,542	0.7	3	48,857	3.6	6	18,063	0.8
Texas	58	9.4	58	2,387,084	7.3	58	3,512,282	8.1	28	223,527	16.5	57	286,049	12.7
Utah	2	0.3	2	39,672	0.1	2	42,312	0.1	—	—	—	2	3,667	0.2
Vermont	1	0.2	1	24,203	0.1	1	25,521	0.1	—	—	—	1	231	[1]
Virginia	5	0.8	5	179,059	0.5	5	190,394	0.4	1	10	[1]	5	9,400	0.4
Washington	8	1.3	8	250,930	0.8	8	280,208	0.6	2	8,736	0.6	7	14,968	0.7
West Virginia	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Wisconsin	7	1.1	7	235,908	0.7	7	265,452	0.6	2	6,154	0.5	7	15,056	0.7
Wyoming	—	—	—	—	—	—	—	—	—	—	—	—	—	—
All others	14	N/A	14	531,743	N/A	14	1,198,596	N/A	4	173	N/A	8	37,482	N/A

N/A — Not applicable.
[1] Less than .05 percent.
NOTE: Detail may not add to total because of rounding.

A Private Foundation Profile for 1983

By Margaret Riley*

Sales of private foundation capital assets continued to escalate for 1983, edging interest and dividend income out of its traditional ranking as the largest source of foundation income [1]. This 1983 surge was responsible for netting a $4.2 billion gain and more than doubling record-setting sales made for 1982 [2]. Receipts from sales of capital assets, primarily securities, accounted for 35 percent of all revenue reported by foundations for 1983.

The tax law requires private foundations to distribute annually a minimum amount, based on investment assets, to promote philanthropy [3]. For 1983, foundations expended a total of $5.2 billion for charitable or nonprofit purposes, exceeding the required minimum by $2.4 billion [4]. Out of the total $5.2 billion expenditure, private foundations gave $4.4 billion in contributions, gifts, and grants (hereinafter referred to collectively as "grants") to support philanthropic organizations or causes; this was $251 million more than they gave out for 1982.

For 1983, there was an estimated total of 29,863 private foundations, of which 25,465 made grants. Foundations are further classified as either "operating" or "nonoperating" entities. (See the "Explanation of Selected Terms" section of this article.) Approximately 90 percent of the nonoperating foundations made a charitable grant of some form in 1983. The other 10 percent (nongrantmaking nonoperating foundations) in many cases set aside funds earmarked for future charitable projects, made program-related investments, or incurred qualifying expenses for charitable purposes which met or exceeded the required minimum distribution. Some nonoperating foundations were "failed public charities" which operated direct charitable programs and did not make grants [5].

Figure A shows a comparison of the asset size distributions of private foundations between 1982 and 1983. While the overall number of foundations increased by 5.4 percent, the rate of growth for each asset class varied significantly.

Figure A.--Number of Foundations by Size of Fair Market Value of Assets, 1982 and 1983

Size of fair market value of assets	Number of private foundations [1]		Percentage change, 1982 to 1983
	1982	1983	
	(1)	(2)	(3)
Total...........	28,321	29,863	5.4%
Under $100,000 [2]....	14,605*	13,839*	-5.2*
$100,000 under $1,000,000.......	9,125	10,878	19.2
$1,000,000 under $10,000,000......	3,771	4,237	12.4
$10,000,000 under $50,000,000......	655	724	10.5
$50,000,000 or more..........	165	184	11.5

*Estimate should be used with caution because of the small number of sample returns on which it is based.
[1] Includes former public charities reclassified as private foundations.
[2] Includes foundations with zero assets and unreported assets.

The $12.6 billion in fair market value of assets held by the 10 largest domestic foundations listed in Figure B accounted for 17.4 percent of the total assets held by all foundations [6]. Grants paid by these largest foundations amounted to $384.9 million, an 8.1 percent increase over grants paid in 1982 by the top 10 domestic foundations [7].

The Ford Foundation, Robert Wood Johnson Foundation, and Lilly Endowment all experienced a drop in assets between 1982 and 1983. The assets of the remaining seven largest foundations increased for 1983. Most notably, the MacArthur Foundation's assets nearly doubled in

*Foreign Special Projects Section. Prepared under the direction of Michael Alexander, Chief.

size from its $990.3 million 1982 amount. Substantial increases in both sales of capital assets and investments in real estate, coupled with a large decrease in securities investments for 1983, suggest that the MacArthur Foundation sold a large portion of its securities and reinvested in real estate holdings. Its 1983 real estate investments jumped dramatically to replace securities as the largest component of its assets.

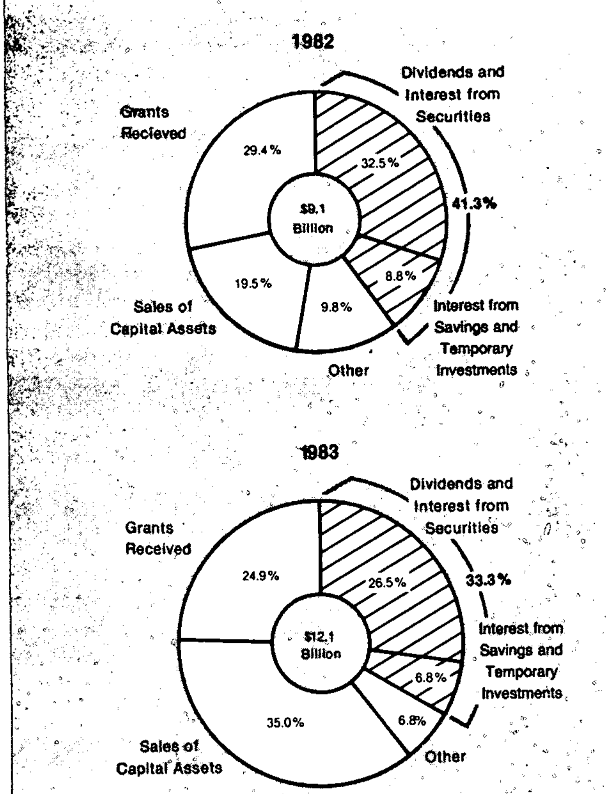
The J. Paul Getty Museum Trust, classified as an operating foundation and excluded from Figure B, held assets worth $2.7 billion. While the Getty Trust is not required to make grants, it nonetheless reported $1.1 million in donations for 1983.

Figure B
Top Ten Domestic Nonoperating Foundations Ranked by Fair Market Value (FMV) of Assets, 1983[1]
(Millions of Dollars)

Rank	Name	FMV Assets	Ledger Assets	Grants Paid	1982 Rank
1	Ford Foundation	$3,497.8	$3,497.8	$116.8	1
2	The MacArthur Foundation	1,920.3	1,669.5	25.8	5
3	Robert Wood Johnson Foundation	1,159.0	634.3	8.7	2
4	Andrew W. Mellon Foundation	1,151.0	795.1	60.3	3
5	Rockefeller Foundation	1,112.1	924.7	28.3	4
6	W.K. Kellogg Foundation Trust	1,102.6	33.9	5.9	6
7	Pew Memorial Trust	1,097.1	382.6	45.6	7
8	Kresge Foundation	792.1	57.2	5.0	9
9	Lilly Endowment	703.4	151.1	44.3	8
10	The Hewlett Foundation	576.6	576.6	23.8	10

[1]A foundation is considered "domestic" if it is organized in the United States; however, this does not necessarily imply that all of its activities or grant recipients are domestic.

Figure C
Sources of Foundation Revenue, 1982 and 1983



FOUNDATION INCOME AND ASSETS

Total revenue received by private foundations rose by nearly a third between 1982 and 1983. This was largely attributable to a substantial increase in sales of capital assets. After deductions for allowed expenses, which remained fairly constant between the 2 years, the resulting net revenue amounted to $6.2 billion, a 78-percent increase over 1982. See Figure C for a presentation of the major sources of revenue for 1982 and 1983.

Several factors are probable contributors to the surge in sales of capital assets. First, and most likely a prominent force, was the fast-paced securities investment environment of 1983. The Dow Jones Industrial Average closed 1983 at 1258.64, up 20 percent for the year [8]. Stock prices which began to rally during mid-1982 continued their upward climb into 1983 [9]. Individuals and corporations also reported significant increases in capital gains between 1982 and 1983, although at rates not nearly as high as the rate increase reported by foundations [10,11].

Second, a 1981 tax law enactment which eliminated the requirement that foundations pay out as charitable distributions all of their investment income also may have encouraged foundation sales of capital assets. Beginning with 1982, the required minimum payout became a flat 5 percent of net investment assets. The pre-1982 law had encouraged foundations to invest in securities having lower income yields but with potential for higher appreciation values. The new law offered foundations an opportunity to restructure their investment portfolios to include securities which produced higher rates of return. The relaxed distribution requirement, coupled with the fact that capital gains from sales of securities by private foundations were not subject to regular income taxation, may have encouraged more trading in securities (portfolio restructuring) than otherwise would have been the case [12].

A third factor possibly influencing foundations' sales of capital assets was the excess business holdings provision of the Internal Revenue Code. Under this law, foundations which on May 26, 1969, held more than a 75-percent interest either in the voting stock or in the value of all classes of stock in a business enterprise generally were required to dispose of a certain amount of that interest to reach a permissible level of holdings within a 15-year period ending on May 26, 1984. Many affected foundations had to dispose of these excess business holdings before the end of their 1983 accounting periods to avoid the imposition of a penalty tax. Some of these foundations may have held their stock interests as long as possible, planning their divestitures for 1983.

Foundation assets rose by an inflation-adjusted 10.2 percent between 1982 and 1983 [13]. As Figure D shows, investments in securities (the predominant asset of most foundations) increased by only 5.4 percent (also adjusted for inflation), while large gains can be noted for cash and both categories of depreciable assets and land. These changes might be explained by the increased sales of securities prompted by a combination of brisk stock market trading, the tax law change concerning distribution of investment income, and the effect of foundations' last-minute compliance with the excess business holdings provision. Foundations no longer had to be concerned about their investment income as a factor in their required minimum payout computation and could begin to reshape their investment strategies. Moreover, lower interest rates throughout 1982 and into the beginning of 1983 also might have encouraged increased property investment activities.

The ledger (book) value of foundation assets increased by about 18 percent from 1982 to 1983. As a percentage of assets, liabilities remained nearly constant for both years, resulting in net worth increasing by about the same amount as ledger assets.

Figure D.--Components of Assets, 1982 and 1983
[Money amounts in billions of dollars]

Type of asset	Income year		Percentage change 1982 to 1983[1]
	1982	1983	
	(1)	(2)	(3)
Total	$62.9	$71.9	10.2%
Securities	49.8	54.5	5.4
Cash, total	4.6	6.1	28.1
Savings and interest-bearing accounts	4.0	5.4	27.6
Non-interest-bearing accounts	0.5	0.7	32.3
Depreciable assets and land held for charitable purposes	1.5	2.2	40.9
Depreciable assets and land held for investment purposes	1.5	3.5	125.7[2]
Accounts and notes receivable	0.9	1.0	9.9
Other	4.6	4.6	-3.4

[1]Adjusted for inflation and based on unrounded dollar amounts.

[2]The MacArthur Foundation, which for 1983 had a substantial increase in real estate investments, accounted for a large portion of this increase. Excluding MacArthur, the change (adjusted for inflation) drops to 37.3 percent.

Figure E shows an inverse relationship between investment yields on foundation securities and the size of a foundation's assets. This suggests that large foundations structure their portfolios differently from smaller organizations. The small foundations apparently do not rely on interest and dividend income to broaden or maintain their endowment base; rather, they serve as a conduit for the funds they receive by passing them through to other tax-exempt organizations. Large foundations, in contrast, often follow a "total return" philosophy and balance their portfolios to take into account both appreciation value and yield. Figure E also appears to show a negative correlation between the percentage yield earned on securities investments and the proportion of those investments to total assets. Presumably, the larger foundations that are more heavily invested in securities can afford to diversify to a much greater extent and need not rely solely on the forecasted interest or dividend yield to be earned from a security when making investment decisions.

Figure E.--Yield on Investments in Securities, by Size of Total Fair Market Value of Assets, 1983
[Money amounts in millions of dollars]

Fair market value of assets	Investments in securities	Percent of assets	Interest/ dividends from securities	Percentage yield
	(1)	(2)	(3)	(4)
Total.....	$54,516.9	75.8%	$3,209.4	5.9%
Under $100,000[1]...	175.7*	44.1*	13.5*	7.7*
$100,000 under $1,000,000..	2,246.4	59.7	174.3	7.8
$1,000,000 under $10,000,000.	9,052.8	64.4	618.9	6.8
$10,000,000 under $50,000,000.	11,094.3	75.8	683.1	6.2
$50,000,000 or more...	31,947.7	81.8	1,719.6	5.4

*Estimate should be used with caution because of the small number of sample returns on which it is based.

[1]Includes foundations with zero assets and unreported assets.

CHARITABLE DISTRIBUTIONS

For 1983, nonoperating foundations were required to pay an aggregate minimum of $2.8 billion in the form of disbursements or reserved funds which qualified as supporting charitable or nonprofit activities. These organizations actually distributed $4.6 billion for tax-exempt activities, made charitable program-related investments of $61.6 million, and reserved $146.5 million for future charitable projects. Adding in the $32.0 million they paid to acquire assets used for charitable purposes, the total qualifying distributions of all nonoperating foundations amounted to $4.8 billion for 1983.

Eighty percent of all nonoperating foundations made qualifying distributions which met or exceeded the minimum amount required for 1983. More than half of these foundations paid out amounts which were at least double the required amount and accounted for roughly 40 percent of all qualifying charitable distributions made. Close to 19 percent of all nonoperating foundations paid out amounts less than those required. However, this is a normal practice followed by many foundations which is allowed under the tax law. (See the discussion of systematic grant planning below.) A small number, about 1.5 percent, were not required to make a distribution for 1983.

The grantmaking methodology of nonoperating private foundations varies from foundation to foundation, but it generally is influenced by the size of the organization. Small foundations receive most of their revenue in the form of contributions from outside sources and usually pay out grants that equal or exceed the contributions received. Some organizations with very small assets act solely as "flow-throughs," or conduits, for redistributing donations and contributions received during the year. Company-sponsored foundations in some ways are similar to flow-through organizations. Many companies set up foundations as a means to stabilize their annual grantmaking. Although contributions to company-sponsored foundations usually correspond to the profits of the corporation, i.e., more corporate giving in good years and less in poor years, they have the ability to maintain and control their endowment in a way to provide a steady flow of grants, even when corporate profits are down.

Large foundations are more likely to base their grantmaking on their investment performance. The law provides for this type of systemmatic planning by allowing a 1-year tax- and penalty-free grace period for meeting the minimum required charitable distribution if a foundation fell short of the minimum in its current reporting year. Because investments are the main component of large foundations' assets and the required distribution is based on a fixed percentage of net investment assets, the large foundations usually make qualifying distributions that are relatively close to the required percentage.

SUMMARY

For 1983, private foundation revenue increased by 78 percent, attributable mainly to a 138-percent increase in sales of capital assets, principally securities. These capital asset sales accounted for 35 percent of all revenue reported, edging interest and dividend income out of its traditional ranking as the largest component of foundation revenue.

An estimated 29,863 foundations spent $5.2 billion for philanthropic purposes. Of this amount, $4.4 billion comprised grants to tax-exempt organizations engaging in philanthropic activities, a 6.1 percent increase over grants paid for 1982.

Foundation assets rose by an inflation-adjusted 10.2 percent between 1982 and 1983. Depreciable assets and land held for investment purposes showed the largest gain of all asset components, more than doubling for 1983. The drop in interest rates which occurred during 1982 and 1983 and the increase in revenue generated through the sale of securities investments likely contributed to the increase in real estate purchases.

DATA SOURCES AND LIMITATIONS

The statistics in this article are based on a sample of 1983 Income Year private foundation returns, Forms 990-PF, filed with the Internal Revenue Service (IRS) and having accounting periods ending December 1983 through November 1984. Forms 990-PF filed by nonexempt charitable trusts and certain taxable foundations were excluded from the study. The sample was stratified based on size of total book value of assets and selected at rates that ranged from 0.7 percent to 100 percent. The 1,374 returns in the sample were drawn from an estimated population of 29,863.

The 1983 sample was designed to provide the most reliable estimates of total assets and total income based on a small number of returns. (Resource constraints necessitated a very small sample size.) The methodology employed was to include in the sample all returns with assets (book value) of $10 million or more, the category where the highest concentration of assets exists. The 697 returns in this group accounted for approximately 51 percent of all the returns in the sample and 70 percent of the total assets of all foundations. The remaining 677 returns in the sample were randomly selected at various rates, depending on the asset size. Due to the small number of sample returns selected to represent the population of returns with assets under $100,000 (92 sample returns), the statistics presented for this group are subject to significant sampling variability and should, therefore, be used with caution.

The population from which the sample was drawn consisted of an extract of private foundation records obtained from the IRS Business Master File. Determinations of active filing status were made regarding the sample records. Some of the records designated were for organizations that were deemed inactive (no return had been filed for at least 3 years), terminated, or had not yet filed a return for 1983. Inactive and terminated private foundations are not reflected in the estimates. Prior-year returns were substituted for the small number of large private foundations for which a 1983 return had not yet been filed or was unobtainable for inclusion in the study. Sample weights applied to small organizations were revised upward to compensate for missing returns in that category. Asset distributions presented in the 1983 tables have been compressed due to the small number of returns with assets less than $10 million selected for the sample.

Because the data presented in this article are estimated based on a sample, they are subject to sampling and nonsampling error. To use the statistical data properly, the magnitude of the sampling error should be known. Coefficients of variation (CV's) are used to measure that magnitude.

Figure F below presents an estimate of the sampling error, expressed as a coefficient of variation, for frequency estimates of private foundation returns with less than $10 million in assets. Returns with assets of $10 million or more were selected at a prescribed rate of 100 percent; therefore, this category is not subject to sampling error. The approximate CV's shown here are intended only as a general indication of the reliability of the data. For a number other than those shown below, the corresponding CV's can be estimated by interpolation.

Figure F.--Coefficient of Variation Table, 1983

Estimated number of returns by size of total assets[1]			Approximated coefficient of variation
Under $100,000 or not Reported	$100,000 under $1,000,000	$1,000,000 under $10,000,000	
(1)	(2)	(3)	(4)
-	9,700	3,500	.025
-	7,000	2,200	.050
13,400	4,800	1,300	.075
9,700	3,300	900	.100
5,400	1,800	400	.150
2,200	700	200	.250

[1]Total assets used were the book value reported.

A discussion of the reliability of estimates based on samples and the use of coefficients of variation for evaluating the precision of sample estimates can be found in the general Appendix to this publication.

EXPLANATION OF SELECTED TERMS

The following explanations describe terms as they applied to private foundations during their 1983 Form 990-PF accounting periods.

Assets Zero or Not Reported. Included in this asset size category were: (1) final returns of liquidating or dissolving foundations which had disposed of all assets, and (2) returns of foundations not reporting beginning-of-year assets that apparently distributed all income and assets received during the year.

Disbursements for Charitable Purposes.--These deductions represented expenditures for activities that were directly related to the tax-exempt purposes of the foundation. Included were necessary and reasonable administrative expenses paid for charitable, scientific, educational, or other similar purposes. These amounts were determined solely on the cash receipts and disbursements method of accounting.

Distributable Amount.--The distributable amount represented the minimum payout which was required to be distributed by the end of the year following the year for which the return was filed in order to avoid payment of an excise tax for failure to distribute income currently. This amount was computed as 5 percent of net investment assets (minimum investment return), minus taxes on net investment income and unrelated business income, plus/minus allowed adjustments. (See "Net Adjustments to Distributable Amount" for a definition of allowed adjustments.)

Minimum Investment Return.--This was the aggregate fair market value of assets not used for charitable purposes, less the sum of indebtedness incurred to acquire those assets and cash held for charitable activities, multiplied by 5 percent. The minimum investment return was used as the base for calculating the "distributable amount."

Net Adjustments to Distributable Amount.--Adjustments that increased the "distributable amount" consisted of increases attributable to the income portion (as distinct from the principal portion) of distributions from split-interest trusts on amounts placed in trust after May 26, 1969. A split-interest trust was a trust which was not exempt from tax, not all of whose interests were devoted to charitable, religious, educational, and like purposes, and which had amounts in trust for which a charitable contribution deduction was allowed.

Adjustments that decreased the distributable amount were the result of income required to be accumulated as part of an organization's governing instrument. This applied to foundations organized before May 27, 1969, whose governing instrument continued to require the accumulation after a judicial proceeding to change the governing instrument was terminated.

Nonoperating Foundation.--Nonoperating foundations were organizations that carried on their charitable activities in an indirect manner by making grants, in general, to other organizations that were directly engaged in charitable activities, rather than engaging in charitable activities themselves. Nonoperating foundations were subject to an excise tax (and possible additional penalties) for failure to distribute, within a required time period, an annual minimum amount for charitable purposes.

Operating Foundations.--Operating foundations generally expended their income for the direct, active involvement in a tax-exempt activity, such as operating a library or museum, or conducting scientific research. To qualify as an operating foundation for a particular taxable year, a private foundation had to spend at least 85 percent of the lesser of its adjusted net income or minimum investment return on exempt-purpose activities (the "income test") and, in addition, satisfy one of three other tests termed the "assets test," the "endowment test," and the "support test." Operating foundations were excepted from the income distribution requirements and related excise taxes applicable to private foundations. Distributions made by a private foundation to an operating foundation qualified toward meeting the distributable amount. (Distributions made to nonoperating foundations were subject to a number of strict conditions and restrictions.) Additionally, donors to operating foundations could receive the 50-percent charitable contributions deduction (reduced to 30 percent for contributions to nonoperating foundations) provided under the Internal Revenue Code.

Private Foundations.--Private foundations were nonprofit corporations, associations or trusts with a narrow source of funds which operated or supported social, educational, scientific, charitable, religious and other programs dedicated to improving the general welfare of society. By Internal Revenue definition, a private foundation was an organization which qualified for tax exempt status under Internal Revenue Code section 501(c)(3) and was not a church; school; hospital; medical research organization; an organization with broad public support (public charity); an organization which was operated by, or in connection with, any of the above described organizations or an organization which tested for public safety. The primary difference between foundations and public charities lay in the sources of their funding. Foundations usually received their funds from an individual, a family or a corporation, while, as their name implies, public charities' funds were derived mainly from a large number of sources within the general public.

Sales of Capital Assets.--This item represented the net gain or loss from the sale of foundation assets, exclusive of those used for business purposes. Included was profit or loss from sale of items of an investment nature such as securities, land, buildings, or equipment. Gain or loss reflected the amount shown on the books of the foundation and included any gain or loss from the sale of property used for exempt purposes. Gain or loss from the sale of business assets was included in gross profit from business activities.

Value of Noncharitable Assets (Investment Assets).--For purposes of calculating "minimum investment return," only the assets that were not used or held for use for exempt purposes entered into the computation. An asset was not used directly in carrying out the foundation's exempt purpose if the asset was not used in the carrying on of a charitable, educational or other similar function which gave rise to the exempt status of the foundation.

NOTES AND REFERENCES

[1] See "Data Sources and Limitations" section of this article for a description of foundation accounting periods covered by the 1983 study.

[2] See Riley, Margaret, "Private Foundation Information Returns, 1982," Statistics of Income Bulletin, Fall 1985, pp. 1-27. Certain data published for 1982 have been revised and are used for comparison to 1983 data cited in this article. Updated 1982 data are available upon request from the Director, Statistics of Income Division D:R:S, Internal Revenue Service, Washington, DC 20224.

[3] The required minimum amount is called the "distributable amount" and is defined, along with other terms used throughout this article, in the "Explanation of Selected Terms" section.

[4] The $5.2 billion expended for charitable purposes included all related administrative expenses. Effective January 1, 1985, a ceiling was placed on the amount of grant-related administrative expenses which a foundation could apply toward the required distribution.

Also included in the $5.2 billion expenditure was $0.6 billion spent by operating foundations, which were not subject to the minimum distribution requirement because they made distributions directly for the active conduct of tax-exempt activities.

[5] If an organization failed to meet the Internal Revenue Service's requirements for retaining its public charity status, it was reclassified as a private foundation. Most often, these reclassified organizations continued to operate as public charities, operating programs or providing direct services as opposed to making grants to accomplish a charitable purpose. Perhaps many of these organizations could have qualified as operating foundations, but had not requested such status from the Internal Revenue Service.

[6] All references to assets in this article are at their fair market value unless otherwise stated.

[7] Fundacao Calouste Gulbenkian, a foreign private foundation not listed in Figure B, held assets worth $862.2 million and paid out $26.1 million in grants for 1983.

[8] The Washington Post, "Business Outlook 1984", January 8, 1984, p. K5.

[9] U.S. Department of Commerce, Bureau of Economic Analysis, Business Conditions Digest, October 1986, p. 59.

[10] U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income--Individual Income Tax Returns, for 1982 and 1983, Table 1.3.

[11] U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income--Corporation Income Tax Returns, for 1982 and 1983, Table 2.

[12] Capital gains (less losses to the extent of the gains) were included in the computation of net investment income, upon which an excise tax was levied for most foundations. Generally, for 1983 the excise tax was 2 percent for domestic foundations and 4 percent for foreign foundations.

[13] All inflation-adjusted figures cited in this article were derived using the Gross National Product Implicit Price Deflator. See Council of Economic Advisors, Economic Report of the President, February 1986, Table B-3.

A Private Foundation Profile for 1983

Table 1. — Number of Foundations, Total Revenue and Total Expenses, Net Investment Income and Tax, Total Assets, Net Worth, and Distributions, by Type of Foundation and Size of Total Fair Market Value of Assets, 1983

[Money amounts are in thousands of dollars]

Size of total fair market value of assets	Number of returns	Total revenue		Total expenses		Disbursements for exempt purposes		Qualifying contributions, gifts, and grants paid		Excess of revenue over expenses	
		Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
All foundations, total	**29,863**	**29,054**	**12,131,748**	**28,385**	**5,882,752**	**27,927**	**5,155,188**	**25,465**	**4,363,354**	**29,098**	**6,248,995**
Zero or unreported	*152	*152	*609	*152	*609	*152	*609	*152	*609	—	—
$1 under $100,000	13,687	12,927	320,347	12,318	313,165	12,118	307,444	10,444	282,644	13,231	7,181
$100,000 under $1,000,000	10,878	10,830	837,800	10,782	619,944	10,589	579,417	10,156	538,686	10,734	217,856
$1,000,000 under $10,000,000	4,237	4,237	2,601,524	4,225	1,560,088	4,166	1,372,402	3,871	1,092,491	4,225	1,041,436
$10,000,000 under $25,000,000	542	542	1,124,940	542	720,921	540	629,643	505	549,785	542	404,019
$25,000,000 under $50,000,000	182	182	991,755	182	556,923	179	475,653	165	389,385	182	434,832
$50,000,000 under $100,000,000	91	91	1,014,602	91	516,115	90	439,028	81	366,994	91	498,487
$100,000,000 or more	93	93	5,240,171	93	1,594,987	93	1,350,994	91	1,142,760	93	3,645,184
Nonoperating foundations, total	**27,076**	**26,267**	**10,256,677**	**25,598**	**5,194,900**	**25,225**	**4,598,058**	**24,233**	**4,264,906**	**26,463**	**5,061,776**
Zero or unreported	*152	*152	*609	*152	*609	*152	*609	*152	*609	—	—
$1 under $100,000	12,014	11,253	304,439	10,644	291,361	10,444	286,707	9,835	279,704	11,709	13,078
$100,000 under $1,000,000	10,252	10,204	779,086	10,156	567,043	10,012	537,407	9,675	527,395	10,108	212,042
$1,000,000 under $10,000,000	3,848	3,848	2,133,043	3,836	1,235,914	3,812	1,100,035	3,777	1,041,910	3,836	897,128
$10,000,000 under $25,000,000	486	486	1,043,992	486	650,088	485	577,627	478	538,028	486	393,903
$25,000,000 under $50,000,000	161	161	875,824	161	496,411	158	426,345	155	385,538	161	379,413
$50,000,000 under $100,000,000	77	77	928,640	77	459,824	76	390,341	75	360,446	77	468,815
$100,000,000 or more	86	86	4,191,045	86	1,493,649	86	1,278,987	86	1,131,277	86	2,697,396
Operating foundations, total	**2,787**	**2,787**	**1,875,072**	**2,787**	**687,852**	**2,702**	**557,130**	**1,232**	**98,447**	**2,635**	**1,187,219**
Zero or unreported	—	—	—	—	—	—	—	—	—	—	—
$1 under $100,000	1,674	1,674	15,908	1,674	21,804	1,674	20,736	609	2,940	1,522	-5,897
$100,000 under $1,000,000	626	626	58,715	626	52,901	577	42,010	481	11,291	626	5,814
$1,000,000 under $10,000,000	390	390	468,481	390	324,173	354	272,367	94	50,581	390	144,308
$10,000,000 under $25,000,000	56	56	80,948	56	70,832	55	52,016	27	11,758	56	10,116
$25,000,000 under $50,000,000	21	21	115,931	21	60,512	21	49,308	10	3,847	21	55,419
$50,000,000 under $100,000,000	14	14	85,963	14	56,291	14	48,687	6	6,548	14	29,672
$100,000,000 or more	7	7	1,049,126	7	101,338	7	72,006	5	11,482	7	947,788
Grantmaking foundations, total	**25,465**	**25,009**	**11,377,015**	**25,465**	**5,384,078**	**25,465**	**4,812,173**	**25,465**	**4,363,354**	**25,205**	**5,992,936**
Zero or unreported	*152	*152	*609	*152	*609	*152	*609	*152	*609	—	—
$1 under $100,000	10,444	9,987	301,366	10,444	292,900	10,444	288,073	10,444	282,644	10,444	8,465
$100,000 under $1,000,000	10,156	10,156	809,099	10,156	607,479	10,156	571,528	10,156	538,686	10,060	201,620
$1,000,000 under $10,000,000	3,871	3,871	2,160,494	3,871	1,274,603	3,871	1,170,147	3,871	1,092,491	3,859	885,892
$10,000,000 under $25,000,000	505	505	1,062,388	505	660,412	505	589,778	505	549,785	505	401,976
$25,000,000 under $50,000,000	165	165	907,221	165	501,212	165	436,475	165	389,385	165	406,010
$50,000,000 under $100,000,000	81	81	952,103	81	479,491	81	412,998	81	366,994	81	472,613
$100,000,000 or more	91	91	5,183,735	91	1,567,374	91	1,342,565	91	1,142,760	91	3,616,361
Grantmaking-nonoperating foundations, total	**24,233**	**23,776**	**10,120,844**	**24,233**	**5,117,031**	**24,233**	**4,571,802**	**24,233**	**4,264,906**	**23,973**	**5,003,812**
Zero or unreported	*152	*152	*609	*152	*609	*152	*609	*152	*609	—	—
$1 under $100,000	9,835	9,379	298,887	9,835	289,746	9,835	285,097	9,835	279,704	9,835	9,141
$100,000 under $1,000,000	9,675	9,675	758,608	9,675	561,784	9,675	535,937	9,675	527,395	9,579	196,824
$1,000,000 under $10,000,000	3,777	3,777	2,075,980	3,777	1,209,425	3,777	1,099,510	3,777	1,041,910	3,765	866,555
$10,000,000 under $25,000,000	478	478	1,025,522	478	634,898	478	568,100	478	538,028	478	390,624
$25,000,000 under $50,000,000	155	155	857,633	155	474,742	155	414,535	155	385,538	155	382,892
$50,000,000 under $100,000,000	75	75	912,560	75	452,180	75	389,028	75	360,446	75	460,380
$100,000,000 or more	86	86	4,191,045	86	1,493,649	86	1,278,987	86	1,131,277	86	2,697,396
Nongrantmaking-nonoperating foundations, total	**2,843**	**2,490**	**135,833**	**1,365**	**77,869**	**992**	**26,256**	**—**	**—**	**2,490**	**57,964**
Zero or unreported	—	—	—	—	—	—	—	—	—	—	—
$1 under $100,000	2,179	1,874	5,552	*809	*1,615	*609	*1,611	—	—	1,874	3,937
$100,000 under $1,000,000	577	529	20,477	481	5,259	*337	*1,469	—	—	529	15,218
$1,000,000 under $10,000,000	*71	*71	*57,063	*59	*26,490	*35	*525	—	—	*71	*30,573
$10,000,000 under $25,000,000	8	8	18,470	8	15,191	7	9,527	—	—	8	3,279
$25,000,000 under $50,000,000	6	6	18,191	6	21,669	3	11,810	—	—	6	-3,479
$50,000,000 under $100,000,000	2	2	16,080	2	7,644	1	1,313	—	—	2	8,436
$100,000,000 or more	—	—	—	—	—	—	—	—	—	—	—

Footnotes at end of table.

Table 1.—Number of Foundations, Total Revenue and Total Expenses, Net Investment Income and Tax, Total Assets, Net Worth, and Distributions, by Type of Foundation and Size of Total Fair Market Value of Assets, 1983—Continued

[Money amounts are in thousands of dollars]

Size of total fair market value of assets	Net revenue		Net investment income		Net gain or loss from sales of capital assets		Excise tax on net investment income				
							Total amount	Domestic organizations		Foreign organizations	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount		Number of returns	Amount	Number of returns	Amount
	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
All foundations, total	**16,941**	**6,734,304**	**25,171**	**8,339,443**	**8,297**	**4,227,439**	**166,848**	**25,145**	**165,965**	**8**	**882**
Zero or unreported	—	—	—	—	—	—	—	—	—	—	—
$1 under $100,000	6,231	39,739	9,531	35,632	*1,217	*11,525	710	9,531	710	—	—
$100,000 under $1,000,000	6,664	330,528	10,589	358,329	3,869	107,743	7,165	10,589	7,165	—	—
$1,000,000 under $10,000,000	3,290	1,214,666	4,155	1,340,982	2,472	441,729	26,819	4,143	26,819	—	—
$10,000,000 under $25,000,000	435	484,224	537	781,551	438	303,742	15,631	532	15,604	2	27
$25,000,000 under $50,000,000	158	481,232	176	690,671	143	280,464	13,810	171	13,694	3	117
$50,000,000 under $100,000,000	80	524,512	91	678,910	75	286,219	13,585	90	13,571	1	14
$100,000,000 or more	83	3,659,403	93	4,453,368	82	2,796,017	89,127	90	88,403	2	724
Nonoperating foundations, total	**15,787**	**5,489,025**	**23,185**	**7,009,617**	**7,746**	**3,297,002**	**140,566**	**23,173**	**139,684**	**8**	**882**
Zero or unreported	—	—	—	—	—	—	—	—	—	—	—
$1 under $100,000	5,775	39,002	8,618	32,965	*1,065	*11,349	657	8,618	657	—	—
$100,000 under $1,000,000	6,327	322,675	9,964	345,580	3,725	105,492	6,910	9,964	6,910	—	—
$1,000,000 under $10,000,000	3,006	1,048,936	3,800	1,236,374	2,283	406,615	24,727	3,800	24,727	—	—
$10,000,000 under $25,000,000	395	460,046	484	740,963	408	293,029	14,832	480	14,805	2	27
$25,000,000 under $50,000,000	139	425,589	156	594,325	126	222,113	11,884	151	11,767	3	117
$50,000,000 under $100,000,000	68	481,358	77	609,136	63	255,415	12,190	76	12,176	1	14
$100,000,000 or more	77	2,711,419	86	3,450,276	76	2,002,989	69,368	84	68,644	2	724
Operating foundations, total	**1,154**	**1,245,279**	**1,987**	**1,329,826**	**550**	**930,438**	**26,281**	**1,973**	**26,281**	**—**	**—**
Zero or unreported	—	—	—	—	—	—	—	—	—	—	—
$1 under $100,000	*457	*737	*913	*2,668	*152	*176	*53	*913	*53	—	—
$100,000 under $1,000,000	*337	*7,853	626	12,749	*144	*2,250	255	626	255	—	—
$1,000,000 under $10,000,000	283	165,730	354	104,609	189	35,114	2,092	342	2,092	—	—
$10,000,000 under $25,000,000	41	24,178	53	40,588	30	10,713	799	52	799	—	—
$25,000,000 under $50,000,000	19	55,643	20	96,346	17	58,351	1,927	20	1,927	—	—
$50,000,000 under $100,000,000	12	43,154	14	69,774	12	30,805	1,395	14	1,395	—	—
$100,000,000 or more	6	947,984	7	1,003,092	6	793,029	19,760	6	19,760	—	—
Grantmaking foundations, total	**14,314**	**6,414,555**	**22,414**	**8,091,673**	**7,798**	**4,133,110**	**162,182**	**22,405**	**161,326**	**5**	**857**
Zero or unreported	—	—	—	—	—	—	—	—	—	—	—
$1 under $100,000	4,357	35,064	7,705	32,228	*1,217	*11,525	642	7,705	642	—	—
$100,000 under $1,000,000	6,231	310,493	10,012	347,518	3,581	106,020	6,949	10,012	6,949	—	—
$1,000,000 under $10,000,000	3,018	1,032,727	3,859	1,251,964	2,307	410,162	25,039	3,859	25,039	—	—
$10,000,000 under $25,000,000	411	470,480	503	757,491	412	295,796	15,150	499	15,123	2	27
$25,000,000 under $50,000,000	144	444,899	163	628,831	133	242,975	12,568	160	12,463	1	105
$50,000,000 under $100,000,000	72	490,310	81	649,691	67	277,278	12,994	81	12,994	—	—
$100,000,000 or more	81	3,630,581	91	4,423,950	81	2,789,353	88,841	89	88,117	2	724
Grantmaking-nonoperating foundations, total	**13,622**	**5,411,241**	**21,336**	**6,985,530**	**7,427**	**3,293,134**	**140,072**	**21,328**	**139,216**	**5**	**857**
Zero or unreported	—	—	—	—	—	—	—	—	—	—	—
$1 under $100,000	4,053	35,059	7,248	30,594	*1,065	*11,349	610	7,248	610	—	—
$100,000 under $1,000,000	5,942	303,889	9,531	335,485	3,436	103,770	6,708	9,531	6,708	—	—
$1,000,000 under $10,000,000	2,959	1,012,604	3,765	1,234,489	2,259	406,523	24,689	3,765	24,689	—	—
$10,000,000 under $25,000,000	390	453,970	478	735,147	403	290,985	14,716	475	14,688	2	27
$25,000,000 under $50,000,000	135	421,671	153	592,664	125	222,109	11,845	150	11,739	1	105
$50,000,000 under $100,000,000	67	472,629	75	606,875	62	255,409	12,137	75	12,137	—	—
$100,000,000 or more	77	2,711,419	86	3,450,276	76	2,002,989	69,368	84	68,644	2	724
Nongrantmaking-nonoperating foundations, total	**2,164**	**77,784**	**1,849**	**24,087**	**319**	**3,867**	**494**	**1,845**	**468**	**3**	**26**
Zero or unreported	—	—	—	—	—	—	—	—	—	—	—
$1 under $100,000	1,722	3,943	*1,370	*2,370	—	—	47	*1,370	*47	—	—
$100,000 under $1,000,000	*385	*18,786	*433	*10,095	*289	*1,722	202	*433	*202	—	—
$1,000,000 under $10,000,000	*47	*36,332	*35	*1,885	*24	*92	*38	*35	*38	—	—
$10,000,000 under $25,000,000	5	6,077	6	5,816	5	2,044	116	5	116	—	—
$25,000,000 under $50,000,000	4	3,917	3	1,660	1	4	39	1	27	2	11
$50,000,000 under $100,000,000	1	8,729	2	2,261	1	5	52	1	38	1	14
$100,000,000 or more	—	—	—	—	—	—	—	—	—	—	—

Footnotes at end of table.

A Private Foundation Profile for 1983

Table 1.—Number of Foundations, Total Revenue and Total Expenses, Net Investment Income and Tax, Total Assets, Net Worth, and Distributions, by Type of Foundation and Size of Total Fair Market Value of Assets, 1983—Continued

[Money amounts are in thousands of dollars]

Size of total fair market value of assets	Total assets (book value)		Investments in securities (book value)		Total assets (fair market value)		Investments in securities (fair market value)		Net worth	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)
All foundations, total	**29,710**	**56,767,740**	**18,737**	**42,115,499**	**29,710**	**71,934,891**	**18,360**	**54,516,887**	**29,709**	**53,818,344**
Zero or unreported	—	—	—	—	—	—	—	—	—	—
$1 under $100,000	13,687	388,770	5,622	161,438	13,687	398,699	5,574	175,702	13,687	365,113
$100,000 under $1,000,000	10,878	3,380,124	8,520	1,979,152	10,878	3,764,742	8,280	2,246,440	10,878	3,325,497
$1,000,000 under $10,000,000	4,237	11,874,029	3,717	7,594,392	4,237	14,053,799	3,634	9,052,793	4,237	11,270,480
$10,000,000 under $25,000,000	542	6,483,997	518	4,810,374	542	8,206,650	518	6,322,191	541	6,178,848
$25,000,000 under $50,000,000	182	5,370,811	176	4,028,453	182	6,438,926	172	4,772,081	182	5,025,326
$50,000,000 under $100,000,000	91	5,170,681	91	4,175,745	91	6,457,898	89	5,024,375	91	4,871,139
$100,000,000 or more	93	24,099,329	93	19,365,944	93	32,614,178	93	26,923,305	93	22,781,941
Nonoperating foundations, total	**26,924**	**49,579,720**	**17,513**	**37,731,514**	**26,924**	**63,528,018**	**17,030**	**49,693,234**	**26,923**	**47,267,904**
Zero or unreported	—	—	—	—	—	—	—	—	—	—
$1 under $100,000	12,014	340,235	5,166	143,685	12,014	349,483	4,966	147,020	12,014	316,579
$100,000 under $1,000,000	10,252	3,156,971	8,135	1,926,814	10,252	3,528,556	7,943	2,190,215	10,252	3,113,823
$1,000,000 under $10,000,000	3,848	10,277,212	3,421	6,872,872	3,848	12,175,949	3,339	8,213,639	3,848	9,986,405
$10,000,000 under $25,000,000	486	5,818,615	471	4,468,743	486	7,441,049	470	5,925,677	485	5,595,034
$25,000,000 under $50,000,000	161	4,743,314	156	3,662,112	161	5,703,788	152	4,352,201	161	4,483,736
$50,000,000 under $100,000,000	77	4,480,292	77	3,641,122	77	5,513,576	75	4,324,752	77	4,195,797
$100,000,000 or more	86	20,763,081	86	17,016,168	86	28,815,617	86	24,539,730	86	19,576,531
Operating foundations, total	**2,787**	**7,188,020**	**1,224**	**4,383,984**	**2,787**	**8,406,873**	**1,329**	**4,823,654**	**2,787**	**6,550,440**
Zero or unreported	—	—	—	—	—	—	—	—	—	—
$1 under $100,000	1,674	48,534	*457	*17,754	1,674	49,216	*609	*28,682	1,674	48,534
$100,000 under $1,000,000	626	223,152	*385	*52,338	626	236,186	*337	*56,226	626	211,674
$1,000,000 under $10,000,000	390	1,596,817	295	721,520	390	1,877,850	295	839,155	390	1,284,076
$10,000,000 under $25,000,000	56	665,382	47	341,632	56	765,601	48	396,513	56	583,814
$25,000,000 under $50,000,000	21	627,497	20	366,341	21	735,139	20	419,880	21	541,590
$50,000,000 under $100,000,000	14	690,388	14	534,624	14	944,321	14	699,623	14	675,342
$100,000,000 or more	7	3,336,249	7	2,349,776	7	3,798,561	7	2,383,575	7	3,205,410
Grantmaking foundations, total	**25,313**	**53,273,520**	**17,505**	**40,444,193**	**25,313**	**67,886,459**	**17,176**	**52,637,095**	**25,312**	**50,967,855**
Zero or unreported	—	—	—	—	—	—	—	—	—	—
$1 under $100,000	10,444	311,886	5,118	139,502	10,444	332,433	5,118	163,614	10,444	288,229
$100,000 under $1,000,000	10,156	3,159,887	8,135	1,905,011	10,156	3,528,284	7,895	2,173,846	10,156	3,119,947
$1,000,000 under $10,000,000	3,871	10,440,230	3,433	6,919,774	3,871	12,424,872	3,351	8,288,784	3,871	10,173,482
$10,000,000 under $25,000,000	505	6,010,053	486	4,608,313	505	7,664,116	486	6,078,649	504	5,807,987
$25,000,000 under $50,000,000	165	4,859,622	161	3,779,914	165	5,863,690	157	4,496,399	165	4,667,211
$50,000,000 under $100,000,000	81	4,702,456	81	3,886,402	81	5,823,880	79	4,668,517	81	4,412,615
$100,000,000 or more	91	23,789,385	91	19,205,277	91	32,249,185	91	26,767,287	91	22,498,383
Grantmaking-nonoperating foundations, total	**24,081**	**48,775,510**	**16,714**	**37,432,971**	**24,081**	**62,653,707**	**16,280**	**49,357,409**	**24,080**	**46,706,653**
Zero or unreported	—	—	—	—	—	—	—	—	—	—
$1 under $100,000	9,835	283,175	4,814	124,204	9,835	302,858	4,661	137,205	9,835	259,518
$100,000 under $1,000,000	9,675	2,978,387	7,750	1,852,673	9,675	3,333,750	7,558	2,117,620	9,675	2,949,925
$1,000,000 under $10,000,000	3,777	10,103,600	3,374	6,835,245	3,777	12,003,887	3,292	8,177,562	3,777	9,916,422
$10,000,000 under $25,000,000	478	5,699,484	464	4,411,540	478	7,304,277	463	5,852,618	477	5,519,271
$25,000,000 under $50,000,000	155	4,595,423	151	3,590,540	155	5,531,199	147	4,255,931	155	4,416,633
$50,000,000 under $100,000,000	75	4,352,361	75	3,602,601	75	5,362,117	73	4,276,743	75	4,068,353
$100,000,000 or more	86	20,763,081	86	17,016,168	86	28,815,617	86	24,539,730	86	19,576,531
Nongrantmaking-nonoperating foundations, total	**2,843**	**804,210**	**799**	**298,543**	**2,843**	**874,311**	**751**	**335,824**	**2,843**	**561,251**
Zero or unreported	—	—	—	—	—	—	—	—	—	—
$1 under $100,000	2,179	57,061	*352	*19,480	2,179	46,625	*304	*9,815	2,179	57,061
$100,000 under $1,000,000	577	178,584	*385	*74,141	577	194,806	*385	*72,594	577	163,897
$1,000,000 under $10,000,000	*71	*173,612	*47	*37,627	*71	*172,062	*47	*36,077	*71	*69,983
$10,000,000 under $25,000,000	8	119,131	7	57,203	8	136,771	7	73,059	8	75,763
$25,000,000 under $50,000,000	6	147,890	5	71,572	6	172,588	5	96,270	6	67,102
$50,000,000 under $100,000,000	2	127,932	2	38,520	2	151,459	2	48,009	2	127,444
$100,000,000 or more	—	—	—	—	—	—	—	—	—	—

Footnotes at end of table.

A Private Foundation Profile for 1983

Table 1. — Number of Foundations, Total Revenue and Total Expenses, Net Investment Income and Tax, Total Assets, Net Worth, and Distributions, by Type of Foundation and Size of Total Fair Market Value of Assets, 1983 — Continued

[Money amounts are in thousands of dollars]

Size of total fair market value of assets	Minimum investment return		Distributable amount		Qualifying distributions		Undistributed income for 1983		Excess distributions carryover to 1984	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)
All foundations, total	**26,438**	**3,213,527**	**24,742**	**2,836,073**	**27,807**	**5,616,135**	**6,252**	**691,016**	**19,469**	**5,184,976**
Zero or unreported	—	—	—	—	*152	*609	—	—	—	—
$1 under $100,000	10,796	16,857	10,035	14,813	11,966	307,264	2,483	3,563	8,618	463,782
$100,000 under $1,000,000	10,686	171,002	10,108	157,221	10,589	591,371	2,117	22,461	7,943	1,031,663
$1,000,000 under $10,000,000	4,072	608,653	3,800	553,772	4,202	1,502,412	1,336	137,041	2,428	1,971,196
$10,000,000 under $25,000,000	527	369,887	482	336,166	538	677,509	182	78,159	297	644,000
$25,000,000 under $50,000,000	175	283,556	154	247,262	178	509,333	58	55,912	99	382,375
$50,000,000 under $100,000,000	90	290,046	76	250,190	90	457,460	30	70,483	46	248,171
$100,000,000 or more	93	1,473,526	86	1,276,648	93	1,570,177	46	323,397	38	443,789
Nonoperating foundations, total	**24,543**	**2,947,226**	**24,742**	**2,836,073**	**25,082**	**4,834,702**	**6,252**	**691,016**	**19,317**	**5,184,720**
Zero or unreported	—	—	—	—	*152	*609	—	—	—	—
$1 under $100,000	9,883	15,293	10,035	14,813	10,292	286,479	2,483	3,563	8,466	463,526
$100,000 under $1,000,000	10,060	162,310	10,108	157,221	10,012	545,916	2,117	22,461	7,943	1,031,663
$1,000,000 under $10,000,000	3,800	562,419	3,800	553,772	3,824	1,196,130	1,336	137,041	2,428	1,971,196
$10,000,000 under $25,000,000	482	350,378	482	336,166	483	582,921	182	78,159	297	644,000
$25,000,000 under $50,000,000	155	257,795	154	247,262	157	427,533	58	55,912	99	382,375
$50,000,000 under $100,000,000	76	254,944	76	250,190	76	397,780	30	70,483	46	248,171
$100,000,000 or more	86	1,344,089	86	1,276,648	86	1,397,332	46	323,397	38	443,789
Operating foundations, total	**1,896**	**266,301**	**—**	**—**	**2,726**	**781,433**	**—**	**—**	***152**	***256**
Zero or unreported	—	—	—	—	—	—	—	—	—	—
$1 under $100,000	*913	*1,564	—	—	1,674	20,785	—	—	*152	*256
$100,000 under $1,000,000	626	8,692	—	—	577	45,454	—	—	—	—
$1,000,000 under $10,000,000	272	46,234	—	—	378	306,282	—	—	—	—
$10,000,000 under $25,000,000	45	19,509	—	—	55	94,588	—	—	—	—
$25,000,000 under $50,000,000	20	25,761	—	—	21	81,800	—	—	—	—
$50,000,000 under $100,000,000	14	35,103	—	—	14	59,680	—	—	—	—
$100,000,000 or more	7	129,437	—	—	7	172,844	—	—	—	—
Grantmaking foundations, total	**23,497**	**3,114,052**	**22,636**	**2,822,059**	**25,463**	**5,163,457**	**5,147**	**687,195**	**18,466**	**5,093,440**
Zero or unreported	—	—	—	—	*152	*609	—	—	—	—
$1 under $100,000	8,770	14,805	8,466	13,395	10,444	288,073	1,570	2,992	7,961	456,505
$100,000 under $1,000,000	10,060	165,128	9,627	151,990	10,156	583,483	1,973	21,110	7,606	1,009,277
$1,000,000 under $10,000,000	3,836	569,185	3,753	551,745	3,871	1,267,224	1,289	135,421	2,428	1,971,196
$10,000,000 under $25,000,000	497	358,268	477	333,474	504	608,651	182	78,159	291	596,841
$25,000,000 under $50,000,000	163	271,071	152	246,629	164	439,876	58	55,912	96	367,661
$50,000,000 under $100,000,000	81	272,537	75	248,177	81	426,210	29	70,204	46	248,171
$100,000,000 or more	91	1,463,057	86	1,276,648	91	1,549,331	46	323,397	38	443,789
Grantmaking-nonoperating foundations, total	**22,436**	**2,932,752**	**22,636**	**2,822,059**	**24,231**	**4,805,036**	**5,147**	**687,195**	**18,314**	**5,093,184**
Zero or unreported	—	—	—	—	*152	*609	—	—	—	—
$1 under $100,000	8,313	13,836	8,466	13,395	9,835	285,097	1,570	2,992	7,809	456,249
$100,000 under $1,000,000	9,579	156,876	9,627	151,990	9,675	544,448	1,973	21,110	7,606	1,009,277
$1,000,000 under $10,000,000	3,753	560,355	3,753	551,745	3,777	1,195,589	1,289	135,421	2,428	1,971,196
$10,000,000 under $25,000,000	477	347,570	477	333,474	477	570,600	182	78,159	291	596,841
$25,000,000 under $50,000,000	153	257,134	152	246,629	154	415,723	58	55,912	96	367,661
$50,000,000 under $100,000,000	75	252,892	75	248,177	75	395,639	29	70,204	46	248,171
$100,000,000 or more	86	1,344,089	86	1,276,648	86	1,397,332	46	323,397	38	443,789
Nongrantmaking-nonoperating foundations, total	**2,106**	**14,474**	**2,106**	**14,014**	**851**	**29,665**	**1,106**	**3,821**	**1,003**	**91,536**
Zero or unreported	—	—	—	—	—	—	—	—	—	—
$1 under $100,000	1,570	1,457	1,570	1,418	*457	*1,383	*913	*571	*657	*7,277
$100,000 under $1,000,000	481	5,433	481	5,231	*337	*1,469	*144	*1,351	*337	*22,386
$1,000,000 under $10,000,000	*47	*2,064	*47	*2,026	*47	*541	*47	*1,619	—	—
$10,000,000 under $25,000,000	5	2,808	5	2,692	6	12,321	—	—	6	47,159
$25,000,000 under $50,000,000	2	661	2	633	3	11,810	—	—	3	14,714
$50,000,000 under $100,000,000	1	2,052	1	2,013	1	2,141	1	280	—	—
$100,000,000 or more	—	—	—	—	—	—	—	—	—	—

N/A - Not applicable.
*Estimate should be used with caution because of the small number of sample returns on which it is based.
NOTE: Detail may not add to total because of rounding.

Table 2. — All Foundations: Balance Sheets and Income Statements, by Size of Total Book Value of Assets, 1983

[Money amounts are in thousands of dollars]

Item	Total	Size of total book value of assets: Assets zero or unreported	$1 under $100,000	$100,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $25,000,000	$25,000,000 under $50,000,000	$50,000,000 under $100,000,000	$100,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of returns	**29,863**	***152**	**13,847**	**10,971**	**4,195**	**390**	**166**	**79**	**62**
Total assets (Book value)	**56,767,740**	**—**	**390,361**	**3,570,162**	**13,200,806**	**6,068,919**	**5,731,464**	**5,535,153**	**22,270,876**
Cash, total	6,089,118	—	163,594	795,693	2,057,371	652,072	495,884	525,833	1,398,670
Non-interest bearing accounts	709,312	—	67,239	145,956	332,768	72,596	45,962	21,731	23,061
Savings and temporary cash investments	5,379,805	—	96,356	649,737	1,724,604	579,476	449,922	504,102	1,375,609
Accounts receivable, net	282,589	—	*6,323	16,937	77,883	19,484	13,635	21,215	127,113
Pledges receivable, net	22,411	—	—	*1,681	*187	20,543	—	—	—
Grants receivable	64,566	—	—	*6,188	*54,104	1,222	503	—	2,550
Receivables due from disqualified persons	4,472	—	—	*3,686	*131	639	—	12	4
Other notes and loans receivable, net	641,251	—	*875	64,538	276,698	110,425	84,920	64,391	39,404
Inventories	13,284	—	—	*389	7,802	1,204	1,404	377	2,107
Prepaid expenses and deferred charges	24,947	—	—	*87	20,035	1,143	1,832	926	924
Investments, total	46,975,954	—	198,349	2,521,522	9,803,838	4,926,190	4,868,145	4,574,890	20,083,020
Securities	42,115,499	—	164,327	2,094,767	8,740,446	4,411,811	4,362,809	4,272,295	18,069,043
Land, buildings, and equipment (Less accumulated depreciation)	2,250,647	—	*13,599	101,244	215,359	140,835	125,607	95,034	1,558,970
Mortgage loans	448,976	—	*9,096	*21,803	103,724	57,483	57,179	36,406	163,285
Other investments	2,160,833	—	*11,327	303,707	744,309	316,061	322,550	171,156	291,723
Charitable-purpose land, buildings, and equipment (Less accumulated depreciation)	1,692,687	—	*7,554	102,599	610,440	210,280	184,043	140,874	436,897
Other assets	956,462	—	13,666	56,844	292,315	125,719	81,097	206,633	180,187
Total liabilities	**2,949,396**	**—**	***23,656**	**54,680**	**657,661**	**278,480**	**460,174**	**192,140**	**1,282,606**
Accounts payable and accrued expenses	313,463	—	*12,034	6,687	62,023	27,160	17,871	21,042	166,646
Grants payable	1,222,940	—	*2,739	*6,511	122,476	43,564	219,841	126,699	701,110
Support and revenue held for future periods	102,672	—	—	*4,413	*72,958	18,718	4,948	1,635	—
Loans from officers, directors, trustees, etc.	6,610	—	—	*529	—	6,081	—	—	—
Mortgages and other notes payable	850,556	—	*7,609	*16,193	269,311	132,689	139,367	9,763	275,624
Other liabilities	453,153	—	*1,274	20,347	130,893	50,268	78,147	33,000	139,225
Net worth	**53,818,344**	**—**	**366,704**	**3,515,482**	**12,543,145**	**5,790,439**	**5,271,290**	**5,343,013**	**20,988,270**
Total revenue	**12,131,748**	***609**	**322,165**	**883,927**	**2,784,393**	**1,123,023**	**1,207,741**	**1,051,391**	**4,758,499**
Contributions, gifts and grants received	3,025,097	*609	283,866	467,767	1,050,318	313,883	294,549	401,055	213,049
Membership dues and assessments	30,043	—	*17	*1,434	*18,239	8,070	1,491	701	91
Interest on savings and temporary cash investments	824,215	—	13,022	81,528	251,000	103,777	100,883	71,159	202,846
Dividends and interest from securities	3,209,392	—	14,533	188,107	720,859	365,731	411,022	290,702	1,218,437
Gross rents	177,364	—	*48	30,391	69,797	26,897	14,239	17,493	18,500
Net gain (or loss) from sale of assets	4,249,281	—	9,748	79,654	496,982	270,047	275,605	207,414	2,909,830
Gross profit from business activities	147,645	—	—	*9,306	116,448	5,746	11,198	529	4,418
Other income	468,711	—	931	25,739	60,749	28,871	98,754	62,339	191,328
Total expenses	**5,882,752**	***609**	**315,417**	**663,758**	**1,690,459**	**691,577**	**763,080**	**439,514**	**1,318,337**
Contributions, gifts, and grants paid	4,450,273	*609	284,720	574,085	1,182,633	537,223	564,689	317,642	988,672
Compensation of officers	113,170	—	*1,220	5,743	41,187	15,593	13,653	10,526	25,248
Other salaries and wages	273,357	—	—	15,463	116,998	27,542	33,097	23,300	56,956
Pension plans, employee benefits	59,766	—	—	*1,871	14,175	5,281	7,411	5,738	25,291
Investment, legal and other professional services	178,809	—	2,591	13,617	55,598	19,969	19,823	16,300	50,909
Interest	53,770	—	*1,034	1,976	24,151	13,527	10,652	420	2,011
Taxes	190,298	—	849	10,310	40,822	18,905	36,588	21,391	61,434
Depreciation and depletion	68,442	—	*2,778	5,238	24,545	10,077	8,316	11,634	5,855
Occupancy	51,440	—	*821	1,574	22,631	5,717	4,338	3,164	13,195
Other expenses	443,427	—	21,406	33,881	167,720	37,743	64,514	29,399	88,765
Net revenue (less deficit)	**6,248,995**	**—**	**6,748**	**220,168**	**1,093,934**	**431,445**	**444,661**	**611,877**	**3,440,162**
Net revenue	6,734,304	—	39,581	332,783	1,277,940	514,075	495,896	631,952	3,442,077
Deficit	485,309	—	32,833	112,615	184,007	82,629	51,235	20,075	1,915
Total assets (fair market value)	**71,934,891**	**—**	**428,498**	**4,071,826**	**16,459,881**	**8,271,854**	**8,409,471**	**7,249,207**	**27,044,154**
Cash, total	6,102,081	—	163,382	794,792	2,062,037	652,980	496,646	532,722	1,399,522
Non-interest bearing accounts	748,378	—	74,724	162,482	343,623	73,993	45,191	24,400	23,966
Savings and temporary cash investments	5,353,703	—	88,658	632,309	1,718,415	578,987	451,454	508,322	1,375,557
Accounts receivable, net	283,103	—	*6,323	17,964	77,402	19,451	13,635	21,215	127,113
Pledges receivable, net	*22,071	—	—	*1,488	*100	20,484	—	—	—
Grants receivable	*65,389	—	—	*7,010	*54,104	1,222	503	—	2,550
Receivables due from disqualified persons	990	—	—	*203	*131	639	([1])	12	4
Other notes and loans receivable, net	637,959	—	*875	67,941	270,261	110,439	84,907	64,391	39,146
Inventories	66,287	—	—	*389	26,962	34,454	1,404	377	2,700
Prepaid expenses and deferred charges	95,890	—	—	*15,434	20,959	1,135	1,333	56,105	923
Investments, total	61,061,832	—	237,543	2,919,423	12,818,113	6,960,330	7,434,398	5,945,512	24,746,515
Securities	54,516,887	—	206,029	2,413,663	11,274,686	6,185,672	6,730,045	5,337,373	22,369,419
Land, buildings and equipment (Less accumulated depreciation)	3,543,286	—	*12,127	162,711	675,103	349,698	229,600	395,938	1,718,109
Mortgage loans	439,060	—	*8,060	*21,803	99,077	65,780	58,899	35,661	149,781
Other investments	2,562,598	—	*11,327	321,246	769,247	359,180	415,854	176,540	509,205
Charitable-purpose land, buildings, and equipment (Less accumulated depreciation)	2,180,697	—	*7,554	185,263	734,498	249,570	298,914	161,597	543,302
Other assets	1,418,592	—	12,822	61,919	395,313	221,152	77,732	467,275	182,378
Beginning of year assets (book value), total	**49,665,986**	**—**	**382,839**	**3,323,516**	**11,905,324**	**5,531,905**	**5,201,438**	**4,930,523**	**18,390,441**
Selected beginning of year assets:									
Investments in securities	38,248,483	—	162,242	2,028,715	7,764,512	3,955,026	3,920,193	3,837,995	16,579,799
Investment-purpose land, buildings, and equipment (Less accumulated depreciation)	800,839	—	*14,048	77,523	218,987	128,812	143,823	52,961	164,685

*Estimate should be used with caution because of the small number of sample returns on which it is based.
[1] Less than $500.
NOTE: Detail may not add to total because of rounding.

Table 3.—All Foundations: Balance Sheets and Income Statements, by Size of Total Fair Market Value of Assets, 1983

[Money amounts are in thousands of dollars]

Item	Total	Size of total fair market value of assets							
		Assets zero or unreported	$1 under $100,000	$100,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $25,000,000	$25,000,000 under $50,000,000	$50,000,000 under $100,000,000	$100,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of returns	**29,863**	***152**	**13,687**	**10,878**	**4,237**	**542**	**182**	**91**	**93**
Total assets (Book value)	**56,767,740**	**—**	**388,770**	**3,380,124**	**11,874,029**	**6,483,997**	**5,370,811**	**5,170,681**	**24,099,329**
Cash, total	6,089,118	—	163,966	771,736	1,943,354	676,016	508,123	394,997	1,630,925
Non-interest bearing accounts	709,312	—	66,765	145,906	327,201	72,715	46,636	21,751	28,337
Savings and temporary cash investments	5,379,805	—	97,201	625,830	1,616,153	603,301	461,486	373,246	1,602,588
Accounts receivable, net	282,589	—	*6,323	16,943	66,339	29,230	13,590	16,491	133,674
Pledges receivable, net	22,411	—	—	*1,681	*187	20,484	59	—	—
Grants receivable	64,566	—	—	*6,188	*54,104	1,222	503	—	2,550
Receivables due from disqualified persons	4,472	—	—	*3,686	*59	711	—	12	4
Other notes and loans receivable, net	641,251	—	*875	65,496	271,016	106,773	85,030	54,429	57,631
Inventories	13,284	—	—	*389	7,802	1,129	1,155	539	2,270
Prepaid expenses and deferred charges	24,947	—	—	*87	19,346	1,746	1,770	775	1,223
Investments, total	46,975,954	—	195,471	2,355,391	8,651,232	5,316,825	4,518,628	4,457,244	21,481,163
Securities	42,115,499	—	161,438	1,979,152	7,594,392	4,810,374	4,028,453	4,175,745	19,365,944
Land, buildings, and equipment (Less accumulated depreciation)	2,250,647	—	*13,599	98,838	196,281	149,404	128,396	56,873	1,607,255
Mortgage loans	448,976	—	*9,096	*21,803	103,498	42,556	65,344	39,354	167,325
Other investments	2,160,833	—	*11,338	255,597	757,061	314,491	296,436	185,271	340,639
Charitable-purpose land, buildings and equipment (Less accumulated depreciation)	1,692,687	—	*8,469	101,684	568,438	216,260	188,948	139,274	469,614
Other assets	956,462	—	13,666	56,844	292,151	113,602	53,004	106,918	320,276
Total liabilities	**2,949,396**	**—**	***23,656**	**54,626**	**603,549**	**305,149**	**345,485**	**299,542**	**1,317,388**
Accounts payable and accrued expenses	313,463	—	*12,034	6,634	58,926	27,890	14,993	22,864	170,122
Grants payable	1,222,940	—	*2,739	*6,511	72,372	88,123	98,724	229,523	724,949
Support and revenue held for future periods	102,672	—	—	*4,413	*72,958	18,718	4,845	1,738	—
Loans from officers, directors, trustees, etc.	6,610	—	—	*529	—	6,081	—	—	—
Mortgages and other notes payable	850,556	—	*7,609	*16,193	269,311	127,834	139,562	9,282	280,766
Other liabilities	453,153	—	*1,274	20,347	129,982	36,502	87,361	36,135	141,552
Net worth	**53,818,344**	**—**	**365,113**	**3,325,497**	**11,270,480**	**6,178,848**	**5,025,326**	**4,871,139**	**22,781,941**
Total revenue	**12,131,748**	***609**	**320,347**	**837,800**	**2,601,524**	**1,124,940**	**991,755**	**1,014,602**	**5,240,171**
Contributions, gifts and grants received	3,025,097	*609	283,866	474,687	1,051,886	286,168	215,948	368,120	343,813
Membership dues and assessments	30,043	—	*17	*1,434	*18,239	8,070	1,491	701	91
Interest on savings and temporary cash investments	824,215	—	12,673	81,037	227,037	109,067	107,389	60,337	226,676
Dividends and interest from securities	3,209,392	—	13,524	174,260	618,892	377,439	305,651	287,516	1,432,110
Gross rents	177,364	—	—	6,705	79,569	31,598	19,516	13,596	26,380
Net gain (or loss) from sale of assets	4,249,281	—	9,335	76,601	418,266	282,324	266,419	220,819	2,975,518
Gross profit from business activities	147,645	—	—	*9,306	116,448	3,676	13,006	790	4,418
Other income	468,711	—	*932	13,770	71,188	26,597	62,334	62,723	231,167
Total expenses	**5,882,752**	***609**	**313,165**	**619,944**	**1,560,088**	**720,921**	**556,923**	**516,115**	**1,594,987**
Contributions, gifts, and grants paid	4,450,273	*609	282,875	532,267	1,090,454	557,036	396,826	368,843	1,221,364
Compensation of officers	113,170	—	*1,220	5,396	39,377	13,501	13,227	11,127	29,322
Other salaries and wages	273,357	—	—	*15,102	108,963	29,799	28,395	26,786	64,312
Pension plans, employee benefits	59,766	—	—	*1,871	13,779	4,397	5,993	6,322	27,405
Investment, legal and other professional services	178,809	—	2,247	13,082	48,686	24,535	17,310	19,299	53,650
Interest	53,770	—	*1,034	1,976	24,151	12,920	10,930	398	2,362
Taxes	190,298	—	790	9,588	36,744	19,331	25,865	21,459	76,521
Depreciation and depletion	68,442	—	*2,778	5,238	21,645	11,096	9,411	11,226	7,049
Occupancy	51,440	—	*821	1,574	22,124	5,360	3,697	4,090	13,774
Other expenses	443,427	—	21,402	33,849	154,166	42,947	45,270	46,565	99,229
Net revenue (less deficit)	**6,248,995**	**—**	**7,181**	**217,856**	**1,041,436**	**404,019**	**434,832**	**498,487**	**3,645,184**
Net revenue	6,734,304	—	39,739	330,528	1,214,666	484,224	481,232	524,512	3,659,403
Deficit	485,309	—	32,558	112,672	173,230	80,205	46,400	26,025	14,219
Total assets (fair market value)	**71,934,891**	**—**	**398,699**	**3,764,742**	**14,053,799**	**8,206,650**	**6,438,926**	**6,457,898**	**32,614,178**
Cash, total	6,102,081	—	163,754	771,721	1,946,140	677,949	508,829	399,838	1,633,850
Non-interest bearing accounts	748,378	—	74,250	162,432	338,056	71,368	45,866	24,496	31,910
Savings and temporary cash investments	5,353,703	—	89,503	609,288	1,608,084	606,581	462,963	375,343	1,601,940
Accounts receivable, net	283,103	—	*6,323	17,079	66,750	29,230	13,557	16,491	133,674
Pledges receivable, net	22,071	—	—	*1,488	*100	20,484	—	—	—
Grants receivable	65,389	—	—	*7,010	*54,104	1,222	503	—	2,550
Receivables due from disqualified persons	990	—	—	*203	*59	711	—	12	4
Other notes and loans receivable, net	637,959	—	*875	68,898	264,579	106,787	85,017	54,429	57,373
Inventories	66,287	—	—	*389	26,962	1,194	34,341	539	2,862
Prepaid expenses and deferred charges	95,890	—	—	*15,434	20,271	1,681	1,329	55,954	1,221
Investments, total	61,061,832	—	207,372	2,684,248	10,560,244	6,988,390	5,500,885	5,554,421	29,566,271
Securities	54,516,887	—	175,702	2,246,440	9,052,793	6,322,191	4,772,081	5,024,375	26,923,305
Land, buildings, and equipment (Less accumulated depreciation)	3,543,286	—	*12,127	156,215	629,563	255,198	328,171	301,561	1,860,451
Mortgage loans	439,060	—	*8,060	*21,803	98,850	50,785	65,931	40,454	153,177
Other investments	2,562,598	—	*11,482	259,790	779,038	360,217	334,702	188,030	629,338
Charitable-purpose land, buildings, and equipment (Less accumulated depreciation)	2,180,697	—	*7,554	136,352	719,441	253,286	239,843	183,463	640,760
Other assets	1,418,592	—	12,822	61,919	395,149	125,717	54,623	192,750	575,611
Beginning of year assets (book value), total	**49,665,966**	**—**	**360,615**	**3,132,566**	**10,632,438**	**5,987,942**	**4,866,615**	**4,674,748**	**19,990,843**
Selected beginning of year assets:									
Investments in securities	38,248,483	—	163,010	1,897,131	6,672,740	4,425,413	3,548,219	3,782,938	17,759,032
Investment-purpose land, buildings, and equipment (Less accumulated depreciation)	800,839	—	*14,048	75,117	199,224	133,462	147,181	50,558	181,250

*Estimate should be used with caution because of the small number of sample returns on which it is based.
NOTE: Detail may not add to total because of rounding.

A Private Foundation Profile for 1983

Table 4.—All Foundations With Total Book Value of Assets of $10 Million or More–Summary: Number of Foundations; Total Book Value and Fair Market Value of Assets; Contributions, Gifts, and Grants Received; and Contributions, Gifts, and Grants Paid; by State, 1983

[Money amounts are in thousands of dollars]

State	Number of returns	Percent	Total assets: Book value: Number of returns	Book value: Amount	Book value: Percent	Fair market value: Number of returns	Fair market value: Amount	Fair market value: Percent	Contributions, gifts and grants: Received: Number of returns	Received: Amount	Received: Percent	Paid: Number of returns	Paid: Amount	Paid: Percent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
United States, total	**678**	**100.0**	**678**	**38,233,617**	**100.0**	**678**	**49,496,474**	**100.0**	**304**	**1,222,264**	**100.0**	**630**	**2,266,270**	**100.0**
Alabama	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Alaska	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Arizona	4	.6	4	126,348	.3	4	131,857	.3	2	6,987	.6	4	5,611	.2
Arkansas	2	.3	2	35,866	.1	2	41,218	.1	1	1,500	.1	2	1,686	.1
California	72	10.6	72	6,261,989	16.4	72	7,191,286	14.5	30	212,723	17.4	70	278,133	12.3
Colorado	8	1.2	8	333,217	.9	8	438,003	.9	3	1,977	.2	7	20,823	.9
Connecticut	14	2.1	14	462,260	1.2	14	618,931	1.3	11	30,949	2.5	12	57,587	2.5
Delaware	14	2.1	14	517,649	1.4	14	711,829	1.4	4	16,526	1.4	14	26,572	1.2
District of Columbia	9	1.3	9	241,483	.6	9	451,435	.9	5	231	(1)	7	12,268	.5
Florida	14	2.1	14	423,413	1.1	14	446,689	.9	5	1,077	.1	10	22,109	1.0
Georgia	12	1.8	12	303,325	.8	12	466,254	.9	3	2,556	.2	11	17,239	.8
Hawaii	4	.6	4	70,816	.2	4	96,452	.2	—	—	—	4	4,302	.2
Idaho	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Illinois	36	5.3	36	2,939,313	7.7	36	4,367,793	8.8	23	130,718	10.7	30	154,178	6.8
Indiana	12	1.8	12	411,305	1.1	12	1,028,604	2.1	3	294	(1)	11	64,071	2.8
Iowa	2	.3	2	44,062	.1	2	44,293	.1	2	722	.1	2	2,834	.1
Kansas	3	.4	3	49,805	.1	3	58,319	.1	1	24	(1)	3	1,953	.1
Kentucky	2	.3	2	152,321	.4	2	152,515	.3	1	(1)	—	2	7,537	.3
Louisiana	5	.7	5	95,265	.2	5	152,257	.3	3	443	(1)	3	1,964	.1
Maine	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Maryland	10	1.5	10	215,960	.6	10	247,620	.5		7,884	.6	9	11,278	.5
Massachusetts	12	1.8	12	278,975	.7	12	375,008	.8	7	8,586	.7	8	10,385	.5
Michigan	19	2.8	19	1,603,120	4.2	19	2,118,025	4.3	7	127,330	10.4	18	156,016	6.9
Minnesota	19	2.8	19	1,368,724	3.6	19	1,451,979	2.9	9	26,234	2.1	17	74,268	3.3
Mississippi	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Missouri	18	2.7	18	498,478	1.3	18	712,244	1.4	10	65,386	5.3	16	38,272	1.7
Montana	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Nebraska	5	.7	5	138,048	.4	5	151,005	.3	3	23,215	1.9	3	7,126	.3
Nevada	2	.3	2	44,375	.1	2	42,042	.1	1	100	(1)	2	2,317	.1
New Hampshire	1	.1	1	13,143	(1)	1	14,862	(1)	1	2	(1)	—	—	—
New Jersey	20	2.9	20	1,274,905	3.3	20	1,886,170	3.8	9	3,670	.3	18	47,753	2.1
New Mexico	2	.3	2	45,800	.1	2	46,660	.1	1	6,994	.6	1	1,087	(1)
New York	174	25.7	174	11,844,762	31.0	174	13,748,294	27.8	75	162,461	13.3	169	637,543	28.1
North Carolina	11	1.6	11	562,545	1.5	11	860,276	1.7	4	533	(1)	10	52,681	2.3
North Dakota	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Ohio	29	4.3	29	695,865	1.8	29	943,120	1.9	16	46,377	3.8	28	62,684	2.8
Oklahoma	12	1.8	12	523,891	1.4	12	1,032,313	2.1	7	6,342	.5	12	44,001	1.9
Oregon	3	.4	3	202,265	.5	3	220,054	.4	1	313	(1)	3	6,093	.3
Pennsylvania	32	4.7	32	2,293,076	6.0	32	3,917,704	7.9	10	115,617	9.5	32	161,646	7.1
Rhode Island	1	.1	1	12,176	(1)	1	11,823	(1)	—	—	—	1	1,330	.1
South Carolina	3	.4	3	48,659	.1	3	52,420	.1	—	—	—	3	2,978	.1
South Dakota	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Tennessee	6	.9	6	306,981	.8	6	390,126	.8	3	56,849	4.7	6	20,555	.9
Texas	60	8.8	60	2,924,366	7.6	60	3,897,854	7.9	26	124,441	10.2	58	198,276	8.7
Utah	3	.4	3	57,689	.2	3	64,199	.1	1	9,769	.8	3	4,080	.2
Vermont	1	.1	1	24,436	.1	1	25,087	.1	1	25	(1)	1	326	(1)
Virginia	5	.7	5	187,742	.5	5	206,381	.4	1	26	(1)	5	12,235	.5
Washington	11	1.6	11	351,575	.9	11	407,796	.8	4	21,910	1.8	9	19,837	.9
West Virginia	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Wisconsin	6	.9	6	247,622	.6	6	275,680	.6	3	1,476	.1	6	14,634	.6
Wyoming	—	—	—	—	—	—	—	—	—	—	—	—	—	—
All others	19	N/A	19	1,372,795	N/A	19	1,478,212	N/A	5	272	N/A	13	48,609	N/A

N/A — Not applicable.

[1] Less than .05 percent.

NOTE: Detail may not add to total because of rounding.

Private Foundation Returns, 1985

By Margaret Riley*

Over 31,000 private foundations reported $16.4 billion in revenue for 1985, out of which they disbursed $6.3 billion for charitable purposes. Approximately 85 percent of the charitable disbursements were in the form of grants to organizations engaged in charitable activities [1, 2]. After deducting $7.2 billion in investment expenses, grant payments, and all charitable-purpose operating and administrative costs (all of which comprise "total expenses"), foundations recorded a growth in assets of $9.2 billion for the year [3].

Nearly all foundation revenue for 1985 was attributable to contributions received, net gain from sales of assets (mostly stocks and bonds), and interest and dividend income. Much of the net gain was the result of a restructuring of investment portfolios which foundations were undergoing for 1985, and the income from these sales of assets generally was reinvested. Factors which encouraged the restructuring of portfolios are discussed below in the section, "Analysis of Change in Payout Requirement."

Less than 1 out of every 100 grantmaking foundations had total assets with a fair market value of $50 million or more. However, these large foundations paid out nearly $45 of every $100 granted by foundations for 1985 [4]. In contrast, the smallest foundations (assets under $1 million) paid out roughly $15 of every $100 of grants awarded, although they accounted for 8 out of 10 foundations making grants.

Foundation grants range over a broad spectrum, in terms of both dollar amount and the needs of the recipients. Grants awarded by private foundations also cover a wide variety of purposes and activities. For 1985, foundation grants supported activities ranging anywhere from the operation of an animal shelter to the training and education of the deaf to scientific research on ways to reduce the risk of nuclear war [5].

BACKGROUND

A private foundation is a nonprofit corporation, association, or trust with a narrow source of funds which supports, and sometimes operates, programs that are dedicated to improving the general welfare of society. The activities of a private foundation are exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. Private foundations differ from other section 501(c)(3) tax-exempt organizations because of their sources of funding. Foundations usually receive their funds from an individual, a family, or a corporation, and from earnings on investments, while other tax-exempt organizations' funds are derived mainly from a large number of sources within the general public [6].

Private "nonoperating" foundations, primarily through the making of grants, support other nonprofit organizations which carry on tax-exempt charitable activities [7]. Foundation grants, combined with direct disbursements to accomplish charitable purposes, amounts paid to acquire assets used directly to accomplish exempt functions, program-related investments, and amounts set aside for future charitable projects, form what is called a foundation's "qualifying distributions." Each year, nonoperating foundations are required to pay out in qualifying distributions, by the end of the following year, an amount equal to 5 percent of their "net investment assets" (a 12-month average of investment assets plus or minus certain allowed adjustments). This qualifying distributions rule commonly is referred to as the charitable-purpose "payout requirement."

Under the Tax Reform Act of 1969, nonoperating foundations for the first time were required to pay out an annual minimum amount for charitable purposes, so as to ensure that a reasonable amount would reach charitable beneficiaries and to provide safeguards against the accumulation of assets without a corresponding distribution for charitable purposes.

Private "operating" foundations actively operate tax-exempt programs and provide direct services as a means of carrying out their philanthropic mission. In addition to making direct charitable-program expenditures, some operating foundations also make grants to support other tax-exempt organizations. As a condition of "operating" status, these foundations are required to expend substantially all of their income for the active conduct of activities related to their exempt purposes. Operating foundations are not subject to the same payout requirement as nonoperating foundations because of their direct involvement in charitable programs. However, in order to retain operating foundation status, they must make qualifying distributions for the active conduct of exempt activities which amount to at least 85 percent of the lesser of their current income or 5 percent of their net investment assets. This requirement commonly is referred to as the "income test." They must also meet one of three additional tests based on assets, endowment, or sources of support, respectively.

***Foreign Special Projects Section. Prepared under the direction of Michael Alexander, Chief.**

Because of the private nature of their sources of funding, private foundations are in a "less favored" tax category than other organizations which are tax exempt under Internal Revenue Code section 501(c)(3). Private foundations, both operating and nonoperating, are subject to an excise tax on their investment income (with the exception of a small number of operating foundations which can qualify for an exemption from the tax). Additional excise taxes are imposed on foundations engaging in activities which are prohibited under the Internal Revenue Code (activities deemed not to be in the best interest of the public). Also, the donors to a private nonoperating foundation have a generally lower limit of tax deductibility for their contributions than do the donors to an operating foundation or donors to other section 501(c)(3) tax-exempt organizations. (Cash contributions to a nonoperating foundation are deductible up to 30 percent of adjusted gross income while cash contributions to all other section 501(c)(3) organizations are deductible up to 50 percent.)

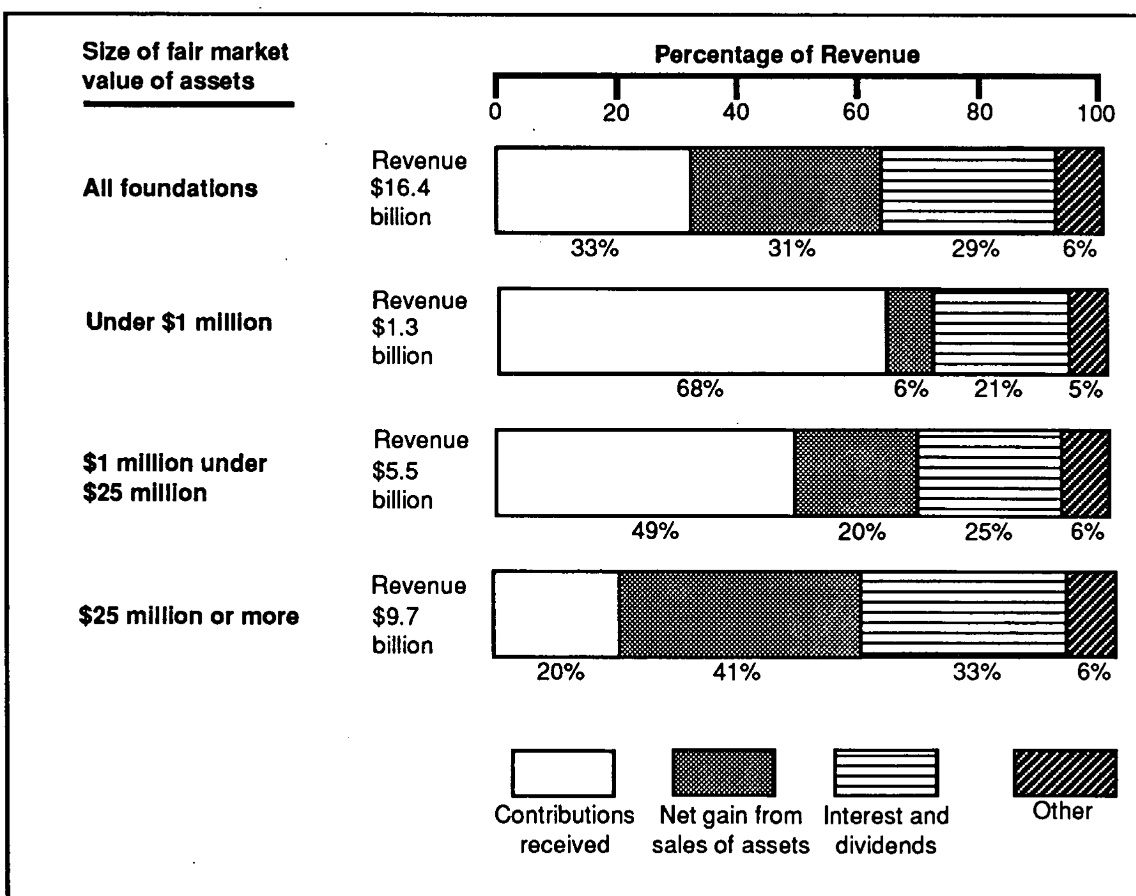
Of the 31,221 organizations filing private foundation information returns for 1985, roughly 90 percent were nonoperating foundations. Nine out of every 10 nonoperating foundations and 4 out of every 10 operating foundations made grants for 1985. Unlike the nonoperating foundations, operating foundations ordinarily fulfill their tax-exempt mission by supporting charitable causes through active involvement, rather than by making grants to other charitable organizations. Some nonoperating foundations were "failed public charities," organizations that were once public charities but could no longer qualify for that favored status because they failed to maintain the required minimum of support from public sources. Many reclassified nonoperating foundations which were formerly public charities continued to operate direct charitable programs but did not make any grants [8].

COMPOSITION OF REVENUE

Figure A shows the components of foundation revenue for 1985. For foundations taken collectively, contributions received comprised the largest share (33 percent) of receipts, followed closely by net gain from sales of assets (31 percent) and interest and dividend income (29 percent).

Figure A

Components of Private Foundation Revenue, Income Year 1985



Contributions accounted for the largest portion of the receipts of foundations with assets under $25 million. For organizations with assets of $25 million or more, sales of assets (most of which were investment assets, principally stocks and bonds) played a more important role in the composition of revenue, as did interest and dividend income. Organizations holding large amounts of assets rely more heavily on investments to generate income for their charitable programs and for building up their endowments than do smaller foundations. Foundations having assets below $1 million often operate as "pass-through" organizations, holding contributions received in accounts for short periods of time before disbursing them as grants paid to other tax-exempt organizations. These small organizations act like a conduit for the funds they receive and do not rely on investment income to maintain an endowment base.

As was the case for 1983, foundations (particularly the larger ones) continued for 1985 to generate a larger share of revenue from sales of assets (principally stocks and bonds) than from interest and dividend income. For 1982, sales of assets accounted for less than one-fifth of all revenue. This proportion grew to approximately one-third for both 1983 and 1985. (Possible reasons for this growth are discussed in the section "Analysis of Change in Payout Requirement" presented below.)

Figure B.—Top Ten Domestic [1] Nonoperating Foundations Ranked by Fair Market Value (FMV) of Assets and Grants Paid, Income Year 1985

[Millions of Dollars]

Asset rankings	Name	FMV of assets	Book value of assets	Grants paid
1	Ford Foundation	$4,758.9	$4,758.9	$168.3
2	W.K. Kellogg Foundation Trust	3,011.3	620.0	76.3
3	The MacArthur Foundation	2,296.4	2,164.8	54.0
4	Robert Wood Johnson Foundation	1,544.8	710.0	18.1
5	Andrew W. Mellon Foundation	1,383.8	936.6	63.5
6	Rockefeller Foundation	1,345.6	1,145.3	36.8
7	Pew Memorial Trust	1,342.1	496.1	49.7
8	Lilly Endowment	1,329.6	181.2	27.1
9	Kresge Foundation	938.3	648.5	4.4
10	Carnegie Corporation of NY	715.3	600.5	26.5

Grant rankings	Name	Grants paid	FMV of assets	Book value of assets
1	Ford Foundation	$168.3	$4,758.9	$4,758.9
2	Danforth Foundation	112.3	215.1	29.8
3	W.K. Kellogg Foundation Trust	76.3	3,011.3	620.0
4	W.K. Kellogg Foundation	72.7	97.0	65.4
5	Andrew W. Mellon Foundation	63.5	1,383.8	936.6
6	The MacArthur Foundation	54.0	2,296.4	2,164.8
7	Pew Memorial Trust	49.7	1,342.1	496.1
8	Duke Endowment	42.9	654.8	264.5
9	Rockefeller Foundation	36.8	1,345.6	1,145.3
10	W.M. Keck Foundation	32.0	547.1	547.1

[1] A foundation is considered "domestic" if it is organized in the United States; however, this does not necessarily imply that all of its activities or grant recipients are domestic.

FOUNDATION GRANTS, ASSETS, AND INVESTMENTS

A vast majority (96 percent) of private foundations for 1985 had assets under $10 million; however, these smaller foundations accounted for only one-fifth of all foundation assets. Three percent of all foundations held assets of $10 million to under $50 million and accounted for another one-fifth of all assets. The largest foundations, which held assets of $50 million or more, formed slightly less than 1 percent of the foundation population but held the remaining three-fifths of the total assets of all foundations. Only 127 foundations had assets of $100 million or more for 1985, but they accounted for half of all foundation assets.

Top Foundations

Figure B lists the top ten foundations ranked both by size of assets and grants paid. The 10 largest asset-size foundations ranked by asset size held 19 percent of all foundation assets, while the top 10 grantmakers gave out approximately 14 percent of all grants made for 1985.

The top foundations ranked by size of assets for 1985 remained virtually the same as those which were ranked the highest for 1983, the most recent prior year for which similar information is available. However, the Hewlett Foundation, which was ranked number 10 by size of assets for 1983, dropped from the 1985 rankings and was replaced by the Carnegie Corporation of New York. Hewlett reported a nearly 11 percent decrease in the value of its assets between 1983 and 1985. Assets of the W.K. Kellogg Foundation Trust increased by close to $2 billion, a 173-percent increase over the 2-year period. The Kellogg Foundation Trust benefited from a rapid increase in the value of Kellogg Corporation stock, 35 percent of which was owned by the Trust. The increase in the Trust's total assets may have been even larger if the Internal Revenue Code had not required it to divest itself of "excess business holdings" by the end of its 1983 accounting period [9].

In addition to making grants of $4.4 million, the Kresge Foundation earmarked for future charitable projects $36.1 million which qualified as a "set-aside" distribution for its 1985 accounting period. The Danforth Foundation, ranked second in terms of grant-giving dollars, made the largest single grant for 1985, contributing $100 million to the Washington University of St. Louis [10]. While the W.K. Kellogg Foundation Trust and the W.K. Kellogg Foundation appear as the third and fourth largest grantmakers, it should be noted that the Kellogg Trust's entire contribution of $76.3 million was made to the Kellogg Foundation. The Foundation redistributed the Trust's contribution as part of its $79.9 million of qualifying distributions made for 1985. In satisying the requirements of a "pass-through" of this nature, the Kellogg Foundation deducted the redistributed $76.3 million from its qualifying distributions and used only the balance toward meeting the annual minimum payout.

Analysis of Change in Payout Requirement

An analysis of the relationships between grants paid and the selected financial data items presented in Figure C, for the years for which statistics are available, suggests that a tax law revision enacted under the Economic Recovery Tax Act of 1981 had a significant effect on the investment behavior of private foundations [11]. The 1981 law changed the way a nonoperating foundation computed the annual minimum amount it was required to pay out for charitable purposes.

Prior to 1982, foundations generally had to pay out all of their current income for the year if it was greater than 5 percent of assets which were held for investment purposes (after certain allowed adjustments). During periods of high inflation, this had an eroding effect on foundation assets and seriously threatened the stability of a foundation's endowment base. If a foundation was required to pay out all of its current income and could not reinvest a portion of its earnings, the real value of the assets of the foundation would gradually decline in an inflationary environment. Because of this, foundations opted to include in their portfolios not only securities which offered high income yields, but also a large share of those which were expected to appreciate in value, even at the expense of receiving a lower short-run return on their investments.

Beginning with 1982, the minimum payout became a flat 5 percent of net investment assets (with certain allowed adjustments), without regard to a foundation's income for the year. This change contributed, in part, to the large increase in revenue from sales of assets between 1982 and 1985. With the elimination of the requirement to pay out all of their investment income if it was higher than 5 percent of investment assets, foundations would have been encouraged to include in their portfolios more securities which produced higher income yields.

Figure C.—Nonoperating Foundations: Investment Income, Investment Assets, and Qualifying Distributions, 1979–1985

[All figures are estimates based on samples—money amounts are in millions of dollars]

Income year	Net investment income (NII)	Net investment assets (NIA)	Qualifying distributions	NII as percentage of NIA	Qualifying distributions as percentage of—	
					Net investment income	Net investment assets
	(1)	(2)	(3)	(4)	(5)	(6)
1979	$3,027	$36,527	$3,233	8.3%	106.8%	8.9%
1982	5,077	49,072	4,554	10.3	89.7	9.3
1983	7,010	58,958	4,835	11.9	69.0	8.2
1985	9,179	75,355	5,734	12.2	62.5	7.6
Percentage increase, 1979 to 1985	203%	106%	77%	N/A	N/A	N/A
Inflation-adjusted increase, 1979 to 1985	114%	46%	25%	N/A	N/A	N/A

N/A—not applicable.

NOTES: "Qualifying distributions" (QD's) has been used in this table to calculate the payout rates shown in column 6. However, a foundation can apply excess distributions carried over from previous years to meet the required minimum payout of 5 percent of net investment assets. The excess distributions item was not available for all of the years covered by this table. Had excess distributions been used in the calculations for column 6, the resulting percentages would have been somewhat higher than those shown.

Form 990-PF 1985 return line item references and table column explanations:

(1) Part I, line 27b.
(2) Part IX, line 5.
(3) Part XIII, line 6.
(4) Table column (1) divided by table column (2).
(5) Table column (3) divided by table column (1).
(6) Table column (3) divided by table column (2).

SOURCE: Statistics for 1979, 1982 and 1983, respectively, are from U.S. Department of the Treasury, Internal Revenue Service, *Statistics of Income Bulletin*: Fall 1982, Volume 2, Number 2; Fall 1985, Volume 5, Number 2; and Winter 1986-87, Volume 6, Number 3.

As a direct result of the 1981 payout requirement legislation, nonoperating foundations' qualifying distributions as a proportion of net investment income (column 5 of Figure C) had steadily declined since 1979. After 1981, current investment income was no longer considered as a factor in calculating the payout requirement. The payout rates shown in column 6 for the years 1982–1985 appear to be moving closer to the post-1981 required minimum payout of 5 percent of net investment assets. Even though the payout rates declined during the 1982–1985 period, they were consistently above the 5-percent minimum. Foundations may have been taking the opportunity provided under the 1981 law to reinvest at least part of their earnings to increase the value of their asset base.

In terms of inflation-adjusted dollars, the actual amount of qualifying distributions grew 25 percent between 1979 and 1985, while net investment income more than doubled [12]. The sizeable increase in investment income, compared to the more modest increases in net investment assets and qualifying distributions, can be attributed to three major factors which influenced foundation investment practices; namely, favorable market conditions, divestitures required by the excess business holdings provision (see footnote 7 for explanation), and the relaxed distribution rules, effective for accounting periods beginning after 1981.

A marked increase (138 percent) in net gain from sales of assets between 1982 and 1983 provides evidence of the portfolio restructuring which was a product of these three factors. The lowered payout requirement probably encouraged foundations that were heavily invested in appreciable stocks to include more high-yield securities in the mix of their assets. It also permitted foundations to retain more of their income for reinvestment. The compounding effect of the reinvested income may account for some of the substantial increase in net investment income between 1979 and 1985.

Foundation Investments

Foundation assets reached nearly $100 billion in fair market value for 1985. Investments in securities accounted for over three-quarters of total assets. Cash, mostly in the form of savings, money market accounts, certificates of deposit, U.S. Treasury bills, and checking accounts, made up about one-tenth of all assets. Cash held by foundations rose $4.6 billion between 1982 and 1985, an 80-percent increase after adjustment for inflation. Considering the concurrent increase in foundations' net investment income and holdings of cash which occurred between 1982 and 1985, it appears that foundations chose to invest some of their earnings in short-term investments or other interest-bearing accounts, which together accounted for over 90 percent of the total cash reported by foundations for 1985.

Foundation investments viewed as a proportion of total assets ranged widely by size of foundation. Investments figured less prominently in the mix of the assets of small foundations and increased in importance as the asset size of an organization increased. As Figure D shows, the income yield on foundation investments declined as the foundation asset size increased. Figure D does not indicate, however, the "total return" (income yield plus unrealized appreciation value) of foundation investments, and a comprehensive assessment of foundation investment performance requires information not only on income yield but appreciation value of investments as well.

Not all of the information needed to determine the total rate of return on foundation investments was available from the Internal Revenue Service Form 990-PF returns which were used as the basis for this article. However, a recent study of foundation investment performance commissioned by the Council on Foundations concluded that about 46 percent of all foundations followed a total return philosophy as of 1984, the year for which a survey on this issue was conducted [13]. Over 80 percent of the large foundations (assets of $50 million or more) surveyed pursued a total return objective compared to 45 percent of small foundations (assets under $10 million). The Council's study further concluded that over the period 1979-1983, the median annual return rate decreased as asset size increased when

Figure D.—Selected Investment Items, by Size of Fair Market Value of Assets, 1985

[All figures are estimates based on a sample—money amounts are in millions of dollars]

Fair market value of assets	Total investments	Percentage of total assets	Net investment income: Amount	Net investment income: As a percentage of total investments	Investment expenses as a percentage of total investments
	(1)	(2)	(3)	(4)	(5)
Total	$81,306	83.7%	$10,043	12.4%	0.6%
Under $100,000 [1]	212	43.7	58	27.2	2.2
$100,000 under $1,000,000	2,557	63.9	374	14.6	0.8
$1,000,000 under $10,000,000	11,652	75.6	1,619	13.9	0.9
$10,000,000 under $50,000,000	15,520	82.4	1,910	12.3	0.6
$50,000,000 or more	51,365	88.0	6,082	11.8	0.5

[1] Includes foundations with zero assets and unreported assets.
NOTES: Detail may not add to total because of rounding.
Form 990-PF 1985 return line item references and table column explanations:
(1) Part II, sum of lines 10 through 13, column (c).
(2) Table column (1) divided by Part II, line 16, column (c).
(3) Part I, Line 27b.
(4) Table column (3) divided by table column (1).
(5) Part I, line 26, column (b) divided by table column (1)

income yield alone was used as a measure, but that the rate of return increased as asset size increased when total return was the measure. These inverse results, obtained by using the two different approaches to measuring rate of return, correspond with the different investment philosophies and objectives of large and small foundations.

Investment expenses as a percentage of investments decreased as the size of the foundation increased. This suggests that larger foundations can more cost efficiently manage their portfolios than smaller foundations. A probable reason for this lies in the fact that the larger foundations held substantial dollar amounts of investments and could realize economies of scale that were not afforded to the smaller organizations that held less sizeable investments. Small organizations, most of which operate with volunteer staff, often need to pay fees to financial or legal professionals to manage their relatively small investments. Usually, an initial flat fee is charged for management services, regardless of an organization's asset size, and additional charges are then assessed based on a percentage of the value of the assets being managed. The fees paid by many small organizations, when compared to their total investments, were disproportionately higher than the fees or salaries paid by larger organizations, many of which have investments that are hundreds of times larger than those of the small organizations.

FOUNDATION DISBURSEMENTS AND GRANT ADMINISTRATIVE EXPENSES

Detailed information on private foundation grant administrative expenses (GAE) was first required to be reported by private foundations on the returns they filed with the Internal Revenue Service (IRS) for 1985. The requirement to report these expenses was the result of Congressional hearings reviewing the effect on private foundations of the Tax Reform Act of 1969, which included an emphasis on the portion of expenses which were related to grantmaking (such as those incurred in connection with responding to grant seekers, reviewing grant applications, and monitoring grants awarded). Members of the House Ways and Means Committee became concerned that some foundations might have been incurring excessive amounts of administrative expenses which were used to satisfy the annual charitable-purpose payout requirement. Upon seeking statistical information regarding private foundation administrative expenses, the Committee found that there were no reliable data available. Therefore, the Deficit Reduction Act of 1984 directed the Treasury Department to conduct a study of the administrative expenses of private foundations.

The 1984 Act also placed a temporary limitation (equal to 0.65 percent of net investment assets) on administrative expenses incurred for the purpose of making grants. Private foundations could apply these expenses, as "qualifying distributions," toward meeting either the charitable-purpose payout requirement (imposed on nonoperating foundations), or the income test (imposed on operating foundations). This temporary limitation on grant administrative expenses will expire on December 31, 1990 unless extended by Congress.

The Congressionally mandated study on the administrative expenses of foundations currently is being conducted jointly by IRS' Office of the Assistant Commissioner (Employee Plans and Exempt Organizations) and the Treasury Department's Office of Tax Policy. The statistics and conclusions resulting from this mandated study, scheduled for completion by January 1990, will be based on post-IRS audit information and will be much more detailed than the Statistics of Income (SOI) foundation expense data presented here. The SOI expense data are based on the tax returns as originally filed and do not reflect changes made at a later date, either by the organization or by IRS after examination. Nevertheless, they can be considered a preliminary indication of the effect of the new rules on foundation expenses and their relationship to the payout requirement. Since operating foundations were not subject to the payout requirement, they are excluded from much of the following discussion of foundation expenses as they relate to the requirement. Operating foundations, however, had to exclude from their qualifying distributions the portion of grant administrative expenses which exceeded the limitation amount. For purposes of meeting the income test (discussed earlier in the Background section), operating foundations could apply only those qualifying distributions which were made directly for the active conduct of the programs for which they were organized and operated. Grants made by operating foundations to other tax-exempt organizations were considered indirect expenditures and were not allowed as a qualifying distribution, but the administrative expenses associated with making the grants were considered a direct expenditure and were allowed.

Effective with Income Year 1985, only the portion of grantmaking administrative expenses which did not exceed 0.65 percent of net investment assets could be counted toward meeting the total 5 percent of net investment assets which nonoperating foundations were required to pay out annually for charitable purposes. The 0.65-percent limit was computed on the basis of a 3-year average (1983–1985 for 1985).

Private nonoperating foundation expenses for 1985 totalled $6.4 billion, reducing gross revenue by 43 percent. About one-sixth of these expenditures was made up of operating and administrative expenses, while the remaining five-sixths consisted of grants paid out for charitable purposes.

The portions of total expenses reported by nonoperating foundations which were allocated as distributions for charitable purposes (i.e., grants paid, direct charitable activity operating expenses, and associated administrative expenses) and incurred as administrative expenses in order to carry on grantmaking programs are illustrated in Figure E. Ninety-eight percent of the 27,279 nonoperating foundations reporting total expenses also reported making disbursements for charitable purposes and slightly more than half reported grantmaking administrative expenses.

Nearly 90 percent of all nonoperating foundation expenses were incurred to support charitable or other tax-exempt activities (versus investment activities). Grants paid accounted for about nine-tenths of this charitable support. Operating and administrative costs made up the remaining one-tenth.

The cost of maintaining grantmaking programs was equal to about 6 percent of the total grants paid out by all nonoperating foundations. The smallest nonoperating foundations (assets under $1 million) spent about 3 cents in administrative costs for every grant dollar contributed. These small organizations are more likely to have uncomplicated giving programs. Grantmaking administrative costs were highest for organizations with assets between $25 million and $50 million, which spent a little over 9 cents for each dollar paid out in grants. For the 25,219 nonoperating foundations which made grants, the proportion of organizations reporting administrative expenses related to grantmaking gradually rose as asset size increased, ranging from 6 out of every 10 organizations with assets under $1 million to nearly all organizations with assets $50 million and over.

Beginning with 1985 accounting periods, private foundation grant administrative expenses which exceeded 0.65 percent of their net investment assets (computed on a 3-year average) could not be applied toward meeting the required annual payout for charitable purposes (nonoperating foundations) or the income test (operating foundations). For 1985, 3,691 operating and nonoperating foundations reported $91.6 million of "excess" (over the 0.65 percent limitation) grant administrative expenses. (Total grant administrative expenses of all foundations amounted to $551.3 million, of which $300.5 million was attributable to nonoperating foundations.)

The excess GAE which was reported by 3,402 nonoperating foundations amounted to $59.8 million, or roughly one-fifth of all GAE reported by nonoperating foundations. Twelve percent of all nonoperating foundations reported GAE which exceeded the limitation amount. However, only 1 percent of all nonoperating foundations failed to meet the required annual charitable-purpose payout amount because of the limitation. However, these foundations have the 1-year grace period to distribute the required amount.

Roughly four out of every five organizations (including both operating and nonoperating) reporting GAE above the

Figure E.—Nonoperating Foundation Expense Items, 1985

[All figures are estimates based on a sample—money amounts are in millions of dollars]

Expense item	Total amount	Percentage of total amount disbursed for charitable purposes [1]	Percentage of total amount incurred to administer grantmaking programs	Percentage of disbursements for charitable purposes incurred to administer grantmaking programs
	(1)	(2)	(3)	(4)
Total expenses and disbursements	$6,374	87.4%	4.7%	5.4%
Contributions, gifts, and grants paid	5,321	97.3[2]	N/A	N/A
Total operating or administrative expenses [3]	1,053	37.2	28.5	76.7
Compensation of officers	127	59.0	53.1	90.1
Other salaries and wages	108	71.6	53.6	74.9
Pension plans and employee benefits	38	75.2	57.5	76.4
Legal fees	37	45.0	33.1	73.5
Accounting fees	24	42.7	35.0	82.1
Other professional fees	148	17.1	11.7	68.5
Interest	29	38.4	34.4	89.7
Taxes	220	2.9	2.2	76.6
Depreciation and depletion	60	N/A	N/A	N/A
Occupancy [4]	35	80.3	75.9	94.5
Travel, conferences, and meetings	20	88.9	65.5	73.7
Printing and publications	10	82.5	59.8	72.4
Other expenses	196	44.5	28.0	62.8

[1] Foundations must report "disbursements for charitable purposes" using the cash method of accounting; however, they have the option to use either the cash or accrual method to report total expenses. If the accrual method was used, the "total amount" reported for an expense item may include amounts which were actually disbursed in a subsequent year or exclude amounts which were disbursed in the current year, but accrued in a prior year.

[2] Because of the accounting practices followed for reporting expenses, only the amount of contributions, gifts and grants which was actually paid ($5,177 billion for 1985), versus accrued, was allowed to be reported as a disbursement for charitable purposes. For this reason, the percentage shown in column 2 for this item is less than 100. (Disbursements of contributions, gifts or grants are considered as made entirely for charitable purposes, while expenditures for any other item shown in Figure E can be allocated as made for either charitable or investment purposes.)

[3] "Total operating or administrative expenses" are the total expenses of the foundation, exclusive of contributions, gifts and grants paid.

[4] "Occupancy" included rents, mortgage interest, real estate taxes, utilities, trash removal, and any other service necessary for occupying office space or other facilities.

N/A—not applicable.

NOTES: Detail may not add to total because of rounding.

Form 990-PF 1985 return line item references and table column explanations:

(1) Part I, lines 13 through 26, column (a).

(2) Part I, lines 13 through 26, column (d) divided by corresponding items in table column (1).

(3) Part XII, lines 1 through 13 divided by corresponding items in table column (1).

(4) Part XII, lines 1 through 13 divided by corresponding items in Part I, lines 13 through 26, column (d).

statutory limit had assets under $1 million. Many of the 2,779 small nonoperating foundations which reported an excess were not affected by the 0.65-percent limitation on GAE because they usually paid out, in qualifying distributions, nearly all of their current income, including investment earnings. These qualifying distributions most often well exceeded the required minimum distribution of 5 percent of investment assets, despite the limitation on grant administrative expenses. Less than one-half of 1 percent of organizations which reported excess GAE held assets of $50 million or more. While less than one-fifth of the foundations reporting excess GAE had assets which ranged from $1 million to under $50 million, they accounted for well over four-fifths of the total dollar amount of the excess.

EXCISE TAX ON NET INVESTMENT INCOME

The excise tax on net investment income is a type of "audit" tax originally levied on private foundations under the Tax Reform Act of 1969 to provide funds for IRS oversight of foundation activities and the enforcement of laws governing their exempt status. Effective for tax years beginning in 1985, a provision of the Deficit Reduction Act of 1984 altered the excise tax payment requirements. Prior to the 1984 Act, domestic foundations generally paid a tax equal to 2 percent of their net investment income and foreign foundations paid a tax equal to 4 percent of their gross investment income. Domestic organizations computed the excise tax based on investment income from all sources, while foreign organizations computed the tax based on investment income from U.S. sources only. For 1985, foreign foundations accounted for only 1 percent of the organizations reporting the tax and only 1 percent of the total amount of tax reported.

Under the new rules, the excise tax was waived for certain operating foundations which had been publicly supported for at least 10 years (or which were classified as operating foundations as of January 1, 1983); had a governing body broadly representative of the general public, as opposed to substantial contributors to the foundation or members of their family (called "disqualified persons"); and had no disqualified persons as officers of the foundation.

The 2-percent excise tax could be reduced to 1 percent for any domestic operating or nonoperating foundation that increased its qualifying distributions for charitable purposes by an amount equal to the 1 percent tax reduction (based on a 5-year average). The 4-percent excise tax levied on the gross investment income of foreign foundations remained unchanged.

Figure F presents excise tax information for 1982, 1983, and 1985, as reported by domestic private foundations.

Under the new excise tax provision, 283 operating foundations claimed an exemption from the tax for 1985. This meant that fifteen percent fewer operating foundations reported the tax than would have been required under the pre-1985 rules. Twenty-one percent of the domestic nonoperating foundations and 15 percent of the domestic operating foundations which were required to pay the excise tax qualified for the 1-percent reduction.

Foundations able to take advantage of the new 1985 excise tax rules reported $32.2 million less in the excise tax on investment income, or 16 percent less than they would have under the old rules (assuming that the activities of private foundations did not change significantly as a result of the tax law revision). Close to 5,300 domestic foundations qualified for the 1-percent tax reduction, collectively reducing their tax by $20.2 million and increasing their qualifying distributions for 1985 by at least that amount.

CHARITABLE DISTRIBUTIONS

For 1985, private foundations disbursed a total of $6.3 billion in support of charitable activities. Operating foundations were responsible for 11 percent of the disbursements (about $705 million), mainly for their own direct active involvement in tax-exempt activities. The remaining $5.6 billion, disbursed by nonoperating foundations, was principally given out as grants to other organizations that were directly engaged in charitable activities. A small portion (7 percent) of the disbursements of these nonoperating foundations was attributable to operating and administrative expenses applicable to the organizations' exempt purposes.

Figure F.—Domestic Foundations Reporting Excise Tax on Net Investment Income, 1982, 1983 and 1985

[All figures are estimates based on samples—money amounts are in millions of dollars]

Item	Income Year		
	1982	1983	1985
	(1)	(2)	(3)
All domestic foundations:			
Number of returns with excise tax	23,238	25,145	25,759
Total excise tax	$110.4	$166.0	$167.6
Operating foundations:			
2-percent tax:			
Number of returns	1,945	1,973	1,406
Amount	$9.3	$26.3[1]	$4.0
1-percent tax:			
Number of returns	N/A	N/A	256
Amount	N/A	N/A	$0.6
Number of returns claiming exemption from tax	N/A	N/A	283
Nonoperating foundations:			
2-percent tax:			
Number of returns	21,293	23,173	19,083
Amount	$101.1	$139.7	$143.4
1-percent tax:			
Number of returns	N/A	N/A	5,014
Amount	N/A	N/A	$19.6

[1] The substantial increase in excise taxes reported by operating foundations between 1982 and 1983 in large part can be attributed to the J. Paul Getty Trust, which for 1983 reported a 495-percent increase over 1982 in the amount of net investment income on which the tax is computed. (The increase largely was due to net gain from the sale of Getty oil stock.) For 1985, Getty qualified for the exemption from the tax. Excluding Getty from the table, the amounts shown for the 2-percent tax reported by operating foundations for the years 1982 and 1983 would be $6.2 million and $7.5 million, respectively. Had Getty not been exempt from paying the 2-percent tax for 1985, the amount shown for that year would be $11.3 million.

N/A—not applicable.

NOTES: Detail may not add to total because of rounding.

Excise tax shown for 1985 is from Form 990-PF, Part VI, line 5.

SOURCE: Data for 1982 and 1983 respectively were from issues of the *Statistics of Income Bulletin* for Fall 1985, Volume 5, Number 2 and Winter 1986-87, Volume 6, Number 3.

Charitable program-related investments, amounts reserved for future charitable projects, and amounts spent to acquire assets used for charitable purposes added to the $5.6 billion of disbursements made by nonoperating foundations resulted in total qualifying distributions for 1985 of $5.7 billion. (Qualifying distributions were those distributions which counted toward meeting a foundation's required annual payout for charitable purposes.) Nonoperating foundation qualifying distributions, taken collectively, exceeded the amount required to be given out for 1985 by $2.1 billion, or more than half the required amount. In spite of this substantial excess of qualifying distributions over required payouts, nonoperating foundation assets for 1985 reached $86.5 billion, an all-time high.

There were 21,852 nonoperating foundations with excess distributions to carry over to 1986. These represent 76.3 percent of the 28,649 nonoperating foundations. Twelve percent of the foundations that had a payout requirement for 1985 used at least some of their unapplied qualifying distributions carried over from the 5 previous years to meet the 1985 payout.

SUMMARY

For 1985, private foundations disbursed $6.3 billion for charitable purposes, including $5.2 billion in grants to organizations carrying on tax-exempt activities. These grant payments amounted to 32 percent of total foundation revenue reported for the year. Contributions received by foundations collectively made up the largest portion (33 percent) of their $16.4 billion of total revenue. Net gain from sales of assets (primarily investment assets) was a close second as a major component of revenue, only 2 percentage points behind contributions received.

A look at the composition of revenue when foundations are classified by size of assets reveals a very different picture from that revealed when all foundations are considered. Sales of assets were responsible for a very small portion of the revenue of foundations which had assets under $1 million, while contributions received accounted for over two-thirds of these organizations' revenue for 1985. Foundations with assets of at least $1 million but less than $25 million received nearly half of their revenue from contributions, one-fourth from interest and dividends, and one-fifth from sales of assets. The largest source of revenue for organizations with assets of $25 million or more was income realized from sales of assets, which accounted for a little over two-fifths of total revenue. The second largest source, interest and dividends, accounted for one-third of their total revenue. Contributions received, a less significant source of revenue for these largest foundations, accounted for only one-fifth of total revenue.

Foundation assets reached nearly $100 billion for 1985, a 35-percent increase since 1983, the most recent prior year for which similar data are available. A 1981 tax law change and favorable market conditions between 1982 and 1985 had a positive effect on private foundation earnings. Under the 1981 law, nonoperating foundations no longer were required to pay out all of their current investment income if it exceeded 5 percent of their investment assets. After adjustment for inflation, income earned from their investments (mostly interest and dividend income and realized capital gains) more than doubled between 1979 and 1985, and net investment assets increased 46 percent during the same period. Based on a foundation payout model constructed by the Council on Foundations, the period 1984 to 1985 showed the highest level of percentage increase in investment returns since the 1953 to 1954 period.

As a result of a 1984 tax law revision, the excise tax on net investment income reported by private foundations was $32.2 million less than it otherwise would have been (assuming that the activities of private foundations did not change significantly as a result of the tax law revision). Twenty percent of all foundations that were liable for the tax qualified for a 1-percent tax reduction because they increased their qualifying distributions by at least the same amount. The 1-percent tax reduction was claimed by 256 operating foundations and 5,014 nonoperating foundations. Fifteen percent of all operating foundations reporting net income from investments claimed an exemption from paying any excise tax under the new law.

DATA SOURCES AND LIMITATIONS

The statistics in this article are based on a sample of Income Year 1985 private foundation returns, Forms 990–PF, filed with the Internal Revenue Service. The 1985 Form 990–PF was required to be filed by organizations which had accounting periods beginning in that year (accounting periods ending December 1985 through November 1986). Forms 990–PF filed by nonexempt charitable trusts and certain taxable foundations were excluded from the study. The sample was stratified based on size of book value of total assets and selected at rates that ranged from 0.7 percent to 100 percent. The 1,905 returns in the sample were drawn from an estimated population of 31,221.

The 1985 sample was designed to provide the most reliable estimates of total assets and total revenue based on a small number of returns. The methodology employed was to include in the sample all returns with assets (book value) of $10 million or more, since these were the returns that dollar-wise accounted for most foundation activity. The 930 returns in this group accounted for approximately 49 percent of all the returns in the sample and 77 percent of the book value of the total assets of all foundations. The remaining 975 returns in the sample were randomly selected at various rates, depending on the asset size and date selected.

The population from which the sample was drawn consisted of private foundation records posted to the IRS Business Master File between 1986 and 1988. Some of the records designated were for organizations that were deemed inactive or terminated. Inactive and terminated private foundations are not reflected in the estimates. Prior-year returns were substituted for the small number of large private foundations for which a 1985 return had not yet been filed or was otherwise unobtainable for inclusion in the study. Sample weights applied to small organizations were revised upward to compensate for missing returns in that category.

The data presented were collected from returns as originally filed. In most cases, changes made to the original return as a result of an IRS examination or a taxpayer amendment were not incorporated into the data base.

Because the data presented are estimates based on a sample, they are subject to sampling and nonsampling error. To use the statistical data properly, the magnitude of the sampling error should be known. Coefficients of variation (CV's) are used to measure that magnitude.

Figure G presents approximate coefficients of variation for frequency estimates of private foundation returns with less than $10 million in assets. Returns with assets of $10 million or more were selected at a prescribed rate of 100 percent; therefore, this category is not subject to sampling error. The approximate CV's shown here are intended only as a general indication of the reliability of the data. For a number other than those shown below, the corresponding CV's can be estimated by interpolation.

Figure G.—Coefficient of Variation Table, 1985

Estimated number of returns by size of book value of total assets			Approximated coefficient of variation
Under $100,000 or not reported	$100,000 under $1,000,000	$1,000,000 under $10,000,000	
(1)	(2)	(3)	(4)
12,600	8,600	3,100	.025
10,800	6,100	1,900	.050
8,800	4,100	1,200	.075
6,900	2,800	700	.100
4,300	1,500	400	.150
2,000	600	100	.250

A discussion of the reliability of estimates based on samples and the use of coefficients of variation for evaluating the precision of sample estimates can be found in the general Appendix to this publication.

EXPLANATION OF SELECTED TERMS

The following explanations describe terms as they applied to private foundations for 1985.

Assets Zero or Not Reported.—Included in this asset size category were: (1) final returns of liquidating or dissolving foundations which had disposed of all assets, and (2) returns of foundations not reporting end-of-year assets that apparently distributed all assets and income received during the year.

Disbursements for Charitable Purposes.—These deductions represented grants paid and other expenditures for activities that were directly related to the tax-exempt purposes of the foundation. Included were necessary and reasonable administrative expenses paid for charitable, scientific, educational, or other similar purposes. These amounts were determined solely on the cash receipts and disbursements method of accounting, as required by law or regulations.

Distributable Amount.—The distributable amount represented the minimum payout which was required to be distributed by the end of the year following the year for which the return was filed in order to avoid being subject to an excise tax for failure to distribute income currently. This amount was computed as 5 percent of net investment assets, called the "minimum investment return," minus taxes on net investment income and "unrelated business income," plus or minus allowed or required adjustments. (See "Net Adjustments to Distributable Amount" for a definition of allowed adjustments.)

Minimum Investment Return.—This was the aggregate fair market value of assets not used for charitable purposes, less the sum of indebtedness incurred to acquire those assets and cash held for charitable activities, multiplied by 5 percent. The minimum investment return was used as the base for calculating the "distributable amount."

Net Adjustments to Distributable Amount.— Adjustments that increased the "distributable amount" consisted of increases attributable to the income portion (as distinct from the principal portion) of distributions from split-interest trusts on amounts placed in trust after May 26, 1969. A split-interest trust was a trust which was not exempt from tax; not all of whose interests were devoted to charitable, religious, educational, and like purposes; but which had amounts in trust for which a charitable contribution deduction was allowed. Recoveries of amounts previously treated as qualifying distributions also had to be added back to the distributable amount.

Adjustments that decreased the distributable amount were the result of income required to be accumulated as part of an organization's governing instrument. These adjustments were allowed only to foundations organized before May 27, 1969, whose governing instrument continued to require the accumulation because State Courts would not allow the organization to change its governing instrument.

Nonoperating Foundations.—Nonoperating foundations were organizations that carried on their charitable activities in an indirect manner by making grants, in general, to other organizations that were directly engaged in charitable activities, rather than engaging in charitable activities themselves. However, some nonoperating foundations were actively involved in charitable programs, in addition to making grants. Nonoperating foundations were subject to an excise tax (and possible additional penalties) for failure to distribute an annual minimum amount for charitable purposes within a required time period.

Operating Foundations.—Operating foundations generally expended their income for direct, active involvement in a tax-exempt activity, such as operating a library or museum, or conducting scientific research. To qualify as an operating foundation for a particular taxable year, a private foundation had to spend at least 85 percent of the lesser of its adjusted net income or minimum investment return on the direct, active conduct of exempt-purpose activities (the "income test") and satisfy one of three other tests termed the "assets test," the "endowment test," and the "support test." Operating foundations were excepted from the income distribution requirements and related excise taxes applicable to nonoperating foundations. Distributions made by a private nonoperating foundation to an operating foundation qualified toward meeting the distributable amount. (Distributions made by one nonoperating foundation to another were subject to a number of strict conditions and restrictions requiring a "pass-through" of the distribution whereby the donor foundation received credit for a qualifying distribution but the donee foundation did not.) Additionally, contributions to operating foundations were deductible on the tax returns of the donors up to 50-percent of their adjusted gross income (reduced to 30 percent for contributions to nonoperating foundations) provided under the Internal Revenue Code.

Private Foundations.—Private foundations were nonprofit corporations, associations, or trusts with a narrow source of funds which operated or supported social, educational, scientific, charitable, religious, and other programs dedicated to improving the general welfare of society. By law, a private foundation was an organization which qualified for tax-exempt status under Internal Revenue Code section 501(c)(3) and was not a church; school; hospital; medical research organization; an organization with broad public support, in the form of contributions or income from tax-exempt activities; an organization which was operated by, or in connection with, any of the above described organizations; or an organization which tested for public safety. The primary difference between foundations and public charities lay in the sources of their funding. Foundations usually received their funds from an individual, a family, or a corporation, while, as their name implies, public charities' funds were derived mainly from a large number of sources within the general public.

Sales of Assets.—This item represented the net gain or loss from the sale of foundation assets, exclusive of gross profit or loss from sales of inventory (items a foundation makes to sell to others or buys for resale). Included was profit or loss from sale of items of an investment nature such as securities, land, buildings, or equipment. Gain or loss reflected the amount shown on the books of the foundation and included any amount from the sale of property used for tax-exempt purposes. Most of the amount reported by foundations as "net gain or loss from sale of assets" on their Forms 990-PF was from sales of stocks and bonds. Profit or loss from the sale of inventory items was included in gross profit (loss) from business activities.

Value of Noncharitable Assets (Investment Assets).—For purposes of calculating "minimum investment return," only the assets that were not used or held for tax-exempt purposes entered into the computation. An asset was not used directly in carrying out the foundation's exempt purpose if the asset was not used in the carrying on of a charitable, educational, or other similar function which gave rise to the exempt status of the foundation.

NOTES AND REFERENCES

[1] Throughout this article, contributions, gifts, and grants are referred to collectively as "grants."

[2] Foundation disbursements for charitable purposes could include amounts paid out in grants, direct expenditures to operate a charitable program or activity, and all necessary and reasonable administrative expenses which were incurred in implementing the foundation's charitable purposes.

[3] In addition to adding the $9.2 billion of excess revenue over expenses to their asset base, foundations also reported other adjustments (mostly due to unrealized appreciation or depreciation) to the value of their assets at the end of their 1985 accounting periods.

[4] All references to assets are stated at their fair market value unless otherwise indicated.

[5] The Foundation Center, *National Data Book*, 11th Edition, New York, 1987.

[6] For an in-depth discussion of Internal Revenue Code section 501(c)(3) organizations other than private foundations, see Hilgert, Cecelia, "Nonprofit Charitable Organizations, 1983," *Statistics of Income Bulletin*, Spring 1987, Volume 6, Number 4.

[7] Activities termed "charitable" refer to any tax-exempt activities which are educational, social, scientific, charitable, or religious in nature.

[8] If an organization failed to meet the Internal Revenue Service's requirements for retaining its more favored tax status of "public charity," it was reclassified as a private nonoperating foundation. Most often, these reclassified organizations continued to operate like public charities, operating programs or providing direct services, as opposed to making grants to accomplish a charitable purpose. Perhaps many of these organizations could have qualified as operating foundations, but had not requested such status from the Internal Revenue Service.

[9] Information on the W.K. Kellogg Foundation Trust's holdings of Kellogg Corporation stock was obtained from the Council on Foundations, Washington, DC. Under the "excess business holdings" provision of the Internal Revenue Code, foundations which on May 26, 1969, held more than a 75-percent interest either in the voting stock or in the value of all classes of stock in a business enterprise generally were required to dispose of a certain amount of that interest to reach a permissible level of holdings within the 15-year period ending on May 26, 1984.

[10] *USA TODAY*, "How Foundations Spend Their Money," December 15, 1987.

[11] Comparative statistics are being used for the years 1974, 1979, 1982 and 1983 because they are the years in which Statistics of Income (SOI) data are available. SOI studies of private foundations were not conducted for any omitted intervening years between 1974 and 1985. Certain data published for 1982 have been revised and the revised data have been used in the comparisons contained in this article. Updated 1982 data are available upon request from the Director, Statistics of Income Division R:S, Internal Revenue Service, Washington, DC 20224.

[12] All inflation-adjusted figures cited in this article were derived using the Implicit Price Deflators for Gross National Product contained in Council of Economic Advisors, *Economic Report of the President*, February 1988, Table B-3.

[13] See Salamon, Lester M. and Voytek, Kenneth P., *Managing Foundation Assets: An Analysis of Foundation Investment and Payout Procedures and Performance*, A Report to the Council on Foundations, The Foundation Center, 1989.

Table 1.—Number of Private Foundations and Selected Financial Data, by Type of Foundation[1] and Size of Fair Market Value of Assets

[All figures are estimates based on a sample—money amounts are in thousands of dollars]

Size of fair market value of assets	Number of returns	Total revenue		Total expenses		Excess of revenue over expenses (net)		Excess of revenue over expenses		Disbursements for exempt purposes		Contributions, gifts and grants paid		Grant administrative expenses	
		Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
All foundations, total	31,221	30,397	16,412,533	29,691	7,240,579	30,217	9,171,952	20,826	9,863,306	28,966	6,273,522	26,288	5,244,114	16,591	551,262
Zero or unreported	*409	*391	*30,815	*409	*119,119	*266	*-88,305	*35	*55	*374	*115,893	*356	*115,887	*18	*1
$1 under $100,000	13,222	12,509	249,043	12,010	188,339	12,527	60,703	7,530	92,246	11,835	178,121	10,196	156,628	5,944	11,214
$100,000 under $1,000,000	11,511	11,433	991,222	11,230	731,997	11,371	259,224	8,158	465,936	10,815	677,894	10,216	539,597	6,166	105,808
$1,000,000 under $10,000,000	4,871	4,861	3,087,775	4,841	1,541,960	4,851	1,545,814	4,020	1,743,096	4,746	1,355,035	4,418	1,057,797	3,406	118,688
$10,000,000 under $25,000,000	694	690	2,373,352	689	850,351	690	1,523,001	624	1,565,535	686	761,165	627	636,475	612	77,373
$25,000,000 under $50,000,000	238	237	1,369,113	237	609,038	237	760,075	213	810,877	236	540,673	218	446,501	198	63,164
$50,000,000 under $100,000,000	148	148	1,765,574	148	776,487	148	989,087	132	1,024,338	147	659,359	134	540,299	129	54,818
$100,000,000 or more	127	127	6,545,639	127	2,423,287	127	4,122,353	114	4,161,223	127	1,985,383	122	1,750,930	119	120,198
Nonoperating foundations, total	28,649	27,987	14,760,155	27,279	6,373,876	27,788	8,386,277	19,541	9,056,134	26,735	5,568,438	25,219	5,176,563	15,326	300,497
Zero or unreported	*391	*374	*30,622	*391	*118,971	*248	*-88,349	*18	*12	*356	*115,745	*339	*115,739	—	—
$1 under $100,000	11,852	11,283	221,772	10,801	162,618	11,300	59,153	6,998	89,040	10,678	157,747	9,717	151,321	5,374	5,376
$100,000 under $1,000,000	10,814	10,754	834,770	10,532	599,083	10,673	235,686	7,820	436,756	10,214	554,694	9,812	530,233	5,764	16,132
$1,000,000 under $10,000,000	4,520	4,510	2,687,818	4,490	1,248,574	4,500	1,439,244	3,749	1,627,945	4,425	1,111,817	4,301	1,045,318	3,225	57,410
$10,000,000 under $25,000,000	610	606	2,187,562	605	747,974	606	1,439,588	546	1,480,337	604	678,357	596	630,284	543	39,962
$25,000,000 under $50,000,000	213	212	1,256,519	212	538,499	212	718,020	191	765,533	211	490,700	209	444,332	185	38,588
$50,000,000 under $100,000,000	130	130	1,544,454	130	671,140	130	873,314	114	908,565	129	581,134	128	536,745	120	23,720
$100,000,000 or more	118	118	5,996,639	118	2,287,017	118	3,709,622	106	3,747,945	118	1,878,245	117	1,722,592	114	114,310
Operating foundations, total	2,572	2,410	1,652,378	2,412	866,702	2,429	785,675	1,285	807,172	2,231	705,084	1,069	67,551	1,265	250,765
Zero or unreported	*18	*18	*193	*18	*149	*18	*44	*18	*44	*18	*149	*18	*148	*18	*1
$1 under $100,000	1,370	1,227	27,271	1,209	25,722	1,227	1,549	532	3,205	1,157	20,374	479	5,308	570	5,839
$100,000 under $1,000,000	698	679	156,452	698	132,913	698	23,539	339	29,180	602	123,200	404	9,364	402	89,675
$1,000,000 under $10,000,000	352	352	399,957	352	293,386	352	106,571	271	115,151	321	243,218	117	12,479	181	61,278
$10,000,000 under $25,000,000	83	83	185,790	83	102,377	83	83,413	78	85,198	81	82,808	31	6,191	68	37,410
$25,000,000 under $50,000,000	25	25	112,594	25	70,538	25	42,056	22	45,344	25	49,973	9	2,169	13	24,576
$50,000,000 under $100,000,000	18	18	221,120	18	105,347	18	115,773	18	115,773	18	78,225	6	3,554	9	26,098
$100,000,000 or more	9	9	549,001	9	136,270	9	412,731	8	413,278	9	107,137	5	28,338	5	5,888
Grantmaking foundations, total	26,288	26,252	15,228,333	26,270	6,674,835	25,875	8,553,496	17,710	9,220,924	26,288	5,852,602	26,288	5,244,114	14,923	319,374
Zero or unreported	*356	*339	*30,653	*356	*116,563	*213	*-85,909	*18	*44	*356	*115,889	*356	*115,887	*18	*1
$1 under $100,000	10,196	10,178	206,845	10,178	165,453	10,018	41,391	5,803	71,049	10,196	161,783	10,196	156,628	5,018	4,250
$100,000 under $1,000,000	10,216	10,216	816,545	10,216	601,851	10,135	214,693	7,239	413,869	10,216	566,156	10,216	539,597	5,745	24,246
$1,000,000 under $10,000,000	4,418	4,418	2,789,279	4,418	1,394,891	4,408	1,394,387	3,658	1,588,086	4,418	1,250,500	4,418	1,057,797	3,151	62,415
$10,000,000 under $25,000,000	627	627	2,204,377	627	761,849	627	1,442,528	567	1,482,082	627	695,621	627	636,475	564	43,743
$25,000,000 under $50,000,000	218	218	1,287,570	218	552,960	218	734,610	197	780,423	218	500,639	218	446,501	188	35,489
$50,000,000 under $100,000,000	134	134	1,559,175	134	703,218	134	855,957	118	891,208	134	605,301	134	540,299	122	32,560
$100,000,000 or more	122	122	6,333,889	122	2,378,049	122	3,955,840	110	3,994,163	122	1,956,712	122	1,750,930	117	116,670
Grantmaking-nonoperating foundations, total	25,219	25,184	14,306,847	25,201	6,292,795	24,806	8,014,049	17,115	8,672,456	25,219	5,531,093	25,219	5,176,563	14,288	274,939
Zero or unreported	*339	*321	*30,461	*339	*116,414	*196	*-85,953	—	—	*339	*115,740	*339	*115,739	—	—
$1 under $100,000	9,717	9,699	198,867	9,699	158,604	9,539	40,262	5,573	69,766	9,717	155,268	9,717	151,321	4,769	3,596
$100,000 under $1,000,000	9,812	9,812	759,327	9,812	570,075	9,731	189,252	7,037	385,883	9,812	542,005	9,812	530,233	5,462	11,391
$1,000,000 under $10,000,000	4,301	4,301	2,570,142	4,301	1,227,471	4,291	1,342,670	3,561	1,531,015	4,301	1,102,234	4,301	1,045,318	3,101	48,449
$10,000,000 under $25,000,000	596	596	2,149,244	596	738,897	596	1,410,347	538	1,449,285	596	675,234	596	630,284	540	39,353
$25,000,000 under $50,000,000	209	209	1,246,200	209	526,916	209	719,284	189	764,747	209	482,444	209	444,332	183	30,332
$50,000,000 under $100,000,000	128	128	1,481,748	128	667,725	128	814,023	112	849,274	128	579,992	128	536,745	119	27,577
$100,000,000 or more	117	117	5,870,856	117	2,286,693	117	3,584,163	105	3,622,487	117	1,878,176	117	1,722,592	113	114,241
Grantmaking-operating foundations, total	1,069	1,069	921,486	1,069	382,039	1,069	539,447	595	548,469	1,069	321,509	1,069	67,551	635	44,435
Zero or unreported	*18	*18	*193	*18	*149	*18	*44	*18	*44	*18	*149	*18	*148	*18	*1
$1 under $100,000	479	479	7,978	479	6,849	479	1,129	*231	*1,284	479	6,515	479	5,308	*248	*653
$100,000 under $1,000,000	404	404	57,217	404	31,776	404	25,441	*202	*27,986	404	24,152	404	9,364	*283	*12,855
$1,000,000 under $10,000,000	117	117	219,137	117	167,420	117	51,717	*97	*57,071	117	148,266	117	12,479	*51	*13,967
$10,000,000 under $25,000,000	31	31	55,132	31	22,952	31	32,180	29	32,797	31	20,387	31	6,191	24	4,390
$25,000,000 under $50,000,000	9	9	41,370	9	26,044	9	15,325	8	15,677	9	18,196	9	2,169	5	5,157
$50,000,000 under $100,000,000	6	6	77,427	6	35,493	6	41,934	6	41,934	6	25,309	6	3,554	3	4,983
$100,000,000 or more	5	5	463,032	5	91,356	5	371,676	5	371,676	5	78,536	5	28,338	4	2,430
Nongrantmaking-nonoperating foundations, total	3,430	2,803	453,309	2,078	81,081	2,981	372,228	2,427	383,678	1,517	37,345	—	—	1,038	25,558
Zero or unreported	*53	*53	*161	*53	*2,557	*53	*-2,396	*18	*12	*18	*4	—	—	—	—
$1 under $100,000	2,135	1,583	22,904	1,101	4,013	1,761	18,891	1,425	19,275	961	2,478	—	—	605	1,779
$100,000 under $1,000,000	1,002	942	75,443	721	29,009	942	46,434	783	50,874	402	12,689	—	—	*302	*4,741
$1,000,000 under $10,000,000	219	209	117,676	189	21,103	209	96,573	188	96,930	124	9,583	—	—	*124	*8,961
$10,000,000 under $25,000,000	14	10	38,318	9	9,077	10	29,241	8	31,052	8	3,123	—	—	3	609
$25,000,000 under $50,000,000	4	3	10,319	3	11,583	3	-1,265	2	787	2	8,256	—	—	2	8,256
$50,000,000 under $100,000,000	2	2	62,706	2	3,415	2	59,291	2	59,291	1	1,142	—	—	1	1,142
$100,000,000 or more	1	1	125,782	1	324	1	125,459	1	125,459	1	70	—	—	1	70

Footnotes at end of table.

Table 1.—Number of Private Foundations and Selected Financial Data, by Type of Foundation[1] and Size of Fair Market Value of Assets—Continued

[All figures are estimates based on a sample—money amounts are in thousands of dollars]

Size of fair market value of assets	Net investment income		Net gain or loss from sale of assets		Excise tax on net investment income					Total assets (book value)		Investments in securities (book value)		Total assets (fair market value)	
						Domestic organizations		Foreign organizations							
	Number of returns	Amount	Number of returns	Amount	Total	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
All foundations, total	**26,675**	**10,042,766**	**10,189**	**5,128,130**	**169,529**	**25,759**	**167,606**	**46**	**1,922**	**30,847**	**73,225,342**	**18,718**	**53,980,591**	**30,812**	**97,089,200**
Zero or unreported	*161	*28,563	*18	*3	*571	*161	*571	—	—	*35	*85	—	—	—	—
$1 under $100,000	9,588	28,955	984	2,743	516	9,036	516	—	—	13,222	406,582	5,651	158,735	13,222	443,352
$100,000 under $1,000,000	10,995	373,938	4,726	69,566	6,542	10,876	6,542	—	—	11,511	3,442,972	7,827	1,664,003	11,511	4,003,165
$1,000,000 under $10,000,000	4,745	1,619,209	3,419	577,845	28,183	4,573	28,164	*19	*19	4,871	12,651,620	4,094	7,981,319	4,871	15,410,722
$10,000,000 under $25,000,000	682	1,043,987	576	506,853	18,318	644	17,981	16	337	694	7,727,924	657	5,528,039	694	10,692,655
$25,000,000 under $50,000,000	231	866,270	210	464,959	14,381	213	14,147	6	234	238	6,335,925	221	4,647,642	238	8,150,688
$50,000,000 under $100,000,000	147	1,165,826	139	593,964	19,397	136	18,832	3	566	148	7,929,076	142	6,015,035	148	10,265,729
$100,000,000 or more	126	4,916,019	117	2,912,197	81,619	120	80,852	2	767	127	34,731,159	125	27,985,817	127	48,122,888
Nonoperating foundations, total	**24,720**	**9,178,989**	**9,676**	**4,691,058**	**164,930**	**24,098**	**163,008**	**46**	**1,922**	**28,275**	**64,377,227**	**17,492**	**48,852,295**	**28,257**	**86,505,757**
Zero or unreported	*161	*28,563	*18	*3	*571	*161	*571	—	—	*18	*12	—	—	—	—
$1 under $100,000	8,680	26,137	984	2,743	461	8,128	461	—	—	11,852	365,816	5,151	139,857	11,852	398,487
$100,000 under $1,000,000	10,397	362,057	4,546	67,426	6,377	10,397	6,377	—	—	10,814	3,204,647	7,468	1,593,207	10,814	3,743,882
$1,000,000 under $10,000,000	4,424	1,534,132	3,205	540,287	27,301	4,382	27,282	*19	*19	4,520	11,318,750	3,847	7,387,145	4,520	13,777,097
$10,000,000 under $25,000,000	601	968,540	502	463,368	17,309	585	16,972	16	337	610	6,808,504	581	5,104,422	610	9,526,285
$25,000,000 under $50,000,000	210	812,150	192	441,164	13,996	203	13,762	6	234	213	5,641,376	202	4,298,976	213	7,303,334
$50,000,000 under $100,000,000	130	1,015,317	121	535,010	18,064	127	17,498	3	566	130	6,908,699	125	5,345,707	130	8,936,092
$100,000,000 or more	117	4,432,093	109	2,641,056	80,851	115	80,084	2	767	118	30,129,423	117	24,982,981	118	42,820,579
Operating foundations, total	**1,955**	**863,777**	**513**	**437,073**	**4,599**	**1,662**	**4,599**	**—**	**—**	**2,572**	**8,848,115**	**1,226**	**5,128,296**	**2,555**	**10,583,443**
Zero or unreported	—	—	—	—	—	—	—	—	—	*18	*73	—	—	—	—
$1 under $100,000	908	2,818	—	—	56	908	56	—	—	1,370	40,766	*499	*18,878	1,370	44,865
$100,000 under $1,000,000	598	11,881	*181	*2,140	165	479	165	—	—	698	238,324	359	70,796	698	259,283
$1,000,000 under $10,000,000	321	85,077	214	37,558	882	191	882	—	—	352	1,332,870	248	594,174	352	1,633,625
$10,000,000 under $25,000,000	80	75,447	74	43,485	1,009	59	1,009	—	—	83	919,419	75	423,618	83	1,166,370
$25,000,000 under $50,000,000	21	54,120	18	23,795	385	10	385	—	—	25	694,549	19	348,666	25	847,353
$50,000,000 under $100,000,000	17	150,509	18	58,954	1,333	9	1,333	—	—	18	1,020,377	17	669,328	18	1,329,637
$100,000,000 or more	9	483,926	8	271,140	768	5	768	—	—	9	4,601,736	8	3,002,836	9	5,302,309
Grantmaking foundations, total	**24,206**	**9,652,785**	**9,566**	**4,978,661**	**164,665**	**23,570**	**162,798**	**44**	**1,867**	**25,949**	**68,592,008**	**17,259**	**51,739,802**	**25,931**	**91,435,231**
Zero or unreported	*143	*28,483	—	—	*570	*143	*570	—	—	*18	*73	—	—	—	—
$1 under $100,000	8,575	26,849	984	2,743	477	8,093	477	—	—	10,196	356,787	5,277	149,323	10,196	393,068
$100,000 under $1,000,000	10,016	349,177	4,446	66,669	6,089	9,976	6,089	—	—	10,216	3,055,948	7,106	1,511,488	10,216	3,573,926
$1,000,000 under $10,000,000	4,376	1,512,989	3,177	548,700	26,835	4,304	26,817	*19	*19	4,418	11,196,140	3,823	7,324,277	4,418	13,699,788
$10,000,000 under $25,000,000	625	996,371	522	487,444	17,682	604	17,345	16	337	627	6,944,641	597	5,138,103	627	9,787,327
$25,000,000 under $50,000,000	215	835,689	198	450,527	14,078	206	13,899	4	179	218	5,813,820	206	4,416,002	218	7,496,529
$50,000,000 under $100,000,000	134	1,049,853	126	534,196	17,863	128	17,297	3	566	134	7,210,316	130	5,632,119	134	9,285,819
$100,000,000 or more	121	4,853,373	113	2,888,382	81,072	116	80,305	2	767	122	34,014,282	120	27,568,491	122	47,198,775
Grantmaking-nonoperating foundations, total	**23,285**	**9,076,665**	**9,297**	**4,651,255**	**162,952**	**22,747**	**161,085**	**44**	**1,867**	**24,880**	**63,064,203**	**16,528**	**48,314,135**	**24,880**	**85,026,609**
Zero or unreported	*143	*28,483	—	—	*570	*143	*570	—	—	—	—	—	—	—	—
$1 under $100,000	8,183	25,231	984	2,743	445	7,701	445	—	—	9,717	335,839	4,938	133,196	9,717	368,321
$100,000 under $1,000,000	9,652	338,908	4,284	64,490	5,937	9,652	5,937	—	—	9,812	2,903,707	6,823	1,443,775	9,812	3,404,274
$1,000,000 under $10,000,000	4,259	1,495,428	3,114	538,196	26,586	4,230	26,567	*19	*19	4,301	10,869,028	3,756	7,259,199	4,301	13,298,922
$10,000,000 under $25,000,000	595	963,355	496	462,714	17,218	579	16,881	*16	*337	596	6,606,229	571	5,011,759	596	9,307,415
$25,000,000 under $50,000,000	207	809,212	191	441,005	13,910	202	13,731	*4	*179	209	5,530,468	199	4,243,084	209	7,154,750
$50,000,000 under $100,000,000	128	985,561	120	501,163	17,469	125	16,903	*3	*566	128	6,822,384	124	5,335,024	128	8,805,223
$100,000,000 or more	116	4,430,487	108	2,640,943	80,819	114	80,052	*2	*767	117	29,996,549	116	24,888,098	117	42,687,705
Grantmaking-operating foundations, total	**921**	**576,120**	**269**	**327,406**	**1,714**	**823**	**1,714**	**—**	**—**	**1,069**	**5,527,804**	**731**	**3,425,667**	**1,051**	**6,408,622**
Zero or unreported	—	—	—	—	—	—	—	—	—	*18	*73	—	—	—	—
$1 under $100,000	*391	*1,619	—	—	*32	*391	*32	—	—	479	20,948	*339	*16,127	479	24,747
$100,000 under $1,000,000	*364	*10,269	*162	*2,179	*153	*323	*153	—	—	404	152,241	*283	*67,713	404	169,652
$1,000,000 under $10,000,000	117	17,561	*64	*10,504	*249	*74	*249	—	—	117	327,113	*67	*65,077	117	400,866
$10,000,000 under $25,000,000	30	33,017	26	24,730	464	25	464	—	—	31	338,413	26	126,344	31	479,912
$25,000,000 under $50,000,000	8	26,477	7	9,522	168	4	168	—	—	9	283,351	7	172,919	9	341,779
$50,000,000 under $100,000,000	6	64,292	6	33,033	394	3	394	—	—	6	387,932	6	297,095	6	480,596
$100,000,000 or more	5	422,886	5	247,439	253	2	253	—	—	5	4,017,734	4	2,680,393	5	4,511,070
Nongrantmaking-nonoperating foundations, total	**1,436**	**102,324**	**379**	**39,803**	**1,978**	**1,350**	**1,923**	***2**	***55**	**3,395**	**1,313,024**	**964**	**538,160**	**3,377**	**1,479,148**
Zero or unreported	*18	*80	*18	*3	*2	*18	*2	—	—	*18	*12	—	—	—	—
$1 under $100,000	497	907	—	—	16	426	16	—	—	2,135	29,977	*213	*6,661	2,135	30,165
$100,000 under $1,000,000	745	23,148	*262	*2,935	441	745	441	—	—	1,002	300,940	645	149,432	1,002	339,609
$1,000,000 under $10,000,000	165	38,704	*91	*2,091	715	152	715	—	—	219	449,722	*91	*127,945	219	478,175
$10,000,000 under $25,000,000	6	5,185	6	654	91	6	91	—	—	14	202,276	10	92,663	14	218,870
$25,000,000 under $50,000,000	3	2,938	1	158	86	1	31	2	55	4	110,907	3	55,892	4	148,585
$50,000,000 under $100,000,000	2	29,756	1	33,847	595	2	595	—	—	2	86,315	1	10,683	2	130,869
$100,000,000 or more	1	1,605	1	113	32	1	32	—	—	1	132,874	1	94,884	1	132,874

Footnotes at end of table.

Table 1.—Number of Private Foundations and Selected Financial Data, by Type of Foundation[1] and Size of Fair Market Value of Assets—Continued

[All figures are estimates based on a sample—money amounts are in thousands of dollars]

Size of fair market value of assets	Investments in securities (fair market value)		Net worth		Minimum investment return		Distributable amount		Qualifying distributions		Excess grant administrative expenses		Undistributed income for 1985		Excess distributions carryover to 1986	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)	(46)
All foundations, total	**18,544**	**75,030,077**	**30,853**	**70,046,573**	**28,370**	**4,097,359**	**26,024**	**3,672,648**	**29,189**	**6,636,222**	**3,691**	**91,568**	**5,947**	**907,733**	**21,852**	**7,261,095**
Zero or unreported	—	—	*53	*-72	*178	*1,309	*161	*738	*391	*116,008	—	—	—	—	*356	*392,534
$1 under $100,000	5,508	193,934	13,222	397,074	11,087	19,029	9,983	17,875	11,709	176,766	2,051	2,341	2,033	2,545	9,144	529,469
$100,000 under $1,000,000	7,827	2,135,984	11,511	3,257,323	11,154	171,476	10,394	158,813	11,118	699,089	961	6,126	2,140	25,302	8,573	1,137,528
$1,000,000 under $10,000,000	4,064	10,177,827	4,861	12,191,442	4,763	648,421	4,432	598,256	4,776	1,384,114	504	29,757	1,351	130,708	3,134	2,108,204
$10,000,000 under $25,000,000	656	8,181,934	694	7,427,588	685	424,130	601	384,101	686	783,200	120	25,614	240	88,279	368	1,047,874
$25,000,000 under $50,000,000	221	6,194,103	237	5,962,698	230	330,216	207	295,283	234	559,262	38	24,325	78	81,100	133	619,024
$50,000,000 under $100,000,000	143	8,059,873	148	7,494,323	146	425,822	128	366,469	147	698,852	10	1,446	45	89,615	84	630,648
$100,000,000 or more	125	40,086,422	127	33,316,198	127	2,076,956	118	1,851,113	127	2,218,931	7	1,960	59	490,184	59	795,815
Nonoperating foundations, total	**17,318**	**69,123,461**	**28,281**	**61,940,359**	**26,295**	**3,764,356**	**26,024**	**3,672,648**	**26,883**	**5,733,895**	**3,402**	**59,811**	**5,947**	**907,733**	**21,852**	**7,261,095**
Zero or unreported	—	—	*35	*-92	*178	*1,309	161	738	374	115,806	—	—	—	—	*356	*392,534
$1 under $100,000	5,008	170,757	11,852	357,589	10,143	17,162	9,983	17,875	10,535	156,537	1,980	1,933	2,033	2,545	9,144	529,469
$100,000 under $1,000,000	7,468	2,047,574	10,814	3,030,330	10,475	161,806	10,394	158,813	10,478	563,174	799	5,260	2,140	25,302	8,573	1,137,528
$1,000,000 under $10,000,000	3,816	9,427,956	4,510	11,046,646	4,442	599,378	4,432	598,256	4,435	1,128,665	471	20,683	1,351	130,708	3,134	2,108,204
$10,000,000 under $25,000,000	580	7,647,312	610	6,594,885	602	395,921	601	384,101	604	674,245	103	19,162	240	88,279	368	1,047,874
$25,000,000 under $50,000,000	202	5,777,297	212	5,400,935	208	304,121	207	295,283	210	510,233	32	9,368	78	81,100	133	619,024
$50,000,000 under $100,000,000	126	7,171,712	130	6,569,504	128	382,188	128	366,469	129	603,095	10	1,446	45	89,615	84	630,648
$100,000,000 or more	117	36,880,853	118	28,940,563	118	1,902,470	118	1,851,113	118	1,982,141	7	1,960	59	490,184	59	795,815
Operating foundations, total	**1,226**	**5,906,616**	**2,572**	**8,106,214**	**2,075**	**333,003**	**N/A**	**N/A**	**2,305**	**902,327**	**288**	**31,757**	**N/A**	**N/A**	**N/A**	**N/A**
Zero or unreported	—	—	*18	*20	—	—	N/A	N/A	*18	*201	—	—	N/A	N/A	N/A	N/A
$1 under $100,000	*499	*23,178	1,370	39,485	943	1,867	N/A	N/A	1,174	20,229	*70	*408	N/A	N/A	N/A	N/A
$100,000 under $1,000,000	359	88,410	698	226,993	679	9,670	N/A	N/A	640	135,915	*162	*866	N/A	N/A	N/A	N/A
$1,000,000 under $10,000,000	248	749,870	352	1,144,796	321	49,043	N/A	N/A	341	255,450	*33	*9,074	N/A	N/A	N/A	N/A
$10,000,000 under $25,000,000	75	534,623	83	832,703	82	28,209	N/A	N/A	81	108,956	17	6,452	N/A	N/A	N/A	N/A
$25,000,000 under $50,000,000	19	416,806	25	561,763	22	26,095	N/A	N/A	24	49,029	6	14,956	N/A	N/A	N/A	N/A
$50,000,000 under $100,000,000	17	888,161	18	924,819	18	43,634	N/A	N/A	18	95,758	—	—	N/A	N/A	N/A	N/A
$100,000,000 or more	8	3,205,569	9	4,375,635	9	174,486	N/A	N/A	9	236,790	—	—	N/A	N/A	N/A	N/A
Grantmaking foundations, total	**17,085**	**72,215,145**	**25,965**	**66,046,994**	**25,041**	**3,949,244**	**23,794**	**3,642,848**	**26,287**	**6,157,073**	**3,375**	**63,261**	**4,528**	**886,570**	**20,527**	**7,149,430**
Zero or unreported	—	—	*35	*-84	*161	*1,307	*161	*738	*356	*115,942	—	—	—	—	*339	*392,472
$1 under $100,000	5,134	183,961	10,196	351,299	9,232	17,422	8,627	17,053	10,196	160,189	1,855	2,318	1,052	2,087	8,505	528,512
$100,000 under $1,000,000	7,106	1,968,751	10,216	2,916,821	10,178	160,462	9,693	149,823	10,216	574,590	880	5,973	1,843	21,761	7,969	1,080,928
$1,000,000 under $10,000,000	3,792	9,384,903	4,418	10,943,046	4,377	599,558	4,270	586,685	4,418	1,269,142	481	22,252	1,220	124,447	3,081	2,093,517
$10,000,000 under $25,000,000	596	7,688,679	627	6,766,473	625	401,369	593	380,245	627	695,294	108	19,880	235	86,627	360	1,014,026
$25,000,000 under $50,000,000	206	5,919,919	217	5,583,214	214	315,327	206	294,142	217	527,069	34	9,433	77	74,484	131	613,512
$50,000,000 under $100,000,000	130	7,471,552	134	6,859,835	132	398,345	126	364,249	134	637,501	10	1,446	43	88,110	84	630,648
$100,000,000 or more	120	39,597,380	122	32,626,390	122	2,055,453	117	1,849,914	122	2,177,347	7	1,960	58	489,054	59	795,815
Grantmaking-nonoperating foundations, total	**16,353**	**68,462,386**	**24,896**	**60,876,673**	**24,036**	**3,732,696**	**23,794**	**3,642,848**	**25,218**	**5,690,186**	**3,156**	**59,652**	**4,528**	**886,570**	**20,527**	**7,149,430**
Zero or unreported	—	—	*18	*-104	*161	*1,307	*161	*738	*339	*115,740	—	—	—	—	*339	*392,472
$1 under $100,000	4,795	163,844	9,717	330,567	8,788	16,325	8,627	17,053	9,717	154,082	1,785	1,910	1,052	2,087	8,505	528,512
$100,000 under $1,000,000	6,823	1,883,575	9,812	2,766,551	9,774	152,446	9,693	149,823	9,812	545,340	759	5,224	1,843	21,761	7,969	1,080,928
$1,000,000 under $10,000,000	3,726	9,290,459	4,301	10,699,508	4,270	587,091	4,270	586,685	4,301	1,118,395	461	20,584	1,220	124,447	3,081	2,093,517
$10,000,000 under $25,000,000	570	7,539,923	596	6,450,966	594	391,974	593	380,245	596	671,061	103	19,162	235	86,627	360	1,014,026
$25,000,000 under $50,000,000	199	5,706,240	208	5,335,047	206	302,940	206	294,142	208	501,976	32	9,368	77	74,484	131	613,512
$50,000,000 under $100,000,000	124	7,092,377	128	6,484,197	126	379,374	126	364,249	128	601,519	10	1,446	43	88,110	84	630,648
$100,000,000 or more	116	36,785,969	117	28,809,941	117	1,901,239	117	1,849,914	117	1,982,071	7	1,960	58	489,054	59	795,815
Grantmaking-operating foundations, total	**731**	**3,752,758**	**1,069**	**5,170,322**	**1,005**	**216,549**	**N/A**	**N/A**	**1,069**	**466,888**	**219**	**3,609**	**N/A**	**N/A**	**N/A**	**N/A**
Zero or unreported	—	—	*18	*20	—	—	N/A	N/A	*18	*201	—	—	N/A	N/A	N/A	N/A
$1 under $100,000	*339	*20,117	479	20,732	444	1,098	N/A	N/A	479	6,107	*70	*408	N/A	N/A	N/A	N/A
$100,000 under $1,000,000	*283	*85,176	404	150,270	404	8,016	N/A	N/A	404	29,250	*121	*749	N/A	N/A	N/A	N/A
$1,000,000 under $10,000,000	*67	*94,444	117	243,538	107	12,467	N/A	N/A	117	150,748	*20	*1,668	N/A	N/A	N/A	N/A
$10,000,000 under $25,000,000	26	148,756	31	315,507	31	9,396	N/A	N/A	31	24,233	5	719	N/A	N/A	N/A	N/A
$25,000,000 under $50,000,000	7	213,679	9	248,168	8	12,387	N/A	N/A	9	25,092	2	64	N/A	N/A	N/A	N/A
$50,000,000 under $100,000,000	6	379,175	6	375,639	6	18,971	N/A	N/A	6	35,982	—	—	N/A	N/A	N/A	N/A
$100,000,000 or more	4	2,811,411	5	3,816,449	5	154,214	N/A	N/A	5	195,275	—	—	N/A	N/A	N/A	N/A
Nongrantmaking-nonoperating foundations, total	**965**	**661,075**	**3,385**	**1,063,687**	**2,259**	**31,661**	**2,231**	**29,800**	**1,666**	**43,710**	***246**	***159**	**1,419**	**21,163**	**1,325**	**111,665**
Zero or unreported	—	—	*18	*12	*18	*2	—	—	*35	*66	—	—	—	—	*18	*62
$1 under $100,000	*213	*6,913	2,135	27,021	1,355	838	1,355	822	818	2,455	*196	*23	981	458	640	957
$100,000 under $1,000,000	645	164,000	1,002	263,779	702	9,360	702	8,991	666	17,834	*40	*36	298	3,541	604	56,600
$1,000,000 under $10,000,000	*91	*137,497	209	347,138	172	12,287	162	11,571	134	10,270	*10	*99	131	6,262	*54	*14,687
$10,000,000 under $25,000,000	10	107,389	14	143,919	8	3,947	8	3,856	8	3,183	—	—	5	1,652	8	33,847
$25,000,000 under $50,000,000	3	71,057	4	65,888	2	1,181	1	1,141	2	8,256	—	—	1	6,616	2	5,512
$50,000,000 under $100,000,000	2	79,335	2	85,308	2	2,814	2	2,219	1	1,575	—	—	2	1,505	—	—
$100,000,000 or more	1	94,884	1	130,622	1	1,232	1	1,200	1	70	—	—	1	1,130	—	—

N/A — not applicable.

* Estimate should be used with caution because of the small number of returns on which it is based.

[1] Not all of the type of foundation categories shown in this table are mutually exclusive; therefore, they do not add to the total shown for all foundations. However, data shown for nonoperating and operating foundations add to the total shown for all foundations, and data shown for grantmaking-nonoperating and grantmaking-operating foundations add to the total shown for grantmaking foundations.

NOTE: Detail may not add to total because of rounding.

Table 2.—All Private Foundations: Balance Sheets and Income Statements, by Size of Book Value of Assets

[All figures are estimates based on a sample—money amounts are in thousands of dollars]

Item	Total	Size of book value of assets (end of year): Assets zero or unreported	$1 under $100,000	$100,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $25,000,000	$25,000,000 under $50,000,000	$50,000,000 under $100,000,000	$100,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of returns	**31,221**	***374**	**13,980**	**11,469**	**4,468**	**538**	**192**	**111**	**89**
Total assets (book value)	**73,225,342**	—	**463,134**	**3,911,852**	**13,852,548**	**8,305,557**	**6,630,454**	**7,709,428**	**32,352,370**
Cash, total	9,193,373	—	209,459	1,093,432	2,466,355	1,065,036	862,128	647,471	2,849,492
Non-interest bearing accounts	831,079	—	77,089	156,929	256,948	82,075	91,705	64,293	102,040
Savings and temporary cash investments	8,362,294	—	132,370	936,503	2,209,406	982,961	770,423	583,179	2,747,452
Accounts receivable, net	326,524	—	3,221	11,948	57,837	23,531	32,926	29,550	167,511
Pledges receivable, net	97,339	—	*263	*11,949	*37,187	14,046	33,895	—	—
Grants receivable	68,106	—	*491	*16,106	*29,916	15,054	1,455	—	5,084
Receivables due from disqualified persons	19,755	—	—	*6,514	*2,752	9,896	58	32	504
Other notes and loans receivable	823,171	—	*1,730	85,968	213,280	117,603	55,825	189,279	159,485
Inventories	28,173	—	*81	*1,527	3,574	16,908	2,795	1,215	2,073
Prepaid expenses and deferred charges	60,781	—	*785	*6,340	4,283	12,686	22,801	7,111	6,775
Investments, total	58,711,090	—	227,377	2,403,416	10,087,033	6,498,739	5,358,021	6,394,278	27,742,225
Securities	53,980,591	—	196,746	1,991,574	9,037,746	5,911,513	4,842,388	5,837,285	26,163,339
Land, buildings, and equipment (less accumulated depreciation)	1,567,982	—	*405	39,039	217,745	154,727	177,513	143,546	835,007
Mortgage loans	494,481	—	*2,161	*31,626	184,356	54,333	54,406	21,326	146,274
Other investments	2,668,035	—	28,065	341,178	647,186	378,165	283,715	392,120	597,606
Charitable-purpose land, buildings, and equipment (less accumulated depreciation)	2,068,318	—	4,031	197,184	516,406	288,740	140,426	258,497	663,035
Other assets	1,828,709	—	15,695	77,468	433,924	243,317	120,123	181,995	756,186
Total liabilities	**3,178,769**	***104**	**9,573**	**186,031**	**502,184**	**323,600**	**399,444**	**412,629**	**1,345,204**
Net worth	**70,046,573**	***-104**	**453,561**	**3,725,820**	**13,350,364**	**7,981,957**	**6,231,009**	**7,296,799**	**31,007,166**
Total revenue	**16,412,533**	***30,549**	**258,962**	**1,564,933**	**3,326,653**	**2,041,359**	**1,537,742**	**1,735,604**	**5,916,731**
Contributions, gifts, and grants received	5,461,570	*580	213,036	1,175,967	1,430,282	789,731	456,259	555,743	839,971
Interest on savings and temporary cash investments	927,305	*3,416	13,744	93,368	242,221	140,014	102,567	86,569	245,406
Dividends and interest from securities	3,902,791	—	19,810	177,012	713,464	451,159	361,441	398,782	1,781,123
Gross rents	269,827	*27,108	*963	12,153	56,728	33,075	20,818	31,978	87,005
Net gain or loss from sale of assets	5,128,130	*3	4,991	85,036	665,478	563,800	540,418	558,686	2,709,719
Gross profit or loss from business activities	172,280	—	4,729	*-629	114,031	10,567	3,512	15,931	24,138
Other income	550,625	*-559	1,688	22,024	104,447	53,013	52,728	87,914	229,368
Total expenses	**7,240,579**	***118,909**	**197,893**	**800,386**	**1,673,988**	**922,335**	**748,810**	**747,791**	**2,030,466**
Contributions, gifts, and grants paid	5,397,439	*117,496	165,186	593,467	1,167,370	714,201	588,885	509,723	1,541,111
Compensation of officers	158,002	—	1,593	22,123	46,655	21,067	14,818	14,777	36,971
Other salaries and wages	354,756	—	*5,245	53,735	104,701	37,006	27,694	39,753	86,622
Pension plans and employee benefits	79,059	—	*526	*6,677	18,756	6,632	6,731	9,658	30,079
Legal fees	44,403	*143	2,621	5,286	11,640	4,993	2,723	7,363	9,634
Accounting fees	29,531	*179	1,360	6,142	9,374	4,294	2,415	2,579	3,187
Other professional fees	173,307	—	1,439	6,796	34,165	19,581	15,104	21,868	74,355
Interest	58,231	*35	198	3,144	12,751	8,754	12,730	14,495	6,123
Taxes	242,479	*1,054	1,756	12,268	51,661	23,803	21,201	31,402	99,333
Depreciation and depletion	97,755	—	*912	6,537	22,332	14,682	11,954	19,099	22,238
Occupancy	76,790	—	1,123	12,909	14,601	9,248	5,395	7,030	26,485
Travel, conferences, and meetings	41,079	—	3,706	5,975	11,281	2,359	2,237	3,713	11,808
Printing and publications	19,777	—	1,959	4,267	2,547	1,615	2,436	1,633	5,321
Other expenses	467,966	*3	10,267	61,057	166,153	54,098	34,487	64,699	77,202
Excess of revenue over expenses (net)	**9,171,952**	***-88,360**	**61,068**	**764,546**	**1,652,665**	**1,119,024**	**788,932**	**987,813**	**3,886,265**
Excess of revenue over expenses	9,863,306	—	94,197	977,392	1,846,623	1,187,414	843,416	1,022,500	3,891,764
Deficit	691,354	*88,360	33,129	212,846	193,958	68,390	54,484	34,687	5,499
Total assets (fair market value)	**97,089,200**	—	**569,093**	**5,085,616**	**18,124,663**	**12,094,586**	**8,905,091**	**10,104,499**	**42,205,651**
Cash, total	9,197,013	—	209,434	1,092,819	2,455,219	1,068,613	862,630	653,177	2,855,121
Non-interest bearing accounts	827,974	—	76,742	156,753	252,640	82,772	92,734	64,293	102,040
Savings and temporary cash investments	8,369,039	—	132,692	936,066	2,202,579	985,841	769,896	588,884	2,753,081
Accounts receivable, net	313,132	—	3,232	12,815	57,754	20,838	21,431	29,550	167,511
Pledges receivable, net	96,141	—	*263	*10,796	*37,187	14,006	33,889	—	—
Grants receivable	69,025	—	*491	*17,025	*29,916	15,054	1,455	—	5,084
Receivables due from disqualified persons	22,194	—	—	*6,514	*2,752	12,334	58	33	504
Other notes and loans receivable	915,627	—	*1,730	88,886	211,874	116,822	52,151	189,534	254,630
Inventories	26,715	—	*80	*904	3,574	15,166	2,914	1,215	2,862
Prepaid expenses and deferred charges	63,421	—	*822	*538	4,283	12,651	30,828	7,111	7,188
Investments, total	81,305,993	—	333,042	3,540,441	13,972,578	10,112,125	7,597,921	8,542,939	37,206,947
Securities	75,030,077	—	284,138	3,060,194	12,565,800	9,242,219	6,992,337	7,659,573	35,225,817
Land, buildings, and equipment (less accumulated depreciation)	2,273,030	—	*405	63,003	424,393	305,993	215,938	285,800	977,498
Mortgage loans	512,670	—	*2,161	*32,487	198,874	57,074	54,404	20,917	146,752
Other investments	3,490,215	—	46,338	384,757	783,510	506,839	335,213	576,649	856,880
Charitable-purpose land, buildings, and equipment (less accumulated depreciation)	2,523,098	—	4,259	223,257	643,390	335,987	163,169	301,413	851,623
Other assets	2,556,867	—	15,767	91,620	706,136	370,990	138,644	379,528	854,181
Total assets, beginning of year (book value)	**62,644,429**	***102,722**	**412,008**	**3,488,120**	**12,050,856**	**6,905,467**	**5,603,522**	**6,607,956**	**27,473,779**
Investments in securities, beginning of year (book value)	**45,743,253**	***27**	**202,973**	**1,807,827**	**7,867,985**	**4,881,381**	**4,155,320**	**4,900,413**	**21,927,326**

* Estimate should be used with caution because of the small number of returns on which it is based.

NOTE: Detail may not add to total due to rounding.

Table 3.—All Private Foundations: Balance Sheets and Income Statements, by Size of Fair Market Value of Assets

[All figures are estimates based on a sample—money amounts are in thousands of dollars]

Item	Total	Size of fair market value of assets (end of year)							
		Assets zero or unreported	$1 under $100,000	$100,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $25,000,000	$25,000,000 under $50,000,000	$50,000,000 under $100,000,000	$100,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of returns	31,221	*409	13,222	11,511	4,871	694	238	148	127
Total assets (book value)	73,225,342	*85	406,582	3,442,972	12,651,620	7,727,924	6,335,925	7,929,076	34,731,159
Cash, total	9,193,373	*85	204,541	1,014,881	2,429,027	931,600	827,536	763,731	3,021,971
Non-interest bearing accounts	831,079	*85	76,490	148,812	237,636	89,058	100,603	69,215	109,179
Savings and temporary cash investments	8,362,294	—	128,052	866,069	2,191,391	842,541	726,933	694,516	2,912,792
Accounts receivable, net	326,524	—	3,135	9,154	51,318	29,524	34,627	24,004	174,762
Pledges receivable, net	97,339	—	*263	*11,949	*37,187	4,046	43,895	—	—
Grants receivable	68,106	—	*491	*16,106	*29,916	15,054	1,455	—	5,084
Receivables due from disqualified persons	19,755	—	—	*6,514	*2,752	9,896	58	32	504
Other notes and loans receivable	823,171	—	*1,730	84,784	212,718	118,512	50,508	143,816	211,103
Inventories	28,173	—	*1,229	*379	3,310	17,112	1,867	2,028	2,247
Prepaid expenses and deferred charges	60,781	—	*785	*6,315	3,762	12,888	23,019	7,038	6,974
Investments, total	58,711,090	—	174,682	2,028,712	9,082,923	5,990,733	5,060,847	6,591,710	29,781,482
Securities	53,980,591	—	158,735	1,664,003	7,981,319	5,528,039	4,647,642	6,015,035	27,985,817
Land, buildings, and equipment (less accumulated depreciation)	1,567,982	—	*405	39,033	214,634	123,048	128,524	163,974	898,365
Mortgage loans	494,481	—	*2,161	*26,506	186,992	45,813	55,348	23,428	154,233
Other investments	2,668,035	—	*13,380	299,171	699,978	293,833	229,333	389,273	743,067
Charitable-purpose land, buildings, and equipment (less accumulated depreciation)	2,068,318	—	4,031	194,681	426,272	304,274	188,278	249,182	701,601
Other assets	1,828,709	—	15,694	69,496	372,435	294,283	103,835	147,534	825,432
Total liabilities	3,178,769	*156	9,508	185,649	460,178	300,336	373,227	434,753	1,414,961
Net worth	70,046,573	*-72	397,074	3,257,323	12,191,442	7,427,588	5,962,698	7,494,323	33,316,198
Total revenue	16,412,533	*30,815	249,043	991,222	3,087,775	2,373,352	1,369,113	1,765,574	6,545,639
Contributions, gifts, and grants received	5,461,570	*846	211,731	655,365	1,407,957	1,239,097	418,715	556,645	971,214
Interest on savings and temporary cash investments	927,305	*3,416	13,368	89,454	227,628	127,234	94,049	96,373	275,783
Dividends and interest from securities	3,902,791	—	13,777	147,230	610,067	408,330	326,903	426,818	1,969,666
Gross rents	269,827	*27,108	*963	9,724	57,858	21,107	20,011	27,907	105,149
Net gain or loss from sale of assets	5,128,130	*3	2,743	69,566	577,845	506,853	464,959	593,964	2,912,197
Gross profit or loss from business activities	172,280	—	4,771	*-161	113,519	8,558	4,098	17,356	24,138
Other income	550,625	*-559	1,688	20,041	92,900	62,173	40,379	46,510	287,493
Total expenses	7,240,579	*119,119	188,339	731,997	1,541,960	850,351	609,038	776,487	2,423,287
Contributions, gifts, and grants paid	5,397,439	*117,705	156,701	542,480	1,079,846	640,928	443,944	544,886	1,870,948
Compensation of officers	158,002	—	1,344	17,598	46,256	18,262	15,546	16,256	42,740
Other salaries and wages	354,756	—	*5,295	53,030	90,326	41,505	32,125	36,331	96,144
Pension plans and employee benefits	79,059	—	*530	*6,202	17,226	6,800	6,486	9,181	32,634
Legal fees	44,403	*143	2,509	4,349	10,712	4,978	3,465	7,607	10,639
Accounting fees	29,531	*179	1,195	5,776	8,843	4,389	2,405	2,712	4,033
Other professional fees	173,307	—	1,225	5,733	31,854	17,025	15,751	22,390	79,329
Interest	58,231	*35	144	3,199	12,751	8,091	11,474	15,857	6,680
Taxes	242,479	*1,054	1,128	11,837	45,802	23,278	16,435	29,003	113,942
Depreciation and depletion	97,755	—	*912	5,561	21,582	14,583	11,213	16,394	27,509
Occupancy	76,790	—	1,301	11,441	13,421	7,370	8,108	7,272	27,876
Travel, conferences, and meetings	41,079	—	3,706	5,537	10,352	2,968	1,919	3,961	12,637
Printing and publications	19,777	—	2,037	1,401	2,313	4,074	1,139	3,102	5,710
Other expenses	467,966	*4	10,312	57,852	150,674	56,099	39,027	61,534	92,464
Excess of revenue over expenses (net)	9,171,952	*-88,305	60,703	259,224	1,545,814	1,523,001	760,075	989,087	4,122,353
Excess of revenue over expenses	9,863,306	*55	92,246	465,936	1,743,096	1,565,535	810,877	1,024,338	4,161,223
Deficit	691,354	*88,360	31,543	206,711	197,281	42,534	50,802	35,251	38,871
Total assets (fair market value)	97,089,200	—	443,352	4,003,165	15,410,722	10,692,655	8,150,688	10,265,729	48,122,888
Cash, total	9,197,013	—	204,601	1,014,273	2,438,666	914,398	828,404	769,038	3,027,634
Non-interest bearing accounts	827,974	—	76,228	148,641	233,324	89,756	102,421	68,425	109,179
Savings and temporary cash investments	8,369,039	—	128,374	865,632	2,205,342	824,642	725,983	700,613	2,918,454
Accounts receivable, net	313,132	—	3,146	10,021	51,235	26,831	23,141	23,995	174,762
Pledges receivable, net	96,141	—	*263	*10,796	*37,187	4,006	43,889	—	—
Grants receivable	69,025	—	*491	*17,025	*29,916	15,054	1,455	—	5,084
Receivables due from disqualified persons	22,194	—	—	*6,514	*2,752	12,334	58	33	504
Other notes and loans receivable	915,627	—	*1,730	87,702	211,312	114,079	50,506	144,050	306,248
Inventories	26,715	—	*606	*379	3,310	15,370	1,867	2,147	3,036
Prepaid expenses and deferred charges	63,421	—	*822	*514	3,762	12,888	31,016	7,033	7,387
Investments, total	81,305,993	—	211,694	2,556,939	11,652,009	8,732,558	6,787,731	8,825,853	42,539,209
Securities	75,030,077	—	193,934	2,135,984	10,177,827	8,181,934	6,194,103	8,059,873	40,086,422
Land, buildings, and equipment (less accumulated depreciation)	2,273,030	—	*405	57,080	413,668	176,764	253,582	236,143	1,135,386
Mortgage loans	512,670	—	*2,161	*27,367	201,510	48,571	55,377	22,972	154,712
Other investments	3,490,215	—	*15,194	336,508	859,004	325,289	284,668	506,864	1,162,689
Charitable-purpose land, buildings, and equipment (less accumulated depreciation)	2,523,098	—	4,259	220,754	534,120	336,977	239,330	262,884	924,773
Other assets	2,556,867	—	15,767	78,248	446,453	508,159	143,291	230,697	1,134,252
Total assets, beginning of year (book value)	62,644,429	*102,750	356,741	3,062,175	10,959,938	6,421,764	5,323,556	6,816,094	29,601,411
Investments in securities, beginning of year (book value)	45,743,253	*27	162,348	1,511,972	6,902,477	4,603,865	3,943,095	5,130,390	23,489,080

* Estimate should be used with caution because of the small number of returns on which it is based.

NOTE: Detail may not add to total due to rounding.

PRIVATE FOUNDATIONS AS INVESTORS AND DISTRIBUTORS OF TAX-EXEMPT CHARITABLE DOLLARS, 1974-87

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Prepared for the Annual Meetings of the American Statistical Association, 1990

Through an examination of financial data and legislative and economic forces from 1974-87, this analysis discusses trends within the area of private foundations. It begins with a profile of foundation data, follows with an explanation of the role of foundations in society, and describes this role in light of the economic theories and legislative changes that relate to foundations. It focuses particular attention on the changes following the passage of the Economic Recovery Act of 1981. The Act changed the way that foundations calculate the required charitable payout amount. Although the Act resulted in lower charitable distributions in the short-run, in the long-run charitable distributions have increased. This paper analyzes the changes in charitable distributions and assets and considers them in light of investment returns. It examines charitable payout rates, rates of return, income yields, and the rates of changes in total distributions and assets. By so doing, it seeks to better understand the decision-making behavior of the different sizes of foundations.

A FOUNDATION PROFILE

Almost 36,000 private foundations in 1987 represented approximately 10 percent of all tax-exempt nonprofit organizations recognized under section 501(c)(3) of the Internal Revenue Code. Of these organizations, foundations held approximately 15 percent of assets. All of them distributed over $8 billion in 1987 (current dollars), mainly in the form of grants to individuals and other nonprofit groups, in order to support areas such as research, education, community needs, and cultural programs.

Foundations typically originate from a single contribution by a wealthy individual, family, or sometimes a corporation. They differ from other 501(c)(3) tax-exempt organizations in their sources of financial support. The other 501(c)(3) tax-exempt organizations, hereafter referred to as "nonprofit charitable organizations," include groups such as hospitals, educational institutions, religious groups, and social welfare agencies. They typically rely on funding received from a wide variety of public sources. These groups tend to impact society through funds and public donations realized in one year and then utilized in the same or next year. Foundations, on the other hand, typically receive donations from one wealthy individual or family and then make distributions from an endowment that grows over time.

In addition to their base of support, foundation donors uniquely benefit by maintaining control, in part, over the investment and distribution of the foundation's money. Current Federal tax law requires that a private foundation fulfill a "payout requirement" by charitably distributing a fixed percentage of its asset base, now 5%, each year. In order to fund charitable activity, most often in the form of grantmaking, a foundation invests its endowment in order to realize a return on assets that will fulfill the payout requirement and often enable the foundation to grow and exist permanently.

In 1987, there were approximately 32,700 "nonoperating" foundations. The analyses in this paper will focus only on "nonoperating" private foundations, as opposed to "operating" private foundations. Nonoperating foundations comprise approximately 91 percent of the foundation population in number and over 90 percent in fair market value of assets. The two types of foundations function differently.[1] In 1987, these nonoperating foundations held $103.2 billion in fair market value of assets[2] and distributed $7.4 billion to charitable purposes (current dollars). Interestingly, less than .5 percent of all foundations, those with fair market value of assets equal to or greater than $100 million, held 52 percent of total assets. The smaller foundations, those with less than $1 million in assets, accounted for 80 percent of the total number but held only 5 percent of the total assets.

From 1974 to 1987 foundations increased charitable distributions by 45 percent. Since 1979, the first year for which fair market value data were available, assets increased by 63 percent. The Gross National Product (GNP) increased by only 21 percent during the 1979-87 period. To more closely analyze this period, from 1979-82, foundation fair market value of assets increased by 4 percent, while the GNP declined 1 percent. Then, from 1982-87, foundation assets grew 56 percent--a large increase in comparison to a 22 percent growth rate in the GNP. These figures indicate a significant level of growth for the foundation sector during this time period. (All dollar amounts, rates, and percent changes throughout the text, unless otherwise indicated, are calculated using 1982 constant dollar figures.)[3]

THE ROLE OF PRIVATE FOUNDATIONS

On account of their important charitable initiatives and resources, foundations represent an example of pluralism in American society. Pluralism illustrates the ability of private forces, supplementing the role of government, to effectively impact society. Donations to establish or support foundations qualify for a federal income tax-deduction of up to 30% of the donor's adjusted gross income. (This compares to 50% for donations to operating foundations and to other nonprofit charitable organizations.) In essence, the government grants donor deductibility and sacrifices tax revenue on foundation income in exchange for foundation charitable dollars and initiatives. Technically, when a foundation originates, the donor receives an immediate tax deduction for the entire amount used to establish the foundation. Although the donation grows as a charitable endowment for the future, the foundation gives only a percentage of the deductible amount to charitable causes each year. And, since the individuals controlling the foundations indirectly possess the power to influence social programs, policy, and research, there are those who may view foundations with a degree of skepticism and a feeling that, along with the benefits foundations provide, they not only represent pluralism in society, but also elitism. Since the base of financial support for a foundation is relatively narrow, the government recognizes that a greater potential for abuse exists, and therefore increases its measures of regulation. On account of this, policymakers attempt to balance the regulation of foundations with a respect for the private ownership of foundation assets and the important charitable distributions given to society.

ECONOMIC ANALYSIS

Private foundations represent a unique entity within the framework of the American market economy. The economics of foundation behavior differs from that of both profit-making firms and other nonprofit organizations. Foundations possess a great deal of freedom in the distribution and management of their money, and, unlike profit-making organizations, they do not always face the same incentives for efficiency that exist in a totally competitive market environment.

In a manner similar to for-profit organizations and different from many other nonprofit groups, foundations devote a considerable amount of attention to investment management. This especially applies to the larger foundations, which tend to operate with the goal of a permanent existence attainable through capital appreciation of the endowment. These groups also possess the resources necessary to devote to skillful investment and risk management. They do have an incentive to maximize return on investment, since, to successfully meet the payout requirement and avoid an erosion of the endowment, they must realize a rate of return equal to 5 percent plus the rate of inflation. However, unlike for-profit groups, foundations do not distribute dividends or income to owners and shareholders, and thus, are not accountable in this manner. However, they are indirectly accountable to a strong donor desire to perpetuate the endowment of the foundation.

Foundations also differ from for-profit groups and from many nonprofit groups in that they typically do not compete for consumers. On the contrary, consumers (e.g., grant-seekers) usually compete for foundation dollars. An exception to this occurs when several foundations compete to fund a high visibility project. Although foundations do not actively compete in the market, they can act as a constraining force on the nonprofit organizations that they fund. When nonprofit groups compete for foundation dollars, this competition can give these groups an incentive to operate efficiently.

Supply-side economic theories can help to explain the formation and behavior of foundations. These explanations indicate that foundations form and exist due to recognition of a public need for charitable resources and as a response to the pluralistic forces that operate within the American social and political arena.[4] Individuals possess the incentive to form foundations and supply charitable dollars due to a recognition of societal need and a subsequent desire to alleviate this need. The supply explanation also supports the notion that the incentive of tax deductibility influences individuals to form foundations. Although the tax benefits are not as great as those for donations to other charitable organizations, the donor does benefit by maintaining influence over the investment and use of the charitable dollars. In effect, foundations provide a tax effective manner by which an individual or group of individuals can publicly achieve altruistic goals and impact social policy and programs. It would prove interesting to know the relative importance of each factor for a donor (a supply response to need, a desire for power and prestige, or the incentive of tax deductions) when deciding to form or give to a foundation.

Interestingly, from 1982-87, the number of all foundations increased by 26 percent. This compares to a 6 percent increase from 1974-82. This difference more than likely results from a combination of factors such as the recognition of social need in light of domestic budget cuts during the 1980s, changes in tax-deductibility benefits to donors, the capital gains tax rate, and the 1981 Economic Recovery Act, to be discussed later.

LEGISLATIVE HIGHLIGHTS THROUGH 1969

By granting tax-exemption to private foundations, policymakers intend that foundations distribute more dollars to society than the cost of the foregone tax revenue. Since foundations function in a unique manner, it becomes difficult to quantitatively ascertain the amount of tax revenue lost. Due to this reason and the power held by foundations, legislative changes since the early 1900's have typically involved the regulation of foundations. In order to best understand the historic complexity of the Federal viewpoint towards private foundations, an examination of important legislative changes relating to foundations follows.[5]

Charitable activity by benevolent organizations similar to present-day foundations began in the mid-to-late 19th century. The Federal government began to grant tax-exempt status to these organizations and tax-deductibility for individual and corporate charitable donations in the early 1900's. These exemptions and deductions resulted, in part, from budgetary pressures relating to World War I involvement. Policymakers expected that these incentives would encourage private philanthropy that would, in effect, replace the need for government funding of certain societal needs.

In 1912, the Walsh Commission conducted a Congressional study to determine the amount and effects of the wealth and power of foundations.

The group recommended that foundations distribute all of their income each year, but not pay out amounts in excess of 10 percent of underlying principal or corpus. This recommendation indicates some degree of Congressional intent for foundations to operate, if not in perpetuity, then by an investment strategy that would allow charitable distributions well into the future.

Suspicions began to arise after a gradual observance of abusive activities committed by a small number of foundations. An evolving concern over the freedom granted to foundations led Congress, in 1934, to prohibit foundations from using their money and power to impact political campaigns and/or legislation. Several years later, the Revenue Act of 1943 required that foundations file annual reports and information returns with the IRS. Then, the 1950 Revenue Act outlined "prohibited activities" and imposed regulations on foundations concerning unrelated business income, excess business holdings, excessive accumulations of income, speculative investing, political lobbying, and self-dealing. In 1954 the Reece Committee recommended that foundation existence be limited to 10-25 years and that all income earned be charitably distributed within 2-3 years. Nothing resulted from this and, then, in 1965, the Treasury Department issued a report indicating a greater commitment to eliminating abusive foundation activities rather than to limiting the foundation lifespan.

The 1965 Treasury Department report later resulted in new tax regulations outlined in the Tax Reform Act of 1969. Interestingly, a 40-year time cap on the exempt status of a private foundation was proposed as part of the 1969 Act, but ultimately not included in the passed legislation. Additionally, this Act subjected foundations to an annual 4 percent excise tax on investment income (intended to cover the cost of IRS oversight of foundation activities) and a two-tier system of penalty taxes. The IRS imposed these penalty taxes on the 1950 Revenue Act prohibited activities and on required charitable dollars that foundations failed to distribute by the end of the following return year.

The most significant portion of the 1969 Act was the development of the first charitable payout requirement. This legislation required that foundations distribute each year an amount equal to the greater of either "adjusted net income" or a fixed percentage of fair market value of assets.[6] The adjusted net income amount basically represents realized income on investments, excluding long-term capital gains. By comparison, the change in assets encompasses both realized and unrealized gains in the endowment. The charitable dollars dispersed in order to satisfy this requirement are called "qualifying distributions."

THE TWO PAYOUT REQUIREMENTS

The charitable payout requirement from the Tax Reform Act of 1969 tended to restrict the financial independence of foundations and allowed for relatively little financial flexibility over time. Although the Act allowed foundations to legally distribute the required amount by the end of the following tax year, it still indirectly encouraged relatively conservative foundation investment policies. Since foundations wanted to manage investments in order to achieve a return, either realized or unrealized gains, which would result in the lowest possible distribution requirement, the Act, in effect, encouraged relatively conservative investment policies in terms of the portfolio mix and level of risk. In order to maintain its endowment, a foundation typically needed to yield an annual rate of return equal to 6 percent, at that time, plus the rate of inflation. This often proved difficult for many foundations. The high inflation rates during the 1970s also added to concern about a continual erosion of foundation endowments.

In 1976 Congress enacted legislation that lowered one part of the required payout amount by changing the percentage from, in most cases, 6 percent to 5 percent of assets. The reduced rate allowed (some) foundations an added edge in meeting the charitable distribution requirement. Similarly, in 1978, Congress lowered the effective excise tax rate from 4 percent to 2 percent for domestic foundations. This also allowed foundations an additional amount to either distribute or reinvest.

The most significant legislative change, however, came with the passage of the Economic Recovery Tax Act of 1981. This change significantly altered the method by which foundations computed the charitable payout requirement. It eliminated the use of adjusted net income and used only the percentage of investment assets to compute the required payout amount. Through this Act policymakers hoped to increase the long-run amount of foundation charitable distributions by allowing foundations a greater opportunity to increase the value of their endowments, thus increasing their giving power.

This change, in effect, increased the fairness of the requirement since a change in assets encompasses both realized and unrealized changes in the endowment, and, thus, better measures the entire endowment. In comparison, the calculation based on the adjusted net income measures only realized changes. Before 1981, those foundations earning realized income that exceeded the percentage of assets seemed to be indirectly penalized since the unrealized changes in their endowment were not considered in the computation of the payout requirement. Therefore, the change seemed to create a more favorable investment environment, particularly for the smaller foundations. Smaller foundations tend to hold a greater proportion of fixed income yield investments that earn proportionately high realized income.[7] However, the data indicate that the larger foundations, rather than the smaller, tended to take advantage of the change by distributing proportionately less after 1981 and, then, re-investing more. The smaller foundations did not tend to significantly re-adjust their investing and distributing patterns.

In effect, the change ultimately lowered the required payout amount on an aggregate level in the short-run. In 1982 and 1983, respectively, 35 and 32 percent of foundations, especially the larger ones, reacted to the lowered payout requirement by distributing less than what would have been required under the law prior to 1981. Ultimately, then, the new law has helped foundations to increase the long-run value of their assets, therefore increasing long-run charitable giving.

The Act also has positively affected asset growth over time. From 1982 to 1987 total foundation fair market value of assets increased by 56 percent. This compares dramatically to the 4 percent increase between the years 1979-82. Total qualifying distributions increased, but at a slower rate than assets, by 38 percent from 1982-87. This compares to the 5 percent increase in distributions from 1974-82. The data that follow will analyze the effectiveness of the 1981 Economic Recovery Act in achieving the goal of increased long-run foundation distributions.

THE PAYOUT RATE

To illustrate the charitable distribution trends of private foundations, rates of payout performance were calculated.[8] To calculate the payout rate the amount of (adjusted) qualifying distributions[9] was divided by the amount of the monthly average of investment (noncharitable-use) assets. Figure A displays payout trends from 1974-87. Typically, the payout rate declines as the size of the foundation increases. Smaller foundations tend to give out a larger percentage of their asset base, sometimes to an extent exceeding their return on investments. Larger foundations tend to re-invest proportionately more of their earnings, consequently distributing a smaller proportion to charitable purposes in any given year.

FIGURE A - Payout Rates, 1974-87

SIZE OF (FMV)[1] ASSETS	PAYOUT RATE (MEDIAN percentages)					
	1974	1982	1983	1985	1986	1987
TOTAL	8.39	9.69	8.23	7.44	6.87	7.03
Small Foundations						
$1 under $100K	10.94	10.67	9.76	8.30	10.23	9.63
$100,000 under $1M	7.25	9.03	8.03	7.61	6.49	6.66
$1 under $1M	**8.72**	**9.98**	**8.66**	**8.03**	**7.42**	**7.52**
Medium Foundations						
$1,000,000 under $10M	6.50	8.37	6.79	6.23	5.63	5.74
$10,000,000 under $50M	5.84	7.23	6.05	5.51	5.39	5.40
Large Foundations						
$50,000,000 and up	5.91	6.62	5.34	5.32	5.00	5.08
$100,000,000 and up	-	6.45	5.00	5.10	5.00	5.02

K = Thousands of dollars
M = Millions of dollars
[1]FMV = Fair market value

In light of the 1981 Act, the aggregate median payout rate changed in an interesting pattern between the years 1974-1986. The peak rate occurred in 1982. Between 1974-82 it increased from 8.4 percent in 1974 to 9.7 percent in 1982. From 1982-83 the rate declined to 8.2 percent and then, by 1986, further declined to 6.9 percent. The downward trend after 1982 indicates that after the 1981 Act foundations began to adjust to the new law by paying out a lower percentage of assets. The total median rate then increased slightly to 7.0 percent in 1987. This occurred despite the stock market's sharp decline in October 1987.

Due, in large part, to poor market conditions and volatility, foundations earned much lower total returns on their investments in 1987. The low returns, to be discussed later, coupled with high payout rates, led to a 1 percent decline in 1987 in real foundation fair market value of assets. The value of assets[10] declined while foundations actually increased charitable distributions; therefore, an increase in the payout rate resulted. This relatively consistent pattern of foundation giving more than likely occurred, in part, due to both prior grantmaking commitments and high returns realized in 1986.

Many foundations, especially the smaller ones, give more charitable distributions than required. The smallest group, those foundations with less than $1 million in assets, represents the only group with a payout rate greater than the total median rate for all of the years studied. This occurred, in part, since the amount of noncharitable-use assets held by small foundations tends to represent a smaller proportion of the value of total assets relative to the larger foundations. Also, small foundations receive a relatively large amount of charitable contributions and then often act as a conduit by distributing them within a year. Due to these factors and different investment and distribution goals (to be discussed later), the smaller foundations often realize higher payout rates.

Comparing the amount of charitable distributions actually given with the required amount, in 1987, 35 percent of foundations distributed more than double the required payout amount and 13 percent distributed over ten times the amount. A majority of these foundations were in the smaller size categories. The dollar amount of total distributions exceeded the required amount by 46 percent for all foundations. This number equaled an impressive 291 percent for foundations with under $1 million in assets. These trends from 1987 are representative of foundation behavior after 1981. In spite of the 1987 market decline, more foundations met the payout requirement in 1987 than in 1986.

INVESTMENT BEHAVIOR

Total Rate of Return

In order to fulfill the 5 percent charitable payout requirement without an erosion of the endowment, a foundation must invest to ensure an adequate rate of return. A comparison of the payout rate to the total rate of return will help to explain changes in the relative growth or decline of foundation assets from year to year. The total rate of return measures the total capital appreciation of the endowment of a foundation. It measures the realized income from the assets, investment and otherwise, as well as the unrealized appreciation or depreciation in value. (Two income yield measures, to be examined later, show only the **realized** gain or loss from investment assets.) To calculate the "total" rate of return, data files were matched from consecutive years in order to analyze beginning and ending year fair market value data. The rate measures the capital appreciation of the endowment with consideration for inflows and outflows of money. It is the same formula used by Salamon and Voytek in a study on foundation assets for the years 1979-83.[11]

Figure B shows the rates of return for the years 1983-87.[12] The data indicate that the total rate of return tends to differ from the payout rate. Although larger foundations distribute proportionately less than smaller foundations, the rate of return tends to increase as the size of the foundation increases. The larger foundations hold a greater proportion of their assets as investment securities. They seem to invest more with the goals of capital appreciation of the endowment and long-term giving. These larger organizations tend to maintain a more diversified portfolio with a greater proportion of lower income yield, higher risk, and higher growth common stock.[13] Since these holdings tend to earn higher total returns, higher rates of return for the larger foundations result. The smaller foundations seem to invest with the intention of distributing relatively large charitable contributions in the present. This group tends to hold lower risk and higher, fixed-income yield assets that do not appreciate nearly as rapidly, resulting in lower relative returns.

FIGURE B - Rates of Return, 1983-87

SIZE OF (FMV)[1] ASSETS	TOTAL RATE OF RETURN (MEDIAN percentages) (1982 constant dollars)			
	1983	1984-85 (2-yr span)	1986	1987
$1,000,000 under $10M	6.39	25.30	9.02	1.29
$10,000,000 under $25M	9.21	31.17	11.21	-.08
$25,000,000 under $50M	9.47	34.27	11.39	2.33
$10,000,000 under $50M	**9.21**	**31.31**	**11.38**	**.85**
$50,000,000 under $100M	9.95	38.58	11.75	1.11
$100,000,000 and up	11.69	29.56	13.94	1.36

M = Millions of dollars
[1]FMV = Fair market value

Foundations realized high rates of return from 1983-1986. Market conditions during these years proved very favorable to investors. As Figure B shows, in 1983 the largest foundations, those with $100 million and more in assets, earned 11.7 percent, and in 1986, 13.9 percent. (These figures were adjusted for inflation using the GNP implicit price deflator.) Since 1984 data were not sampled, calculating rates for 1984 and 1985 was not possible. However, calculations of the two-year median figures indicate that foundations also achieved high returns during the two-year span. For instance, the largest group realized a median rate of 29.6 percent for the 1984-85 period. After accounting for the relatively low inflation from 1983-86, all of these size groups earned a rate of return on assets well above the 5 percent payout requirement.

The 1987 data, however, show different investment results. After inflation, foundations earned well under the minimum desired 5 percent rate of return. For instance, the largest foundations earned only 1.4 percent. This resulted, in large part, from the sharp stock market decline in October 1987. Although foundations obviously can earn positive returns after accounting for charitable distributions and inflation, fluctuations in the stock market can create negative effects as well.

During the years 1983-1986, foundations, as an aggregate, realized substantially higher returns than the rate at which they distributed charitable dollars. This contributed to the growth of aggregate foundation assets. However, in 1987, foundations with $1 million or more in assets paid out more to charitable purposes than what they earned as total returns on investments. This led to the decline of aggregate foundation asset value from 1986-87. The changes in assets and distributions will be examined in detail later. In the future it will prove interesting to evaluate 1988 data to ascertain whether or not foundations adjusted their payout percentages downward in response to the unusually low returns in 1987.

Income Yield

While the total rate of return measures the change in the value of the entire endowment, the income yield measures only the realized investment income earned by a foundation. The income yield can be calculated in two different ways: 1) "net investment income" divided by fair market value of investment assets, referred to as "NII" yield; and 2) "adjusted net income" divided by the same investment assets, referred to as "ANI" yield.[14] NII includes long-term capital gains whereas ANI does not. Figure C shows the various NII yields for different size

FIGURE C - Net Investment Income Yields, 1974-87

SIZE OF (FMV) ASSETS	INCOME YIELD (using Net Investment Income (NII)) (Median percentages) (1982 constant dollars)					
	1974[1]	1982	1983	1985	1986	1987
TOTAL	-3.37	2.31	4.47	4.78	4.74	3.89
Small Foundations						
$1 under $100K	-3.74	2.27	3.90	4.50	3.59	3.05
$100,000 under $1M	-3.05	2.43	4.38	4.95	5.07	4.06
Medium Foundations						
$1,000,000 under $10M	-2.78	2.66	5.00	5.71	5.95	4.74
$10,000,000 under $50M	-2.27	1.52	5.48	6.00	8.25	5.99
Large Foundations						
$50,000,000 and up	-2.46	1.67	5.53	6.84	7.70	5.63
$100,000,000 and up	-	.58	5.06	6.56	7.08	5.53

K = Thousands of dollars
M = Millions of dollars

[1]The calculation for 1974 divides net investment income by book value of assets. The use of fair market value data, unavailable for 1974, would have lowered the rates from those calculated and most likely affected the differences between the small and large foundations.

groups for selected years between 1982-87. Figure D shows ANI yields for 1974, 1982 and 1983.

FIGURE D - Adjusted Net Income Yields, 1974-83

SIZE OF (FMV) ASSETS	INCOME YIELD (using Adjusted Net Income (ANI)) (Median percentages) (1982 constant dollars) 1974[1]	1982	1983
TOTAL	-3.52	1.72	3.47
Small Foundations			
$1 under $100K	-3.91	1.92	3.29
$100,000 under $1M	-3.08	1.86	3.70
Medium Foundations			
$1,000,000 under $10M	-3.03	1.38	3.24
$10,000,000 under $50M	-2.54	.73	2.66
Large Foundations			
$50,000,000 and up	-2.42	.35	2.37
$100,000,000 and up	-	.09	2.21

K = Thousands of dollars
M = Millions of dollars

[1]The calculation for 1974 divides net investment income by book value of assets. The use of fair market value data, unavailable for 1974, would have lowered the rates from those calculated and most likely affected the differences between the small and large foundations.

Note: This yield was not calculated for the years 1985, '86, and '87 since the necessary 990-PF line items in the years following 1983 were not edited.

The smaller foundations tended to earn higher ANI yields than the larger foundations, although the larger foundations earned higher NII yields for the same years. Since the NII yield includes long-term capital gains, this difference between the NII and the ANI yields supports the notions that smaller foundations hold a greater proportion of high fixed income yield assets and that the larger foundations earn the largest percentage of their NII from realized long-term capital gains.

A comparison of the NII yields with the total rates of return shows that the NII yields tended to be less than the total returns between the years 1983-86. Since the total rate of return includes unrealized gains and the NII does not, the higher total returns indicate unrealized growth in assets. However, in 1987, the year of the stock market decline and low total returns, the NII yields, although they did drop from 1986, did not drop nearly as much as total returns. In fact, they exceeded the total returns for that year. This shows the unrealized loss that occurred in 1987.

CHARITABLE DISTRIBUTION AND ASSET GROWTH, 1982-87

The percentage increases between 1982-87 of aggregate assets and charitable distributions, 56 percent and 38 percent, respectively, equaled $31.7 billion in assets and $1.7 billion in distributions. Did the changes in foundation investment and payout practices since the 1981 Economic Recovery Act lead to the increases in the value of assets and charitable distributions? The relatively low inflation and interest rates in the 1983-87 period and a market that yielded relatively high returns through 1986 no doubt helped to impact the growth of foundation assets. However, relatively high foundation growth as compared to growth in the GNP, the effects of the change in the payout requirement, discussed previously, and differences in the growth rates of different sizes of foundations would all indicate that the 1981 Economic Recovery Act also has impacted the growth of foundation assets and distributions.

Fair Market Value of Assets

From 1979-1986, total foundation assets tended to grow mostly at an increasing rate. Assets grew 65 percent over the eight-year period.[15] The majority of the growth occurred from 1982 to 1986. Assets then declined by 1 percent from 1986-87. Figure E shows dollar amounts and percentage changes in assets for all size groups between 1979-87. Since 1981, all of the size groups have grown considerably in asset size and in number.

Assets tend to increase at a faster rate with increases in the size of the foundation. Since the larger foundations tend to earn relatively high total rates of return and pay out relatively low percentages of assets, not surprisingly, the larger foundations increased assets at a faster rate than did the smaller ones. From 1982-87 those foundations holding $100 million and more in assets increased by 85 percent in assets, the largest increase of all of the size groups. The smallest foundations, those under $1 million, increased by 29 percent in assets during the same years.[16]

Charitable Distributions

Aggregate charitable distributions also have grown considerably since the 1981 Act. Figure F displays the changes in distributions from 1974-87 for each size group. The totals show that qualifying distributions grew steadily by 45 percent from 1979-87, after showing a 5 percent decline from 1974-79.

For the period after the 1981 Act, the smallest group (under $1 million in assets), not surprisingly, is the only one that paid out qualifying distributions at a faster rate than the growth in their assets. This group experienced larger percentage increases in charitable distributions from 1982-87 than all of the other groups, with the exception of the largest. The group realized a 46 percent increase in distributions from 1982-1987. This compares to its 29 percent gain in assets during that time. However, for foundations with assets equal to or greater than $1 million, assets increased at a faster rate than distributions from 1982-87. The largest group ($100 million and more in assets) realized a 79 percent increase in distributions, also a sizeable improvement over its charitable giving before the 1981 Act. This compares to its 85 percent growth in assets.

These trends differ markedly from those between the years 1979-82. Percent changes between these years indicate that the largest foundations had distributions that increased faster than assets and that the smallest foundations had assets that decreased by less than distributions. However, from 1982-87 these trends changed and all foundations were able to increase both assets and distributions. It seems that the 1981 Act allowed foundations to increase distributions while simultaneously

FIGURE E - Fair Market Value (FMV) of Private Foundation Assets, 1979-87

SIZE OF (FMV) ASSETS	FAIR MARKET VALUE OF ASSETS[1] (Amounts and percent changes)					
	1979	1982	1983	1985	1986	1987
TOTAL: (Amount) **(Percent change from prior year listed)**	53,994,833 -	56,203,718 + 4.1	61,143,424 + 8.8	78,003,388 +27.6	88,841,283 +13.9	87,897,872 -1.1
$1 under $100K	476,081	330,972 - 30.5	336,365 +1.6	359,321 +6.8	359,180 -.0	355,635 -1.0
$100,000 under $1M	3,699,261	3,071,767 -17.0	3,396,108 +10.6	3,375,908 -.6	3,814,486 +13.0	4,027,976 +5.6
$1 under $1M	**4,175,342**	**3,402,739 -18.5**	**3,732,473 + 9.7**	**3,735,229 +.1**	**4,173,666 +11.7**	**4,383,611 +5.0**
$1,000,000 under $10M	11,097,800	10,527,069 -5.1	11,718,911 +11.3	12,422,991 +6.0	14,424,320 +16.1	13,560,055 -6.0
$10,000,000 under $50M	11,727,444	12,156,788 +3.7	12,651,431 +4.1	15,175,491 +20.0	15,956,840 +5.1	15,944,998 -.1
$50,000,000 and up	26,994,247	30,117,121 +11.6	33,040,609 +9.7	46,669,677 +41.2	54,286,456 +16.3	54,009,209 -.5
$100,000,000 and up	-	24,779,239	27,733,991 +11.9	38,611,884 +39.2	45,828,676 +18.7	45,857,255 +.1

Note: See footnotes at the end of Table F, below.

FIGURE F - Private Foundation Qualifying Distributions, 1974-87

SIZE OF (FMV) ASSETS	QUALIFYING DISTRIBUTIONS[1] (Amounts and percent changes)						
	1974	1979[2]	1982	1983	1985	1986	1987
TOTAL: (Amount)[3] **(Percent change from prior year listed)**	4,316,233	4,113,587 - 4.7	4,553,587 +10.7	4,653,226 +2.2	5,170,329 +11.1	5,945,893 +15.0	6,262,171 +5.3
$1 under $100K	263,543	227,687 -13.6	96,379 -57.7	275,726 +186.1	141,151 -48.8	329,234 +133.2	201,641 -38.8
$100,000 under $1M	605,130	539,840 -10.8	455,690 -15.6	525,426 +15.3	507,821 -3.4	463,713 -8.7	601,819 +29.8
$1 under $1M	**868,673**	**767,527 -11.6**	**552,069 -28.1**	**801,152 +45.1**	**648,972 -19.0**	**792,947 +22.2**	**803,460 +1.3**
$1,000,000 under $10M	970,785	1,117,038 +15.1	1,204,782 + 7.9	1,151,232 -4.5	1,017,732 -11.6	1,213,634 +19.2	1,290,379 + 6.3
$10,000,000 under $50M	627,389	1,009,852 +61.0	998,153 -1.2	972,526 -2.6	1,068,060 +9.8	1,193,878 +11.8	1,256,847 +5.3
$50,000,000 and up	1,714,169	1,450,856 -15.4	1,792,087 +23.5	1,727,731 -3.6	2,331,142 +34.9	2,630,215 +12.8	2,875,835 +9.3
$100,000,000 and up	-	-	1,334,123	1,344,882 +.8	1,787,323 +32.9	2,125,602 +18.9	2,382,142 +12.1

K = Thousands of dollars
M = Millions of dollars

(1) a) Dollar amounts are in thousands (000s).
b) Dollar amounts are constant 1982 dollars obtained by using the implicit price deflator.

(2) The 1979 total represents the true total for nonoperating foundations. However, the amounts for each of the sub-totals in 1979 represent the amount for all foundations (nonoperating and operating). This is due to limitations in the 1979 data.

(3) The sum of the sub-totals does not equal the listed total for each year since this table does not reflect the sub-group, 'Assets Zero or Unreported.'

increasing their endowments. Interestingly, from 1982-87, the largest foundations, although they had the lowest payout rates, due to significant capital appreciation, also realized the largest increases in qualifying distributions.

Effects of a Market Decline, 1987

When isolated, the 1986-87 data indicate different results from the entire 1982-87 period. Even after achieving poor investment results in 1987, all of the size groups, except the smallest, paid out qualifying distributions at a faster rate than the change in the value of assets. However, during this time the smallest foundations actually increased assets more than distributions. These reverse patterns help to show the effect of the 1987 "crash" on the behavior of foundations. The patterns also emphasize the capability of the larger foundations to better withstand market swings and to increase long-run distributions and assets at the greatest rate. Figures E and F best emphasize the changes. In addition, Figure G shows changes in assets and distributions using constant dollar stratification, rather than current dollar stratification.

FIGURE G - Changes in Assets & Distributions, 1982-87 using Constant Dollar Stratification

SIZE OF (FMV) ASSETS (Stratified by 1982 constant dollars)	1982-87: Percentage Changes[1]					
	1982-87 (FMVA)	1982-87 (ChDist)	1982-86 (FMVA)	1982-86 (ChDist)	1986-87 (FMVA)	1986-87 (ChDist)
Total	56.4	37.5	58.1	30.6	-1.1	5.3
$1 under $1M	48.6	59.6	36.2	50.6	9.1	6.0
$1,000,000 under $10M	35.4	11.1	41.3	3.9	-4.1	6.9
$10,000,000 under $50M	35.5	25.1	34.5	17.7	.8	6.3
$50,000,000 under $100M	55.0	31.7	55.7	27.3	-.4	3.5
$100,000,000 and up	76.9	61.5	80.3	49.2	-1.9	8.3

M = Millions of dollars
FMVA = Fair market value of assets
ChDist = Charitable "qualifying" distributions
[1]Dollar amounts are constant 1982 dollars obtained by using the implicit price deflator.
Note: See footnote [17] for a detailed explanation of these changes.

FOUNDATION DECISION-MAKING

The primary purpose of a private foundation in society is one of charitable distribution. Increasing the long-run amount of foundation charitable distributions represented one of the original goals of the Economic Recovery Act of 1981. The results following this change in the payout requirement indicate a successful aftermath to the legislation, and an attainment, at least in part, of the goal. Foundation long-term charitable distributions did increase after accounting for inflation. In a very favorable market environment between 1983-86, foundations realized total rates of return that easily allowed them to both meet the payout requirement and increase the value of their assets. In response to the 1981 Act, the largest foundations seemed to adjust their payout rates downward and re-invest more. However, from 1982-87 they increased charitable distributions at the fastest rate despite relatively low payout rates. Their endowments appreciated rapidly in value due to large unrealized gains, leading to higher required payout amounts and, then, increased long-run distributions. The long-run growth in assets allowed these foundations to increase distributions at the fastest rate. The smallest foundations, after 1981, did not notably re-adjust their payout rates downward, although they did increase both assets and distributions. In fact, they increased distributions faster than assets from 1982-87.

Obviously, different foundations assume different roles and behave accordingly. The disparity between 1987 and the other years studied may shed light on the nature of the decision-making processes of foundations. The question arises: does the rate of return (and possibly the NII yield) in one year affect the payout rate of that same year and/or the next year? In other words, do certain foundations respond to low returns with low payout rates or to high returns with high payout rates? And do these patterns differ with the size of the foundation?

It appears that the investment returns of smaller foundations determine, at least in part, the amount of charitable dollars distributed in the same or, more likely, in the next year. For instance, the smallest foundations may have responded to relatively low income yields (NII and ANI) in 1982 by paying out distributions at lower rates in 1983. Similarly, their percentage increase in distributions may have slowed in 1987 due to hesitancy after realizing lower NII yields in that same year. The smaller foundations, who earn a relatively large proportion of total revenue as contributions, also rely, in part, on these contributions to help fund charitable giving. The decline in contributions received in 1987 may also have affected charitable giving in that year. These foundations tend to distribute proportionately large amounts in the present, based, in part, on contributions, investment returns, and income yields.

Conversely, the goal of a more pre-determined payout policy appears to drive the operations and investment policies of the larger foundations. They better manage their investments and distribute dollars in such a way as to promote long-run growth of the endowment. A growing endowment will fund charitable grants at the same or at an increased value in the future. These foundations tend to distribute charitable dollars at relatively consistent payout rates irrespective of changing rates of return. For example, the larger foundations continued to pay out an increased amount in 1987 despite low rates of return and declining assets in that year. These foundations tend to operate with a more planned and structured payout policy.

A future examination of payout practices in 1988 after the unusually low investment returns of 1987 will provide additional insight into the investment and distribution goals and behavior of the different sizes of foundations. The different methods of foundation distributing and investing provide important philanthropic resources and initiatives for the present and the future. In light of the large social welfare budget cuts of the last decade, private philanthropic sources have become an increasingly important source of social funding in the United States. These data can help to better assess the long-run effects of policy on the investment and payout behavior of foundations in order that policy would be continually shaped to help achieve maximum benefits for society while simultaneously considering the interests and growth of foundations.

DATA SOURCES

The data used in these analyses originated from the stratified samples selected in the years 1974, 1979, 1982, 1983, 1985, 1986, and 1987. For complete descriptions of statistical procedures and data sources and limitations, please refer to the corresponding SOI Bulletin articles for each of the years studied. These can be found in the recently published Compendium of Studies of Tax-Exempt Organizations, 1974-87.[18]

In order to obtain rates of return for the years 1983-87, data files from consecutive years were matched using the employer identification numbers (EINs) of the organizations in the sample. The rate of matching the organizations varied from an average of 61 percent for those organizations in the $1 million under $10 million size category to an average of 97 percent for those in the $100 million and over category. The total average matching rate for all of the years studied equaled 73 percent. Weights were applied on each record matched by using the higher of the two weights from the years used in the match.

ACKNOWLEDGMENTS

The author would like to extend her thanks to the many individuals from the Statistics of Income Division who made important contributions to this paper and provided helpful suggestions. Among these are Jim Harte, who calculated weights for matched data files; Steven Libster, who provided SPSS programming support; Perry Dias and Adrianne Bell, who provided operations support; Nat Shaifer, who designed the tables of data; Jeri Mulrow, who designed graphics for the presentation of the paper; Beth Kilss and Wendy Alvey, who coordinated the presentation and publishing of the paper and designed graphics for the presentation; and, Peggy Riley, Tom Petska, Jim Hobbs, and Dan Skelly, who all reviewed the paper and provided helpful comments.

NOTES AND REFERENCES

[1] Nonoperating foundations primarily distribute grants to individuals and other nonprofit groups, whereas operating foundations devote a required percentage of income to the operation of their own charitable programs and services. Since tax law requires that only nonoperating foundations fulfill a charitable distribution requirement, the analyses in this paper will focus only on the nonoperating type.

[2] All references to assets are stated at their fair market value unless otherwise indicated.

[3] The GNP implicit price deflator was used in all applicable instances. Please refer to the Economic Report of the President, U. S. Government Printing Office, Washington, DC, February 1990, Table C-3. Unless otherwise indicated, the stratification of the sub-groups by asset size is not adjusted for inflation. This preserves size classification by current dollars.

[4] Hopkins, Bruce R., The Law of Tax-Exempt Organizations, 5th ed., 1987, p.17.

[5] See Reilly, Raymond and Skadden, Donald H., Private Foundations: The Payout Requirement and Its Effect on Investment and Spending Policies, Univ. of Michigan Grad. School of Bus. Adm., 1981.

[6] The asset figure used to calculate the payout amount is the monthly average of the fair market value of those assets not used for charitable purposes minus adjustments for acquisition indebtedness and cash held for charitable activities. The fixed percentage now is 5 percent, but at the time of the 1969 Act it was 6 percent or, in some instances, 5.5 percent.

[7] Salamon, Lester M. and Voytek, Kenneth P., Managing Foundation Assets: An Analysis of Foundation Investment and Payout Procedures and Performance, The Council on Foundations, 1989.

[8] The calculated rates (all types) and amounts found in this paper for specific years include foundations having accounting periods that can include either all of that particular year or part of that year and part of the following year. For instance, a 1987 return could represent an accounting period that includes January 1987 through December 1987 (most likely) or even one that includes December 1987 through November 1988.

[9] The payout formula adjusts qualifying distributions with slight additions and subtractions that are made to the required "distributable amount" on the Form 990-PF. It also adjusts for excess distributions given in the past and applied to the requirement of the current filing year.

[10] The volatile stock market no doubt affected the asset value of a foundation differently depending on its accounting period. For instance, since the payout rate depends on a monthly average of assets, those foundations following a calendar year schedule realized nine relatively solid months prior to October's decline or "crash." The payout rate calculation, then, would account for both the positive and negative months.

[11] Salamon and Voytek, Ibid.

[12] Due to the rates of matching specific returns in the sample by the identifying number (EIN), the rate of return could only be calculated for those foundations with $1 million and more in assets. The matching rate for the smaller foundations was too low to ensure a proper level of statistical confidence.

[13] Salamon and Voytek, Ibid.

[14] The ANI yield can only be calculated for 1974, 1982 and 1983, since the adjusted net income line item was not edited in years after 1983. The amount will be collected beginning in 1990.

[15] 1979 is the first year sampled that includes fair market value figures.

[16] These increases in asset size are biased slightly upward for the largest group and slightly downward for the smallest group due to the stratification of assets based on current dollars. Some foundations moved to a higher size-group from

year-to-year due to inflationary increases in assets.

[17] After tabulating the data by stratifying the size-groups using 1982 constant dollar assets, the data show similar results. Using this method, over the period 1982-87, the largest foundations increased by less in number, assets, and distributions than when using current dollar stratification. The smallest foundations increased by more in number, assets, and distributions, thus narrowing the difference between the two groups. However, the largest foundations still performed better than the smallest in all three areas.

Using this method, the breakdown of the period 1982-87 into the years 1982-86 and 1986-87 proves interesting. Similar results occurred with one exception. Using this method, from 1982-86, the smallest foundations actually realized the greatest increase in qualifying distributions, with a 51 percent gain, as compared to a 49 percent gain for the largest foundations. However, the largest group achieved the largest gain in distributions over the entire 1982-87 period. This also emphasizes the capability of the larger foundations to better withstand market swings and to increase long-run assets and distributions at the greatest rate.

[18] Compendium of Studies of Tax-Exempt Organizations 1974-87, Dept. of Treasury, IRS, Statistics of Income Division, Publication 1416, Catalog #10313C, 1990.

Private Foundation Returns, 1986 and 1987

By Alicia Meckstroth and Margaret Riley*

Between 1986 and 1987, the total revenue of private foundations dropped an estimated 14.5 percent, from $20.0 billion to $17.1 billion, while the fair market value of their total assets grew just short of 1 percent, from $113.2 billion to $114.3 billion [1,2,3]. In real terms, total revenue decreased by 17.2 percent and real asset values actually declined by 2.1 percent [4]. In comparison, between 1985 and 1986, revenue and assets grew by nominal rates of 22.0 percent and 16.6 percent, respectively [5].

CHANGES IN FOUNDATION REVENUE, ASSETS, AND GRANTS, 1986-1987

The decrease in total revenue from 1986 to 1987, coupled with a 9.6-percent increase in total expenses, resulted in a decline in "excess of revenue over expenses" of nearly 32 percent [6]. In fact, the amount of the excess of revenue over expenses was less for 1987 than it had been for each of the 2 preceding years. Figure A shows both real and nominal percentage changes in selected asset, revenue, and expense items, from 1985 to 1986 and from 1986 to 1987.

Figure A.—Percentage Changes in Selected Financial Items, 1986 to 1987

Item	Percentage change: Current dollars, 1985 to 1986	Current dollars, 1986 to 1987	Constant dollars[1], 1985 to 1986	Constant dollars[1], 1986 to 1987
	(1)	(2)	(3)	(4)
Fair market value of total assets	+16.6%	+1.0%	+13.6%	-2.1%
Total revenue	+22.0	-14.5	+18.9	-17.2
Net gain (less loss) from sales of assets	+36.4	-20.4	+32.9	-22.8
Contributions received	+31.0	-26.1	+27.6	-28.4
Total expenses	+14.3	+9.6	+11.4	+6.3
Grants paid	+18.3	+9.1	+15.3	+5.8
Excess of revenue over expenses	+28.2	-31.6	+24.9	-33.7

[1]The GNP implicit price deflator was used to adjust for inflation.

The decline in total revenue between 1986 and 1987 can be attributed to a 20.4-percent decrease in net gain (less loss) from sales of assets (primarily securities) and a 26.1-percent drop in contributions, gifts and grants received [7]. These factors contributed to the decline in the real value of foundation assets for 1987. This is in sharp contrast to the 36.4-percent increase in net gain (less loss) from sales of assets and the 31.0-percent increase in contributions, gifts and grants received from 1985 to 1986.

Despite the lower asset and revenue growth rates for private foundations for 1987, grant payments rose by 9.1 percent to $6.8 billion. For 1986, grant payments totalled $6.2 billion, an increase of 18.3 percent from 1985. The increase for 1987 can be explained, in part, by a 7.2 percent increase in net investment assets and, therefore, in the minimum amount (5 percent of net investment assets, plus or minus certain adjustments) that foundations were required to pay out for 1987. Net investment assets are calculated by averaging the monthly holdings of noncharitable-use assets over the foundation's annual accounting period, whereas total assets are the foundation's holdings at the end of the accounting period. The stock market crash in October 1987 explains the discrepancy between the growth in net investment assets and the growth in total assets for 1987.

Another explanation for the higher rate of increase in grants paid, compared to the rates of increase in revenue and assets, is that large foundations (which account for a large portion of grants paid) typically do not make grants solely on the basis of the current year's earnings or investment performance. They usually plan their grantmaking budgets prior to the fiscal year during which the grants are made.

In addition, corporations often set up foundations to help stabilize their annual grantmaking. While corporate contributions to a "company-sponsored" foundation are usually related to the profits of the corporation, i.e., more

*Foreign Special Projects Section. Prepared under the direction of Michael Alexander, Chief.

corporate giving occurs in "good" years than in "bad," the foundation has the ability to maintain and control its endowment so that a steady flow of grants is provided, even when corporate profits are down. (For a further discussion of foundation giving, see the "Assets, Distributions, and Decision-Making" section.)

OVERVIEW AND EXPLANATION OF PRIVATE FOUNDATIONS

A private foundation is a nonprofit, tax-exempt corporation, association or trust which is narrowly supported and controlled, usually by an individual, family, or corporation, as opposed to an organization receiving broad support from a large number of sources within the general public. It is this narrow base of support and control which differentiates a private foundation from a publicly supported tax-exempt organization, although both receive tax exemption under Internal Revenue Code section 501(c)(3) [8]. Because of the centralized support and control, private foundations are more strictly regulated than other section 501(c)(3) organizations.

Most private foundations must pay an excise tax on investment income. Some "operating foundations" are exempt from this tax. (For example, 24 percent of the operating foundations, or 2 percent of all foundations, claimed an exemption from this excise tax on their 1987 returns.) All private foundations are subject to additional excise taxes if they engage in certain prohibited activities (deemed not to be in the public interest); e.g., failure to distribute the required minimum payout after the one-year grace period to do so, or attempts to influence legislation, such as lobbying or participating in the campaign of a candidate for public office. And, individual income tax deductions for contributions to "nonoperating foundations" are generally more restrictive than deductions for contributions made to operating foundations or other section 501(c)(3) organizations.

The two types of private foundations, "operating" and "nonoperating," are distinguished by the form of charitable support they provide. Nonoperating foundations generally provide indirect charitable support by making grants to other section 501(c)(3) organizations that actually conduct charitable programs [9]. Nonoperating foundations are required each year to distribute, by the end of the following year, a minimum amount for charitable purposes, based on the value of their net investment assets. Operating foundations provide direct support by actively conducting charitable programs or activities, and are not subject to a payout requirement. However, they have to expend a minimum amount each year for their direct involvement in tax-exempt charitable activities (as opposed to the payout of grants in support of such activities). They also have to meet one of three tests based on assets, endowment, or sources of support, to continue to qualify as operating foundations [10]. Although operating foundations are not subject to the annual payout requirement, many choose to make grants in addition to carrying on charitable programs of their own.

Of the 35,907 organizations filing private foundation information returns for 1987, 91 percent were nonoperating foundations and the remaining 9 percent were operating foundations, virtually the same as for 1986. Approximately 30,000 were grantmaking foundations. About 87 percent of the nonoperating foundations and 46 percent of the operating foundations made grants for 1987. For 1986, the percentages of nonoperating and operating foundations making grants were 81 percent and 44 percent, respectively.

For 1987, about 30 percent of the nearly 6,000 nongrantmaking foundations were operating foundations, which are not required to make grants. Another 25 percent were nonoperating foundations that had no "distributable amount" and, therefore, were not required to make a minimum distribution. Some of the remaining nongrantmaking foundations were "failed public charities" that had been reclassified as nonoperating foundations. Many failed public charities continued to operate direct charitable programs rather than make grants to other tax-exempt organizations [11]. Nonoperating foundations that did not fully make the required distribution for 1987 had, by law, until the end of their 1988 accounting periods to do so without any tax penalty.

From 1982 to 1987, the number of foundations increased by 26 percent. This compares to a 6-percent increase from 1974 to 1982. This difference may result from a variety of factors such as the recognition of social needs in light of domestic budget cuts during the 1980's, changes in the tax-deductibility of donations, and the effects of the Economic Recovery Tax Act of 1981 (ERTA).

The wealthiest foundations--those with assets whose fair market value was $100 million or more--numbered less than 0.5 percent of all foundations for 1987, but held slightly more than half of all foundation assets. Only 3.6 percent of all private foundations had assets worth $10 million or more, but they accounted for nearly 80 percent of all assets. The group of foundations considered to be small in size--with less than $1 million in assets--accounted for 80 percent of all foundations, but only 4.8 percent of aggregate total assets.

Half of the top ten private foundations, ranked by asset size (Figure B), saw a decrease in the 1987 end-of-year value of their assets and six realized less revenue for 1987 than for 1986. While they form only a small fraction of the universe of private foundations, these foundations held approximately 20.7 percent of all assets and accounted for 11.7 percent of total revenue for 1987.

IMPACT OF STOCK MARKET CONDITIONS AND 1986 TAX REFORM ACT

The October 1987 stock market plunge and the reactions of individual and corporate donors to the tax law changes legislated under the Tax Reform Act of 1986 (TRA) may have affected foundation revenue and assets for 1987. Combined, it appears that they had a negative impact on net gain (less loss) from sales of assets, contributions received, and the real market value of investments in securities for 1987.

Decreases in aggregate net gain (less loss) from sales of assets and in contributions received were jointly responsible for the drop in total revenue, while a decline in the real market value of foundation securities, which made up 76.4 percent of total foundation assets for 1987, was largely responsible for the overall decline in asset

Figure B
Top Ten Domestic Foundations Ranked by Size of Fair Market Value of Total Assets, 1986 and 1987[1]
[Money amounts are in millions of dollars]

Name	Location	Total assets 1987	Total assets 1986	Total revenue 1987	Total revenue 1986
Ford Foundation	New York	$5,087	$5,543	$ 339	$ 692
J. Paul Getty Trust[2]	California	3,982	4,141	295	420
W. K. Kellogg Foundation Trust[3]	New York	2,812	3,471	112	151
John D. and Catherine T. MacArthur Foundation	Illinois	2,436	2,426	202	217
Robert Wood Johnson Foundation	New Jersey	1,910	1,804	194	178
Lilly Endowment, Incorporated	Indiana	1,792	1,730	72	54
Rockefeller Foundation	New York	1,667	1,606	291	379
Andrew W. Mellon Foundation	New York	1,522	1,521	181	140
Pew Memorial Trust	Pennsylvania	1,437	1,477	178	167
Kresge Foundation	Michigan	1,046	1,047	141	329
Total		**$23,692**	**$24,765**	**$2,005**	**$2,727**

[1]A foundation is considered "domestic" if it is organized in the United States; however, this does not necessarily imply that all of its activities or grant receipients are domestic.

[2]J. Paul Getty Trust is an operating foundation. All other foundations listed are nonoperating foundations.

[3]The W.K. Kellogg Foundation Trust has a "pass-through" relationship with the W.K Kellogg Foundation, located in Michigan. Typically, the entire amount of the annual "qualifying distributions" of the W.K. Kellogg Foundation Trust are made in the form of a grant to the W.K. Kellogg Foundation, which redistributes the grant for charitable purposes (and does not count the redistribution as a qualifying distribution of its own). Together, the two organizations had combined total assets of $3.6 billion for 1986 and $2.9 billion for 1987.

NOTE: Detail may not add to total because of rounding.

growth. Mainly due to the drastic drop in the market value of various stock holdings which occurred during October 1987, the end-of-year aggregate value of investments in securities for 1987 increased by only 0.4 percent, from $87.0 billion to $87.4 billion. After adjusting for inflation, the aggregate fair market value of securities held by foundations at the end of their 1987 tax periods was actually 2.7 percent lower than the year before.

The relatively low post-October 1987 market value of certain stocks probably influenced foundations to defer selling them until a later date when their value might increase. In addition to the negative effect that postponed sales of capital assets had on foundation revenue for 1987, it appears that foundations also sustained heavier losses from those assets that they did sell. The net gain, alone, from sales of assets decreased from $7.0 billion to $5.7 billion, while net losses nearly tripled, from $49.8 million to $147.9 million. Furthermore, the number of foundations reporting a net gain for 1987 decreased slightly, and those reporting a net loss increased by almost two-thirds.

The severity of the declines in the real fair market value of securities may also have deterred both individuals and corporations from forming new foundations or from making large gifts of stock to foundations at the end of their 1987 tax periods. The devalued stock would not have provided as sizable a charitable contribution or tax deduction, and donations may have been postponed to a future date when market conditions would improve. Gifts of stock actually made to foundations during 1987, whose value was less than those made for 1986, also may account for some of the decrease in the amount of total contributions received between the 2 years.

Changes in marginal corporate and individual tax rates which became effective under TRA may also have had a strong impact on individual and corporate charitable giving during 1986 and 1987. (However, there were offsetting factors which made more individual and corporate income taxable starting with 1987 [12].) With lowered individual and corporate tax rates, the actual tax benefit from making a charitable contribution became comparatively less for 1987 than for 1986 [13]. Given this situation, many contributors may have taken advantage of the higher 1986 tax rates by accelerating their contributions into 1986, and contributing less or not at all to private foundations in 1987. The 26-percent decrease in the total contributions received by foundations from 1986 to 1987, when compared to the 31-percent increase from 1985 to 1986, is consistent with this proposition.

Donors also may have been encouraged to make gifts of stock to foundations before 1987, because of the TRA provision relating to contributions of appreciated property. Because donations of appreciated stock to nonoperating foundations were allowed to be deducted at fair market value, the excess of this value over its "cost" could be subject to the revised "alternative minimum tax" (as a "tax preference" item) starting with 1987.

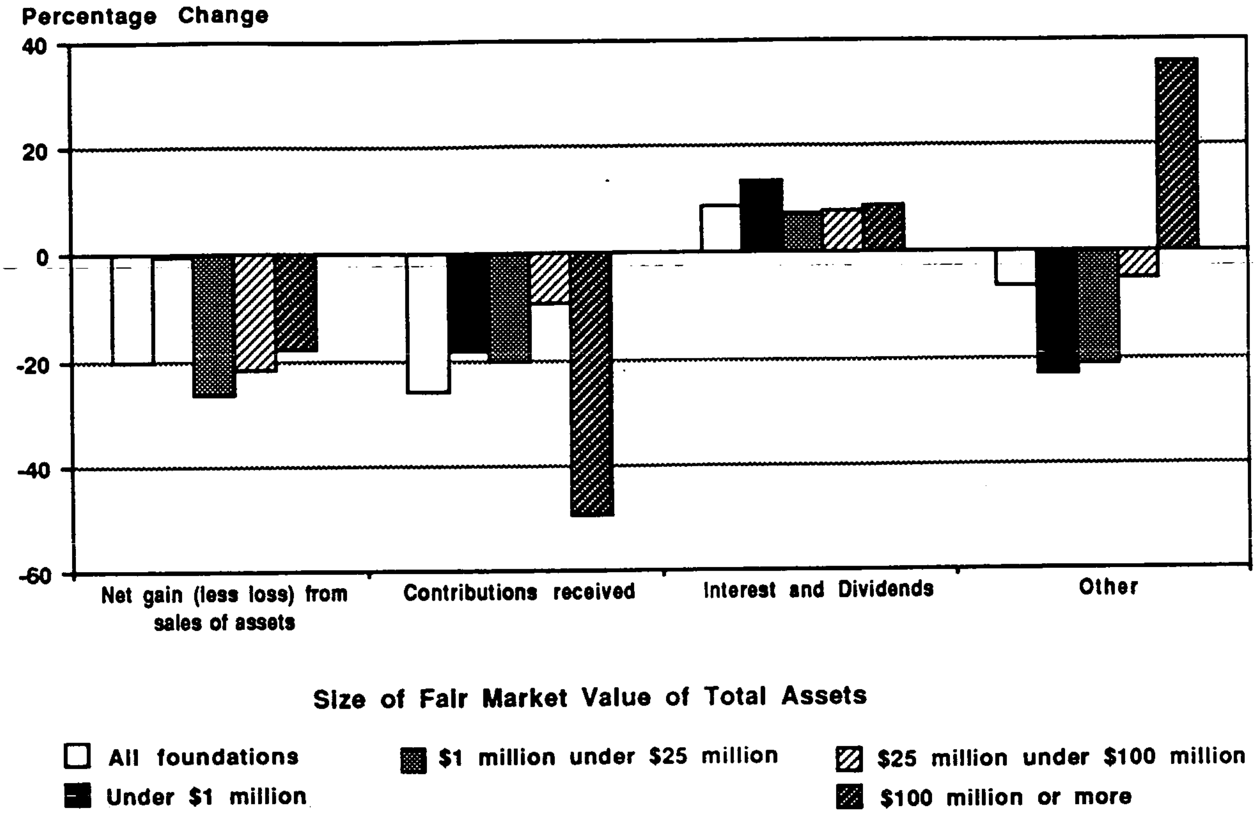
To an unknown extent, these changes under TRA may have contributed to the decline for 1987 in both the total number of individuals and corporations reporting a deduction for charitable contributions and in the amounts they claimed. The number of individual income tax returns with charitable deductions declined by 12.2 percent, while the amount of the deduction dropped by 7.8 percent [14,15]. In the case of corporations, the number of returns with charitable deductions declined by 5.6 percent, while the deduction itself dropped by 3.8 percent [16,17].

The decline in the charitable deductions reported by individuals for 1987 can also be attributed, in part, to the introduction of more liberalized standard deductions introduced under TRA and the repeal of the charitable contributions deduction for individuals who used the standard deduction rather than itemized deductions. However, these two changes probably had little effect on the donations made to private foundations.

COMPONENTS OF REVENUE

By far, the largest sources of total foundation revenue for 1987 were interest and dividends (from securities, savings, and temporary cash investments), net gain (less loss) from sales of assets, and contributions received. Together, these items accounted for 96 percent of total revenue for 1987 (individually, each comprised around a third). This was typical, based on preceding years. As discussed earlier, total contributions received by foundations and aggregate net gain (less loss) realized on sales of assets both decreased between 1986 and 1987. This held true for each of the asset-size groups illustrated in Figure C. This chart shows the percentage change in each major component of revenue, from 1986 to 1987, for all foundations and for each category of foundation grouped by asset-size. Interest and dividends were the only revenue sources that increased across all size classes. Revenue from sources other than the three major components was relatively small and the percentage changes in this "other" category varied greatly among the different size groups.

Figure C
Percentage Changes in Revenue Sources, 1986 to 1987



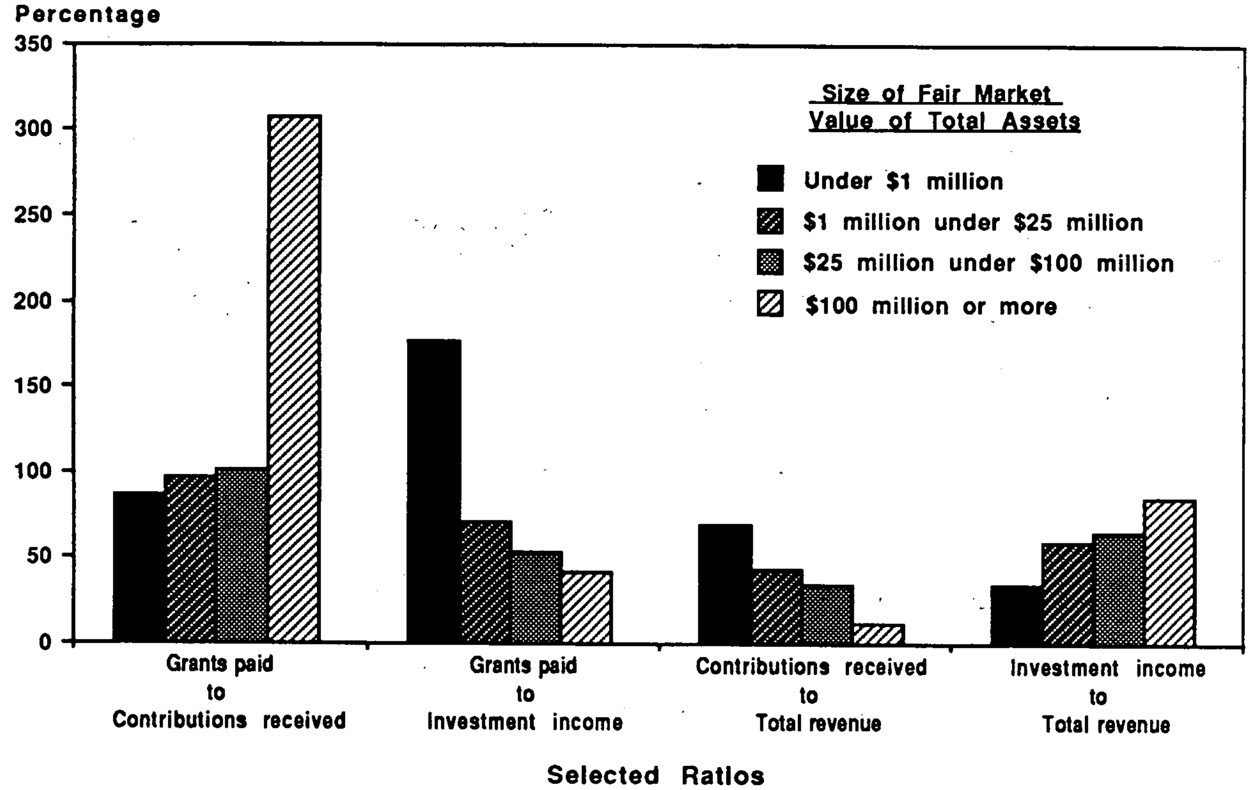
As can be seen from Figure D, the portions of revenue comprised of both "contributions received" and "investment income" vary as the asset size increases [18]. Contributions received was a more significant part of the revenue of smaller foundations, while the opposite was true for larger foundations.

The smaller the size of the foundation, the more it relies on contributions received for its giving programs. As foundation size increases, contributions received play a lesser role in giving, and investment income becomes a more important revenue source. Figure D emphasizes this point, showing that the total grants of the largest foundations (assets of $100 million or more) were over three times larger than the total contributions they received, but less than half of their investment income, suggesting that the amount they gave out was not strongly related to the amount of contributions received. In contrast, the total grants of the smallest foundations (assets of less than $1 million) were 177 percent of their investment income, but only 88 percent of contributions received, suggesting that this asset-size group's giving is not highly dependent upon its investment income.

COMPONENTS OF ASSETS AND INVESTMENTS

For both 1986 and 1987, foundation investments in securities, primarily corporate stocks and bonds, and government obligations, represented over three quarters of the fair market value of total assets, equaling $87.4 billion for 1987 and $87.0 billion for 1986. Total year-end investment assets (defined below) comprised over 92 percent of total assets in both years and equaled $105.8 billion and $104.4 billion, for 1987 and 1986, respectively. Total foundation assets equaled $114.3 billion for 1987, and $113.2 billion for 1986. In real terms, total investments in securities declined between 1986 and 1987 by 2.7 percent, total investments by 1.8 percent, and total assets by 2.1 percent. The decreases resulted largely from the stock market crash in October 1987. These

Figure D
Grants Paid, Contributions Received, and Investment Income Ratios, 1987



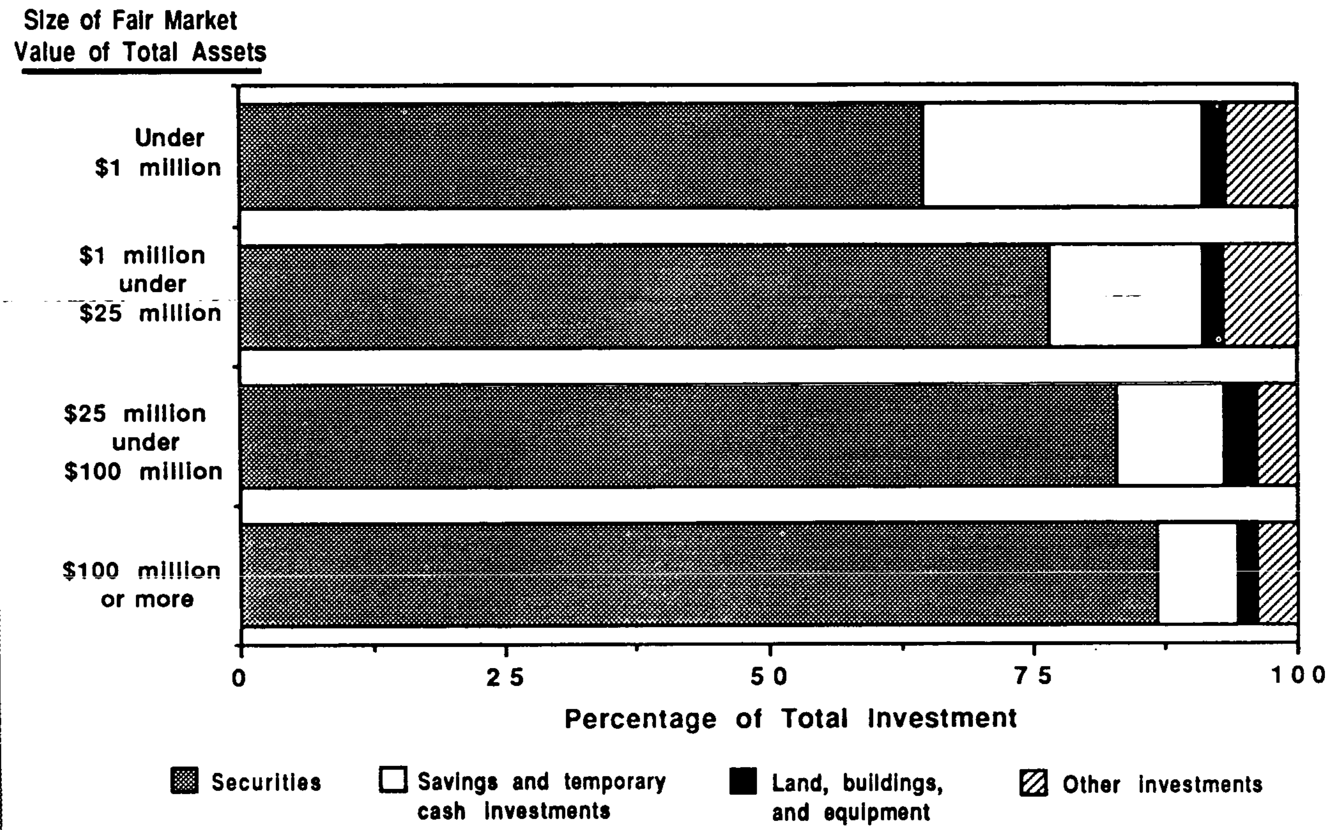
changes compare dramatically with the large real gains from 1985 to 1986. Between these 2 years, total investments in securities increased by 13.0 percent, total investments by 13.5 percent, and total assets by 13.6 percent.

Total investment assets include savings and temporary cash investments; securities; land, buildings, and equipment; mortgage loans; and "other" investments, such as bank certificates, cash values of life insurance, and art. These investment assets represent end-of-year values and are to be distinguished from the average of noncharitable-use (net investment) assets on which the required charitable payout amount is based. Investments in securities represented 83 percent of total investment assets for both 1986 and 1987, and savings and temporary cash investments, 10 percent. Figure E depicts the composition of investment assets for 1987 for each of the different asset size groups. The proportions were similar for 1986.

Regardless of whether a foundation was operating or nonoperating, trends in asset composition varied with differences in the size of the foundation. The larger a foundation, the greater the amount and percentage of investments in securities and the smaller the percentage of savings and temporary cash investments. Although this particularly applies to nonoperating foundations, it applies to operating foundations as well. For 1987, total investment securities as a percentage of total investment assets varied from 65 percent for the smallest foundations (under $1 million in assets) to 87 percent for the largest foundations ($100 million or more in assets). Likewise, holdings of savings and temporary cash investments as a percentage of total investment assets for 1987 varied from 26 percent for the smallest foundations to 7 percent for the largest.

Different asset composition for the small and large foundations helps to explain the different growth rates in

Figure E
Composition of Investment Items, by Size of Foundation, 1987



the fair market value of total assets for both groups. For instance, from 1982 to 1987, the smallest foundations realized a 27.3-percent real increase in assets, while the largest foundations realized an 80.9-percent increase, almost three times as large. A greater proportion of assets held as securities by the larger foundations, along with different investment and distribution goals, to be discussed later, led to this result. However, due to the decline in the stock market and a greater dependence by larger foundations on investments in securities, the largest foundations experienced a 2.6-percent real loss in the fair market value of total assets from 1986 to 1987, while the smallest ones actually realized a 4.3-percent real gain.

Nonoperating foundations and operating foundations each tend to hold a slightly different mix of investment assets. Nonoperating foundations held 84 percent of their investment assets as securities in 1986, and 83 percent in 1987. Operating foundations held fewer investment assets as securities, 78 percent for 1986, and 74 percent for 1987. This difference lies primarily in holdings of savings and temporary cash investments and in charitable-use land, buildings, and equipment.

During 1987 operating foundations realized greater losses than did nonoperating foundations. Their total assets declined by 11 percent in real terms, as compared to a 1 percent decline in nonoperating foundation assets. Likewise, real investments in securities for these groups declined by 12 percent and 2 percent, respectively. This may result from less emphasis placed on investment portfolio management by operating foundations.

While nonoperating foundations held 10 percent of investment assets as savings and temporary cash investments in both years, operating foundations held 13 percent in 1986, and 17 percent in 1987. In terms of charitable-use (rather than investment-use) land, buildings, and equipment, operating foundations held a relatively large proportion for use in the execution of their own charitable programs. For 1986, these foundations held over 16 percent of total assets as charitable-use land, buildings, and equipment; and for 1987, over 12 percent. Nonoperating foundations, conversely, held only 1 percent in both years. Operating foundations reported significant decreases in the value of land, buildings, and equipment between 1986 and 1987. Investment and charitable-use land, buildings, and equipment decreased by 44 and 32 percent, respectively. Nonoperating foundations reported little or no decrease in their holdings of land, buildings, and equipment.

THE PAYOUT REQUIREMENT

Under the Tax Reform Act of 1969 (TRA69), nonoperating foundations were required for the first time to pay out an annual minimum amount for charitable purposes. The charitable amount could, and still can, be distributed by the end of the tax return year following the year in which it was required to be paid. The payout requirement was established in order to prevent the accumulation of tax-exempt assets without a corresponding distribution for charitable purposes. TRA69 required that nonoperating foundations calculate the required charitable payout, the "distributable amount," by basing it on the greater of either current "adjusted net income" or a fixed percentage of the average value of noncharitable-use (net investment) assets, the "minimum investment return" [19]. Later, the Economic Recovery Tax Act of 1981 (ERTA) changed the way that these foundations calculated the distributable amount by eliminating the adjusted net income criterion. ERTA required that foundations use 5 percent of noncharitable-use assets to compute the amount, without regard to the adjusted net income.

In effect, for the years immediately following the enactment of ERTA, the distributable amount declined for many foundations after using the new method. In 1982 and 1983, respectively, 75 and 71 percent of foundations had lower distributable amounts than would have been the case under the law prior to ERTA. Of these foundations, in 1982 and 1983, respectively, 46 and 45 percent, especially the larger foundations, reacted to lower distributable amounts by paying out less than would have been required under the law prior to ERTA. Through the changes enacted under ERTA, policymakers hoped to allow foundations a greater opportunity to maintain (and even to increase) the value of their endowments. An increase in the value of the endowments would, in effect, increase the long-run giving power of foundations, thus increasing long-run charitable distributions. Over the 1982-1987 period charitable distributions increased by a real rate of 38 percent, a large increase in comparison to the 5 percent real change from 1974-1982.

The changes implemented under ERTA allowed foundations more investment flexibility in terms of factors such as type of assets and risk. Since the measurement based on assets, rather than on current income, encompasses both realized income and unrealized appreciation or depreciation in the value of the assets, it better measures the entire endowment. Previously, the calculation based on current adjusted net income measured only realized changes to the endowment. Prior to ERTA, those foundations earning high adjusted net income in relation to the minimum investment return on assets had higher distributable amounts than if the unrealized changes in their endowment had also been used in the final computation of the required distributable amount.

This was particularly true for the years immediately preceding ERTA, when inflation rates were relatively high. During this inflationary period, many foundations that based their distributable amount on their adjusted net income, rather than on minimum investment return, experienced an erosion of their endowment over time. Therefore, ERTA seemed to lead to a more favorable investment environment, particularly for the smaller foundations, which tend to hold a greater proportion of fixed income yield investments that earn proportionately high realized (adjusted net) income [20]. These investments resulted in relatively high distributable amounts for the smaller foundations prior to ERTA. However, the data indicate that the larger foundations, rather than the smaller, tended to take advantage of the change in the payout requirement enacted under ERTA. The larger foundations distributed proportionately less after ERTA, and then reinvested more. The smaller foundations did not tend to significantly readjust their investment and distribution patterns. As illustrated earlier in Figure D, the amount of charitable distributions made by the small foundations tends to be based more upon the amount of contributions received than the amount of investment income.

ERTA has helped foundations to increase the value of their assets, thereby increasing their ability to give charitably. The largest foundations, accordingly, have realized the largest percentage and absolute increases in both assets and distributions since ERTA. Despite the decline in the real value of foundation assets from 1986-1987, the total fair market value of assets of nonoperating foundations increased by 56 percent in real terms from 1982-1987. This represents a large increase in comparison to the 22-percent real increase in the Gross National Product (GNP). The increase in foundation assets from 1982-1987 also compares dramatically to the erosion of aggregate real asset value sustained by foundations in the decade leading up to ERTA, a 31.0-percent decline from 1972-1981 [21]. Since ERTA, the significant increase in assets has enabled the foundation sector to maintain or increase endowment size for future giving. Although ERTA led to decreased distributions in the years immediately following 1981, by 1987 foundations had increased real qualifying distributions considerably, by 38 percent.

Since only nonoperating foundations are required to fulfill the charitable payout requirement, the data that follow, including the payout rates, rates of total return, income yields, and percentage changes in assets and distributions, unless otherwise indicated, represent only nonoperating foundations. These organizations comprise over 90 percent of foundations in both number and total assets. Also, it should be noted that oftentimes, a foundation's performance isn't measured until after the end of its current fiscal year. In these cases, the foundation can take advantage of the 1-year grace period for meeting the payout requirement by making their corresponding charitable distributions by the end of the following fiscal year. The rates of total return, income yields, and percentage changes and dollar amounts all have been adjusted for inflation.

THE PAYOUT RATE

To examine the charitable distribution trends of private (nonoperating) foundations, rates of payout performance were calculated. To calculate the payout rate the amount of (adjusted) qualifying distributions was divided by the amount of the monthly average of (noncharitable-use) net investment assets [22]. Payout trends for selected years from 1974-1987 show that the payout percentage declines as the size of the foundation increases (Figure F). Smaller foundations tend to give out a larger percentage of their asset base, sometimes to an extent exceeding their return on investments. Larger foundations tend to reinvest proportionately more of their earnings, consequently distributing a smaller proportion for charitable purposes in any given year. The median payout rates for all sizes of foundations either equal or exceed the 5-percent charitable payout requirement.

In light of ERTA, the aggregate median payout rate changed in a not unexpected pattern from 1974-1986. From 1974-1982 it increased from 8.4 percent for 1974 to 9.7 percent for 1982 [23]. From 1982-1983 the rate declined to 8.2 percent and then, for 1986, further declined to 6.9 percent. The downward trend after 1982 indicates that after ERTA foundations may have adjusted to the new law by paying out a smaller percentage of their assets. The total median rate then increased slightly to 7.0 percent for 1987. This occurred despite the stock market's sharp decline in October 1987.

Poor stock market conditions contributed to foundations earning much lower rates of return on their investments in 1987. The low returns, discussed later, coupled with the payout rates, led to a 1-percent decline in 1987 in the real fair market value of foundation assets. The end-of-year market value of assets for many foundations declined while total qualifying charitable distributions increased, although at a slower rate than in the past. The

Figure F.—Nonoperating Foundation Payout Rates, Selected Years, 1974-1987

Size of fair market value of total assets	Median payout rates					
	1974	1982	1983	1985	1986	1987
	(1)	(2)	(3)	(4)	(5)	(6)
Total	**8.39%**	**9.69%**	**8.23%**	**7.44%**	**6.87%**	**7.03%**
Small foundations						
$1 under $1,000,000, total	8.72	9.98	8.66	8.03	7.42	7.52
$1 under $100,000	10.94	10.67	9.76	8.30	10.23	9.63
$100,000 under $1,000,000	7.25	9.03	8.03	7.61	6.49	6.66
Medium foundations						
$1,000,000 under $50,000,000, total	6.43	8.19	6.69	6.05	5.62	5.70
$1,000,000 under $10,000,000	6.50	8.37	6.79	6.23	5.63	5.74
$10,000,000 under $50,000,000	5.84	7.23	6.05	5.51	5.39	5.40
Large foundations						
$50,000,000 or more, total	5.91	6.62	5.34	5.32	5.00	5.08
$50,000,000 under $100,000,000	n.a.	6.68	5.67	5.64	5.11	5.17
$100,000,000 or more	n.a.	6.45	5.00	5.10	5.00	5.02

n.a. - not available

NOTE: Data were available only for the years 1974, 1982, 1983, 1985, 1986, and 1987. Data for both the $50,000,000 under $100,000,000 and the $100,000,000 or more categories were not available for 1974.

average value of noncharitable-use (net investment) assets, on which the payout requirement is based, also increased at a slower rate than in previous years. Since distributions increased at a faster rate than assets, a slight increase in the payout rate resulted in 1987 [24]. Due, in part, to prior grantmaking commitments and high returns realized in 1986, foundations did not tend to readjust their payout rates downward in 1987.

For 1987, 71 percent of all foundations distributed more for charitable purposes than required by the payout law. The smaller foundations, in particular, are more likely to exceed the payout requirement by a greater percent. Those foundations with less than $1 million in assets represent the only group with a payout rate greater than the total median rate for all of the years shown. This occurred, in part, since the amount of noncharitable-use assets held by small foundations tends to represent a smaller proportion of total assets than for the larger foundations. Also, small foundations receive a relatively large amount of charitable contributions and then often act as a conduit by redistributing them within a year. In this manner, the amount of contributions received by foundations each year affects the amount of grants that they distribute. For instance, the decline in the median payout rate from 1986 to 1987 for those foundations with under $100,000 in assets, may have resulted, in large part, from the drop in contributions received. Due to different distribution patterns and goals, the smaller foundations most often realize higher payout rates.

Comparing the amount of charitable distributions actually given with the required amount, for 1987, 35 percent of foundations distributed more than double the required payout amount while 13 percent distributed over ten times that amount. As expected, a majority of these foundations were in the smaller asset size categories. Distributions exceeded the required amount by 291 percent in the case of foundations with under $1 million in assets. This compares with 46 percent for all foundations. These characteristics are representative of foundation behavior after the enactment of ERTA.

INVESTING BEHAVIOR

Rate of Total Return

In order to fund charitable activity, most often in the form of grantmaking, a foundation invests its endowment to realize a return on assets that fulfills the 5-percent charitable payout requirement. To fulfill the payout requirement without an erosion of the endowment, a foundation must engage in skillful investment and risk management in order to realize a rate of return equal to 5 percent plus the rate of inflation. Sound investment management will often enable a foundation to support a stable or growing endowment which will secure a permanent existence for the foundation as a charitable organization. For this reason, foundations do have the incentive to maximize their return on investments. Although they do not distribute dividends or income to shareholders, and thus, are not accountable in this manner, they are indirectly accountable to a strong donor desire to perpetuate the endowment of the foundation.

A comparison of the payout rate to the rate of total return helps to explain changes in the relative growth or decline of foundation assets from year to year. The rate of total return formula measures the change in the value of the entire asset base with consideration for inflows and outflows of money. It accounts for the realized income from the assets (investment and otherwise) as well as the unrealized capital appreciation of the endowment [25]. (The net investment income yield, or "NII" yield, examined later, shows only the realized gain or loss from investment assets.)

The rates of total return for 1983-1987 (Figure G) indicate that the median rate of return tends to differ from the median payout rate. Although larger foundations distribute proportionately less than smaller foundations, the rate of return tends to increase as the size of the foundation increases. The larger foundations hold a greater proportion of their assets as investment securities and seem to invest more with the goals of capital appreciation and long-term giving. These foundations also possess the necessary resources to seek the assistance of sophisticated investment consultants. These organizations tend to maintain a greater proportion of lower-income yield, higher-risk, and higher-growth common stock [26]. Since these types of holdings appreciate faster, higher rates of total return for the larger foundations result. The smaller foundations seem to invest with the intention of distributing relatively large charitable contributions currently. This group tends to hold lower risk and higher, fixed-income yield assets that do not appreciate nearly as rapidly [27]. This results in lower relative returns for these foundations.

Foundations realized high rates of total return from 1983 to 1986 (Figure G). Market conditions during these years proved very favorable to investors. For 1983, the largest foundations (those with $100 million or more in assets) earned a real rate of 11.7 percent and for 1986, 13.9 percent. After accounting for the relatively low inflation from 1983 through 1986, all of these size groups show a rate of return on assets well above the 5-percent payout requirement. The 1987 data, however, show different investment results. After inflation, foundations earned well under the minimum desired 5 percent rate of return. For instance, the largest foundations earned only 1.4 percent. This resulted, in large part, from the sharp stock market decline in October 1987.

During the years 1983-1986, foundations, as an aggregate, realized substantially higher returns than payout rates. This contributed to the growth of aggregate foundation assets. However, for 1987, foundations with $1 million or more in assets, as a group, paid out more for charitable purposes than what they earned as total returns on assets. This led to the decline in the value of aggregate foundation assets from 1986 to 1987. It will prove interesting to evaluate 1988 data to ascertain whether or not foundations adjusted their payout percentages downward in response to the unusually low 1987 returns.

Income Yield

While the rate of total return measures the change in the value of the entire endowment, the income yield measures only the realized investment income earned by a foundation. The net investment income yield, or NII yield, is calculated by dividing net investment income by the end-of-year fair market value of investment assets. Investment assets include savings and temporary cash investments; securities; land, buildings and equipment; mortgage loans; and "other" investments. NII yields for the different size groups of foundations vary for selected years from 1974 to 1987 (Figure H).

The larger foundations tend to earn higher NII yields than the smaller foundations. The NII yields of the larger foundations exceeded those of the smaller ones for all of the years shown with the exception of 1982. The NII yield includes net (long-term) capital gains from the sale of assets. This relatively large source of income accounts for a greater proportion of the NII of the larger foundations than of the smaller foundations; and, therefore, helps to explain part of the disparity in the NII yields between the small and large foundations. The increases in NII yields after 1982 may indicate that foundations, especially the medium- and large-sized groups, began to adjust their investment styles following the enactment of ERTA. Prior to ERTA, high income-producing investments, other than long-term capital gains, may have caused higher required distributable amounts.

A comparison of the NII yields with the rates of total return on assets shows that the NII yields tended to be less than the total rates of return for 1983 through 1986. The difference in the total returns and the NII yields indicates unrealized growth in assets between these years, since the NII yield does not account for the unrealized appreciation or depreciation of assets. However, for 1987, the year of the stock market decline and resultant low rates of total return, the NII yields, although they did drop from 1986, actually exceeded the total rates of return for that year. This shows the unrealized loss that occurred for 1987. The difference between the two measures may have occurred, in part, due to foundations that sold securities and realized large gains from January 1987 until the October stock market decline that led to decreased end-of-year asset values.

ASSETS, DISTRIBUTIONS AND DECISION-MAKING

In the very favorable market environment during most of the mid-1980's, which was accompanied by low inflation and interest rates, foundations realized rates of total return that easily allowed them to both meet the payout requirement and increase the value of their endowments. Total nonoperating foundation assets and charitable distributions increased in real terms by 56 and 38 percent, respectively, over the 1982-1987 period. The amount of the real increases equaled $31.7 billion in assets and $1.7 billion in distributions. After the enactment of ERTA, from 1982 to 1986, nonoperating foundation assets grew considerably, by 58.1 percent. However, from 1986 to 1987

Figure G.—Nonoperating Foundation Rates of Total Return on Assets, 1983-1987

Size of fair market value of total assets	Median rates of return[1]			
	1983	1984-85 (2-year span)	1986	1987
	(1)	(2)	(3)	(4)
$1 under $1,000,000	n.a.	n.a.	n.a.	n.a.
$1,000,000 under $10,000,000	6.39%	25.30%	9.02%	1.29%
$10,000,000 under $25,000,000	9.21	31.17	11.21	-0.08
$25,000,000 under $50,000,000	9.47	34.27	11.39	2.33
$50,000,000 under $100,000,000	9.95	38.58	11.75	1.11
$100,000,000 or more	11.69	29.56	13.94	1.36

n.a. - not available

[1] The GNP implicit price deflator was used to adjust for inflation.

Figure H. – Nonoperating Foundation Net Investment Income (NII) Yields, Selected Years, 1974-1987

Size of fair market value of total assets	Median net investment income yields[1]					
	1974[2]	1982	1983	1985	1986	1987
	(1)	(2)	(3)	(4)	(5)	(6)
Total	**-3.37%**	**2.31%**	**4.47%**	**4.78%**	**4.74%**	**3.89%**
Small foundations						
$1 under $1,000,000, total	-3.45	2.31	4.34	4.61	4.19	3.61
$1 under $100,000	-3.74	2.27	3.90	4.50	3.59	3.05
$100,000 under $1,000,000	-3.05	2.43	4.38	4.95	5.07	4.06
Medium foundations						
$1,000,000 under $50,000,000, total	-2.74	2.49	5.04	5.71	6.29	4.89
$1,000,000 under $10,000,000	-2.78	2.66	5.00	5.71	5.95	4.74
$10,000,000 under $50,000,000	-2.27	1.52	5.48	6.00	8.25	5.99
Large foundations						
$50,000,000 or more, total	-2.46	1.67	5.53	6.84	7.70	5.63
$50,000,000 under $100,000,000	n.a.	2.54	5.63	7.01	8.37	5.65
$100,000,000 or more	n.a.	0.58	5.06	6.56	7.08	5.53

n.a. - Not available

[1] The GNP implicit price deflator was used to adjust for inflation.

[2] The calculation for 1974 divides net investment income by book value of investment assets. For all other years net investment income is divided by the fair market value of investment assets. The use of fair market values, unavailable for 1974, would have lowered the rates from those calculated and most likely affected the differences between the small and large foundations.

NOTE: Data were available only for the years 1974, 1982, 1983, 1985, 1986, and 1987. Data for both the $50,000,000 under $100,000,000 and the $100,000,000 or more categories were not available for 1974.

assets declined by 1 percent. Likewise, distributions grew, with an uncharacteristic decline in the rate of growth only from 1986 to 1987. Relatively high foundation growth as compared to growth in the Gross National Product, the effects of the change in the payout requirement, and differences in the growth rates of different sizes of foundations, all may indicate that the 1981 Economic Recovery Tax Act has had an effect on the increased rate of growth of foundation assets and distributions.

As the size of a foundation increases, asset values tend to increase at faster rates. Since the larger foundations tend to earn relatively high rates of total return and pay out relatively low percentages of assets, the larger foundations increased their assets at a faster rate than did the smaller ones during the 1982-1987 period. The smallest group, during this period, is the only one that paid out qualifying distributions at a rate faster than the growth in their assets. This group, in fact, experienced larger percentage increases in charitable distributions for 1982-1987 than all of the other groups, with the exception of the largest. Due to their large increases in assets and an ability to better withstand market swings, since ERTA, the largest foundations not only have increased assets at the greatest rate, but also distributions. (For a description of changes in assets and distributions for operating foundations, see the Notes and References section [28].)

Foundations assume somewhat different roles and behave accordingly, depending upon their size. The disparity between 1987 and the earlier years may shed light on the nature of the decision-making processes of nonoperating foundations. The question arises: does the rate of total return (and possibly the NII yield) in one year affect the payout rate of the next year? In other words, do certain foundations respond to low rates of return with low payout rates or to high returns with high payout rates? And, do these patterns differ with the size of the foundation?

It appears that the investment returns of smaller foundations may affect, at least in part, the amount of charitable dollars distributed in the following year. For instance, among other reasons, the smallest foundations may have responded to relatively low NII yields for 1982 by paying out distributions at lower rates in 1983 than in 1982. However, the smaller foundations also tend to rely, in large part, on the amount of contributions received in order to help fund their charitable grantmaking. For instance, decreases in the amount of contributions received for 1987 may have led to the slower rate of increase in charitable distributions for that same year. The smaller foundations tend to distribute proportionately large amounts in the present, based on contributions received, investment returns, and income yields.

Conversely, the goal of a more predetermined payout policy appears to drive the operations and investment policies of the larger foundations. They better manage their investments and distribute dollars in such a way as to promote long-run growth of the endowment. A growing endowment will fund charitable grants at the same or at an increased value in the future. These foundations tend to distribute charitable dollars at relatively consistent payout rates irrespective of changing rates of return. For example, the larger foundations continued to pay out charitable dollars at a consistent rate in 1987 despite low rates of total return and declining assets in that year. These foundations tend to operate with a more planned and structured payout policy. A future examination of payout practices in 1988 after the unusually low investment returns of 1987 will provide more definitive insights into the investment and distribution goals and behavior of the different sizes of foundations.

SUMMARY

Total private foundation revenue fell by 17.2 percent in 1986 dollars, or $3.4 billion, from 1986 to 1987. Both contributions received and net gain (less loss) from sales of assets declined significantly in real terms, by 28.4 percent and 22.8 percent, respectively, when comparing 1986 to 1987. Interest and dividends, two significant components of total revenue, did increase, although by relatively small percentages. These losses for 1987 occurred after foundations realized large real increases between 1985 and 1986 in revenue, net gains from sales of assets, and contributions received, 18.9, 32.9, and 27.6 percent, respectively.

The poor market returns in 1987, following the October stock market decline, most likely affected the net gain (less loss) from sales of assets; net losses nearly tripled while net gains decreased by almost 20 percent. The stock market decline and the changes implemented under the 1986 Tax Reform Act may also have reduced contributions to foundations. The general decline in the market value of securities that occurred in the last quarter of 1987 reduced the value of the tax benefit of donating securities to foundations. And, the changes implemented under the 1986 Tax Reform Act, by lowering marginal tax rates, decreased the value of the tax deduction for charitable contributions. The decreases in these components of foundation revenue contributed to the real decline in the fair market value of total assets.

Along with decreases in revenue, the effect of the 1987 stock market decline largely contributed to the 2.1-percent real decline in end-of-year total foundation assets, or the drop from $113.2 billion for 1986 to $110.8 billion for 1987. Likewise, investments in securities declined by 2.7 percent in real terms, from $87.0 billion to $84.7 billion. The significant drop in the rates of total return between 1986 and 1987 confirms the effect of these losses. For nonoperating foundations with $100 million or more in assets, the median rate of total return dropped from 13.9 percent to 1.4 percent. Although the largest foundations realized the greatest rates of return and increases in assets since the Economic Recovery Tax Act of 1981, from 1986 to 1987 these foundations realized a decline in assets. The assets of the smallest foundations, however, actually increased from 1986 to 1987.

Despite the decreases in assets and investments, the amount of constant-dollar grants paid by all foundations increased by 5.8 percent from 1986 to 1987, although at a slower rate of increase than the prior year. Real qualifying charitable distributions (by nonoperating foundations) increased by 5.3 percent, as opposed to the 15.0-percent increase realized from 1985 to 1986. From 1986 to 1987, the largest foundations increased distributions at a rate over twice that of the 5.3-percent total rate, while the smallest foundations increased distributions at a rate 4 percentage points below the total. Also, the total payout rate did increase slightly, from 6.9 percent for 1986 to 7.0 percent for 1987. The payout rates help to explain the total decline in the value of foundation assets for 1987, as foundations tended to pay out charitable dollars at a rate greater than their rate of total return on assets. The results from 1986 to 1987 differ significantly from those between 1983-1986, when foundations realized high rates of total return and significant increases in assets, revenues, and distributions. In order to fund charitable distributions at an increased rate in both the present and the future, foundations rely heavily on the growth of their endowments.

DATA SOURCES AND LIMITATIONS

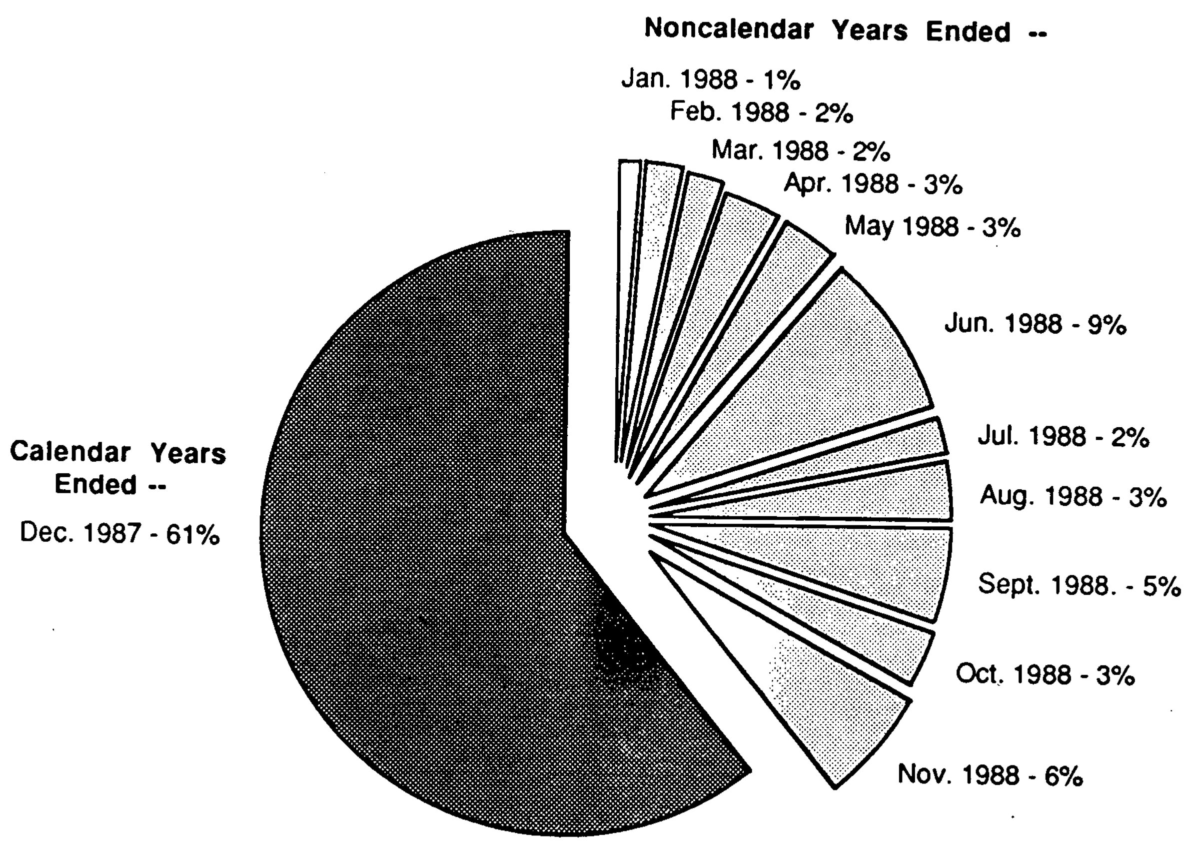
The statistics in this article are based on samples of Tax Year 1986 and 1987 private foundation returns, Forms 990-PF, filed with the Internal Revenue Service (IRS). The 1987 Form 990-PF was required to be filed by organizations which had accounting periods beginning in that year (and therefore ending, in general, December 1987 through November 1988). A corresponding filing requirement applied to the 1986 Forms 990-PF. Some part-year returns were included in the samples for organizations that changed their accounting periods, or filed initial or final returns. Figure I shows the distribution of the 12 accounting periods covered by the 1987 statistics. Approximately 61 percent of the foundations' accounting periods cover either Calendar Year 1987 or any part-year periods ending December 1987. The remaining 11 noncalendar year accounting periods, when grouped together, spread over a period of time that ranges from February of 1987 to November of 1988 (and may also include some part-year periods). While the majority of the 1987 data are for Calendar Year 1987, 39 percent of the data were reported for noncalendar periods that go beyond the end of Calendar Year 1987. In total, however, most of the financial activity is associated with 1987.

Returns filed by nonexempt charitable trusts and certain taxable foundations were excluded from the statistics for both 1986 and 1987. The two samples were stratified based on size of book value of total assets. The 1987 sample was selected at rates that ranged from 7.4 percent (for the more numerous but very small asset-size returns) to 100 percent (for the relatively few returns with large amounts of assets). Selection rates for the 1986 sample ranged from 5.0 percent to 100 percent. The 4,785 returns in the 1987 sample were drawn from an estimated population of 35,907. For 1986, a sample of 2,934 returns was drawn from an estimated population of 35,172.

The 1986 and 1987 samples were designed to provide the most reliable estimates of total assets and total revenue based on a small number of returns. The methodology employed was to include in the samples all returns with assets (book value) of $10 million or more, since these were the returns that dollar-wise accounted for most foundation activity. For example, the 1,155 sample returns for 1987 in this group accounted for approximately 24 percent of all the returns in the sample and 77 percent of the book value of the estimated total assets of all foundations. The remaining 3,630 returns in the 1987 sample were randomly selected at various rates, depending on the asset size. A similar sample selection procedure was followed for 1986 returns.

The population from which the 1986 and 1987 samples were drawn consisted of private foundation records posted to the IRS Business Master File between 1987 and 1989. Some of the records designated were for organizations that were deemed inactive or terminated. Inactive

Figure I
Private Foundation Accounting Periods, 1987



NOTE: Calendar and noncalendar periods may include returns filed for only part of a year because of initial and final filings and changes of accounting period.

and terminated private foundations are not reflected in the estimates. For the small number of large private foundations for which a desired study-year return had not yet been filed or was otherwise unavailable for inclusion in the study, either prior-year returns were substituted or data were estimated using other returns having similar characteristics.

The data presented were obtained from returns as originally filed. In most cases, changes made to the original return as a result of an IRS examination or a taxpayer amendment were not incorporated into the data base. Because the data presented are estimates based on a sample, they are subject to sampling and nonsampling error. To use the statistical data properly, the magnitude of the sampling error should be known. Coefficients of variation (CV's) are used to measure that magnitude.

Figure J presents, for Tax Years 1986 and 1987, approximate coefficients of variation for frequency estimates of private foundation returns with less than $10 million in assets. Returns with assets of $10 million or more were selected at a prescribed rate of 100 percent; therefore, this category is not subject to sampling error. The approximate CV's shown here are intended only as a general indication of the reliability of the data. For a number other than those shown, the corresponding CV's can be estimated by interpolation.

Figure J.—Coefficient of Variation for Frequency Estimates, Tax Years 1986 and 1987

Estimated number of returns by size of book value of total assets: Under $100,000 or not reported	$100,000 under $1,000,000	$1,000,000 under $10,000,000	Approximate coefficient of variation
(1)	(2)	(3)	(4)
Return year 1986			
15,400	12,400	5,000	.010
10,800	9,100	4,200	.025
5,200	4,700	2,600	.050
2,800	2,600	1,600	.075
1,700	1,600	1,000	.100
800	800	500	.150
300	300	200	.250
Return year 1987			
14,700	12,100	4,800	.010
9,200	7,400	2,700	.025
3,900	3,100	1,100	.050
2,000	1,600	500	.075
1,200	900	300	.100
600	400	100	.150
200	200	100	.250

NOTE: Because returns with total assets $10 million or more were prescribed for selection at the 100-percent rate, coefficients of variation for them were not computed.

A discussion of the reliability of estimates based on samples and the use of coefficients of variation for evaluating the precision of sample estimates can be found in the general Appendix to this publication.

EXPLANATION OF SELECTED TERMS

The following explanations describe terms as they applied to private foundations for 1986 and 1987.

Adjusted Net Income.--In general, this was the amount by which a private foundation's gross income exceeded the expenses associated with earning the income. Included were all amounts derived from, or connected with, property held by the foundation, such as net short-term capital gain (on sales of assets held 12 months or less), ordinary investment income (dividends and interest, rents and royalties), income from amounts set aside for future charitable use, income from all charitable functions, or unrelated trade or business activity income. Excluded were contributions received and long-term capital gains (or losses). This item was reported on Form 990-PF, Part I, line 27c, column (c).

Assets Zero or Unreported.--Included in this asset size category were: (1) final returns of liquidating or dissolving foundations which had disposed of all assets, and (2) returns of foundations not reporting end-of-year assets that had apparently distributed all assets and income received during the year.

Disbursements for Charitable Purposes.--These deductions represented grants paid and other expenditures for activities that were directly related to the tax-exempt purposes of the foundation. Included were necessary and reasonable administrative expenses paid for charitable, scientific, educational, or other similar purposes. These amounts were determined solely on the cash receipts and disbursements method of accounting, as required by law and regulations. This item was reported on Form 990-PF, Part I, line 26, column (d).

Disqualified Persons.--With respect to engaging in prohibited transactions, such as "self-dealing," with a private foundation, the following were considered disqualified persons: (1) all substantial contributors to the foundation (generally, those who contributed an amount over $5,000 which was more than 2 percent of total contributions received by the foundation); (2) foundation officers, directors, trustees, or managers; (3) an owner of more than a 20 percent interest (voting power, profits interest, or beneficial interest) in an organization which was a substantial contributor to the foundation; (4) a member of the family of any individual described in (1), (2), or (3), above (including spouse, ancestors, children, grandchildren, great-grandchildren, and spouses of children, grandchildren and great-grandchildren, but not brothers or sisters); (5) organizations in which persons described in (1) through (4), above, held more than a 35-percent interest; (6) another private foundation, for purposes of the tax on excess business holdings, which was effectively controlled by a person or persons in control of the foundation in question; and (7) a government official, for purposes of the tax on "self-dealing."

Distributable Amount.--This was the minimum payout amount which was required to be distributed by the end of the year following the year for which the return was filed in order to avoid the excise tax for failure to distribute income currently. The distributable amount was computed as 5 percent of net investment assets, called the "minimum investment return," minus taxes on net investment income and "unrelated business income," plus or minus other adjustments, either allowed or required. (See "Net Adjustments to Distributable Amount.") This item was reported on Form 990-PF, Part X, line 7.

Excess Distributions Carryover.--The excess amount distributed, after fulfilling the charitable payout requirement, that equaled the excess of qualifying distributions over the distributable amount. This amount could be carried forward to the following year from both the current year and the 4 prior years in order to be applied to the distributable amount in future years. This item was reported on Form 990-PF, Part XIV, line 9.

Excess Grant Administrative Expenses.--This was the amount of grantmaking administrative expenses incurred by a foundation, in the charitable grantmaking process, that exceeded the amount which could be applied to either the charitable payout requirement (imposed on nonoperating foundations) or the income test (imposed on operating foundations). The 1984 Deficit Reduction Act required that only the portion of grant administrative expenses incurred by a foundation that did not exceed 0.65 percent of a three-year average of noncharitable-use assets could be treated as qualifying distributions. Any grant administrative expenses in excess of the 0.65 percent calculation could not be treated as qualifying distributions. This temporary limitation on grantmaking expenses expired on December 31, 1990. Beginning with the 1991 tax year, foundations no longer will be subject to this requirement. This item was reported on Form 990-PF, Part XIII, line 5.

Inventories.--The value of materials, goods, and supplies purchased or manufactured by the organization and held to be sold or used in some future period. This item was reported on Form 990-PF, Part II, line 8, columns (a) (beginning-of-year book value), (b) (end-of-year book value), and (c) (end-of-year fair market value).

Land, Buildings, and Equipment, Charitable-use.--The book value or fair market value (less accumulated depreciation) of all land, buildings and equipment not held for investment purposes. Included were any property, plant or equipment owned and used by the organization in conducting its charitable activities. This item was reported on Form 990-PF, Part II, line 14, columns (a) (beginning-of-year book value), (b) (end-of-year book value), and (c) (end-of-year fair market value).

Land, Buildings, and Equipment, Investment-use.--The book value or fair market value (less accumulated depreciation) of all land, buildings and equipment held for investment purposes, such as rental properties. This item was reported on Form 990-PF, Part II, line 11, columns (a) (beginning-of-year book value), (b) (end-of-year book value), and (c) (end-of-year fair market value).

Minimum Investment Return.--This was the aggregate fair market value of assets not used for charitable purposes, less both indebtedness incurred to acquire those assets and cash held for charitable activities, multiplied by 5 percent. The minimum investment return was used as the base for calculating the "distributable amount." This item was reported on Form 990-PF, Part IX, line 6.

Net Adjustments to Distributable Amount.--Adjustments that increased the "distributable amount" consisted of increases attributable to the income portion (as distinct from the principal portion) of distributions from split-interest trusts on amounts placed in trust after May 26, 1969. (A split-interest trust was a trust which was not exempt from tax; not all of whose interests were devoted to charitable, religious, educational, and like purposes; but which had amounts in trust for which a charitable contribution deduction was allowed.) Recoveries of amounts previously treated as qualifying distributions also had to be added back to the distributable amount.

Adjustments that decreased the distributable amount were the result of income required to be accumulated as part of an organization's governing instrument. These adjustments were allowed only to foundations organized before May 27, 1969, whose governing instrument continued to require the accumulation, since State Courts would not allow the organization to change its governing instrument. These items were reported on Form 990-PF, Part X, lines 4a, 4b, and 6.

Net Gain (or Loss) from Sale of Assets.--Included was profit or loss from sales of items such as securities, land, buildings, or equipment. Gain or loss reflected the amount shown on the books of the foundation and included any amount from the sale of property used for both investment and tax-exempt purposes. Most of the gain or loss was from sales of stocks and bonds. Profit or loss from the sale of inventory items was included in gross profit (loss) from business activities. This item was reported on Form 990-PF, Part I, line 6, column (a).

Net Investment Income.--This was the amount by which the sum of gross investment income plus capital gain net income exceeded allowable deductions. Included in investment income were interest, dividends, rents, payments with respect to securities loans, and royalties. Excluded were tax-exempt interest on governmental obligations and any investment income derived from unrelated trade or business activities, subject to the unrelated business income tax reported on Form 990-T. This item was reported on Form 990-PF, Part I, line 27b, column (b).

Noncharitable-use Assets (Net Investment Assets).--For purposes of calculating "minimum investment return," only the average, rather than end-of-year, fair market value of assets that were not used or held for use for tax-exempt purposes entered into the computation. An asset was not used directly in carrying out the foundation's exempt purpose if it was not used in carrying on a charitable, educational, or other similar function which gave rise to the exempt status of the foundation. Examples would be the fair market value of securities and rental property owned by the foundation for investment purposes. This item was reported on Form 990-PF, Part IX, line 5.

Nonoperating Foundations.--These were organizations that generally carried on their charitable activities in an indirect manner by making grants to other organizations that were directly engaged in charitable activities, in contrast to those (operating foundations) engaged in charitable activities themselves. However, some nonoperating foundations were actively involved in charitable programs, in addition to making grants. Nonoperating foundations were subject to an excise tax (and possible additional penalties) for failure to distribute an annual minimum amount for charitable purposes within a required time period.

Operating Foundations.--These foundations generally expended their income for direct, active involvement in a tax-exempt activity, such as operating a library or museum, or conducting scientific research. To qualify as an operating foundation for a particular taxable year, a private foundation had to spend at least 85 percent of the lesser of its adjusted net income or minimum investment return on the direct, active conduct of exempt-purpose activities (the "income test") and satisfy one of three other tests termed the "assets test," the "endowment test," and the "support test." Operating foundations were excepted from the income distribution requirement, and its related excise taxes, applicable to nonoperating foundations.

Distributions made by a private nonoperating foundation to an operating foundation qualified toward meeting the nonoperating foundation's distribution requirement. (Distributions made by one nonoperating foundation to another were subject to a number of conditions and restrictions requiring a "pass-through" of the distribution, whereby the donor foundation received credit for a qualifying distribution but the donee foundation did not.) Additionally, contributions to operating foundations were deductible on individuals' income tax returns, limited to 50 percent of their adjusted gross income (as opposed to 30 percent for contributions to nonoperating foundations).

Other Assets.--Assets reported as "Other" included: (1) those assets not allocable to a specific asset item on the Form 990-PF balance sheet or not included elsewhere on the return, and (2) certain amounts given special treatment in the course of statistical processing. The first category included such items as: construction reserve land, deferred income, dividends receivable, escrow deposits, income tax refunds, interest discounts, interest-free loans, overdraft protection, and program-related investments. The second category included amounts reported by the return filer as negative liabilities. This item was reported on Form 990-PF, Part II, line 15, columns (a) (beginning-of-year book value), (b) (end-of-year book value), and (c) (end-of-year fair market value).

Other Investments.--Investments reported as "Other" included such items as: advances; bank certificates; cash values of life insurance; certificates of investment; investments in art, coins, gold, gems, and paintings; miscellaneous loan income; and patronage dividends. This item was reported on Form 990-PF, Part II, line 13, columns (a) (beginning-of-year book value), (b) (end-of-year book value), and (c) (end-of-year fair market value).

Private Foundation.--A nonprofit corporation, association, or trust with a narrow source of funds which operated or supported social, educational, scientific, charitable, religious, and other programs dedicated to improving the general welfare of society. By law, a private foundation was an organization which qualified for tax-exempt status under Internal Revenue Code section 501(c)(3) and was not a church; school; hospital; medical research organization; an organization with broad public support in the form of contributions or income from tax-exempt activities; an organization which was operated by, or in connection with, any of the above described organizations; or an organization which tested for public safety. The primary difference between a private foundation and a public charity lay in the sources of each organization's funding. A foundation usually received its funds from an individual, a family, or a corporation, while, as the name implies, a public charity received its funds mainly from a large number of sources within the general public.

Qualifying Distributions.--Included were grants, direct expenditures to accomplish charitable purposes, charitable-purpose operating and administrative expenses, amounts paid to acquire assets used directly to accomplish tax-exempt functions, charitable program-related investments, and amounts set aside for future charitable projects. Qualifying distributions were creditable against the foundation's obligation to pay out its "distributable amount." This item was reported on Form 990-PF, Part XIII, line 6.

Total Assets.--This was the sum of all assets reported in the foundation's end-of-year balance sheet, shown at both book value and fair market value. This item was reported on Form 990-PF, Part II, line 16, columns (a) (beginning-of-year book value), (b) (end-of-year book value), and (c) (end-of-year fair market value).

Total Expenses.--This was the sum of contributions, gifts, and grants paid plus various operating and administrative expenses related to both investment and charitable-purpose activities. This item was reported on Form 990-PF, Part I, line 26, column (a).

Total Revenue.--This was the sum of gross contributions, gifts and grants received; interest and dividends from securities, savings, and temporary cash investments; net gain (less loss) from sales of assets (mostly investment assets, but could include charitable-use assets); gross rents and royalties; gross profit (or loss) from business activities; and other miscellaneous income. Total revenue items were reported as shown on the books and records of the foundation and were based on either the cash receipts or accrual method of accounting. This item was reported on Form 990-PF, Part I, line 12, column (a).

Undistributed Income.--The required amount remaining undistributed, after application of the charitable payout requirement, that equaled the excess of the distributable amount over the sum of total qualifying distributions and any excess distributions carryover from prior years applied to the distributable amount. Sanctions were imposed in the form of penalty taxes on private foundations that did not pay out an amount equal to the distributable amount by the end of the following tax year. This item was reported on Form 990-PF, Part XIV, line 6f, column (d).

NOTES AND REFERENCES

[1] All references to assets are stated at their fair market value unless book value is specifically noted.

[2] For 1987, the aggregate total revenue of private foundations consisted of interest and dividends from securities, savings, and temporary cash investments (32.6 percent), net gain (less loss) from sales of assets (32.5 percent), contributions, gifts and grants received (30.9 percent), and other miscellaneous types of income (4.0 percent). "Total revenue" and other terms, as they apply to private foundations, are described and cross-referenced in the "Explanation of Selected Terms" section.

[3] For a description of the time periods covered by the 1986 and 1987 statistics, see the "Data Sources and Limitations" section of this article.

[4] All inflation-adjusted "constant dollar" or "real" figures cited in this article were derived using the Implicit Price Deflators for Gross National Product contained in Council of Economic Advisors, *Economic Report of the President*, February 1990, Table C-3. Unless otherwise noted, figures referred to as "current dollars" or "nominal" are not adjusted for inflation.

[5] For 1985 private foundation data, see Riley, Margaret, "Private Foundation Returns, 1985," *Statistics of Income Bulletin*, Summer 1989, pp. 27-43.

[6] Over three-quarters of total expenses for 1987 were contributions paid out and the remainder, operating and administrative expenses.

[7] The term "net gain (less loss)" refers to the aggregate total of all individual net gains reported minus all individual net losses reported.

[8] For an in-depth discussion of organizations, other than private foundations, which are tax-exempt under Internal Revenue Code section 501(c)(3), see

Hilgert, Cecelia, and Mahler, Susan J., "Nonprofit Charitable Organizations, 1985," *Statistics of Income Bulletin*, Fall 1989, Volume 9, Number 2, pp. 53-65.

[9] Programs termed "charitable" refer to any tax-exempt activities which are charitable, educational, scientific, social, literary, or religious in nature.

[10] Generally, the assets test was met if 65 percent or more of the foundation's assets were used directly for the active conduct of charitable activities. The endowment test was met if the foundation normally made distributions for the active conduct of charitable activities in an amount not less than two-thirds of its minimum investment return. The support test was met if substantially all of its support (other than gross investment income) was normally received from the public or five or more qualifying exempt organizations; no more than 25 percent of its support (other than gross investment income) was normally received from any one such qualifying exempt organization; and no more than half of its support was normally received from gross investment income.

[11] Some of the foundations classified as "nonoperating" for 1986 and 1987 were "failed public charities," organizations that were originally classified as public charities but that could no longer qualify for that favored status because they failed to maintain the required minimum of support from public sources. Most often, the reclassified nonoperating foundations continued to operate like public charities, conducting programs or providing direct services, as opposed to making grants to accomplish a charitable purpose. Perhaps many of these organizations could have qualified as operating foundations, but had not requested such status from the Internal Revenue Service.

[12] For a discussion of how tax law changes made under the Tax Reform Act of 1986 affected individuals for 1987, see Hostetter, Susan and Bates, Jeffrey, "Individual Income Tax Returns, Preliminary Data, 1987," *Statistics of Income Bulletin*, Spring 1989, Volume 3, Number 4, pp. 5-26.

[13] For example, a fully deductible $100 donation made for 1986 by an individual whose income was taxed at a rate of 50 percent would actually cost only $50 after the donation was claimed as a deduction from income on the individual's tax return ($50 in tax was saved by reducing taxable income by $100). The same $100 donation made by the individual for 1987, with a newly reduced income tax rate of 38.5 percent, would actually cost $61.50 (only $38.50 in tax would be saved on $100 deducted from taxable income).

[14] *Statistics of Income--1986, Individual Income Tax Returns,* U.S. Department of the Treasury, Internal Revenue Service, 1989.

[15] *Statistics of Income--1987, Individual Income Tax Returns*, U.S. Department of the Treasury, Internal Revenue Service, 1990.

[16] *Statistics of Income--1986, Corporation Source Book,* U.S. Department of the Treasury, Internal Revenue Service, 1989.

[17] *Statistics of Income--1987, Corporation Income Tax Returns*, U.S. Department of the Treasury, Internal Revenue Service, 1990.

[18] The amounts of "contributions received" and "total revenue" used to calculate the ratios in Figure D were reported in Part I, lines 1 and 12, respectively, column (a) of the Form 990-PF. "Investment income" was reported in Part I, line 12, column (b) and is the gross amount, before deductions for related expenses. "Grants paid" was reported in Part I, line 25, column (d).

[19] This represents the method used after the 1969 Act and up until 1982, when ERTA became effective.

[20] Salamon, Lester M. and Voytek, Kenneth P., *Managing Foundation Assets: An Analysis of Foundation Investment and Payout Procedures and Performance,* The Council on Foundations, 1989.

[21] *The Foundation Directory*, 11th edition, Loren Renz, editor, The Foundation Center, New York, 1987, p. xx.

[22] To calculate the payout rate, the amount of (adjusted) qualifying distributions was divided by the amount of the monthly average of net investment (or noncharitable-use) assets. This payout formula adjusts qualifying distributions with slight additions and subtractions that are made to the required "distributable amount" on the Form 990-PF, Return of Private Foundation. The formula also adjusts for excess distributions made in the past and applied to the requirement of the current filing year.

[23] Data were available only for the years 1974, 1982, 1983, 1985, 1986, and 1987.

[24] The volatile stock market no doubt affected the asset value of a foundation differently depending on its accounting period. For instance, since the payout rate depends on a monthly average of assets, those foundations using a calendar year accounting period for 1987 realized 9 relatively solid months prior to the October decline. The payout rate calculation, then, would account for both the positive and negative months.

[25] The rate of total return formula is the same as that used by Salamon and Voytek in a study on foundation assets for the years 1979-1983. See: Salamon and Voytek, *Ibid.*, p. 32. The formula is as follows:

RATE OF TOTAL RETURN =

((Ending Fair Market Value of Assets
- Beginning Fair Market Value of Assets*)
- (Contributions Received by the Foundation)
+ (Grants Paid by the Foundation
+ Operating and Administrative Expenses
+ Excise Tax Paid on Net Investment Income))

DIVIDED BY

(Beginning Fair Market Value of Assets
+ (Contributions Received / 2))

*The beginning fair market value of assets for any given year equals the ending fair market value reported on the prior year's return. Thus, in order to provide a consistent form of measurement by which to compare rates of return among different years, the ending fair market value of assets amounts (reported for both the year subject to the computation and the prior year) were used to compute the total rate of return.

To calculate the rate of total return shown in Figure G, private foundation information returns in data samples for consecutive years were matched in order to analyze both the beginning- and end-of-year fair market value data. The returns in the samples were matched by the employer identification number (EIN). Due to the lower sampling rates for the smaller foundations, the rate of matching the information returns for consecutive years was not high enough to ensure a proper level of statistical confidence. Therefore, the rate of return was only calculated for the medium- and large-sized foundations, those holding $1 million or more in assets. And, since 1984 returns were not sampled, calculating rates for 1984 and 1985 was not possible. However, by matching the 1983 and 1985 data files, median figures for the 2-year period were calculated.

[26] Salamon and Voytek, *Ibid.*

[27] Salamon and Voytek, *Ibid.*

[28] Operating foundations, although they realized smaller increases in assets and distributions than nonoperating foundations between 1982 and 1987, performed similarly during the same period. These organizations increased their real assets and distributions from 1982-1987 by 42 and 13 percent, respectively. Between 1986 and 1987, however, operating foundation assets declined 11 percent in 1986 dollars, a larger percentage than the 1-percent decline in total nonoperating foundation assets. And, unlike nonoperating foundations, operating foundations decreased their charitable distributions from 1986 to 1987, by 14 percent. Since operating foundations are not held accountable to a payout requirement, it is not surprising that their charitable distributions declined by a considerable amount for 1987. These foundations, then, did not increase assets by as much from 1982 to 1987, and did feel the effects of the 1987 decline more strongly.

Table 1A.—Number of Private Foundations and Selected Financial Data, by Type of Foundation and Size of Fair Market Value of Total Assets, 1986

[All figures are estimates based on a sample – money amounts are in thousands of dollars]

Size of fair market value of total assets	Number of returns	Total revenue		Total expenses		Excess of revenue (less loss) over expenses		Excess of revenue, total		Disbursements for exempt purposes		Contributions, gifts, and grants paid		Grant administrative expenses	
		Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
ALL FOUNDATIONS															
Total	**35,172**	**34,183**	**20,031,228**	**33,008**	**8,274,395**	**34,312**	**11,756,831**	**23,904**	**12,449,741**	**30,082**	**7,109,100**	**27,615**	**6,205,413**	**19,268**	**391,187**
Zero or unreported	1,215	1,024	60,308	1,122	135,911	951	-75,603	*216	*240	772	133,053	680	130,406	526	1,448
$1 under $100,000	13,771	13,069	376,791	12,398	406,572	13,313	-29,782	8,046	122,537	10,791	388,381	9,409	360,220	6,500	14,151
$100,000 under $1,000,000	13,167	13,086	1,482,104	12,568	710,055	13,059	772,049	9,625	876,005	11,770	632,782	11,080	515,407	7,176	39,275
$1,000,000 under $10,000,000	5,730	5,717	4,040,566	5,638	1,732,485	5,702	2,308,081	4,846	2,448,441	5,493	1,477,917	5,266	1,315,190	3,993	56,722
$10,000,000 under $25,000,000	713	712	2,213,381	709	940,386	712	1,272,995	658	1,326,699	698	857,281	644	734,107	573	49,427
$25,000,000 under $50,000,000	270	269	1,831,520	267	738,318	269	1,093,202	240	1,157,320	258	645,640	248	564,412	231	34,432
$50,000,000 under $100,000,000	155	155	1,812,129	155	741,231	155	1,070,898	137	1,097,883	151	597,795	142	504,615	130	38,221
$100,000,000 or more	151	151	8,214,429	151	2,869,438	151	5,344,991	136	5,420,615	150	2,376,251	145	2,081,057	139	157,511
Nonoperating foundations															
Total	**32,405**	**31,528**	**18,048,034**	**30,536**	**7,362,313**	**31,602**	**10,685,720**	**22,061**	**11,364,142**	**28,109**	**6,550,601**	**26,408**	**6,115,906**	**18,485**	**312,487**
Zero or unreported	1,108	946	56,380	1,016	132,131	859	-75,751	*151	*73	730	131,386	666	130,028	512	1,350
$1 under $100,000	12,474	11,841	357,242	11,335	387,913	12,043	-30,671	7,277	114,299	9,848	372,421	8,760	349,084	6,184	13,541
$100,000 under $1,000,000	12,344	12,278	1,323,881	11,805	583,482	12,251	740,398	9,051	842,281	11,221	524,963	10,764	497,655	6,867	18,128
$1,000,000 under $10,000,000	5,350	5,336	3,531,323	5,258	1,430,595	5,321	2,100,727	4,566	2,238,464	5,196	1,364,383	5,111	1,292,940	3,908	46,901
$10,000,000 under $25,000,000	609	608	2,003,154	605	827,437	608	1,175,717	556	1,228,637	602	770,845	596	727,472	530	35,562
$25,000,000 under $50,000,000	245	244	1,673,356	242	658,106	244	1,015,250	218	1,077,730	238	599,731	237	560,431	223	28,918
$50,000,000 under $100,000,000	138	138	1,658,877	138	643,483	138	1,015,394	120	1,042,379	137	542,963	137	502,584	128	28,088
$100,000,000 or more	137	137	7,443,821	137	2,699,167	137	4,744,654	122	4,820,279	137	2,243,909	137	2,055,711	133	139,999
Operating foundations															
Total	**2,767**	**2,654**	**1,983,194**	**2,472**	**912,082**	**2,710**	**1,071,112**	**1,843**	**1,085,600**	**1,973**	**558,499**	**1,207**	**89,506**	**783**	**78,700**
Zero or unreported	*106	*78	*3,928	*106	*3,780	*92	*148	*64	*167	*42	*1,667	*14	*377	*14	*98
$1 under $100,000	1,298	1,228	19,549	1,063	18,659	1,270	889	769	8,238	942	15,960	649	11,136	316	610
$100,000 under $1,000,000	823	808	158,223	763	126,573	808	31,650	575	33,724	549	107,820	317	17,752	309	21,147
$1,000,000 under $10,000,000	380	380	509,243	380	301,890	380	207,353	280	209,978	297	113,534	155	22,249	*85	*9,821
$10,000,000 under $25,000,000	104	104	210,227	104	112,949	104	97,278	102	98,062	96	86,436	48	6,634	43	13,865
$25,000,000 under $50,000,000	25	25	158,164	25	80,212	25	77,952	22	79,590	20	45,910	11	3,981	8	5,514
$50,000,000 under $100,000,000	17	17	153,252	17	97,748	17	55,504	17	55,504	14	54,832	5	2,031	2	10,133
$100,000,000 or more	14	14	770,608	14	170,272	14	600,337	14	600,337	13	132,341	8	25,348	6	17,512
GRANTMAKING FOUNDATIONS															
Total	**27,615**	**27,480**	**18,440,749**	**27,564**	**7,587,209**	**27,288**	**10,853,539**	**18,498**	**11,529,838**	**27,615**	**6,773,486**	**27,615**	**6,205,413**	**17,619**	**333,063**
Zero or unreported	680	652	55,678	680	131,453	574	-75,775	-	-	680	131,014	680	130,406	462	593
$1 under $100,000	9,409	9,303	287,861	9,409	370,609	9,297	-82,748	5,074	66,613	9,409	367,437	9,409	360,220	5,510	6,759
$100,000 under $1,000,000	11,080	11,080	1,073,304	11,080	582,620	10,987	490,684	7,873	590,059	11,080	544,084	11,080	515,407	8,680	24,363
$1,000,000 under $10,000,000	5,266	5,266	3,525,933	5,216	1,478,853	5,252	2,047,080	4,480	2,184,131	5,266	1,414,587	5,266	1,315,190	3,922	47,630
$10,000,000 under $25,000,000	644	644	2,031,094	644	848,498	644	1,182,596	594	1,233,572	644	794,071	644	734,107	551	36,284
$25,000,000 under $50,000,000	248	248	1,636,009	248	674,799	248	961,210	221	1,022,468	248	616,152	248	564,412	227	29,469
$50,000,000 under $100,000,000	142	142	1,693,766	142	665,760	142	1,028,006	125	1,054,885	142	561,297	142	504,615	129	30,453
$100,000,000 or more	145	145	8,137,103	145	2,834,618	145	5,302,486	130	5,378,110	145	2,344,844	145	2,081,057	139	157,511
Grantmaking-nonoperating foundations															
Total	**26,408**	**26,288**	**17,311,477**	**26,358**	**7,248,178**	**26,096**	**10,063,298**	**17,816**	**10,729,727**	**26,408**	**6,512,904**	**26,408**	**6,115,906**	**17,108**	**298,782**
Zero or unreported	666	638	55,203	666	130,977	574	-75,775	-	-	666	130,539	666	130,028	448	496
$1 under $100,000	8,760	8,668	281,362	8,760	358,112	8,648	-76,750	4,800	65,653	8,760	355,853	8,760	349,084	5,305	6,634
$100,000 under $1,000,000	10,764	10,764	1,027,309	10,764	552,809	10,670	474,499	7,646	572,533	10,764	515,329	10,764	497,655	6,482	15,409
$1,000,000 under $10,000,000	5,111	5,111	3,337,547	5,061	1,403,409	5,096	1,934,137	4,369	2,070,761	5,111	1,359,086	5,111	1,292,940	3,865	46,532
$10,000,000 under $25,000,000	596	596	1,954,452	596	818,677	596	1,135,776	546	1,186,751	596	767,255	596	727,472	525	32,709
$25,000,000 under $50,000,000	237	237	1,555,386	237	644,129	237	911,257	212	971,371	237	597,971	237	560,431	222	28,915
$50,000,000 under $100,000,000	137	137	1,656,399	137	640,898	137	1,015,500	120	1,042,379	137	542,963	137	502,584	128	28,088
$100,000,000 or more	137	137	7,443,821	137	2,699,167	137	4,744,654	122	4,820,279	137	2,243,909	137	2,055,711	133	139,999
Grantmaking-operating foundations															
Total	**1,207**	**1,193**	**1,129,272**	**1,207**	**339,031**	**1,193**	**790,241**	**682**	**800,111**	**1,207**	**260,582**	**1,207**	**89,506**	**511**	**34,281**
Zero or unreported	*14	*14	*475	*14	*475	-	-	-	-	*14	*475	*14	*377	*14	*98
$1 under $100,000	649	635	6,499	649	12,497	649	-5,998	274	960	649	11,584	649	11,136	204	125
$100,000 under $1,000,000	317	317	45,996	317	29,810	317	16,185	227	17,526	317	28,755	317	17,752	198	8,954
$1,000,000 under $10,000,000	155	155	188,386	155	75,444	155	112,942	*111	*113,370	155	55,501	155	22,249	*57	*1,098
$10,000,000 under $25,000,000	48	48	76,642	48	29,822	48	46,820	48	46,820	48	26,816	48	6,634	26	3,576
$25,000,000 under $50,000,000	11	11	80,623	11	30,671	11	49,953	9	51,097	11	18,181	11	3,981	5	554
$50,000,000 under $100,000,000	5	5	37,367	5	24,861	5	12,506	5	12,506	5	18,334	5	2,031	1	2,365
$100,000,000 or more	8	8	693,283	8	135,451	8	557,832	8	557,832	8	100,935	8	25,346	6	17,512

Footnotes at end of table.

Table 1A.—Number of Private Foundations and Selected Financial Data, by Type of Foundation and Size of Fair Market Value of Total Assets, 1986—Continued

[All figures are estimates based on a sample—money amounts are in thousands of dollars]

Size of fair market value of total assets	Net investment income		Net gain (less loss) from sale of assets		Excise tax on net investment income					Total assets (book value)		Investments in securities (book value)		Total assets (fair market value)	
					Total	Domestic organizations		Foreign organizations							
	Number of returns	Amount	Number of returns	Amount		Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
ALL FOUNDATIONS															
Total	**29,452**	**12,326,253**	**12,411**	**6,994,128**	**195,823**	**27,981**	**194,840**	**70**	**983**	**34,073**	**87,191,337**	**20,237**	**64,184,892**	**33,958**	**113,175,809**
Zero or unreported	526	11,833	*199	*7,184	122	448	122	-	-	*129	*131	-	-	-	-
$1 under $100,000	9,775	55,947	1,979	14,760	894	9,166	892	*14	*2	13,771	437,268	4,759	160,341	13,771	451,268
$100,000 under $1,000,000	12,388	419,333	4,973	110,649	7,224	11,986	7,192	*14	*32	13,153	4,164,836	9,288	2,041,805	13,167	4,657,968
$1,000,000 under $10,000,000	5,498	2,098,261	4,122	939,321	34,166	5,214	34,125	*30	*41	5,730	14,840,939	4,963	9,407,579	5,730	17,889,686
$10,000,000 under $25,000,000	699	1,297,745	609	680,325	21,585	648	21,554	2	30	713	8,977,299	674	6,303,287	713	11,221,270
$25,000,000 under $50,000,000	264	1,032,818	241	571,793	16,396	241	16,358	6	38	270	7,460,288	255	5,507,692	270	9,289,741
$50,000,000 under $100,000,000	153	1,232,231	144	674,379	20,722	141	20,687	1	35	155	8,460,707	151	6,395,801	155	10,822,037
$100,000,000 or more	149	6,178,086	143	3,995,716	94,715	138	93,910	3	804	151	42,849,868	147	34,368,387	151	58,843,840
Nonoperating foundations															
Total	**27,513**	**11,355,696**	**11,854**	**6,426,153**	**192,271**	**26,914**	**191,288**	**70**	**983**	**31,348**	**77,367,154**	**19,068**	**58,780,743**	**31,297**	**101,101,380**
Zero or unreported	526	11,833	*199	*7,184	122	448	122	-	-	*64	*40	-	-	-	-
$1 under $100,000	9,001	50,558	1,937	14,724	817	8,643	815	*14	*2	12,474	395,958	4,499	151,406	12,474	408,747
$100,000 under $1,000,000	11,687	404,528	4,820	108,297	7,081	11,613	7,049	*14	*32	12,330	3,870,162	8,806	1,981,491	12,344	4,340,885
$1,000,000 under $10,000,000	5,187	2,006,495	3,884	868,509	33,803	5,116	33,762	*30	*41	5,350	13,680,955	4,680	8,970,287	5,350	16,414,876
$10,000,000 under $25,000,000	598	1,182,447	533	632,015	20,447	595	20,417	2	30	609	7,865,335	576	5,836,940	609	9,734,308
$25,000,000 under $50,000,000	242	960,878	222	531,159	16,187	234	16,149	6	38	245	6,737,227	237	5,163,540	245	8,424,576
$50,000,000 under $100,000,000	137	1,144,209	128	632,366	20,249	134	20,214	1	35	138	7,521,008	134	5,862,653	138	9,624,954
$100,000,000 or more	135	5,594,738	130	3,631,900	93,564	132	92,760	3	804	137	37,296,469	135	30,814,425	137	52,153,033
Operating foundations															
Total	**1,939**	**970,567**	**557**	**567,974**	**3,552**	**1,067**	**3,552**	**-**	**-**	**2,725**	**9,824,182**	**1,169**	**5,404,149**	**2,661**	**12,074,430**
Zero or unreported	-	-	-	-	-	-	-	-	-	*64	*90	-	-	-	-
$1 under $100,000	775	5,388	*42	*36	78	523	78	-	-	1,298	41,310	260	8,935	1,298	42,521
$100,000 under $1,000,000	701	14,805	*153	*2,353	142	372	142	-	-	823	294,675	482	60,314	823	317,082
$1,000,000 under $10,000,000	311	91,766	238	70,812	*362	*99	*362	-	-	380	1,159,984	283	437,292	380	1,474,810
$10,000,000 under $25,000,000	101	115,298	76	48,310	1,138	53	1,138	-	-	104	1,111,964	98	466,347	104	1,486,961
$25,000,000 under $50,000,000	22	71,939	19	40,634	209	7	209	-	-	25	723,061	18	344,152	25	865,165
$50,000,000 under $100,000,000	16	88,022	16	42,014	473	7	473	-	-	17	939,699	17	533,147	17	1,197,083
$100,000,000 or more	14	583,348	13	363,817	1,150	6	1,150	-	-	14	5,553,399	12	3,553,962	14	6,690,807
GRANTMAKING FOUNDATIONS															
Total	**25,372**	**11,978,822**	**11,551**	**6,831,753**	**192,665**	**24,670**	**191,734**	**66**	**931**	**26,935**	**82,414,792**	**17,678**	**62,035,195**	**26,935**	**107,100,983**
Zero or unreported	476	11,833	*199	*7,184	122	448	122	-	-	*14	*26	-	-	-	-
$1 under $100,000	7,724	52,540	1,845	14,696	829	7,425	827	*14	*2	9,409	333,511	3,976	131,550	9,409	345,322
$100,000 under $1,000,000	10,858	383,884	4,523	97,087	6,612	10,677	6,579	*14	*32	11,066	3,513,889	7,929	1,799,405	11,080	3,955,355
$1,000,000 under $10,000,000	5,145	2,022,730	3,912	889,075	33,584	4,988	33,543	*30	*41	5,266	13,558,712	4,639	8,861,074	5,266	16,353,592
$10,000,000 under $25,000,000	640	1,226,472	573	666,318	20,924	627	20,894	2	30	644	8,161,816	616	5,935,997	644	10,294,773
$25,000,000 under $50,000,000	245	994,591	229	550,863	16,165	234	16,144	3	21	248	6,834,666	239	5,188,163	248	8,546,906
$50,000,000 under $100,000,000	141	1,165,548	133	639,915	20,459	137	20,459	-	-	142	7,793,624	138	6,005,829	142	9,912,121
$100,000,000 or more	143	6,121,224	137	3,966,615	93,969	134	93,165	3	804	145	42,218,547	142	34,113,177	145	57,692,914
Grantmaking-nonoperating foundations															
Total	**24,423**	**11,297,530**	**11,255**	**6,404,119**	**191,103**	**24,150**	**190,172**	**66**	**931**	**25,742**	**75,855,312**	**17,092**	**58,067,414**	**25,742**	**99,471,964**
Zero or unreported	476	11,833	*199	*7,184	122	448	122	-	-	*14	*26	-	-	-	-
$1 under $100,000	7,274	47,540	1,817	14,644	759	7,129	757	*14	*2	8,760	311,592	3,780	123,959	8,760	322,186
$100,000 under $1,000,000	10,556	377,215	4,418	96,578	6,541	10,527	6,509	*14	*32	10,750	3,419,124	7,732	1,767,329	10,764	3,855,777
$1,000,000 under $10,000,000	5,018	1,992,270	3,814	864,083	33,519	4,960	33,478	*30	*41	5,111	13,182,725	4,511	8,754,987	5,111	15,881,558
$10,000,000 under $25,000,000	593	1,176,801	529	630,802	20,347	590	20,317	2	30	596	7,682,223	570	5,776,402	596	9,540,780
$25,000,000 under $50,000,000	235	953,799	220	526,562	16,037	230	16,015	3	21	237	6,489,200	231	5,012,156	237	8,147,637
$50,000,000 under $100,000,000	136	1,143,333	128	632,366	20,214	134	20,214	-	-	137	7,473,953	133	5,818,156	137	9,570,992
$100,000,000 or more	135	5,594,738	130	3,631,900	93,564	132	92,760	3	804	137	37,296,469	135	30,814,425	137	52,153,033
Grantmaking-operating foundations															
Total	**949**	**681,293**	**296**	**427,634**	**1,561**	**520**	**1,561**	**-**	**-**	**1,193**	**6,559,480**	**586**	**3,967,782**	**1,193**	**7,629,018**
Zero or unreported	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
$1 under $100,000	450	5,000	*28	*51	71	297	71	-	-	649	21,919	*195	*7,591	649	23,136
$100,000 under $1,000,000	302	6,669	*105	*509	*71	*150	*71	-	-	317	94,765	197	32,076	317	99,578
$1,000,000 under $10,000,000	*127	*30,460	*99	*24,993	*65	*28	*65	-	-	155	375,988	*127	*106,087	155	472,034
$10,000,000 under $25,000,000	47	49,671	44	35,516	577	37	577	-	-	48	479,593	46	159,596	48	753,993
$25,000,000 under $50,000,000	10	40,792	9	24,300	128	4	128	-	-	11	345,466	8	176,007	11	399,268
$50,000,000 under $100,000,000	5	22,215	5	7,550	245	3	245	-	-	5	319,671	5	187,673	5	341,129
$100,000,000 or more	8	526,486	7	334,715	405	2	405	-	-	8	4,922,078	7	3,298,752	8	5,539,880

Footnotes at end of table.

Table 1A.—Number of Private Foundations and Selected Financial Data, by Type of Foundation and Size of Fair Market Value of Total Assets, 1986—Continued

[All figures are estimates based on a sample – money amounts are in thousands of dollars]

Size of fair market value of total assets	Investments in securities (fair market value)		Net worth		Minimum investment return		Distributable amount		Qualifying distributions		Excess grant administrative expenses		Undistributed income for 1986		Excess distributions carryover to 1987	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)	(46)
ALL FOUNDATIONS																
Total	**20,081**	**87,014,561**	**34,072**	**83,501,039**	**31,568**	**5,022,891**	**29,390**	**4,578,013**	**30,787**	**7,746,165**	**4,039**	**68,032**	**7,085**	**1,157,489**	**23,063**	**8,754,835**
Zero or unreported	-	-	*157	*116	582	5,233	568	5,103	800	132,875	*171	*281	-	-	674	215,996
$1 under $100,000	4,652	169,817	13,743	410,307	11,312	23,386	10,403	21,866	11,079	390,436	1,854	2,708	2,033	1,911	8,918	1,089,604
$100,000 under $1,000,000	9,240	2,490,138	13,153	3,990,084	12,797	194,152	12,037	180,792	12,089	640,592	1,381	12,481	3,039	26,842	9,087	1,327,005
$1,000,000 under $10,000,000	4,963	12,007,407	5,730	14,338,414	5,605	794,046	5,267	756,704	5,547	1,668,129	480	19,251	1,614	150,457	3,887	2,434,645
$10,000,000 under $25,000,000	672	8,161,108	712	8,612,147	707	489,029	605	438,755	705	911,303	99	19,715	164	77,886	441	1,381,389
$25,000,000 under $50,000,000	255	7,082,033	270	7,105,215	262	408,537	239	372,279	262	652,398	37	9,442	112	110,756	127	880,301
$50,000,000 under $100,000,000	151	8,392,341	155	8,168,200	153	477,231	136	458,870	154	687,871	10	1,312	56	105,656	80	612,183
$100,000,000 or more	147	48,711,720	151	40,876,556	150	2,631,278	135	2,343,644	151	2,662,761	8	2,842	67	684,201	69	1,013,712
Nonoperating foundations																
Total	**18,912**	**80,792,365**	**31,347**	**74,503,576**	**29,477**	**4,644,252**	**29,390**	**4,578,013**	**28,612**	**6,766,426**	**3,708**	**45,000**	**7,085**	**1,157,489**	**23,063**	**8,754,835**
Zero or unreported	-	-	*92	*26	568	5,224	568	5,103	758	131,119	*171	*281	-	-	674	215,996
$1 under $100,000	4,393	159,887	12,446	369,740	10,459	21,906	10,403	21,866	10,137	374,668	1,756	2,376	2,033	1,911	8,918	1,089,604
$100,000 under $1,000,000	8,758	2,422,417	12,330	3,760,959	12,067	184,830	12,037	180,792	11,407	527,705	1,214	3,053	3,039	26,842	9,087	1,327,005
$1,000,000 under $10,000,000	4,680	11,436,705	5,350	13,262,271	5,267	752,924	5,267	756,704	5,196	1,381,116	437	18,030	1,614	150,457	3,887	2,434,645
$10,000,000 under $25,000,000	574	7,578,484	608	7,613,831	605	449,413	605	438,755	603	770,600	79	10,457	164	77,886	441	1,381,389
$25,000,000 under $50,000,000	237	6,666,873	245	6,515,290	239	380,256	239	372,279	237	588,033	34	6,648	112	110,756	127	880,301
$50,000,000 under $100,000,000	134	7,761,226	138	7,317,667	136	439,526	136	458,870	137	574,250	10	1,312	56	105,656	80	612,183
$100,000,000 or more	135	44,766,773	137	35,663,792	136	2,410,173	135	2,343,644	137	2,418,935	8	2,842	67	684,201	69	1,013,712
Operating foundations																
Total	**1,169**	**6,222,197**	**2,725**	**8,997,464**	**2,091**	**378,640**	**N/A**	**N/A**	**2,175**	**979,739**	**331**	**23,032**	**N/A**	**N/A**	**N/A**	**N/A**
Zero or unreported	-	-	*64	*90	*14	*8	N/A	N/A	*42	*1,756	-	-	N/A	N/A	N/A	N/A
$1 under $100,000	260	9,930	1,298	40,567	853	1,481	N/A	N/A	942	15,768	*98	*332	N/A	N/A	N/A	N/A
$100,000 under $1,000,000	482	67,721	823	229,125	730	9,322	N/A	N/A	682	112,887	*167	*9,429	N/A	N/A	N/A	N/A
$1,000,000 under $10,000,000	283	570,702	380	1,076,143	339	41,121	N/A	N/A	351	287,013	*43	*1,221	N/A	N/A	N/A	N/A
$10,000,000 under $25,000,000	98	582,622	104	998,317	102	39,616	N/A	N/A	102	140,702	20	9,257	N/A	N/A	N/A	N/A
$25,000,000 under $50,000,000	18	415,160	25	589,925	23	28,280	N/A	N/A	25	64,365	3	2,794	N/A	N/A	N/A	N/A
$50,000,000 under $100,000,000	17	631,116	17	850,532	17	37,705	N/A	N/A	17	113,421	-	-	N/A	N/A	N/A	N/A
$100,000,000 or more	12	3,944,947	14	5,212,764	14	221,105	N/A	N/A	14	243,827	-	-	N/A	N/A	N/A	N/A
GRANTMAKING FOUNDATIONS																
Total	**17,564**	**84,305,448**	**26,934**	**79,391,407**	**26,277**	**4,873,857**	**25,256**	**4,549,569**	**27,571**	**7,121,889**	**3,647**	**49,187**	**4,957**	**1,144,034**	**20,980**	**8,567,629**
Zero or unreported	-	-	*42	*11	490	5,222	490	5,101	666	130,718	*171	*281	-	-	582	205,669
$1 under $100,000	3,897	140,592	9,381	315,901	8,491	21,080	7,999	20,109	9,409	368,549	1,850	2,390	822	1,062	7,628	996,125
$100,000 under $1,000,000	7,896	2,218,725	11,066	3,390,619	10,869	175,983	10,568	168,998	11,080	541,703	1,210	5,389	2,203	22,294	8,468	1,294,507
$1,000,000 under $10,000,000	4,639	11,342,739	5,266	13,299,561	5,253	781,608	5,097	749,777	5,238	1,429,852	480	19,251	1,543	147,320	3,568	2,424,170
$10,000,000 under $25,000,000	614	7,697,191	643	7,966,256	644	464,815	598	435,456	644	795,180	82	10,944	157	76,054	438	1,343,958
$25,000,000 under $50,000,000	239	6,697,981	248	6,593,017	245	390,032	235	367,615	247	607,459	36	6,776	109	107,447	126	677,306
$50,000,000 under $100,000,000	138	7,912,446	142	7,579,083	141	450,934	136	458,870	142	637,544	10	1,312	56	105,656	80	612,183
$100,000,000 or more	142	48,295,764	145	40,246,949	144	2,604,083	135	2,343,644	145	2,610,884	8	2,842	67	684,201	69	1,013,712
Grantmaking-nonoperating foundations																
Total	**16,979**	**80,001,630**	**25,741**	**73,309,472**	**25,300**	**4,614,832**	**25,256**	**4,549,569**	**26,379**	**6,719,486**	**3,453**	**44,741**	**4,957**	**1,144,034**	**20,980**	**8,567,629**
Zero or unreported	-	-	*42	*11	490	5,222	490	5,101	652	130,243	*171	*281	-	-	582	205,669
$1 under $100,000	3,702	132,003	8,732	294,545	8,027	20,100	7,999	20,109	8,780	356,969	1,594	2,266	822	1,062	7,628	996,125
$100,000 under $1,000,000	7,699	2,184,682	10,750	3,325,305	10,583	172,625	10,568	168,998	10,764	512,569	1,122	2,925	2,203	22,294	8,468	1,294,507
$1,000,000 under $10,000,000	4,511	11,211,955	5,111	12,944,238	5,097	745,713	5,097	749,777	5,097	1,373,270	437	18,030	1,543	147,320	3,568	2,424,170
$10,000,000 under $25,000,000	568	7,509,128	595	7,497,337	596	446,014	596	435,456	596	766,976	78	10,436	157	76,054	438	1,343,958
$25,000,000 under $50,000,000	231	6,487,267	237	6,313,632	235	375,459	235	367,615	236	586,274	34	6,648	109	107,447	126	677,306
$50,000,000 under $100,000,000	133	7,709,821	137	7,270,613	136	439,526	136	458,870	137	574,250	10	1,312	56	105,656	80	612,183
$100,000,000 or more	135	44,766,773	137	35,663,792	136	2,410,173	135	2,343,644	137	2,418,935	8	2,842	67	684,201	69	1,013,712
Grantmaking-operating foundations																
Total	**586**	**4,303,818**	**1,193**	**6,081,935**	**977**	**259,025**	**N/A**	**N/A**	**1,192**	**402,403**	**194**	**4,446**	**N/A**	**N/A**	**N/A**	**N/A**
Zero or unreported	-	-	-	-	-	-	N/A	N/A	*14	*475	-	-	N/A	N/A	N/A	N/A
$1 under $100,000	*195	*8,589	649	21,356	464	980	N/A	N/A	649	11,580	*56	*125	N/A	N/A	N/A	N/A
$100,000 under $1,000,000	197	34,043	317	65,313	287	3,358	N/A	N/A	317	29,134	*89	*2,465	N/A	N/A	N/A	N/A
$1,000,000 under $10,000,000	*127	*130,784	155	355,323	155	15,894	N/A	N/A	*140	*56,581	*43	*1,221	N/A	N/A	N/A	N/A
$10,000,000 under $25,000,000	46	188,062	48	468,920	48	18,901	N/A	N/A	48	28,204	4	508	N/A	N/A	N/A	N/A
$25,000,000 under $50,000,000	8	210,724	11	279,386	10	14,573	N/A	N/A	11	21,185	2	128	N/A	N/A	N/A	N/A
$50,000,000 under $100,000,000	5	202,625	5	308,480	5	11,408	N/A	N/A	5	63,294	-	-	N/A	N/A	N/A	N/A
$100,000,000 or more	7	3,526,991	8	4,583,157	8	193,910	N/A	N/A	8	191,949	-	-	N/A	N/A	N/A	N/A

N/A – not applicable.

*Estimate should be used with caution because of the small number of returns on which it is based.

NOTE: Detail may not add to total due to rounding.

Table 2A.—All Private Foundations: Balance Sheets and Income Statements, by Size of Fair Market Value of Total Assets, 1986

[All figures are estimates based on a sample—money amounts are in thousands of dollars]

Item	Total	Size of fair market value of total assets							
		Assets zero or unreported	$1 under $100,000	$100,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $25,000,000	$25,000,000 under $50,000,000	$50,000,000 under $100,000,000	$100,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of returns	**35,172**	**1,215**	**13,771**	**13,167**	**5,730**	**713**	**270**	**155**	**151**
Total assets (book value)	**87,191,337**	***131**	**437,268**	**4,164,836**	**14,840,939**	**8,977,299**	**7,460,288**	**8,460,707**	**42,849,868**
Cash, total	11,813,575	*131	221,107	1,317,029	3,035,647	1,221,253	969,402	954,441	4,094,566
Non-interest bearing accounts	1,211,283	*131	54,531	290,444	426,424	120,477	82,176	78,529	158,571
Savings and temporary cash investments	10,602,293	-	166,576	1,026,585	2,609,222	1,100,777	887,226	875,911	3,935,995
Accounts receivable, net	608,181	-	5,545	19,897	76,397	39,291	27,141	28,537	411,373
Pledges receivable, net	81,228	-	*364	*1,236	*43,218	35,966	444	-	-
Grants receivable	64,475	-	*1,785	*19,624	*9,638	1,414	9,047	4,637	18,330
Receivables due from disqualified persons	18,807	-	-	*1,526	*16,387	165	183	12	535
Other notes and loans receivable	948,342	-	7,427	61,569	316,395	146,824	69,979	135,265	210,884
Inventories	55,150	-	*894	*2,955	*8,722	34,530	2,288	3,003	2,760
Prepaid expenses and deferred charges	36,088	-	*2,605	*898	2,806	11,739	1,712	8,977	7,351
Investments, total	69,404,049	-	178,084	2,493,534	10,354,976	6,908,674	6,038,358	6,886,083	36,544,342
Securities	64,184,892	-	160,341	2,041,805	9,407,579	6,303,287	5,507,892	6,395,801	34,368,387
Land, buildings, and equipment (less accumulated depreciation)	1,509,361	-	*327	87,356	112,488	126,520	184,195	122,633	875,844
Mortgage loans	543,193	-	*5,947	24,120	222,659	48,160	66,730	29,761	145,817
Other investments	3,166,603	-	11,469	340,252	612,250	430,707	279,742	337,889	1,154,295
Charitable-purpose land, buildings, and equipment (less accumulated depreciation)	2,297,235	-	11,687	165,162	525,003	328,459	196,296	265,479	805,148
Other assets	1,864,201	-	7,770	81,405	451,749	248,984	145,441	174,272	754,579
Total liabilities	**3,690,297**	***15**	**26,961**	**174,752**	**502,524**	**365,152**	**355,073**	**292,506**	**1,973,312**
Net worth	**83,501,039**	***116**	**410,307**	**3,990,084**	**14,338,414**	**8,612,147**	**7,105,215**	**8,168,200**	**40,876,556**
Total revenue	**20,031,228**	**60,308**	**376,791**	**1,482,104**	**4,040,566**	**2,213,381**	**1,831,520**	**1,812,129**	**8,214,429**
Contributions, gifts, and grants received	7,152,515	47,384	319,285	1,089,927	1,959,479	908,732	695,505	535,052	1,597,152
Interest on savings and temporary cash investments	973,627	1,680	12,973	77,484	231,148	134,581	94,448	108,959	312,354
Dividends and interest from securities	4,173,428	3,503	15,939	160,030	646,687	416,416	351,979	407,604	2,171,271
Gross rents	180,255	-	*1,544	14,063	34,940	11,504	34,162	31,123	52,919
Net gain (less loss) from sale of assets	6,994,128	*7,184	14,760	110,649	939,321	680,325	571,793	674,379	3,995,716
Gross profit from business activities	209,405	*407	7,410	2,871	142,001	10,200	16,599	15,566	14,352
Other income	347,886	*150	4,879	27,080	86,990	51,624	67,034	39,445	70,664
Total expenses	**8,274,395**	**135,911**	**406,572**	**710,055**	**1,732,485**	**940,386**	**738,318**	**741,231**	**2,869,438**
Contributions, gifts, and grants paid	6,301,524	130,478	360,393	523,672	1,227,712	719,298	554,171	526,043	2,259,758
Compensation of officers	174,205	*188	6,983	14,158	49,998	19,042	17,668	16,837	49,329
Other salaries and wages	383,442	*901	6,286	49,926	103,641	40,457	34,966	37,494	109,771
Pension plans and employee benefits	91,189	*143	*583	*3,609	21,702	6,741	6,455	8,670	43,285
Legal fees	49,217	*333	1,097	5,642	13,058	5,165	3,829	7,421	12,672
Accounting fees	35,954	*214	1,997	6,273	12,529	4,731	3,157	3,032	4,021
Other professional fees	210,183	*37	2,024	7,270	40,010	20,599	19,490	23,955	96,799
Interest	57,407	-	233	5,100	18,492	9,451	9,383	9,457	5,291
Taxes	225,595	301	1,764	12,240	39,697	23,525	18,898	27,311	101,859
Depreciation and depletion	100,260	-	1,369	6,965	23,885	15,712	13,726	16,809	21,794
Occupancy	99,636	*44	2,412	8,842	22,720	15,327	9,494	7,705	33,092
Travel, conferences, and meetings	43,359	-	3,515	2,897	10,759	3,200	2,198	3,263	17,528
Printing and publications	20,950	*14	2,180	878	3,391	1,852	1,377	3,766	7,492
Other expenses	481,467	3,258	15,735	62,580	144,890	55,285	43,507	49,466	106,747
Excess of revenue (less loss) over expenses	**11,756,831**	**-75,603**	**-29,782**	**772,049**	**2,308,081**	**1,272,995**	**1,093,202**	**1,070,898**	**5,344,991**
Excess of revenue, total	12,449,741	*240	122,537	876,005	2,448,441	1,326,699	1,157,320	1,097,883	5,420,615
Loss, total	692,910	75,843	152,319	103,956	140,361	53,704	64,118	26,985	75,625
Total assets (fair market value)	**113,175,809**	-	**451,268**	**4,657,968**	**17,889,686**	**11,221,270**	**9,289,741**	**10,822,037**	**58,843,840**
Cash, total	11,837,309	-	221,282	1,317,624	3,038,533	1,230,092	972,811	954,933	4,102,035
Non-interest bearing accounts	1,216,403	-	57,347	290,703	427,409	120,625	82,175	78,599	159,546
Savings and temporary cash investments	10,620,906	-	163,935	1,026,921	2,611,124	1,109,467	890,636	876,334	3,942,489
Accounts receivable, net	605,970	-	5,545	19,427	75,960	37,845	27,141	28,537	411,515
Pledges receivable, net	81,224	-	*364	*1,236	*43,214	35,966	444	-	-
Grants receivable	64,894	-	*1,785	*20,080	*9,638	1,414	9,047	4,600	18,330
Receivables due from disqualified persons	18,807	-	-	*1,526	*16,387	165	183	12	535
Other notes and loans receivable	984,795	-	7,427	61,700	312,033	148,762	63,398	135,441	256,035
Inventories	53,777	-	*650	*2,955	*8,676	32,463	2,286	3,163	3,585
Prepaid expenses and deferred charges	73,314	-	*2,816	*898	2,806	11,739	1,706	8,968	44,381
Investments, total	93,798,841	-	189,058	2,928,292	13,180,597	8,903,817	7,781,321	9,169,606	51,646,150
Securities	87,014,561	-	169,817	2,490,138	12,007,407	8,161,106	7,082,033	8,392,341	48,711,720
Land, buildings, and equipment (less accumulated depreciation)	2,272,023	-	*503	107,451	220,887	163,754	323,528	321,085	1,134,816
Mortgage loans	560,697	-	*5,965	24,121	240,497	48,493	66,197	29,807	145,817
Other investments	3,951,559	-	12,773	306,582	711,807	530,464	309,562	426,574	1,653,798
Charitable-purpose land, buildings, and equipment (less accumulated depreciation)	2,882,673	-	12,452	201,404	665,616	359,919	248,884	290,175	1,104,222
Other assets	2,771,324	-	9,888	99,946	536,226	459,088	182,522	226,602	1,257,053
Total assets, beginning of year (book value)	**73,433,763**	**161,762**	**467,480**	**3,363,216**	**12,266,450**	**7,675,266**	**6,201,612**	**7,275,884**	**36,022,094**
Investments in securities, beginning of year (book value)	**54,532,656**	***89,248**	**219,337**	**1,578,562**	**7,831,212**	**5,397,466**	**4,593,416**	**5,465,601**	**29,357,814**

*Estimate should be used with caution because of the small number of returns on which it is based.

NOTE: Detail may not add to total due to rounding.

Table 1B.—Number of Private Foundations and Selected Financial Data, by Type of Foundation and Size of Fair Market Value of Total Assets, 1987

[All figures are estimates based on a sample – money amounts are in thousands of dollars]

Size of fair market value of total assets	Number of returns	Total revenue		Total expenses		Excess of revenue (less loss) over expenses		Excess of revenue, total		Disbursements for exempt purposes		Contributions, gifts, and grants paid		Grant administrative expenses	
		Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
ALL FOUNDATIONS															
Total	**35,907**	**35,158**	**17,116,794**	**34,747**	**9,072,066**	**35,063**	**8,044,727**	**21,938**	**9,180,495**	**32,496**	**7,801,815**	**30,045**	**6,770,100**	**18,841**	**381,014**
Zero or unreported	858	688	16,506	798	46,362	660	-29,857	*66	*498	619	43,400	563	41,987	260	867
$1 under $100,000	14,190	13,651	292,969	13,334	285,254	13,679	7,716	7,337	62,793	11,879	257,006	10,595	226,293	6,259	10,078
$100,000 under $1,000,000	13,671	13,635	1,254,630	13,467	830,777	13,544	423,853	9,160	629,413	13,004	767,618	12,384	677,248	7,366	31,991
$1,000,000 under $10,000,000	5,882	5,878	3,369,230	5,843	2,010,489	5,878	1,358,741	4,323	1,724,554	5,705	1,686,065	5,306	1,450,072	3,920	65,154
$10,000,000 under $25,000,000	712	712	1,911,881	711	1,018,447	712	893,434	568	1,019,462	702	900,864	648	772,497	538	39,555
$25,000,000 under $50,000,000	284	284	1,696,361	284	845,823	280	850,538	237	963,773	280	717,417	257	597,668	233	34,977
$50,000,000 under $100,000,000	157	157	1,624,120	157	759,035	157	865,086	121	952,091	154	651,386	145	543,653	126	33,187
$100,000,000 or more	154	154	6,951,097	154	3,275,880	154	3,675,217	125	3,827,911	153	2,778,059	148	2,460,682	141	165,205
Nonoperating foundations															
Total	**32,746**	**32,095**	**15,572,480**	**31,790**	**8,268,733**	**31,995**	**7,303,746**	**20,041**	**8,375,114**	**29,979**	**7,172,998**	**28,598**	**6,686,128**	**18,310**	**359,650**
Zero or unreported	816	646	15,568	757	45,336	632	-29,768	*66	*498	577	42,383	536	41,095	246	766
$1 under $100,000	12,652	12,197	261,439	11,990	256,897	12,211	4,542	6,532	55,637	10,774	237,176	9,863	218,587	6,038	9,761
$100,000 under $1,000,000	12,814	12,789	1,156,134	12,621	750,333	12,698	405,801	8,613	594,832	12,269	699,435	11,927	659,527	7,156	29,228
$1,000,000 under $10,000,000	5,296	5,296	2,955,242	5,256	1,775,918	5,291	1,179,323	3,894	1,530,765	5,200	1,507,705	5,128	1,437,360	3,852	53,948
$10,000,000 under $25,000,000	626	626	1,684,733	625	901,866	626	782,867	500	897,991	622	806,961	615	760,847	528	38,248
$25,000,000 under $50,000,000	255	255	1,514,207	255	730,497	251	783,710	213	882,832	254	638,312	247	595,015	229	33,667
$50,000,000 under $100,000,000	140	140	1,459,186	140	670,479	140	788,707	106	871,301	138	581,802	137	539,770	123	30,421
$100,000,000 or more	146	146	6,525,971	146	3,137,408	146	3,388,563	117	3,541,257	145	2,659,223	145	2,433,926	139	163,612
Operating foundations															
Total	**3,161**	**3,063**	**1,544,314**	**2,957**	**803,333**	**3,067**	**740,981**	**1,897**	**805,381**	**2,516**	**628,818**	**1,447**	**83,972**	**531**	**21,364**
Zero or unreported	*41	*41	*937	*41	*1,026	*28	*-88	-	-	*41	*1,017	*28	*892	*14	*100
$1 under $100,000	1,537	1,454	31,530	1,344	28,357	1,468	3,173	805	7,156	1,105	19,830	732	7,705	221	317
$100,000 under $1,000,000	856	845	98,496	845	80,444	845	18,051	548	34,581	735	68,183	457	17,721	210	2,764
$1,000,000 under $10,000,000	586	582	413,988	586	234,570	586	179,418	429	193,789	505	178,361	177	12,712	68	11,206
$10,000,000 under $25,000,000	86	86	227,148	86	116,581	86	110,567	68	121,471	80	93,903	33	11,650	10	1,307
$25,000,000 under $50,000,000	29	29	182,154	29	115,326	29	66,828	24	80,941	26	79,105	10	2,653	4	1,309
$50,000,000 under $100,000,000	17	17	164,935	17	88,556	17	76,378	15	80,790	16	69,584	8	3,883	3	2,767
$100,000,000 or more	8	8	425,126	8	138,473	8	286,654	8	286,654	8	118,836	3	26,755	2	1,593
GRANTMAKING FOUNDATIONS															
Total	**30,045**	**29,961**	**15,804,924**	**30,032**	**8,465,018**	**29,715**	**7,339,906**	**18,283**	**8,428,232**	**30,045**	**7,388,212**	**30,045**	**6,770,100**	**18,018**	**351,670**
Zero or unreported	563	481	13,715	563	43,487	494	-29,772	*25	*395	563	42,297	563	41,987	246	309
$1 under $100,000	10,595	10,498	234,979	10,581	245,419	10,429	-10,440	5,248	40,477	10,595	236,472	10,595	226,293	5,706	6,943
$100,000 under $1,000,000	12,384	12,384	1,075,714	12,384	760,231	12,293	315,482	8,166	507,977	12,384	716,022	12,384	677,248	7,156	23,057
$1,000,000 under $10,000,000	5,306	5,301	2,853,418	5,306	1,798,150	5,301	1,055,268	3,885	1,411,734	5,306	1,543,964	5,306	1,450,072	3,876	54,040
$10,000,000 under $25,000,000	648	648	1,715,813	648	930,829	648	784,984	513	904,465	648	837,741	648	772,497	535	36,709
$25,000,000 under $50,000,000	257	257	1,553,467	257	750,382	257	803,085	218	902,744	257	651,492	257	597,668	233	34,977
$50,000,000 under $100,000,000	145	145	1,502,935	145	705,801	145	797,134	110	883,583	145	616,817	145	543,653	125	30,431
$100,000,000 or more	148	148	6,854,884	148	3,230,721	148	3,624,162	119	3,776,856	148	2,743,408	148	2,460,682	141	165,205
Grantmaking-nonoperating foundations															
Total	**28,598**	**28,419**	**15,131,098**	**28,598**	**8,161,671**	**28,296**	**6,969,427**	**17,427**	**8,027,434**	**28,598**	**7,134,929**	**28,598**	**6,686,128**	**17,573**	**343,789**
Zero or unreported	536	453	12,779	536	42,485	481	-29,706	*25	*395	536	41,305	536	41,095	232	209
$1 under $100,000	9,863	9,766	224,336	9,863	234,416	9,711	-10,080	4,875	38,552	9,863	226,940	9,863	218,587	5,513	6,695
$100,000 under $1,000,000	11,927	11,927	1,032,826	11,927	728,701	11,836	304,125	7,853	487,644	11,927	687,330	11,927	659,527	6,991	22,167
$1,000,000 under $10,000,000	5,128	5,128	2,771,809	5,128	1,746,060	5,124	1,025,749	3,753	1,375,917	5,128	1,500,078	5,128	1,437,360	3,822	51,617
$10,000,000 under $25,000,000	615	615	1,642,308	615	892,813	615	749,495	492	861,744	615	802,994	615	760,847	525	35,402
$25,000,000 under $50,000,000	247	247	1,487,638	247	725,411	247	762,227	210	860,834	247	635,861	247	595,015	229	33,667
$50,000,000 under $100,000,000	137	137	1,441,841	137	661,716	137	780,125	104	862,163	137	581,197	137	539,770	123	30,421
$100,000,000 or more	145	145	6,517,560	145	3,130,068	145	3,387,492	116	3,540,186	145	2,659,223	145	2,433,926	139	163,612
Grantmaking-operating foundations															
Total	**1,447**	**1,443**	**673,826**	**1,433**	**303,348**	**1,420**	**370,478**	**856**	**400,798**	**1,447**	**253,283**	**1,447**	**83,972**	**445**	**7,882**
Zero or unreported	*28	*28	*936	*28	*1,001	*14	*-66	-	-	*28	*992	*28	*892	*14	*100
$1 under $100,000	732	732	10,642	718	11,003	718	-360	373	1,925	732	9,532	732	7,705	193	248
$100,000 under $1,000,000	457	457	42,887	457	31,530	457	11,357	313	20,334	457	28,692	457	17,721	165	890
$1,000,000 under $10,000,000	177	173	81,609	177	52,090	177	29,519	131	35,818	177	43,886	177	12,712	55	2,423
$10,000,000 under $25,000,000	33	33	73,505	33	38,015	33	35,490	21	42,721	33	34,747	33	11,650	10	1,307
$25,000,000 under $50,000,000	10	10	65,829	10	24,971	10	40,858	8	41,910	10	15,631	10	2,653	4	1,309
$50,000,000 under $100,000,000	8	8	61,093	8	44,084	8	17,009	6	21,420	8	35,620	8	3,883	2	11
$100,000,000 or more	3	3	337,323	3	100,653	3	236,670	3	236,670	3	84,185	3	26,755	2	1,593

Footnotes at end of table.

Table 1B.—Number of Private Foundations and Selected Financial Data, by Type of Foundation and Size of Fair Market Value of Total Assets, 1987—Continued

[All figures are estimates based on a sample—money amounts are in thousands of dollars]

Size of fair market value of total assets	Net investment income		Net gain (less loss) from sale of assets		Excise tax on net investment income					Total assets (book value)		Investments in securities (book value)		Total assets (fair market value)	
					Total	Domestic organizations		Foreign organizations							
	Number of returns	Amount	Number of returns	Amount		Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
ALL FOUNDATIONS															
Total	**30,720**	**11,279,279**	**13,362**	**5,567,476**	**174,250**	**29,777**	**173,402**	**46**	**848**	**35,161**	**93,783,400**	**21,223**	**69,946,993**	**35,049**	**114,301,195**
Zero or unreported	273	2,174	*41	*414	29	260	29	-	-	154	7,446	*14	*148	-	-
$1 under $100,000	10,346	37,887	2,168	2,761	641	10,015	641	-	-	14,162	456,021	5,035	173,633	14,190	459,435
$100,000 under $1,000,000	13,111	483,221	5,914	128,677	7,698	12,847	7,692	*18	*3	13,857	4,627,421	9,915	2,508,487	13,671	5,038,021
$1,000,000 under $10,000,000	5,713	1,879,091	4,080	717,981	31,135	5,461	31,096	*15	*39	5,882	15,649,389	5,043	10,189,834	5,882	17,902,316
$10,000,000 under $25,000,000	695	1,092,958	623	474,856	17,636	659	17,601	1	35	712	9,608,393	649	6,803,444	712	11,127,180
$25,000,000 under $50,000,000	273	1,031,008	247	527,881	15,276	251	15,259	3	17	284	8,269,747	263	6,059,557	284	9,841,854
$50,000,000 under $100,000,000	157	1,007,262	143	448,205	15,476	143	15,412	4	64	157	9,083,128	153	7,002,397	157	10,817,271
$100,000,000 or more	152	5,765,677	146	3,266,700	86,362	142	85,672	4	690	154	46,081,854	152	37,209,892	154	59,115,117
Nonoperating foundations															
Total	**28,353**	**10,481,830**	**12,625**	**5,206,990**	**170,089**	**27,948**	**169,240**	**46**	**848**	**32,028**	**84,153,178**	**19,937**	**64,783,044**	**31,929**	**103,192,102**
Zero or unreported	248	2,157	*41	*414	28	232	28	-	-	140	7,397	*14	*148	-	-
$1 under $100,000	9,407	35,099	2,071	3,082	591	9,131	591	-	-	12,625	407,917	4,731	165,981	12,652	417,515
$100,000 under $1,000,000	12,343	443,703	5,671	126,842	7,427	12,269	7,424	*18	*3	12,800	4,346,769	9,467	2,426,707	12,814	4,728,844
$1,000,000 under $10,000,000	5,207	1,718,805	3,787	646,010	29,101	5,183	29,062	*15	*39	5,296	14,033,585	4,620	9,485,961	5,296	15,919,504
$10,000,000 under $25,000,000	618	1,007,648	563	435,649	17,003	617	16,968	1	35	626	8,561,698	583	6,332,380	626	9,858,314
$25,000,000 under $50,000,000	248	961,231	225	489,032	15,005	242	14,987	3	17	255	7,396,129	241	5,626,608	255	8,861,114
$50,000,000 under $100,000,000	140	921,532	128	408,213	14,942	134	14,878	4	64	140	7,986,163	137	6,327,829	140	9,570,394
$100,000,000 or more	144	5,391,655	138	3,097,748	85,992	140	85,302	4	690	146	41,413,521	145	34,417,430	146	53,836,417
Operating foundations															
Total	**2,368**	**797,448**	**737**	**360,486**	**4,162**	**1,829**	**4,162**	-	-	**3,134**	**9,630,222**	**1,285**	**5,163,949**	**3,120**	**11,109,092**
Zero or unreported	*28	*17	-	-	-	*28	-	-	-	*14	*49	-	-	-	-
$1 under $100,000	939	2,788	*97	*-321	50	884	50	-	-	1,537	48,104	304	7,653	1,537	41,919
$100,000 under $1,000,000	768	19,518	243	1,835	268	578	268	-	-	856	280,652	448	81,780	856	309,177
$1,000,000 under $10,000,000	505	160,286	293	71,971	2,034	278	2,034	-	-	586	1,615,804	422	703,673	586	1,982,813
$10,000,000 under $25,000,000	77	85,310	59	39,207	633	42	633	-	-	86	1,046,696	66	471,064	86	1,268,866
$25,000,000 under $50,000,000	25	69,777	22	38,849	272	9	272	-	-	29	873,818	22	432,949	29	980,740
$50,000,000 under $100,000,000	17	85,730	15	39,992	534	9	534	-	-	17	1,096,965	16	674,568	17	1,246,877
$100,000,000 or more	8	374,022	8	168,952	370	2	370	-	-	8	4,668,333	7	2,792,282	8	5,278,700
GRANTMAKING FOUNDATIONS															
Total	**27,476**	**10,865,292**	**12,672**	**5,355,252**	**169,508**	**27,021**	**168,709**	**42**	**799**	**29,548**	**88,765,457**	**19,529**	**67,659,338**	**29,482**	**108,183,578**
Zero or unreported	246	2,172	*41	*414	29	246	29	-	-	*80	*2,487	*14	*148	-	-
$1 under $100,000	8,703	35,302	2,030	2,929	592	8,509	592	-	-	10,581	375,178	4,358	157,275	10,595	383,250
$100,000 under $1,000,000	12,092	437,612	5,682	124,630	7,248	11,930	7,244	*18	*3	12,384	4,205,184	9,373	2,408,253	12,384	4,592,772
$1,000,000 under $10,000,000	5,248	1,688,774	3,830	610,353	28,274	5,184	28,236	*15	*39	5,306	14,066,040	4,644	9,461,810	5,306	16,026,076
$10,000,000 under $25,000,000	643	1,042,003	585	455,905	17,164	630	17,129	1	35	648	8,786,948	605	6,454,627	648	10,185,757
$25,000,000 under $50,000,000	254	991,301	230	509,915	15,150	244	15,144	2	7	257	7,613,845	246	5,790,880	257	9,006,218
$50,000,000 under $100,000,000	145	953,783	133	410,876	15,072	137	15,033	2	39	145	8,411,490	142	6,568,749	145	9,979,836
$100,000,000 or more	146	5,714,344	141	3,240,231	85,978	140	85,302	3	677	148	45,304,284	147	36,819,797	148	58,009,670
Grantmaking-nonoperating foundations															
Total	**26,261**	**10,390,682**	**12,251**	**5,142,182**	**168,267**	**25,993**	**167,468**	**42**	**799**	**28,129**	**82,782,802**	**18,889**	**64,108,969**	**28,062**	**101,624,374**
Zero or unreported	232	2,157	*41	*414	28	232	28	-	-	*80	*2,487	*14	*148	-	-
$1 under $100,000	8,123	33,163	1,947	3,137	554	7,943	554	-	-	9,849	352,511	4,165	151,197	9,863	359,628
$100,000 under $1,000,000	11,679	428,925	5,495	123,802	7,144	11,628	7,141	*18	*3	11,927	4,063,282	9,104	2,344,407	11,927	4,435,719
$1,000,000 under $10,000,000	5,092	1,655,695	3,727	596,150	27,839	5,068	27,800	*15	*39	5,128	13,588,787	4,515	9,256,496	5,128	15,436,874
$10,000,000 under $25,000,000	611	1,001,886	556	433,736	16,900	610	16,865	1	35	615	8,381,845	576	6,239,697	615	9,678,956
$25,000,000 under $50,000,000	244	958,927	222	488,421	14,953	239	14,947	2	7	247	7,274,924	238	5,594,710	247	8,645,265
$50,000,000 under $100,000,000	137	918,607	125	398,773	14,871	133	14,832	2	39	137	7,863,688	134	6,243,077	137	9,389,759
$100,000,000 or more	143	5,391,323	138	3,097,748	85,978	140	85,302	3	677	145	41,255,276	144	34,279,237	145	53,678,172
Grantmaking-operating foundations															
Total	**1,215**	**474,610**	**421**	**213,071**	**1,241**	**1,028**	**1,241**	-	-	**1,420**	**5,982,655**	**639**	**3,550,370**	**1,420**	**6,559,204**
Zero or unreported	*14	*15	-	-	-	*14	-	-	-	-	-	-	-	-	-
$1 under $100,000	580	2,140	83	-208	38	566	38	-	-	732	22,667	193	6,078	732	23,621
$100,000 under $1,000,000	412	8,687	188	828	103	302	103	-	-	457	141,902	269	61,846	457	157,053
$1,000,000 under $10,000,000	155	33,080	103	14,203	436	116	436	-	-	177	477,253	129	205,314	177	589,202
$10,000,000 under $25,000,000	32	40,117	29	22,169	265	20	265	-	-	33	405,103	29	214,930	33	506,800
$25,000,000 under $50,000,000	10	32,374	8	21,494	197	5	197	-	-	10	338,921	8	195,970	10	360,953
$50,000,000 under $100,000,000	8	35,176	8	12,103	201	4	201	-	-	8	547,802	8	325,672	8	590,077
$100,000,000 or more	3	323,021	3	142,483	-	-	-	-	-	3	4,049,008	3	2,540,560	3	4,331,498

Footnotes at end of table.

Table 1B.—Number of Private Foundations and Selected Financial Data, by Type of Foundation and Size of Fair Market Value of Total Assets, 1987—Continued

[All figures are estimates based on a sample – money amounts are in thousands of dollars]

Size of fair market value of total assets	Investments in securities (fair market value)		Net worth		Minimum investment return		Distributable amount		Qualifying distributions		Excess grant administrative expenses		Undistributed income for 1987		Excess distributions carryover to 1988	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)	(46)
ALL FOUNDATIONS																
Total	**21,138**	**87,351,765**	**35,135**	**90,416,197**	**32,791**	**5,494,165**	**30,182**	**5,043,552**	**32,852**	**8,226,031**	**4,354**	**81,782**	**6,657**	**1,345,874**	**24,131**	**10,194,814**
Zero or unreported	-	-	195	-1,909	439	1,243	412	1,191	605	42,849	*110	*256	*28	*418	494	35,768
$1 under $100,000	5,021	180,449	14,107	423,400	11,921	21,244	10,816	20,554	12,059	256,110	1,955	4,066	1,914	2,762	9,302	1,120,709
$100,000 under $1,000,000	9,878	2,853,382	13,646	4,474,257	13,378	233,147	12,577	220,399	13,140	782,462	1,539	15,478	2,791	33,353	9,855	1,704,060
$1,000,000 under $10,000,000	5,025	11,833,881	5,882	15,170,292	5,766	835,592	5,229	790,977	5,757	1,725,646	596	19,906	1,469	153,786	3,778	3,217,329
$10,000,000 under $25,000,000	647	7,900,038	711	9,209,953	706	522,435	621	477,242	706	947,519	93	9,737	214	113,479	410	1,474,180
$25,000,000 under $50,000,000	263	7,304,635	284	7,853,268	276	471,775	249	430,144	282	756,929	38	6,820	118	125,172	135	805,304
$50,000,000 under $100,000,000	153	8,474,289	157	8,857,536	152	501,037	135	443,588	152	684,859	13	4,611	51	114,203	84	699,107
$100,000,000 or more	152	48,705,091	154	44,429,400	153	2,907,693	144	2,659,458	152	3,029,657	9	20,908	72	802,699	72	1,138,357
Nonoperating foundations																
Total	**19,865**	**81,732,088**	**32,002**	**81,409,148**	**30,242**	**5,112,749**	**30,182**	**5,043,552**	**30,197**	**7,351,789**	**3,971**	**66,996**	**6,657**	**1,345,874**	**24,131**	**10,194,814**
Zero or unreported	-	-	181	-1,958	412	1,203	412	1,191	563	41,856	*97	*232	*28	*418	494	35,768
$1 under $100,000	4,717	171,634	12,570	376,936	10,857	19,788	10,816	20,554	10,899	236,726	1,748	3,172	1,914	2,762	9,302	1,120,709
$100,000 under $1,000,000	9,440	2,757,004	12,789	4,212,153	12,588	222,925	12,577	220,399	12,371	706,535	1,429	11,495	2,791	33,353	9,855	1,704,060
$1,000,000 under $10,000,000	4,603	11,084,759	5,296	13,710,754	5,235	775,716	5,229	790,977	5,208	1,514,904	556	15,159	1,469	153,786	3,778	3,217,329
$10,000,000 under $25,000,000	582	7,376,247	625	8,280,698	622	486,344	621	477,242	622	823,743	85	7,383	214	113,479	410	1,474,180
$25,000,000 under $50,000,000	241	6,831,748	255	7,172,804	249	437,972	249	430,144	254	651,795	35	6,693	118	125,172	135	805,304
$50,000,000 under $100,000,000	137	7,720,829	140	7,815,636	135	454,159	135	443,588	135	579,595	12	1,955	51	114,203	84	699,107
$100,000,000 or more	145	45,789,867	146	39,842,126	145	2,714,642	144	2,659,458	144	2,796,635	9	20,908	72	802,699	72	1,138,357
Operating foundations																
Total	**1,273**	**5,619,677**	**3,134**	**9,007,049**	**2,549**	**381,417**	**N/A**	**N/A**	**2,655**	**874,242**	**383**	**14,786**	**N/A**	**N/A**	**N/A**	**N/A**
Zero or unreported	-	-	*14	*49	*28	*40	N/A	N/A	*41	*993	*14	*24	N/A	N/A	N/A	N/A
$1 under $100,000	304	8,815	1,537	46,464	1,063	1,456	N/A	N/A	1,160	19,383	207	894	N/A	N/A	N/A	N/A
$100,000 under $1,000,000	437	96,377	856	262,104	790	10,222	N/A	N/A	768	75,927	*110	*3,983	N/A	N/A	N/A	N/A
$1,000,000 under $10,000,000	422	849,122	586	1,459,538	532	59,876	N/A	N/A	549	210,742	*39	*4,747	N/A	N/A	N/A	N/A
$10,000,000 under $25,000,000	65	523,791	86	929,256	84	36,091	N/A	N/A	84	123,776	8	2,354	N/A	N/A	N/A	N/A
$25,000,000 under $50,000,000	22	472,887	29	680,464	27	33,803	N/A	N/A	28	105,134	3	128	N/A	N/A	N/A	N/A
$50,000,000 under $100,000,000	16	753,460	17	1,041,900	17	46,878	N/A	N/A	17	105,264	1	2,656	N/A	N/A	N/A	N/A
$100,000,000 or more	7	2,915,224	8	4,587,274	8	193,051	N/A	N/A	8	233,021	-	-	N/A	N/A	N/A	N/A
GRANTMAKING FOUNDATIONS																
Total	**19,483**	**84,650,414**	**29,509**	**86,093,389**	**28,835**	**5,322,230**	**27,534**	**5,013,571**	**30,037**	**7,642,851**	**3,932**	**69,180**	**5,479**	**1,336,862**	**22,585**	**9,926,435**
Zero or unreported	-	-	*80	*2,284	412	1,241	398	1,190	563	42,065	*97	*232	*28	*418	453	34,968
$1 under $100,000	4,372	162,447	10,553	349,234	9,697	19,022	9,048	18,839	10,595	234,547	1,693	2,638	1,196	1,937	8,253	1,044,283
$100,000 under $1,000,000	9,346	2,746,330	12,373	4,086,635	12,249	220,453	11,836	210,735	12,384	714,649	1,429	11,900	2,398	30,453	9,474	1,607,942
$1,000,000 under $10,000,000	4,627	11,065,336	5,306	13,812,249	5,284	779,503	5,114	779,133	5,301	1,544,363	565	16,133	1,410	151,001	3,714	3,165,509
$10,000,000 under $25,000,000	603	7,508,401	647	8,581,105	648	497,857	614	473,198	648	856,975	91	8,642	208	111,336	407	1,462,381
$25,000,000 under $50,000,000	246	6,996,825	257	7,368,066	256	450,394	246	428,545	257	661,338	37	6,772	118	125,172	128	773,888
$50,000,000 under $100,000,000	142	7,978,841	145	8,222,233	142	474,112	134	442,473	142	623,533	12	1,955	50	113,845	84	699,107
$100,000,000 or more	147	48,192,234	148	43,671,583	148	2,879,648	144	2,659,458	147	2,965,380	9	20,908	72	802,699	72	1,138,357
Grantmaking-nonoperating foundations																
Total	**18,855**	**80,995,319**	**28,089**	**80,298,149**	**27,554**	**5,082,930**	**27,534**	**5,013,571**	**28,590**	**7,283,840**	**3,674**	**65,610**	**5,479**	**1,336,862**	**22,585**	**9,926,435**
Zero or unreported	-	-	*80	*2,284	398	1,203	398	1,190	536	41,073	*97	*232	*28	*418	453	34,968
$1 under $100,000	4,179	155,349	9,821	326,909	9,076	18,037	9,048	18,839	9,863	225,246	1,527	2,408	1,196	1,937	8,253	1,044,283
$100,000 under $1,000,000	9,088	2,674,306	11,916	3,948,931	11,825	214,608	11,836	210,735	11,927	681,275	1,363	11,120	2,398	30,453	9,474	1,607,942
$1,000,000 under $10,000,000	4,498	10,833,667	5,128	13,387,029	5,115	762,912	5,114	779,133	5,124	1,498,482	547	14,968	1,410	151,001	3,714	3,165,509
$10,000,000 under $25,000,000	575	7,280,551	614	8,180,210	615	482,198	614	473,198	615	819,740	85	7,383	208	111,336	407	1,462,381
$25,000,000 under $50,000,000	238	6,787,507	247	7,074,175	246	436,331	246	428,545	247	642,552	34	6,644	118	125,172	128	773,888
$50,000,000 under $100,000,000	134	7,612,265	137	7,694,691	134	452,999	134	442,473	134	578,838	12	1,955	50	113,845	84	699,107
$100,000,000 or more	144	45,651,674	145	39,683,920	145	2,714,642	144	2,659,458	144	2,796,635	9	20,908	72	802,699	72	1,138,357
Grantmaking-operating foundations																
Total	**627**	**3,655,094**	**1,420**	**5,795,241**	**1,281**	**239,300**	**N/A**	**N/A**	**1,447**	**359,011**	**258**	**3,562**	**N/A**	**N/A**	**N/A**	**N/A**
Zero or unreported	-	-	-	-	*14	*38	N/A	N/A	*28	*992	-	-	N/A	N/A	N/A	N/A
$1 under $100,000	193	7,097	732	22,325	621	985	N/A	N/A	732	9,301	166	230	N/A	N/A	N/A	N/A
$100,000 under $1,000,000	258	72,024	457	137,704	424	5,845	N/A	N/A	457	33,374	*66	*780	N/A	N/A	N/A	N/A
$1,000,000 under $10,000,000	129	231,669	177	425,220	169	16,590	N/A	N/A	177	45,881	*17	*1,164	N/A	N/A	N/A	N/A
$10,000,000 under $25,000,000	28	227,850	33	400,895	33	15,659	N/A	N/A	33	37,235	6	1,259	N/A	N/A	N/A	N/A
$25,000,000 under $50,000,000	8	209,319	10	293,892	10	14,063	N/A	N/A	10	18,786	3	128	N/A	N/A	N/A	N/A
$50,000,000 under $100,000,000	8	366,576	8	527,543	8	21,113	N/A	N/A	8	44,695	-	-	N/A	N/A	N/A	N/A
$100,000,000 or more	3	2,540,560	3	3,987,662	3	165,006	N/A	N/A	3	168,745	-	-	N/A	N/A	N/A	N/A

N/A – not applicable.

*Estimate should be used with caution because of the small number of returns on which it is based.

NOTE: Detail may not add to total because of rounding.

Table 2B.—All Private Foundations: Balance Sheets and Income Statements, by Size of Fair Market Value of Total Assets, 1987

[All figures are estimates based on a sample—money amounts are in thousands of dollars]

Item	Total	Size of fair market value of total assets: Assets zero or unreported	$1 under $100,000	$100,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 under $25,000,000	$25,000,000 under $50,000,000	$50,000,000 under $100,000,000	$100,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of returns	**35,907**	**858**	**14,190**	**13,671**	**5,882**	**712**	**284**	**157**	**154**
Total assets (book value)	**93,783,400**	**7,446**	**456,021**	**4,627,421**	**15,649,389**	**9,608,393**	**8,269,747**	**9,083,128**	**46,091,854**
Cash, total	12,095,264	2,734	219,483	1,357,993	2,972,452	1,222,067	1,133,994	956,905	4,229,637
Non-interest bearing accounts	1,086,319	2,699	61,079	286,047	341,381	140,146	80,648	88,947	85,373
Savings and temporary cash investments	11,008,946	*35	158,404	1,071,947	2,631,071	1,081,922	1,053,346	867,958	4,144,264
Accounts receivable, net	383,144	*222	3,926	28,875	65,599	40,807	29,247	23,210	191,258
Pledges receivable, net	124,677	-	*283	*3,429	35,174	53,106	16,343	-	16,342
Grants receivable	69,242	-	*552	*21,698	*16,848	9,718	4,044	2	16,379
Receivables due from disqualified persons	37,554	-	*314	*6,627	29,735	-	111	282	485
Other notes and loans receivable	818,481	*10	5,605	92,424	203,038	119,255	92,366	104,494	201,287
Inventories	45,356	-	*2,171	*6,591	2,114	2,685	25,807	3,339	2,650
Prepaid expenses and deferred charges	58,384	-	1,540	6,818	16,648	4,398	2,478	15,011	11,491
Investments, total	75,894,006	*148	192,531	2,891,139	11,326,473	7,578,175	6,535,966	7,500,090	39,869,485
Securities	69,946,993	*148	173,633	2,508,487	10,189,634	6,803,444	6,059,557	7,002,397	37,209,692
Land, buildings, and equipment (less accumulated depreciation)	1,645,105	-	2,960	73,161	199,313	152,518	173,821	122,170	921,362
Mortgage loans	476,745	-	*3,445	32,481	181,105	56,983	28,282	44,013	130,436
Other investments	3,825,163	-	12,492	277,010	756,421	565,229	274,506	331,510	1,607,994
Charitable-purpose land, buildings, and equipment (less accumulated depreciation)	1,775,761	*4,324	9,918	132,616	516,970	292,293	198,097	314,789	308,754
Other assets	2,481,526	*9	19,697	79,208	464,337	285,889	231,294	165,008	1,236,086
Total liabilities	**3,367,202**	***9,356**	**32,621**	**153,164**	**479,097**	**398,440**	**416,479**	**225,592**	**1,652,454**
Net worth	**90,416,197**	**-1,909**	**423,400**	**4,474,257**	**15,170,292**	**9,209,953**	**7,853,268**	**8,857,536**	**44,429,400**
Total revenue	**17,116,794**	**16,506**	**292,969**	**1,254,630**	**3,369,230**	**1,911,881**	**1,696,361**	**1,624,120**	**6,951,097**
Contributions, gifts, and grants received	5,285,234	14,322	247,081	818,208	1,501,066	787,793	582,475	531,563	802,725
Interest on savings and temporary cash investments	1,062,734	1,030	12,506	91,913	253,525	126,164	116,065	107,349	354,182
Dividends and interest from securities	4,513,899	*715	13,738	187,787	700,058	453,867	374,550	439,552	2,343,632
Gross rents	202,374	-	2,406	10,906	48,388	9,979	28,267	36,087	66,342
Net gain (less loss) from sale of assets	5,567,476	*414	2,761	128,677	717,981	474,856	527,881	448,205	3,266,700
Gross profit from business activities	118,164	-	5,202	2,706	56,061	8,812	3,850	24,492	17,041
Other income	366,908	*25	9,273	14,431	92,150	50,408	63,272	36,872	100,476
Total expenses	**9,072,066**	**46,362**	**285,254**	**830,777**	**2,010,489**	**1,018,447**	**845,823**	**759,035**	**3,275,880**
Contributions, gifts, and grants paid	7,060,741	42,020	228,314	683,575	1,548,349	775,481	613,824	546,567	2,622,611
Compensation of officers	185,130	*247	4,137	16,939	48,727	23,508	20,380	17,643	53,549
Other salaries and wages	349,295	*190	9,561	28,722	82,385	39,063	42,455	41,302	105,617
Pension plans and employee benefits	79,003	-	873	2,576	12,001	7,130	8,182	9,850	38,591
Legal fees	50,303	892	1,756	6,220	13,808	5,281	3,732	5,454	13,161
Accounting fees	49,382	224	2,533	9,637	15,359	6,704	4,607	4,036	6,283
Other professional fees	224,706	*155	2,679	8,815	38,430	22,555	21,839	25,969	106,263
Interest	59,011	-	288	3,120	20,748	13,762	11,880	4,830	4,584
Taxes	296,125	97	1,865	15,733	57,537	35,498	28,186	34,793	122,416
Depreciation and depletion	95,840	-	1,003	5,107	23,085	15,336	15,940	13,831	21,537
Occupancy	93,663	*146	2,075	6,988	18,592	9,460	10,751	8,992	36,658
Travel, conferences, and meetings	45,013	*311	3,733	2,653	7,442	3,553	2,955	4,442	19,923
Printing and publications	22,702	39	2,239	1,348	2,618	2,213	1,470	4,563	8,212
Other expenses	461,143	2,039	24,195	39,340	123,407	58,902	59,822	36,964	116,474
Excess of revenue (less loss) over expenses	**8,044,727**	**-29,857**	**7,716**	**423,853**	**1,358,741**	**893,434**	**850,538**	**865,086**	**3,675,217**
Excess of revenue, total	9,180,495	*498	62,793	629,413	1,724,554	1,019,462	963,773	952,091	3,827,911
Loss, total	1,135,768	30,355	55,078	205,560	365,813	126,028	113,235	87,005	152,694
Total assets (fair market value)	**114,301,195**	-	**459,435**	**5,038,021**	**17,902,316**	**11,127,180**	**9,841,854**	**10,817,271**	**59,115,117**
Cash, total	12,076,930	-	219,307	1,355,119	2,970,050	1,213,596	1,128,473	957,806	4,232,579
Non-interest bearing accounts	1,077,628	-	61,064	283,226	341,998	134,710	80,298	88,757	87,576
Savings and temporary cash investments	10,999,302	-	158,243	1,071,893	2,628,052	1,078,886	1,048,175	869,049	4,145,004
Accounts receivable, net	395,547	-	3,893	29,996	67,688	43,075	35,567	22,974	192,354
Pledges receivable, net	124,611	-	*283	*3,429	35,070	53,106	16,381	-	16,342
Grants receivable	70,039	-	*1,264	*21,783	*16,848	9,718	4,044	2	16,379
Receivables due from disqualified persons	46,010	-	*314	*6,304	38,513	-	111	282	485
Other notes and loans receivable	851,740	-	5,605	91,541	195,154	120,702	86,467	105,184	247,107
Inventories	50,950	-	*1,967	*9,118	2,724	2,823	25,807	5,117	3,394
Prepaid expenses and deferred charges	103,169	-	1,417	6,755	26,123	4,359	2,472	15,010	47,034
Investments, total	94,810,924	-	199,824	3,259,451	13,299,145	8,892,602	7,935,196	9,189,086	52,035,620
Securities	87,351,765	-	180,449	2,853,382	11,933,881	7,900,038	7,304,635	8,474,289	48,705,091
Land, buildings, and equipment (less accumulated depreciation)	2,466,881	-	3,490	105,240	338,562	212,563	309,700	298,247	1,199,078
Mortgage loans	482,091	-	*3,445	32,112	186,181	56,986	28,304	44,054	131,009
Other investments	4,510,186	-	12,439	268,718	840,522	723,014	292,557	372,496	2,000,441
Charitable-purpose land, buildings, and equipment (less accumulated depreciation)	2,309,957	-	11,840	154,841	720,185	426,695	252,642	308,295	435,460
Other assets	3,452,086	-	13,204	96,091	525,694	360,504	354,695	213,535	1,888,363
Total beginning of year assets (book value)	**86,019,399**	**33,660**	**451,538**	**4,166,481**	**14,167,916**	**8,676,455**	**7,415,644**	**8,211,953**	**42,895,752**
Investments in securities, beginning of year (book value)	**63,514,189**	**10,938**	**165,550**	**2,206,040**	**9,022,169**	**6,046,596**	**5,384,627**	**6,307,046**	**34,369,223**

*Estimate should be used with caution because of the small number of returns on which it is based.

NOTE: Detail may not add to total due to rounding.

Private Foundation

GRANT-MAKING ADMINISTRATIVE EXPENSES STUDY

January 1990

Note: This paper was written by the staff of the Employee Plans & Exempt Organizations (EP/EO) area of IRS with input from the Statistics of Income (SOI) Division.

Internal Revenue Service

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GRANT-MAKING ADMINISTRATIVE EXPENSES STUDY

OVERALL FINDINGS AND CONCLUSION

Overall Findings

1. During the 1985 tax year, the qualifying distributions of nonoperating private foundations amounted to $5.9 billion. $417 million (7.1 percent) of that total was attributable to grant-making administrative expenses.

2. The limit on grant-making administrative expenses in section 4942(g)(4) of the Internal Revenue Code of 1986 was not an effective method of discouraging foundations from incurring excessive amounts of these administrative expenses. Small foundations were the most likely to incur excessive expenses, but these foundations also tended to have excess qualifying distributions, thus posing little, if any, potential for tax liability under section 4942. In no instance was a tax incurred as a result of a foundation exceeding the grant-making administrative expenses limit.

3. The grant-making administrative expenses limit, formulated as a percentage of net noncharitable assets, had no discernible impact on abusive situations, such as the payment of excessive compensation. Abusive situations were controlled by the existing excise tax provisions under Chapter 42; the grant-making administrative expenses limit did not provide any additional deterrent.

4. Computations regarding the grant-making administrative expenses limit were complex and burdensome to private foundations. Consequently, the error rate of private foundations' reporting in this area was high. The private foundations' miscalculations, in turn, caused administrative difficulties for the IRS.

5. Private foundations were in substantial compliance with the provisions of the tax laws that apply to them.

Conclusion

The limitation on administrative expenses allocable to the making of foundation grants set forth in section 4942(g)(4) of the Code should be allowed to terminate as scheduled in subparagraph (F) of that statute.

SUBJECT OF THE STUDY

This is the report of a study, requested in the Conference Committee Report to the Deficit Reduction Act of 1984 ("DEFRA"), concerning the grant-making administrative expenses of private foundations.[1] The Committee Report asked for this study in order to obtain more detailed information concerning private foundation grant-making administrative expenses than was available at that time.

As requested, the study is based on private foundation information returns (Form 990-PF) that have been revised to require additional and more detailed information on administrative expenses and other expenses of these foundations. Also in accordance with the request, the study examines:

(A) The amount of qualifying distributions that actually reach charitable beneficiaries;

(B) The administrative costs of such payouts;

(C) The effect of the revised general definition of, and limitation on, grant-making administrative expenses eligible to be treated as qualifying distributions, both of which were enacted as part of DEFRA; and

(D) The additional information provided by the Form 990-PF concerning categories and types of administrative expenses and the basis for allocating such expenses among categories of foundation expenses.

The body of this report contains an analysis of audit results from a stratified random sample of private foundation returns filed on Form 990-PF for tax year 1985. There are, in addition, four appendices. *Appendix A* describes how the study was conducted. *Appendix B* is an analysis of another sample of private foundations' 1985 tax year returns; it was prepared as a part of the Statistics of Income ("SOI") Division's ongoing program to publish data from information returns.[2] *Appendix C* is a hypothetical 1985 Form 990-PF return that reflects weighted aggregate totals for all foundations estimated from the SOI sample. It also shows what

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[1] H.R. Conf. Rep. No. 861, 98th Cong., 2d Sess. 1087 (1984).

[2] Riley, *Private Foundation Returns, 1985*, 9 Statistics of Income Bull. 27 (Summer 1989).

areas of the return were added because of the DEFRA amendments. *Appendix D* contains the audit survey questionnaire and accompanying instructions Internal Revenue Service (IRS) examiners used in completing examinations performed under the study.

BACKGROUND TO THE STUDY

Private Foundations and Their Qualifying Distributions

In lay terms, private foundations are charitable corporations, trusts, or associations that are not publicly supported and, in practice, frequently are controlled by the creator, his/her family, and close associates. Private foundations are classified as either "operating" or "nonoperating." Nonoperating foundations, the primary focus of this study, generally are distinguished from operating foundations in that they carry on their charitable activities in an indirect manner. These nonoperating foundations make grants to other organizations directly engaged in charitable activities, rather than expending substantially all their income for the active conduct of their own charitable programs, such as conducting seminars or operating a museum.[3] Qualified operating and nonoperating foundations are exempt from federal income tax under section 501(a) of the Internal Revenue Code of 1986[4] as exclusively charitable organizations described in section 501(c)(3).

Charitable grants made by a private foundation constitute "qualifying distributions." The term "qualifying distributions" also includes the private foundation's direct disbursements to accomplish charitable purposes, disbursements to acquire assets used directly to accomplish exempt functions, program-related investments, amounts set aside for future charitable projects, and reasonable and necessary administrative expenses, including those incurred for the purpose of making grants ("grant-making administrative expenses"). Under section 4942 of the Code,[5] nonoperating foundations are required, each year, to pay out by the end of the following year qualifying distributions equal to approximately 5 percent of their net noncharitable assets.[6] This

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[3] Some nonoperating foundations, however, conduct charitable programs directly in addition to making grants.

[4] All future Code references are to the Internal Revenue Code of 1986.

[5] Section 4942 of the Code was enacted as part of the Tax Reform Act of 1969, Pub. L. 91-172 (Dec. 30, 1969) and was amended by the Economic Recovery Act of 1981, Pub. L. 97-448 (Aug. 13, 1981).

[6] Owing to certain types of statutorily permitted reductions, the 5 percent payout requirement can be effectively decreased below that level in actual operation. Permitted reductions include payments for the net investment income tax imposed by section 4940 of the Code and the unrelated business income tax imposed by section 511. Also, reductions for "blockage" and other marketability discounts (limited to 10 percent by section 4942 (g)(2)(B) in the case of certain securities, but statutorily unlimited in other cases) reduce the net noncharitable asset base and, thus,

qualifying distributions rule commonly is referred to as the charitable payout requirement. The charitable payout requirement was enacted to ensure that a minimum amount would reach charitable beneficiaries in a timely manner.

Because of their direct conduct of charitable programs, operating foundations are not subject to the same payout requirement as nonoperating foundations. However, in order to retain their operating foundation status, they must meet the two requirements set forth in section 4942(j)(3) of the Code. Under the first requirement, which is commonly referred to as the "income test," operating foundations must make qualifying distributions directly for the active conduct of exempt activities amounting to at least 85 percent of their current income ("adjusted net income") or 5 percent of their net noncharitable assets ("minimum investment return"), whichever is less.[7] The second requirement is met by satisfying one of three alternative tests based on assets, endowment, or sources of support.[8]

Reason For Study of Grant-making Administrative Expenses

Private foundations are required to report on their Form 990-PF returns detailed information concerning the portion of their administrative expenses that relate to grant-making. This requirement commenced with the 1985 tax year, and resulted from Congressional concern that some foundations might be incurring excessive amounts of administrative expenses and using these expenses to satisfy the annual charitable payout requirement. When it sought statistical information regarding private foundation administrative expenses, the House Ways and Means Committee found that reliable data were unavailable. Therefore, DEFRA directed the Treasury Department to conduct this study.

DEFRA Provisions Relating to Administrative Expenses

Also as part of DEFRA, section 4942(g)(1)(A) of the Code was amended to provide that only "reasonable and necessary" administrative expenses may be treated as qualifying distributions for purposes of satisfying the payout requirement.

More significantly, DEFRA added section 4942(g)(4) of the Code to place a limitation (based in major part on 0.65 percent of net noncharitable assets) on the amount of reasonable and

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produce a minimum payout level of less than 5 percent of full fair market value in many cases.

[7] *See* section 53.4942(b)-1 of the Foundation Excise Tax Regulations. *See also* Appendix C, p. C-10, where the formula is computed mechanically by following Part XV of the Form 990-PF return.

[8] *See* section 53.4942(b)-2 of the regulations.

necessary grant-making administrative expenses.[9] Up to the statutory limit, private foundations are able to apply grant-making administrative expenses, as qualifying distributions, toward meeting either the charitable payout requirement (imposed on private nonoperating foundations) or the income test (imposed on private operating foundations).

Grant-making administrative expenses exceeding the limit are *per se* not "reasonable and necessary" and may not be counted as qualifying distributions. Therefore, if a nonoperating foundation has made only the minimum payout required by section 4942 of the Code (without taking into account the grant-making administrative expenses limit) and its grant-making administrative expenses exceed the limit, it must take one or both of the following steps to avoid liability for the excise tax penalty on failure to distribute income: (1) it may use credits ("excess distribution carryovers") it accumulated from prior years to make up the difference; and/or (2) it may currently (within the tax year) make an additional qualifying distribution (beyond the current year's requirement) at least equal to the excess grant-making administrative expenses. Otherwise, it would be liable for the excise tax penalty imposed by section 4942 for failure to distribute income.

This limitation on grant-making administrative expenses is temporary; it will expire on December 31, 1990, unless extended by Congress.

SPECIFIC FINDINGS

Item A: Amount and Types of Qualifying Distributions

For tax year 1985, the qualifying distributions of nonoperating foundations amounted to $5.88 billion.[10] Figure A sets forth the extent of these distributions, by category.

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[9] In general, the formula for the limit is the excess of (1) 0.65 percent of the sum of the foundation's net noncharitable assets for the current and preceding two tax years, over (2) the total of grant-making administrative expenses for the preceding two years that were counted as qualifying distributions.

[10] The qualifying distributions paid out during tax year 1985 exceeded the amount nonoperating foundations were required to pay out that year under section 4942 of the Code by $1.8 billion, or 44 percent.

Figure A.—Qualifying Distributions of Nonoperating Foundations By Category, As Adjusted
[All figures are estimates based on samples—money amounts are in millions of dollars]

Category	Amount		Percentage of Total	
Directly Reaching Beneficiaries				
Gifts, Grants, Etc., to Others	$5,240		89.1%	
Direct Conduct of Charitable Activities	84		1.4	
Technical Assistance to Charities	21		0.4	
Program-related Investments	62		1.1	
Total Direct Charitable Payments		$5,407		92.0%
Other				
Grant-making Administrative Expenses	417		7.1	
Miscellaneous Qualifying Distributions	56		1.0	
Total Other Payments		$ 473		8.0%
Total Qualifying Distributions		$5,880		100.0%

NOTE: Detail may not add to total because of rounding.

As Figure A discloses, the amount of qualifying distributions for tax year 1985 that actually reached charitable beneficiaries was 5.407 billion or 92 percent of all qualifying distributions. The balance consisted of amounts attributable to grant-making administrative expenses and related compliance costs reportable as miscellaneous distributions.

Item B: Amount and Categories of Grant-making Administrative Expenses

1. *Overview of Grant-making Administrative Expenses*

For all nonoperating foundations, grant-making administrative expenses amounted to $417 million, or 7.1 percent of the $5.88 billion total of qualifying distributions, for the 1985 tax year.[11] As Figure B notes, these expenses, as determined by IRS examiners, were distributed in the following categories:

[11] Excess grant-making administrative expenses, which, by definition, are disallowed as qualifying distributions, amounted to $34 million, equivalent to 0.6 percent of qualifying distributions. As discussed on pp. 13-14 *infra*, only a small number of nonoperating foundations potentially were affected by exceeding the limit.

Figure B.—Grant-making Administrative Expense Amounts of Nonoperating Foundations, by Category, as Adjusted

[All figures are estimates based on samples]

Category	Per Audit	Percentage of Total
Compensation of Officers, Directors, Trustees	$ 89,730,069	21.5%
Other Employee Salary and Wages	109,624,520	26.3
Pension Plans, Employee Benefits	41,048,294	9.8
Legal, Accounting, Other Professional Fees	65,547,344	15.7
Interest and Taxes	1,803,311	0.4
Occupancy	26,548,787	6.4
Travel, Conferences, Meetings	27,652,887	6.6
Printing and Publications	9,380,921	2.2
Other Expenses	45,698,426	11.0
Total Grant-making Administrative Expenses	$417,034,558	100.0%

NOTE: Detail may not add to total because of rounding.

2. *Examiners' Adjustments to Reported Grant-making Administrative Expenses*

(a) *Adjustments in General*

Nonoperating foundations' 1985 Form 990-PF returns required adjustments to reported grant-making administrative expense items in 48.6 percent of all cases. Consequently, the pervasiveness of error in reporting grant-making administrative expenses is notable. Furthermore, adjustments that increased the amounts of grant-making administrative expenses were almost equaled by adjustments that decreased the amounts, indicating that mere error, as opposed to bias in reporting, was the controlling factor. Figure C sets forth the percentage of returns adjusted, by expense category.

Figure C.—Percentage of Nonoperating Foundation Returns Adjusted By Expense Category and Percentage of Returns Adjusted

Category	% Increased	% Decreased	% Adjusted
Compensation of Officers, Directors, Trustees	6.9%	3.8%	10.7%
Other Employee Salary and Wages	0.9	0.4	1.3
Pension Plans, Employee Benefits	1.4	0.3	1.7
Legal, Accounting, Other Professional Fees	11.5	15.3	26.8
Interest and Taxes	1.9	10.3	12.2
Occupancy	2.0	0.8	2.8
Travel, Conferences, Meetings	1.7	1.6	3.3
Printing and Publications	3.2	6.9	10.1
Other Expenses	14.2	18.4	32.6
Returns Adjusted	22.1%	26.5%	48.6%

NOTE: Detail may not add to total because of rounding.

Adjustments to reported grant-making administrative expenses were common in every asset class.[12] As Figure D shows, the very smallest and the very largest nonoperating foundations were relatively less prone to error than the other foundation classes:

Figure D.—Percentage of Returns Adjusted in Each Asset Code

Asset Code	Size	Percentage of Returns Adjusted
A	Very Small	39.8%
B	Small	54.6
C	Medium	62.6
D	Large	60.4
E	Very Large	41.2

[12] The term "Asset Class" used throughout corresponds with the asset classes, which were used as a basis for stratifying the study sample, described in Appendix A, p. A-2.

Asset Code	Size	Percentage of all Foundations	Description (Book Value of Assets Except Where Noted)
A	Very Small	51.3%	Under $100,000
B	Small	34.2	$100,000 to $999,999
C	Medium	12.3	$1,000,000 to $9,999,999
D	Large	2.1	$10,000,000 and over (except those with $500,000,000 or more in Fair Market Value of Assets)
E	Very Large	0.1	$500,000,000 or more in Fair Market Value of Assets

As noted above, adjustments that increased the amounts of grant-making administrative expenses reported were very nearly counterpoised by adjustments that decreased the amounts reported. Furthermore, what was true in the aggregate was true for most of the constituent expense categories—Interest and Taxes being the most conspicuous exception.[13] Figure E, which sets forth the percentage of dollar amount adjustments to the reported grant-making administrative expenses of nonoperating foundations, shows that the net aggregate of adjustments increased their grant-making administrative expenses by only 0.5 percent.

Figure E.—Percentage Adjustments to Reported Grant-making Administrative Expenses of Nonoperating Foundations

Category	Increased	Decreased	Total Adjustments	Percentage Change
Compensation of Officers, Directors, Trustees	8.9%	2.9%	11.8%	6.0%
Other Employee Salary and Wages	4.0	3.4	7.4	0.6
Pension Plans, Employee Benefits	4.2	2.3	6.5	1.9
Legal, Accounting, Other Professional Fees	12.8	12.9	25.7	-0.1
Interest and Taxes	5.3	70.1	75.4	-64.8
Occupancy	10.0	6.3	16.3	3.8
Travel, Conferences, Meetings	3.1	1.3	4.4	1.7
Printing and Publications	44.0	14.1	58.1	30.0
Other Expenses	15.3	24.4	39.7	-9.1
Total Percentage Adjustments to Reported Grant-making Administrative Expenses	7.1%	6.6%	13.7%	0.5%

NOTES: Detail may not add to total because of rounding.
Total Adjustments displays the sum of the increase and decrease percentages.
Percentage Change displays the net increase or decrease in each category.

The frequency of error regarding grant-making administrative expense items, combined with the fact that underreporting was almost equaled by overreporting, indicates that, insofar as nonoperating foundations were concerned, misallocations were common, but there was no consistent overall pattern to these misallocations, other than widespread confusion.[14]

[13] Adjustments to "Interest and Taxes" are specifically discussed at p. 11 *infra*.

[14] With respect to operating foundations, error was equally frequent, but the adjustments most often decreased the amounts of grant-making administrative expenses. In virtually all of the situations where operating foundations' grant-making administrative expenditures were decreased, the shifted amounts were recharacterized as direct charitable expenses. This recharacterization was necessary because operating foundations often erroneously allocated (and sometimes even equated) time spent on direct conduct of charitable activities to time spent on grant-making administrative activities. Where an operating foundation had reported excess grant-making administrative expenses, this type of recharacterization *increased* the amount of the foundation's qualifying distributions, because the shifted amounts no longer were subject to the grant-making administrative expenses limit.

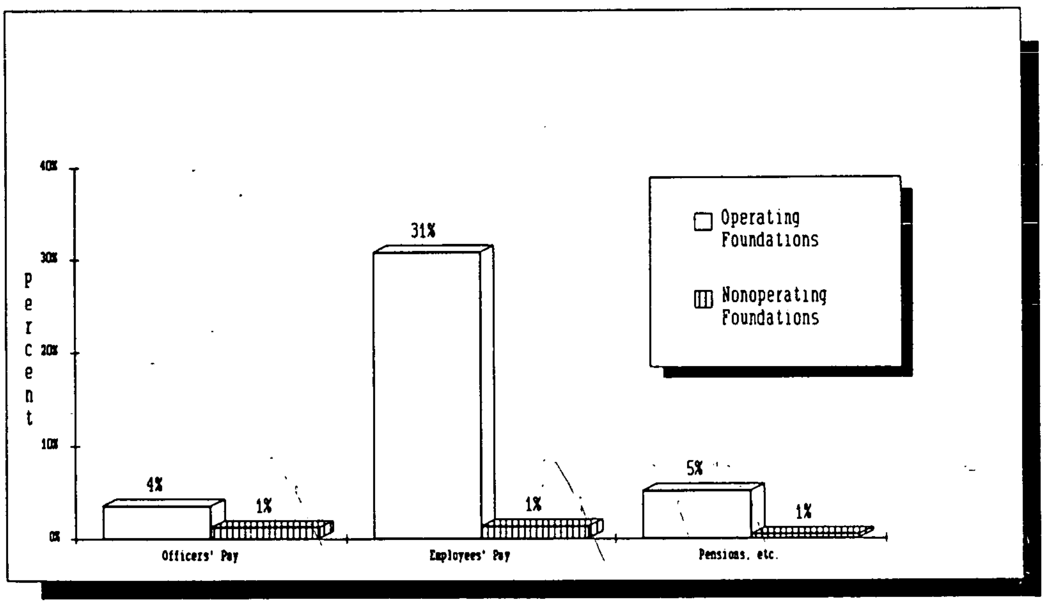
We found that the grant-making administrative expense allocation problems cannot be attributed to the novelty of the revised Form 990-PF. It is more consistent with the facts to conclude that allocation of grant-making administrative expenses is a complex concept that requires its own record-keeping system and some moderately difficult computations.

(b) *Particular Categories of Adjustments*

(i) *Compensation*

Nonoperating foundations have far smaller staffs than otherwise equivalent operating foundations. Consequently, as Figure F illustrates, compensation-related expenses are a far smaller item for nonoperating foundations.

Figure F.—Compensation-Related Charitable Expenses of Foundations Expressed as a Percent of Total Charitable Disbursements



Note: The information in this Figure comes from data developed by SOI in its study of 1985 private foundation returns.

As with most categories, compensation adjustments sometimes increased and sometimes decreased nonoperating foundations' grant-making administrative expenditures. In some cases, a manager's time spent on investment activities was reported erroneously as time spent on grant-making administration and, when adjusted, the amount of salary attributable to that time was disallowed as a qualifying distribution. In other cases, a manager's time spent on direct charitable activities was erroneously allocated to grant-making administration. In such cases, the adjustment reduced grant-making administrative expenses, but did not reduce the qualifying distribution.[15] In still other cases, a manager spent more time on grant-making administration than the allocation indicated. In these cases, the reallocation increased grant-making administrative expenditures.

(ii) *Interest and Taxes*

As noted in Figure E, reported expenses in the category Interest and Taxes were reduced 64.8 percent by IRS examiners.[16] The item most frequently adjusted in this category was the net investment income tax imposed by section 4940 of the Code.[17] Liability for the section 4940 tax and for the tax on unrelated business income imposed by section 511 properly reduces only the distributable amount and should not serve to increase qualifying distributions.[18]

(iii) *Other Expenses*

As also noted in Figure E, reported expenses in the Other Expenses category were reduced by 9.1 percent upon examination.[19] The decrease was in large part attributable to the fact that the most frequently mentioned item in Other Expenses was the expense of publishing the

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[15] As discussed in note 14, in cases where a nonoperating foundation had excess grant-making administrative expenses, this type of reallocation increased the amount of the nonoperating foundation's qualifying distribution, because the reallocated amounts were not subject to the grant-making administrative expenses limit.

[16] *See* p. 9 *supra.*

[17] In cases where payments of section 4940 tax were entered as a grant-making administrative expense item, foundations, in effect, were claiming a double benefit:

(1) The payout requirement, that is the distributable amount, automatically was reduced for the year in which the liability arose, and

(2) The amount was added as a "qualifying distribution" to satisfy the payout requirement in the year in which the tax was paid; thus it was counted twice.

Those small-to-medium size private foundations in Asset Codes B and C (assets of at least $100 thousand but less than $10 million), as a group, were most prone to error. This group, which comprises 46.5 percent of all private foundations (*see* Appendix A, p. A-2, Figure A), accounted for 61 percent of all section 4940 tax adjustments in the returns examined.

[18] *See* Appendix C, p. C-7, where, on Part X of the Form 990-PF return, payments of the section 4940 tax and the 511 tax are excluded from the distributable amount.

[19] *See* p. 9 *supra.*

notice of availability of the organization's report.[20] This expense, however, should not have been reported as a grant-making administrative expense, but rather should have been treated as a miscellaneous qualifying distribution that is not subject to the limitation on grant-making administrative expenses.[21]

IRS examiners looked into whether errors in the Other Expenses category helped to identify abuse cases. The examiners found no correlation between Other Expenses' errors and abuses.

Item C: Effect of the Amendment of Section 4942 to Limit Grant-making Administrative Expenses

1. *Errors In Calculating the Limit*

As noted earlier, foundations have problems in reporting the expenses subject to the grant-making administrative expenses limit.[22] We also found that calculation of the limit is highly prone to error. Foundations representing 51 percent of the population did not compute the grant-making administrative expense limit accurately.

The magnitude of the error rate regarding calculation of the limit arises from two major causes: (1) taxpayer confusion and lack of adequate records to compute the limit accurately, and (2) the cumulative effect of many errors occurring elsewhere in the return. The error rates regarding the expenses subject to the limit and regarding the limit itself are so high as to indicate that both private foundations and the IRS would have to incur significantly higher compliance costs if data relevant to the limit are to be noticeably more accurate.[23]

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[20] The second most common item was the annual expense of registering the organization with the State Attorney General (or other state regulatory official). Other reported expense items, in order of frequency, were:

3. Miscellaneous expenses;
4. Office expense or supplies;
5. Insurance;
6. Telephone; and
7. Bank charges, fees, or expenditures.

[21] Instructions for Form 990-PF state that on Part XVII-A, line 4, foundations should enter amounts attributable to publishing the notice of availability of their reports under "other qualifying distributions."

[22] *See* p. 7 *supra.*

[23] For example, SOI found that 25 - 30 percent of the returns in its sample required adjustments just in Part XVII-A, Summary of Grant Programs and Other Activities, to correct inconsistent taxpayer entries. *See* Appendix C, p. C-11.

2. *Effect of Exceeding the Grant-making Administrative Expenditure Limit*

As noted, the grant-making administrative expenditures were an estimated 7.1 percent of the $5.88 billion in qualifying distributions made by nonoperating foundations and that excess grant-making administrative expenditures were estimated to be $34 million or 0.6 percent of qualifying distributions.[24]

We found that an estimated 12 percent of nonoperating foundations exceeded the grant administrative expense limit. Further, we found that the expenses disallowed by the limit prevented less than 1 percent of all nonoperating foundations from reaching their minimum payout requirement for the same period, because most foundations had excess qualifying distributions that offset the excess (and therefore disallowed) grant-making administrative expenses. In all these remaining cases, however, the organizations had enough excess distributions from earlier years, not only to offset the excess, but also to allow them to continue their current pattern unchanged for at least two years. Consequently, at no level of excess grant-making administrative expenses did the limit cause a taxable event under section 4942 of the Code.[25]

Most (60 percent) of the nonoperating foundations that exceeded the expense limit were the very small foundations with book values of assets under $100,000. The very small foundations, however, are also very likely to exceed the minimum payout required by section 4942 of the Code;[26] they also are the least likely to have significant compensation-related expenses. It may be posited that the reason the very small foundations are the most likely to exceed the limit is not caused by the size of their grant-making administrative expenses. It results, rather, from the fact that they are more likely to depend disproportionately on contributions instead of assets as their source of funding; because the limit is calculated on net assets, their statutory limitation is disproportionately low.[27]

In contrast to the very small foundations, the very large foundations, which have most of the compensation-related grant-making administrative expenses and which tend to make payouts

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[24] *See* p. 6 *supra*.

[25] Approximately 4 percent of operating foundations exceeded the grant-making administrative expenses limit. In no case, however, did loss of private operating foundation status result from this.

[26] Approximately 77 percent of foundations in Classes A through D exceeded the minimum payout requirement while only 35 percent of Class E foundations paid out more than required.

[27] Appendix B, p. B-2, Figure A, sets forth components of private foundation revenue for small, medium, and large foundations.

at or near the required minimum,[28] are the least likely to exceed the grant-making administrative expenses limit.

Item D: Compensation Abuses

As regards compensation abuses, of the total 882 organizations examined, the study identified 20 such cases. Where appropriate, the agents were able to propose imposition of the excise tax on self-dealing under section 4941 of the Code or of some other appropriate foundation excise tax. The instances of compensation abuses included the organization's payment of personal expenses of officers and trustees, payment of obligations of disqualified persons, and other instances of private benefit.

Our examinations found that the foundation excise tax provisions contained in sections 4941, 4943, 4944, and 4945 of the Code have a deterrent effect against abuses by private foundations and furnish adequate, effective, and equitable remedies. Moreover, there is no evidence from our study that would lead us to believe that the percentage limitation contained in section 4942(g)(4) independently deters compensation abuses.[29] Nevertheless, we believe that the "reasonable and necessary" standard added by DEFRA to section 4942(g)(1)(A) represents a useful signal of Congressional concern about the potential for abuse in this area.

Item E: Compliance of Private Foundations

Overall, we found that private foundations are in substantial compliance with the provisions of the tax laws that apply to them.[30]

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[28] *See* note 26, *supra*.

[29] It should be noted, for example, that we found some compensation abuse cases where the foundation's grant-making administrative expenses were well within the statutory limit of section 4942(g)(4) and were thus completely unaffected by it. More significantly, we did not find a correlation between cases where compensation abuses occurred and cases where the grant-making administrative limit was exceeded; in fact, the organizations involved in compensation abuse cases exceeded the section 4942(g)(4) limit at about the same rate as the other organizations in the sample. However, it would be hard to draw a strong statistical conclusion from this evidence, because there were only 20 abuse cases in the sample.

[30] Nevertheless, there is one area in which substantial improvement should occur. Private foundations should timely report their initial Chapter 42 excise tax liabilities on Form 4720, Return of Certain Excise Taxes on Charities and Other Persons Under Chapters 41 and 42 of the Internal Revenue Code. Only 1 percent of affected private foundations adhere to this rule, however.

APPENDIX A

HOW THE STUDY WAS CONDUCTED

Coordination of the Study

At the request of the Treasury Department, the IRS conducted the study, and assigned it to the Employee Plans and Exempt Organizations Operations Division. The IRS' Statistics of Income Division and Research Division provided computer operations and statistical support for the study.

The working team formed by these three divisions briefed both Treasury officials and staff members of the tax-writing committees of Congress on the scope and methodology of the study before beginning any return examinations. The committees' staff members requested the team to include nonexempt charitable trusts in the study,[1] and to focus special attention both upon compensation issues and upon what are classified as "other expenses" on Form 990-PF. The working team also briefed representatives of the American Bar Association, the American Institute of Certified Public Accountants, and the Council on Foundations.

Sampling Methodology and Examination Phase Procedures

To ensure accomplishment of the study objectives, the IRS issued special examination instructions and held training classes for all participating examiners.

Between October 1, 1986, and June 1, 1988, IRS district offices conducted examinations of 882 private foundation returns based on a stratified random sample. The examiners submitted a checksheet capturing important elements of each examination for study purposes.

The returns selected and examined were for tax year 1985. The only constraint on the sample design was that its size could not exceed 900 cases, since that was the maximum number of cases the IRS could examine without serious disruption of other examination programs. The sample was stratified by value of assets into five asset codes, and then by key district office within each asset code. The following Figure describes the asset codes.

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[1] These trusts are described in section 4947(a)(1) of the Code.

Figure A.--Description of Asset Codes

Asset Code	Size	Percentage of all Foundations	Description (Book Value of Assets Except Where Noted)
A	Very Small	51.3 %	Under $100,000
B	Small	34.2 %	$100,000 to $999,999
C	Medium	12.3 %	$1,000,000 to $9,999,999
D	Large	2.1 %	$10,000,000 and over (except those with $500,000,000 or more in Fair Market Value of Assets)
E	Very Large	0.1 %	$500,000,000 or more in Fair Market Value of Assets

The sample was weighted to minimize distortions. Therefore, all 18 private foundations in Asset Code E were examined and the sample size of private foundations in other asset codes was predetermined, that is, approximately 100 private foundations in Asset Code A, approximately 200 in Asset Code B, approximately 300 in Asset Code C, and approximately 200 in Asset Code D.

Nonexempt charitable trusts constituted a distinct class that was randomly sampled across Asset Codes A through D;[2] the approximate sample size of these trusts was 100. We found no difference that was relevant to this study in the behavior of nonoperating foundations and nonexempt charitable trusts. Therefore, all references in the body of the report to nonoperating foundations include nonexempt charitable trusts.

A team of selected district reviewers also checked those cases identified by the examiners as having Chapter 42 excise tax violations or tax abuse potential. Both the Exempt Organizations Technical Division and the Individual Income Tax Division provided technical assistance on the application of uniform rules with respect to issues arising under section 4942 of the Code. In addition, the Research Division provided assistance with respect to the extent to which the study data corresponded to data from earlier Taxpayer Compliance Measurement Programs relating to Chapter 42 Tax Compliance Data.

[2] There were no nonexempt charitable trusts in Asset Code E.

Private Foundation Returns, 1985

By Margaret Riley

Please refer to page 331 for the article, "Private Foundation Returns, 1985."

APPENDIX C

SUPPLEMENTAL SOI AND RELATED MATERIALS

Introduction

This Appendix contains a hypothetical 1985 Form 990-PF return The return reflects weighted aggregate estimates of amounts reported on Forms 990-PF filed for the reporting year 1985, as determined by the Statistics of Income Division study. The return also identifies line items and parts added to Form 990-PF in 1984 and 1985 that relate to grant administrative expenses or changes in the section 4940 tax rate.

The figures contained in the return are not identical to the figures found in the body of the report because those in the main report are based on audited returns.

Form **990-PF**

Department of the Treasury
Internal Revenue Service

Return of Private Foundation

or Section 4947(a)(1) Trust Treated as a Private Foundation

Note: *You may be able to use a copy of this return to satisfy State reporting requirements.*

OMB No. 1545-0052

1985

For the calendar year 1985, or tax year beginning , 1985, and ending , 19

Please type, print, or attach label. See Specific Instructions.

Name of organization: Estimated Population: 31,221 PF's

Employer identification number

Address (number and street)

State registration number (see instructions)

City or town, state, and ZIP code

Fair market value of assets at end of year: 97,089,200 1/

If application pending, check here ▶ ☐ Foreign organizations, check here ▶ ☐

Please attach check or money order here.

Check type of organization
☐ Exempt private foundation ☐ 4947(a)(1) trust ☐ Other taxable private foundation

Section 4947(a)(1) trusts filing this form in lieu of Form 1041, check here and see General Instructions. ▶ ☐

If the foundation is in a 60-month termination under section 507(b)(1)(B), check here ▶ ☐

The books are in care of ▶

Located at ▶ Telephone no. ▶

Check this box if your private foundation status terminated under section 507(b)(1)(A) ▶ ☐

Part I Analysis of Support, Revenue, and Expenses (See Instructions for Part I)

	Line	(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purpose
Support and Revenue	1 Contributions, gifts, grants, etc. received (attach schedule)	5,461,570			
	2 Contributions from split-interest trusts				
	3 Interest on savings and temporary cash investments	927,305			
	4 Dividends and interest from securities	3,902,791			
	5a Gross rents	269,827			
	b (Net rental income (loss))				
	6 Net gain or (loss) from sale of assets not on line 10	5,128,130			
	7 Capital gain net income				
	8 Net short-term capital gain				
	9 Income modifications				
	10a Gross sales minus returns and allowances				
	b Minus: Cost of goods sold (attach schedule)				
	c Gross profit (loss)	172,280			
	11 Other income (attach schedule)	550,625			
	12 Total (add lines 1 through 11)	16,412,533	10,505,919		
Operating and Administrative Expenses	13 Compensation of officers, directors, trustees, etc	158,002			99,743
	14 Other employee salaries and wages	354,756			295,556
	15 Pension plans, employee benefits	79,059			65,116
	16a Legal fees	44,403			21,849
	b Accounting fees	29,531			13,800
	c Other professional fees	173,307			32,182
	17 Interest	58,231			15,713
	18 Taxes (attach schedule)	242,479			23,417
	19 Depreciation and depletion	97,755			
	20 Occupancy	76,970			62,661
	21 Travel, conferences, and meetings	41,079			36,926
	22 Printing and publications	19,777			16,441
	23 Other expenses (attach schedule)	467,966			346,002
	24 Total operating and administrative expenses (add lines 13 through 23)				
	25 Contributions, gifts, grants paid	5,397,439			5,244,114
	26 Total expenses and disbursements (add lines 24 and 25)	7,240,579	475,988		6,273,522
	27a Excess of revenue over expenses and disbursements (line 12 minus line 26)	9,171,952			
	b Net investment income (if negative enter -0-)		10,042,766		
	c Adjusted net income (if negative enter -0-)				

For Paperwork Reduction Act Notice, see page 1 of the Instructions.

Form **990-PF** (1985)

1/ All amounts shown are in thousands of dollars.

Form 990-PF (1985) Page 2

Part II Balance Sheets

Attached schedules should be for end of year amounts only. (See instructions for col. (c).)

		Beginning of year (a) Book Value	End of year (b) Book Value	End of year (c) Fair Market Value
Assets	1 Cash—non-interest bearing		831,079	827,074
	2 Savings and temporary cash investments		8,362,294	8,369,039
	3 Accounts receivable ▶			
	minus allowance for doubtful accounts ▶		326,524	313,132
	4 Pledges receivable ▶			
	minus allowance for doubtful accounts ▶		97,339	96,141
	5 Grants receivable		68,106	69,025
	6 Receivables due from officers, directors, trustees, and other disqualified persons (see instructions)		19,755	22,194
	7 Other notes and loans receivable ▶			
	minus allowance for doubtful accounts ▶		823,171	915,627
	8 Inventories for sale or use		28,173	26,715
	9 Prepaid expenses and deferred charges		60,781	63,421
	10 Investments—securities (attach schedule)	45,743,253	53,980,591	75,030,077
	11 Investments—land, buildings, and equipment: basis ▶			
	minus accumulated depreciation (attach schedule) ▶		1,567,982	2,273,030
	12 Investments—mortgage loans		494,481	512,670
	13 Investments—other (attach schedule)		2,668,035	3,490,215
	14 Land, buildings, and equipment: basis ▶			
	minus accumulated depreciation (attach schedule) ▶		2,068,318	2,523,098
	15 Other assets (Describe ▶)		1,828,709	2,556,867
	16 Total assets (see instructions)	62,644,429	73,225,342	97,089,200
Liabilities	17 Accounts payable and accrued expenses			
	18 Grants payable			
	19 Support and revenue designated for future periods (attach schedule)			
	20 Loans from officers, directors, trustees, and other disqualified persons			
	21 Mortgages and other notes payable (attach schedule)			
	22 Other liabilities (Describe ▶)			
	23 Total liabilities (add lines 17 through 22)	3,289,263	3,178,769	
Fund Balances or Net Worth	**Organizations that use fund accounting, check here ▶ ☐ and complete lines 24 through 27 and lines 31 and 32.**			
	24a Current unrestricted fund			
	b Current restricted fund			
	25 Land, buildings, and equipment fund			
	26 Endowment fund			
	27 Other funds (Describe ▶)			
	Organizations not using fund accounting, check here ▶ ☐ and complete lines 28-32.			
	28 Capital stock or trust principal			
	29 Paid-in or capital surplus			
	30 Retained earnings or accumulated income			
	31 Total fund balances or net worth (see instructions)	59,355,166	70,046,573	
	32 Total liabilities and fund balances/net worth (see instructions)			

Part III Analysis of Changes in Net Worth or Fund Balances

1	Total net worth or fund balances at beginning of year—Part II, column (a), line 31	59,355,166
2	Enter amount from Part I, line 27a	9,171,952
3	Other increases not included in line 2 (itemize) ▶	2,391,055
4	Add lines 1, 2, and 3	
5	Decreases not included in line 2 (itemize) ▶	871,602
6	Total net worth or fund balances at end of year (line 4 minus line 5)—Part II, column (b), line 31	70,046,573

Part IV Capital Gains and Losses for Tax on Investment Income

(a) Kind of property. Indicate security, real estate, or other (specify)	(b) Description (examples: 100 sh. of "Z" Co., 2 story brick, etc.)	(c) How acquired P—Purchase D—Donation	(d) Date acquired (mo., day, yr.)	(e) Date sold (mo., day, yr.)
1				

(f) Gross sales price minus expense of sale	(g) Depreciation allowed (or allowable)	(h) Cost or other basis	(i) Gain or (loss) (f) plus (g) minus (h)

Complete only for assets showing gain in column (i) and owned by the foundation on 12/31/69			
(j) F.M.V. as of 12/31/69	(k) Adjusted basis as of 12/31/69	(l) Excess of col. (j) over col. (k), if any	(m) Losses (from col. (i)) Gains (excess of col. (i) gain over col. (l), but not less than zero)

2 Capital gain net income or (net capital loss) . . { If gain, also enter in Part I, line 7 / If (loss), enter -0- in Part I, line 7 } . . .

3 Net short-term capital gain (loss) as defined in section 1222(5) and (6)
If gain, also enter in Part I, line 8 (see instructions for line 8)
If loss, enter -0- in Part I, line 8 . . . .

Part V Qualification Under Section 4940(e) for Reduced Tax on Net Investment Income

(For optional use by domestic private foundations subject to section 4940(a) tax on net investment income.)

If section 4940(d)(2) applies, leave Part V blank.

Were you liable for section 4942 tax on the distributable amount of any year in the base period? . . . . . ☐ Yes ☐ No

If "Yes," you do not qualify under section 4940(e). Do not complete this part.

1 Enter the appropriate amount in each column for each year; see instructions before making any entries.

(a) Base period years Calendar year (or fiscal year beginning in)	(b) Qualifying distributions	(c) Net value of noncharitable-use assets	(d) Payout ratio (column (b) divided by column (c))
1984			
1983			
1982			
1981			
1980			

2 Total of line 1, col. (d) . . . .

3 Average payout ratio for the 5-year base period—divide the total on line 2 by 5, or by the number of years the foundation has been in existence if less than 5 years . . . . NOT APPLICABLE

4 Enter the net value of noncharitable-use assets for 1985 from line 5, Part IX . . . . FOR AGGREGATE

5 Multiply line 4 by line 3 . . . . STATISTICS

6 Enter 1% of line 27b, Part I . . . .

7 Add lines 5 and 6 . . . .

8 Enter the amount from line 6, Part XIII . . . .

If line 8 is equal to or greater than line 7, check the box in Part VI, line 1b, and complete that part using a 1% tax rate. See the Part VI instructions.

Part VI Excise Tax on Investment Income (Section 4940(a), 4940(b), 4940(e), or 4948—see instructions)

1 a	Exempt operating foundations described in section 4940(d)(2) check here ☐ (attach copy of ruling letter), and enter "N/A"	
b	Domestic organizations meeting the requirements of section 4940(e) check here ☐ (complete Part V), and enter 1% of line 27b, Part I	
c	All other domestic organizations enter 2% of line 27b. Exempt foreign organizations enter 4% of line 27b	
2	Tax under section 511 (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-)	
3	Add lines 1 and 2	
4	Tax under subtitle A (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-)	
5	Tax on investment income (line 3 minus line 4 (but not less than -0-))	169,529
6	Credits: a Exempt foreign organizations—tax withheld at source	
	b Tax paid with application for extension of time to file (Form 2758)	
7	Tax due (line 5 minus line 6) — Pay in full with return. Make check or money order payable to Internal Revenue Service. (Write employer identification number on check or money order.) ▶	
8	Overpayment (line 6 minus line 5)	

Part VII Statements Regarding Activities

File Form 4720 if you answer "No" to question 10b, 11b, or 14b or "Yes" to question 10c, 12b, 13a, or 13b unless an exception applies.

		Yes	No
1 a	During the tax year, did you attempt to influence any national, State, or local legislation or did you participate or intervene in any political campaign?		
b	Did you spend more than $100 during the year (either directly or indirectly) for political purposes (see instructions for definition)?		
	If you answered "Yes" to 1a or 1b, attach a detailed description of the activities and copies of any materials published or distributed by the organization in connection with the activities.		
c	Did you file Form 1120-POL?		
2	Have you engaged in any activities that have not previously been reported to the Internal Revenue Service? *If "Yes," attach a detailed description of the activities.*		
3	Have you made any changes, not previously reported to the IRS, in your governing instrument, articles of incorporation, or bylaws, or other similar instruments? *If "Yes," attach a conformed copy of the changes.*		
4 a	Did you have unrelated business gross income of $1,000 or more during the year?		
b	If "Yes," have you filed a tax return on Form 990-T for this year?		
5	Was there a liquidation, termination, dissolution, or substantial contraction during the year? *If "Yes," attach the schedule required by General Instruction I.*		
6	Are the section 508(e) requirements satisfied either: • by language written into the governing instrument, or • by State legislation that effectively amends the governing instrument so that no mandatory directions that conflict with the State law remain in the governing instrument?		
7	Did you have at least $5,000 in assets at any time during the year? If "Yes," complete Part II, column (c) and Part XVI.		
8 a	Enter States to which the foundation reports or with which it is registered (see instructions) ▶		
b	If you answered 7 "Yes," have you furnished a copy of Form 990-PF to the Attorney General (or his or her designate) of each State as required by General Instruction K.1? If "No," attach explanation.		
9	Are you claiming status as a private operating foundation within the meaning of section 4942(j)(3) or 4942(j)(5) for calendar year 1985 or fiscal year beginning in 1985 (see instructions for Part XV)? *If "Yes," complete Part XV.*		
10	Self-dealing (section 4941):		
a	During the year did you (either directly or indirectly):		
	(1) Engage in the sale or exchange, or leasing of property with a disqualified person?		
	(2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person?		
	(3) Furnish goods, services, or facilities to (or accept them from) a disqualified person?		
	(4) Pay compensation to or pay or reimburse the expenses of a disqualified person?		
	(5) Transfer any of your income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)?		
	(6) Agree to pay money or property to a government official? (Exception: check "No" if you agreed to make a grant to or to employ the official for a period after he or she terminates government service if he or she is terminating within 90 days.)		

Part VII Statements Regarding Activities (continued)

	Yes	No
b If you answered "Yes" to any of the questions 10a(1) through (6), were the acts you engaged in excepted acts as described in regulations section 53.4941(d)-3 and 4?		
c Did you engage in a prior year in any of the acts described in 10a, other than excepted acts, that were acts of self-dealing that were not corrected by the first day of your tax year beginning in 1985?		
11 Taxes on failure to distribute income (section 4942) (does not apply for years you were a private operating foundation as defined in section 4942(j)(3) or 4942(j)(5)):		
a Did you at the end of tax year 1985 have any undistributed income (lines 6d and e, Part XIV) for tax year(s) beginning before 1985?		
If "Yes," list the years ▶ ________, ________, ________, ________.		
b If "Yes" to 11a, are you applying the provisions of section 4942(a)(2) (relating to incorrect valuation of assets) to the undistributed income for ALL such years?		
c If the provisions of section 4942(a)(2) are being applied to ANY of the years listed in 11a, list the years here and see the instructions ▶ ________, ________, ________, ________.		
12 Taxes on excess business holdings (section 4943):		
a Did you hold more than 2% direct or indirect interest in any business enterprise at any time during the year?		
b If "Yes," did you have excess business holdings in 1985 as a result of any purchase by you or disqualified persons after May 26, 1969; after the lapse of the 5-year period (or longer period approved by the Commissioner under section 4943(c)(7)) to dispose of holdings acquired by gift or bequest; after the lapse of the 10-year first phase holding period; or after the 15-year first phase holding period?		
Note: *You may use Schedule C, Form 4720, to determine if you had excess business holdings in 1985.*		
13 Taxes on investments that jeopardize charitable purposes (section 4944):		
a Did you invest during the year any amount in a manner that would jeopardize the carrying out of your charitable purposes?		
b Did you make any investment in a prior year (but after December 31, 1969) that could jeopardize your charitable purpose that you had not removed from jeopardy on the first day of your tax year beginning in 1985?		
14 Taxes on taxable expenditures (section 4945):		
a During the year did you pay or incur any amount to:		
(1) Carry on propaganda, or otherwise attempt to influence legislation by attempting to affect the opinion of the general public or any segment thereof, or by communicating with any member or employee of a legislative body, or by communicating with any other government official or employee who may participate in the formulation of legislation?		
(2) Influence the outcome of any specific public election, or to carry on, directly or indirectly, any voter registration drive?		
(3) Provide a grant to an individual for travel, study, or other similar purposes?		
(4) Provide a grant to an organization, other than a charitable, etc., organization described in section *509(a) (1), (2), or (3),* or after December 31, 1984, section 4940 (d)(2)?		
(5) Provide for any purpose other than religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals?		
b If you answered "Yes" to any of questions 14a(1) through 14a(5), were all such transactions excepted transactions as described in regulations section 53.4945?		
c If you answered "Yes" to question 14a(4), do you claim exemption from the tax because you maintained expenditure responsibility for the grant?		
If "Yes," attach the statement required.		
15 Did any persons become substantial contributors during the tax year? *If "Yes," attach a schedule listing their names and addresses.*		
16 During this tax year did you maintain any part of your accounting/tax records on a computerized system?		

Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees and Contractors

1 List all officers, directors, trustees, foundation managers and, if paid, their compensation for 1985 (see instructions):

Name and address	Title, and average hours per week devoted to position	Contributions to employee benefit plans	Expense account, other allowances	Compensation
Total ▶				

Part VIII Information About Officers, Directors, Trustees, etc. (continued)

2 Compensation of five highest paid employees for 1985 (other than included in line 1—see instructions):

Name and address of employees paid more than $30,000	Title and time devoted to position	Contributions to employee benefit plans	Expense account, other allowances	Compensation
Total number of other employees paid over $30,000 ▶				

3 Five highest paid persons for professional services for 1985 (see instructions):

Name and address of persons paid more than $30,000	Type of service	Compensation
Total number of others receiving over $30,000 for professional services ▶		

Part IX Minimum Investment Return

1 Fair market value of assets not used (or held for use) directly in carrying out charitable, etc., purposes:	
a Average monthly fair market value of securities	
b Average of monthly cash balances	
c Fair market value of all other assets (see instructions)	
d Total (add lines a, b, and c)	
2 Acquisition indebtedness applicable to line 1 assets	
3 Line 1d minus line 2	
4 Cash deemed held for charitable activities—enter 1½% of line 3 (for greater amount, see instructions)	
5 Line 3 minus line 4	
6 Enter 5% of line 5	4,097,359

Part X Computation of Distributable Amount (see instructions)

1 Minimum investment return from Part IX, line 6		
2 Total of:		
a Tax on investment income for 1985 from Part VI, line 5		
b Income tax under subtitle A, for 1985		
3 Distributable amount before adjustments (line 1 minus line 2)		
4 Additions to distributable amount:		
a Recoveries of amounts treated as qualiifying distributions		
b Income distributions from section 4947(a)(2) trusts		
5 Line 3 plus line 4		
6 Deduction from distributable amount (see instructions)		
7 Distributable amount as adjusted (line 5 minus line 6) (Also enter in Part XIV, line 1)		3,672,648

Part XI Limitation on Grant Administrative Expenses

Calendar year (or fiscal year) beginning in:	(a) 1985	(b) 1984	(c) 1983	(d) Total
1 Net value of noncharitable-use assets (see instructions)				
2 Multiply line 1 by .0065				
3 Grant administrative expenses treated as qualifying distributions in the two preceding years				
4 Enter the smaller of line 2 or line 3 in columns (b) and (c). In column (d) enter the total of columns (b) and (c)				
5 Grant administrative expenses for 1985 (from Part XII, line 13)				
6 Maximum amount of 1985 grant administrative expenses that may be treated as qualifying distributions (line 2, column (d) minus line 4, column (d))				
7 Excess grant administrative expenses for 1985 (line 5 minus line 6; if negative, enter -0-; enter result on line 5, Part XIII)	91,568			
8 Grant administrative expenses treated as qualifying distributions in 1985 (line 5 minus line 7)				

Note: *The amount on line 8 will be used in completing the schedule for 1986 and 1987.*

Part XII Schedule of Grant Adminlstative Expenses (see instructions before making any entries)

1	Compensation of officers, directors, trustees, etc	76,447
2	Other employee salaries and wages	164,394
3	Pension plans, employee benefits	33,460
4	Legal fees	14,705
5	Accounting fees	9,995
6	Other professional fees	21,221
7	Interest	13,296
8	Taxes	14,272
9	Occupancy	36,675
10	Travel, conferences, and meetings	20,008
11	Printing and publications	10,269
12	Other expenses	136,518
13	Total	551,262

Part XIII Qualifying Distributions (see instructions)

1	Amounts paid (including administrative expenses) to accomplish charitable, etc., purposes:	
a	Expenses, contributions, gifts, etc.—total from Part I, column (d), line 26	
b	Program-related investments	
2	Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc., purposes	
3	Amounts set aside for specific charitable projects that satisfy the:	
a	Suitability test (prior IRS approval required)	
b	Cash distribution test (attach the required schedule)	
4	Total (add 1, 2, and 3)	
5	Enter excess grant administrative expenses from line 7, Part XI	
6	Total qualifying distributions (line 4 minus line 5). Enter this amount on line 4, Part XIV	~~6,636,222~~
7	Organizations that qualify under section 4940(e) for the reduced rate of tax on net investment income — enter 1% of line 27b, Part I (see instructions)	
8	Qualifying distributions (line 6 minus line 7)	

Note: *The amount on line 8 will be used in Part V, column (b) when calculating the section 4940(e) reduction of tax in subsequent years.*

Part XIV Computation of Undistributed Income (see instructions)

	(a) Corpus	(b) Years prior to 1984	(c) 1984	(d) 1985
1 Distributable amount for 1985 from Part X				
2 Undistributed income, if any, as of the end of 1984:				
a Enter amount for 1984				
b Total for prior years: ______, ______, ______				
3 Excess distributions carryover, if any, to 1985:				
a From 1980 ______				
b From 1981 ______				
c From 1982 ______				
d From 1983 ______				
e From 1984 ______				
f Total of 3a through e				
4 Qualifying distributions for 1985: ______				
a Applied to 1984, but not more than line 2a				
b Applied to undistributed income of prior years (Election required)				
c Treated as distributions out of corpus (Election required)				
d Applied to 1985 distributable amount				
e Remaining amount distributed out of corpus				
5 Excess distributions carryover applied to 1985 *(If an amount appears in column (d), the same amount must be shown in column (a))*				
6 Enter the net total of each column as indicated below:				
a Corpus. Add lines 3f, 4c, and 4e. Subtract line 5				
b Prior years' undistributed income. Line 2b minus line 4b				
c Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed				
d Subtract line 6c from line 6b. Taxable amount— see instructions				
e Undistributed income for 1984. Line 2a minus line 4a. Taxable amount—see instructions				
f Undistributed income for 1985. Line 1 minus lines 4d and 5. This amount must be distributed in 1986				907,733
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(D) or 4942(g)(3) (see instructions)				
8 Excess distributions carryover from 1980 not applied on line 5 or line 7 (see instructions)				
9 Excess distributions carryover to 1986. (Line 6a minus lines 7 and 8)	7,261,095			
10 Analysis of line 9:				
a Excess from 1981 ______				
b Excess from 1982 ______				
c Excess from 1983 ______				
d Excess from 1984 ______				
e Excess from 1985 ______				

Part XV Private Operating Foundations (See instructions and Part VII, question 9)

1 a If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 1985, enter the date of the ruling . . . . . ▶

b Check box to indicate whether you are a private operating foundation described in section ☐ 4942(j)(3) or ☐ 4942(j)(5).

	Tax year	Prior 3 Years			
	(a) 1985	(b) 1984	(c) 1983	(d) 1982	(e) Total
2 a Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part IX for 1985 (Part VIII for prior years) . . .					
b 85% of line 2a					
c Qualifying distributions from Part XIII, line 6, for 1985 (Part X, line 4, for prior years)					
d Amounts included in line 2c not used directly for active conduct of exempt activities . .					
e Qualifying distributions made directly for active conduct of exempt purposes (line 2c minus line 2d)					
3 Complete the alternative test in 3a, b, or c on which you rely:					
a "Assets" alternative test—enter: (1) Value of all assets					
(2) Value of assets qualifying under section 4942(j)(3)(B)(i)					
b "Endowment" alternative test—Enter ⅔ of minimum investment return shown in Part IX, line 6, for 1985 (enter ⅔ of comparable amount (Part VIII, line 6) for prior years) .					
c "Support" alternative test—enter: (1) Total support other than gross investment income (interest, dividends, rents, payments on securities loans (section 512(a)(5)), or royalties) . .					
(2) Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(iii) . .					
(3) Largest amount of support from an exempt organization					
(4) Gross investment income. . . .					

Part XVI Supplementary Information (see instructions)

1 Information Regarding Foundation Managers

a List here any managers of the foundation who have contributed more than 2% of the total contributions received by the foundation before the close of any tax year (but only if they have contributed more than $5,000). (See section 507(d)(2).)

b List here any managers of the foundation who own 10% or more of the stock of a corporation (or an equally large portion of the ownership of a partnership or other entity) of which the foundation has a 10% or greater interest.

2 Information Regarding Contribution, Grant, Gift, Loan, Scholarship, etc., Programs

If you make gifts, grants, awards (see instructions), etc., to individuals or organizations, check here ☐ and complete these items:

a The name, address, and telephone number of the person to whom applications should be addressed

b The form in which applications should be submitted and information and materials they should include

c Any submission deadlines

d Any restrictions or limitations on awards, such as by geographical areas, charitable fields, kinds of institutions, or other factors

Part XVI Supplementary Information (continued)

3 Grants and Contributions Paid During the Year or Approved for Future Payment

Recipient — Name and address (home or business)	If recipient is an individual, show any relationship to any foundation manager or substantial contributor	Foundation status of recipient	Purpose of grant or contribution	Amount
a *Paid during year*				
Total . . . ▶				
b *Approved for future payment*				
Total . . . ▶				

Part XVII-A Summary of Grant Programs and Other Activities

	(a) Grants and program-related investments	(b) Administrative expenses	(c) Total
1 Gifts, contributions, scholarships and other grants			
2 Direct charitable activities (describe each):			
a			
b			
c Direct technical and other assistance to grantees (see instructions)			
d All other (attach schedule)			
e Total—add a through d			600,524
3 Program-related investments (describe each type)			
a			
b			
c			
d All other (attach schedule)			
e Total—see instructions			99,916
4 Other qualifying distributions			228,142
5 Other expenses not included in lines 1–4			9,874

Approximately 25-30 percent of the returns in the SOI sample required adjustment(s) in Part XVII-A to correct inconsistent taxpayer entries.

Part XVII-B Supporting Data

1 Describe on an attached schedule the bases (for example, time spent, salary expenses incurred, space utilized, etc.) used to allocate administrative expenses to the activities described in Part XVII-A.

2 For the foundation's principal direct charitable activities and program-related investments provide a schedule of relevant statistical information, such as the number of organizations and other beneficiaries served, conferences convened, research papers produced, etc.

3 Attach a schedule for Part XVII-A, lines 2 and 3, setting forth for each activity or investment area the amount of any income produced by it.

Part XVIII Public Inspection

1 Enter the date the notice of availability of the annual return appeared in a newspaper ▶ ....

2 Enter the name of the newspaper ▶ ....

3 Check here ▶ ☐ if you have attached a copy of the newspaper notice as required by the instructions. (If the notice is not attached, the return will be considered incomplete.)

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. Declaration of preparer (other than taxpayer or fiduciary) is based on all information of which preparer has any knowledge.

▶ Signature of officer or trustee | Date | ▶ Title

Paid Preparer's Use Only

Preparer's signature ▶	Date	Check if self-employed ▶ ☐	Preparer's social security no.
Firm's name (or yours, if self-employed) and address ▶		E.I. No. ▶	
		ZIP code ▶	

Private Foundation Administrative Expense Study Checksheet

1. AIMS File Label (If label is unavailable, enter: EIN, Name of Organization, KDO, tax period, MFT, DLN, and SERFE score).	2. Grade of Examiner	5a. Return: ☐ Original ☐ Taxpayer's Copy ☐ Amended ☐ Substitute
	3. Amount of time spent by Examiner	5b. Is this an IRC 4947(a)(1) trust? ☐ Yes ☐ No
	4. Disposal Code	5c. If this is a short year return, indicate the number of months of the short year:

Note: Use whole dollar amounts only with no dollar signs or commas for Items 6—41 and 43.

Category	Part I Revenue & Expenses (A) Per Return	(B) Per Exam	Part XII Grant Admin. Expenses (C) Per Return	(D) Per Exam
6. Total Revenue Part I, Line 12, Col. A				
7. Compensation of Officers Part I, Line 13, Col. A; Part XII, Line 1				
8. Other Employees Salary, Wages Part I, Line 14, Col. A; Part XII, Line 2				
9. Pension Plans, Other Employee Benefits Part I, Line 15, Col. A; Part XII, Line 3				
10. Legal Fees Part I, Line 16a, Col. A; Part XII, Line 4				
11. Accounting Fees Part I, Line 16b, Col. A; Part XII, Line 5				
12. Other Professional Fees Part I, Line 16c, Col. A; Part XII, Line 6				
13. Interest Part I, Line 17, Col. A; Part XII, Line 7				
14. Taxes Part I, Line 18, Col. A; Part XII, Line 8				
15. Depreciation and Depletion Part I, Line 19, Col. A				
16. Occupancy Part I, Line 20, Col. A; Part XII, Line 9				
17. Travel, Conferences, Meetings Part I, Line 21, Col. A; Part XII, Line 10				
18. Printing and Publications Part I, Line 22, Col. A; Part XII, Line 11				
19. Other Expenses Part I, Line 23, Col. A; Part XII, Line 12				
20. Total Expenses Part I, Line 24, Col. A; Part XII, Line 13				
21. Contributions, Gifts, Grants Paid Part I, Line 25, Col. A				
22. Total Expenses and Disbursements Part I, Line 26, Col. A				
23. Total Expenses and Disbursements Part I, Line 26, Col. B				
24. Total Expenses and Disbursements for Charitable Purposes Part I, Line 26, Col. D				
25. Excess of Revenue Over Expenses & Disbursements Part I, Line 27(a)				

	Per Return	Per Exam
Part II Balance Sheet	(A)	(B)
26. Total Assets (FMV) Line 16, Col. C		
Part IX Minimum Investment Return	(A)	(B)
27. Net Value of Noncharitable Assets Line 5		
Part XI Limitation on Grant Administrative Expenses	(A)	(B)
28. Maximum Amount of Grant Administrative Expenses That Could Be Treated As Qualifying Distributions Line 6		
Part XIII Qualifying Distributions	(A)	(B)
29. Amount Paid to Acquire Assets Used Directly in Carrying Out Charitable Activities Line 2		
30. Amount Set Aside for Specific Charitable Projects Line 3(a) + 3(b)		
31. Total Qualifying Distributions Line 6		
Part XIV Computation of Undistributed Income	(A)	(B)
32. Distributable Amount for 1985 Line 1		
33. Undistributed Income for 1985 Line 6(f)		
34. Excess Distributions Carryover to 1986 Line 9		
Part XVII-A Summary of Grant Programs and Other Activities	(A)	(B)
35. Direct Technical and Other Assistance to Grantees Line 2(c), Col. C		
36. Total Direct Charitable Activities Line 2(e), Col. C		
37. Total Program-Related Investments Line 3(e), Col. A		
38. Total Program Related Administrative Expenses Line 3(e), Col. B		
39. Total of Checksheet Items 37 & 38 Line 3(e), Col. C		
40. Indicate Other Qualifying Distributions Line 4, Col. C		
41. Other Expenses Line 5, Col. C		

Miscellaneous

42. Methods Used to Allocate Administrative Expenses: a)	Per Return	Per Exam
1 Time Spent		
2 Salary Expenses		
3 Space Utilized		
4 Production Units		
5 Hybrid (describe in "Remarks")		
6 Other (describe in "Remarks")		
b) Method Based on (check one of the following):	Records	Estimates
c) Indicate whether the method used was reasonable and consistently used (if not, describe the problem in the "Remarks" section and state how it was resolved).	Yes	No

	Per Return	Per Exam
43. From Part XVII-B, Line 3, enter the amount of income earned attributable to carrying on direct charitable activities and program related investments:		
a) Direct Charitable Activities		
b) Program Related Investments		

	Yes	No
44. Is this a private operating foundation (if yes, do not answer Items 45–52)?		

45. Which one of the following best describes the administration activities/expenses of this private foundation:

a) performed and paid (over 75%) by the private foundation

b) a company foundation, or other type of private foundation which has a substantial part (over 25%) of its administrative expenses paid or provided for at no cost

c) other (describe in "Remarks", Item 57)

46. Indicate the percentage of total grants this private foundation made to the following types of grantees:

a) newly organized grantees (in existence 60 months or under)		c) individuals	
b) established grantees (in existence over 60 months)		d) other (give an example in "Remarks", item 57)	

	year	month
47. State the month, and year that this private foundation was formed:		

48. Number of full-time employees	
49. Number of full-time employees paid over $30,000 per year	
50. Number of independent contractors receiving over $30,000 per year	
51. Number of grants made in the year	
52. Number of grant applications received in the year	

53. In examining this return did the agent:	Yes	No
a) recommend imposition of Chapter 42 taxes?		
b) discover any actual or potential tax abuses?		
c) find that major differences on Lines 6 through 41 of the checksheet between amounts reported on the return and determined upon examination were primarily because of taxpayer confusion with the revised Form 990-PF and its related instructions?		
d) other (describe in "Remarks")		

If "yes" to Item 53a, b, c, or d, explain in "Remarks", Item 57.

54. If this organization is undergoing termination, indicate what kind:

a) IRC 507(b)(1)(A)	c) Other (describe in "Remarks")
b) IRC 507(b)(1)(B)	d) Not applicable

	Yes	No
55. Does this private foundation engage in foreign investment?		
56. Is this private foundation a partner in a partnership?		

57. Remarks:

Agent Date

Reviewer Date

District Project Coordinator Date

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Department of the Treasury
Internal Revenue Service

February 25, 1987

Expiration Date: February 25, 1989

7(10)G–54
CR 79G–4
CR 7(11)G–18
CR 7(13)G–20
CR 1(13)G–81

Private Foundation Administrative Expense Study

Section 1. Background and Purpose

.01 The purpose of this supplement is to provide instructions for the Private Foundation Administrative Expense Study.

.02 The conference report of the Deficit Reduction Act of 1984 authorized and directed the Internal Revenue Service to conduct a study on the administrative expenses of private foundations. The Service was also authorized and directed to modify the private foundation return, Form 990–PF, to require additional and more detailed information on administrative expenditures. The results of this study will be used by the tax-writing committees of Congress in determing the extent which grant administrative expenses may be counted towards satisfying the charitable payout requirement of IRC 4942.

.03 The results of this study will be submitted by Treasury to the tax-writing committees of Congress by January 1, 1990. (This date was originally January 1, 1988, but has been extended by Congress in order to give the Service time to conduct the study.)

.04 The study will include the examination of approximately 900 1985 Form 990–PF returns (800 exempt private foundations and 100 nonexempt charitable trusts) between October 1, 1986, and June 1, 1988.

Section 2. Terms

.01 Form 8555 (Private Foundation Administrative Expense Study Checksheet) will be used to record the results of each examination conducted under the study.

.02 The "PF Study" is the shortened name for the Private Foundation Administrative Expense Study.

.03 The "PF Study return" is the 1985 Form 990–PF selected as part of the sample.

.04 The "PF Study case file" is the PF Study return, the related forms used in processing the case which are normally kept in the case file, and the examiner's workpapers.

.05 For additional definitions relevant to this study, see the instructions for the 1985 Form 990–PF return dealing with administrative expenses.

Section 3. Sample Selection and AIMS Control

Returns (1985 Form 990–PF) of exempt private foundations identified for examination under this study will be transferred by Service Centers to the Philadelphia Service Center for Study processing by Statistics of Income (SOI) personnel. Returns will be forwarded to the appropriate key district by the EP/EO Operations Division. Sampled returns will be sent to key district offices with a green colored cover sheet to aid in identification and to speed processing. Districts must order nonexempt charitable trust returns selected for the study and must send a copy of pages 1 & 2 of each nonexempt charitable trust (NECT) Form 990–PF return to the National Office as soon as possible (send this material to Internal Revenue Service, Washington, DC 20224, Attn: OP:E:O:E, Room 2238, PF Study Team). Lists of these trusts were provided in a memorandum to All Assistant Regional Commissioners (Examination) dated April 28, 1986. The key district office is responsible for placing returns under AIMS control. Use project code 085 on all PF Study returns and related returns. Establishment on AIMS of returns already secured can be expedited by indicating "no return requested."

Section 4. Key District Procedures

.01 Each key district office (KDO) may find it appropriate to develop local procedures to augment those provided herein. Typical procedures which may be appropriate include:

1 Flow of returns through the RPM staff, Technical/Review Staff, and examining groups.

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2 Controlling, monitoring, and reporting within the various KDO functions to ensure that these cases are promptly assigned, examined by PF Study trained examiners, reviewed by the Technical Review Staff, and promptly closed using normal procedures.

Section 5. Assignment of Cases

PF Study cases are to be assigned to an examination group (i.e., AIMS status 10 or higher) within *10 workdays* from the date AIMS establishment of the return by the key district. These cases should be opened for precontact analysis within 120 days of assignment to an examination group (i.e., AIMS status 12 or higher).

Section 6. Staffing

Highly trained examiners should be selected to participate in the PF Study. The PF Study will demand technical competence, thoroughness and attention to detail, as well as clear and concise workpaper preparation, and a high degree of taxpayer relations skills.

Section 7. Examination Technique

All PF Study examinations will be field examinations. Every effort should be made to perform the examination at the organization's place of business (or where the records are maintained). Examination procedures in IRM 7(10)69, the Exempt Organizations Examination Guidelines Handbook, must be followed.

Section 8. Exclusion of Selected Returns

.01 All returns included in the study must be examined. National Office approval of exclusion of PF Study returns will be extremely rare.

.02 Foundations selected for examination that have terminated and filed a final return prior to December 31, 1985, may be excluded. Foundations terminating their existence between December 31, 1985 and November 30, 1986 will be examined. The type of termination (e.g., IRC 507(b)(1)(A), 507(b)(1)(B), etc.) should be noted in item 54 of the checksheet.

.03 If the examiner finds that an examination cannot be made, the Region is to be notified of the problem by the key district office for referral of the matter, by written memorandum, to the EP/EO Examination Branch (OP:E:O:E), Attn: PF Study Team.

Section 9. Transfer of PF Study Returns (and related returns)

.01 PF Study returns (other than NECTs) will be sent to the key district offices by the EP/EO Examination Branch (OP:E:O:E). The key district office should verify that the cases received belong in that key district. Those that do not belong will be promptly transferred to the proper key district. Form 3210 will be used for transmittals from the National Office to key district offices, and acknowledgement copies must be promptly signed and returned to the originator.

.02 Form 3185 (Transfer of Return—Transfer of Administrative File) will be used to transfer cases between key district offices. The notation "PF Study Return" will be entered *in red* in the top margin of the Form 3185. An original and two copies of Form 3185 must be prepared. An original and one copy of Form 3185, along with the case, are sent to the transferee key district. The transferee key district acknowledges receipt and acceptance of the transfer package by entering the date of receipt and a signature in the top margin of the copy of Form 3185 and returning the copy to the transferor key district within three workdays of receipt. Any questions as to jurisdiction of the case are to be resolved between the transferor and transferee offices before receipting the package. Disagreements will be resolved by Regional Offices. AIMS transfer, under existing procedures, will be completed when the case file is mailed. A copy of the Form 3185 is to be sent to the National Office EP/EO Operations Division, Examination Branch (OP:E:O:E), Attn: PF Study Team.

.03 The cutoff date for transfers between districts is 90 days after the date the return is received in the key district office. For those transfers made after 90 days, a statement describing the reason for the delay is to be sent with a copy of the transfer Form 3185 to the National Office EP/EO Operations Division, Examination Branch (OP:E:O:E), Attn: PF Study Team.

Section 10. PF Study Return not Filed

If the designated PF Study return has not posted to the EO/BMF within 120 days of the due date, the EP/EO Examination Branch (OP:E:O:E) will notify the key district involved and begin a search for the return. If the return is not located within 210 days of the due date, key districts, after National Office notification, will initiate the examination without the return and the delinquent return and substitute for return procedures of IRM 7(10)63.7 will be followed. If the organization has retained a copy of the return filed, the EO examiner will conduct the examination based on the retained copy of Form 990-PF provided by the organization. If the organization was not liable to file Form 990-PF for the tax year, another organization will be substituted for it by the National Office.

Section 11. Related Returns

.01 It is highly recommended that related Forms 990-T and 4720 be examined for the PF Study tax year under examination and that comments on them be included in the workpapers. These related returns should be examined as would be done under normal procedures. The scope of examination of related returns is left to the professional judgement of the EO examiner with concurrence of the Group Manager. However, the effect, if any, of the transactions reported on related returns upon the allocation of administrative expenses of the organization must be clearly outlined in the workpapers. Therefore, the potential for impact on the allocation would be a matter to consider while determining the scope of the examination.

.02 The EO examiner should also consider the need for an examination of any other related EP/EO returns where he/she believes that the information obtained from such examination may have a material bearing on a determination of the PF Study organization's administrative expenses. For example, significant changes in FMV of noncharitable use assets affect the grant administrative expense limitation as computed in Part XI of the Form 990-PF return. If it is very likely that either of the two prior years is significantly in error in this area, it is also likely that the current year is significantly in error. This would not be desirable. It is not mandatory that these other related returns be examined; however, the examiner will at a minimum inspect such related returns. PF Study returns and related returns under examination must be given priority to ensure timely completion of the entire case.

Section 12. Collateral Examinations

When a collateral examination is required for a related return, the procedures of IRM 7(10)63.8 will be augmented as follows. The requesting key district must furnish the receiving key district with as much information as possible about the case to aid in the collateral examination. If a copy of the related return is available for which a collateral examination is requested, it should also be sent to the receiving key district. The receiving key district must acknowledge the request immediately upon receipt and expedite the completion of the collateral examination. Sixty days after the request is received, and every thirty days thereafter, the receiving key district must advise the requesting key district office as to the status of the collateral request. Collateral examinations must be made by PF Study trained examiners. The information forwarded in response to collateral requests includes examination time, as well as examination results. This time should be reported on the PF Study checksheet as part of the total examination time. Unless permission for a later request is obtained from the EP/EO Examination Branch (OP:E:O:E), the cutoff date for collateral examination requests is January 1, 1988.

Section 13. Fraud Referrals

.01 If indications of fraud are discovered during the examination of a PF Study return or related return, a referral is to be made in accordance with IRM 7(10)80.

.02 The EP/EO Examination Branch (OP:E:O:E) must immediately be notified of any fraud referrals in order to allow that office to evaluate the impact on the study and provide any necessary instructions, and/or consider selection of an alternate foundation's return. When notifying the National Office of a fraud referral, include a description of the issue.

Section 14. Technical Advice Requests

.01 If a PF Study case is identified as requiring technical advice that concerns or affects the organization's administrative expenses.

1 The key district will submit the request on Form 5565 (Request for Technical Advice) to the National Office Exempt Organizations Technical Division (OP:E:EO). "PF Study" will be marked in *red* on Form 5565. The requesting key district will retain a copy of Form 5565 in the case file.

2 All requests for technical advice should be submitted as early as possible during the examination cycle. Unless permission for a lat-

er request is obtained from the EP/EO Examination Branch (OP:E:O:E), all requests for technical advice should be submitted by January 1, 1988.

Section 15. Scope and Depth of Examination Required

.01 All PF Study returns must be examined. Established exempt organizations examination procedures and guidelines in IRM 7(10)60 and 7(10)69 will be followed.

.02 Because the results from the PF Study are to be used in a report that will be submitted to Congress, it is essential that examinations be thorough. Since even the best human judgment varies, it is not sufficient merely to determine that information on the return looks reasonable and therefore can be accepted. The EO examiner must pursue the examination to a point where he/she can conclude with reasonable certainty that all areas and data necessary for a proper determination of the organization's administrative expenses have been considered. Checksheets are to be completed without considering tolerances that may be applied to certain small potential adjustments. For example, if the PF Study examination determined that the reallocation of expenses in column B of Part I would call for a $10 IRC 4940 tax adjustment, the PF Study checksheet should reflect the adjustment even if the case is closed with no tax change because of the small amount involved. The same would apply in those situations where no tax is applied because of IRC 4962.

.03 The scope and depth of examination should be sufficient to verify the line items from the return relevant to the checksheet entries to the degree appropriate using professional judgment. Workpapers must document selective probes of underlying ledgers, journals, etc., particularly with respect to *compensation expenses* of professional or highly paid employees, directors, trustees, and disqualified persons. Compensation expenses should include items that may not be includable in income to the person compensated under the tax laws as currently interpreted. For example, travel costs to traditional vacation areas, loans at bargain rates or with doubtful collateral, disposals of fully depreciated property at bargain prices, and rent-free use of space or accommodations have all been used to provide "compensation" to such persons while listing the expenses elsewhere on returns and other reports. In addition, the standards of "reasonable" compensation have been stretched beyond the boundaries of reason, e.g., $100,000 in compensation paid by a PF to a director for signing fewer than ten checks per year. These possibilities should be considered by examiners and workpapers should reflect attention to this concern in all phases of the examination process to ensure that clearly unreasonable compensation issues that may arise during the study are promptly addressed and appropriately reported on Form 8555.

.04 Methods of allocation of expenses between administrative activities which will satisfy the definition of qualifying distributions in IRC 4942(g)(1)(A) and other categories of administrative expenses should be carefully reviewed to determine whether the method reported is reasonable under the circumstances and whether the method is consistently applied.

Section 16. Workpapers—Comments are Required

The EO examiner's workpapers and/or report of examination must include comments about documentation reviewed and actions taken to fulfill the PF Study examination requirements (see section 21.). Without sufficient documentation, it is not possible for group managers and reviewers to review the EO examiner's work and be assured that the intensity of the examination or the basis for the examiner's professional judgment is adequate. Such documentation is also needed to resolve ambiguous, erroneous, or contradictory information that may be identified as the study data is collected, tabulated, and analyzed. Documentation of abusive situations may appear in the study report and/or the Congressional Record and, therefore, workpapers must reflect the highest levels of accuracy, thoroughness, and professional judgment.

Section 17. PF Study Examination Checksheet

.01 Form 8555 (Private Foundation Study Administrative Expense Checksheet) has been developed for use with the study to identify those areas which are critical to the study. A cross-reference has also been developed between the checksheet and Form 990-PF to enable the EO examiner to readily locate rele-

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vant checksheet items on Form 990–PF. (See Section 21.03.) A checksheet must be completed for every examination of a 1985 Form 990–PF conducted under the study. Completed checksheets are to be forwarded to the National Office, OP:E:O:E, Attn: PF Study Team, for processing. In order to ensure the accuracy of the checksheet and the examination itself, all PF Study cases are subject to mandatory review (see Section 23).

.02 Completed PF Study checksheets failing consistency checks at the National Office will be returned with Form M–5629 (Inconsistent Document Transmittal) to the key district for correction by the Reviewer and/or EO examiner. Corrections on the PF Study checksheet are to be made with red pencil. Corrected PF Study checksheets are to be reviewed before resubmission to the National Office. Form M-5629 is to be kept associated with the corrected PF Study checksheet when it is returned to the National Office. A copy of the examined return (with original workpapers) is to be retained in the key district office until December 31, 1989 to resolve any questions or problems that may arise as the data is collected, tabulated, and analyzed.

Section 18. District Completion Dates

.01 All PF Study cases, including PF Study checksheets, must be thoroughly reviewed before submission of PF Study checksheets to the National Office. Various consistency tests of the PF Study checksheet will be performed by the National Office during the data collection and tabulation process. Therefore, all examinations must be completed and submitted to the National Office early enough so that there is ample time remaining for the consistency test process to be carried out and any identified problems to be resolved with the submitting key district office.

.02 PF Study cases are a priority item. Prompt starting and completion of these examinations is required. Early identification of cases requiring transfer or technical advice is also required.

.03 District review of all PF Study cases is to be completed so as to allow time for the PF Study checksheets to be shipped to the National Office before the completion date of June 1, 1988.

Section 19. Unusual Problems

Any situation or problem that arises which is not covered in the instructions should be brought to the attention of the EP/EO Examination Branch (OP:E:O:E), Attn: PF Study Team.

Section 20. Completing the PF Study Checksheet (Form 8555)

.01 The accuracy of the data gathered for the PF Study depends on the quality of the completed checksheet. The EO examiner and the Group Manager are primarily responsible for quality examinations and completion of PF Study checksheets. Therefore, it is necessary that they become thoroughly familiar with these instructions and with Attachment 1 (Form 8555). Training has been provided to those examiners who will conduct the examinations.

.02 Enter only information relating to the PF Study return (i.e., 1985 Form 990–PF) on the checksheet unless otherwise directed.

.03 Use a pencil to make all entries, and prepare only a single copy of the PF Study checksheet. However, a typewriter may be used to enter the information in checksheet Items 1 & 57. If a computerized worksheet is prepared, make sure a pencil copy or printout remains in the case file as a backup.

.04 PF Study Labels

1 An AIMS label will be affixed to the PF Study checksheet. Use the "file" label. If there is an insufficient number of file labels, the following information should be printed or typed on the PF Study checksheet: EIN, name of organization, KDO, tax period, MFT–44, DLN, and SERFE score. See Attachment 2 for the format to use when printing or typing this information. Make any changes directly on the label. If the employer identification number on the AIMS label is wrong do not change it on the label; make the correction in the "Remarks" section of the checksheet and correct the EIN through the appropriate Service Center's entity control unit, using established procedures.

2 The EO examiner will circle the KDO number on the AIMS label. The reviewer must ensure that the KDO entered on the label is correct. Examiners from the Western Region should enter the "old" pre-consolidation KDO number in Item 1 and circle it.

3 Where an AIMS label is used, the examiner should print the MFT in the following manner on the bottom of the label: MFT–44.

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.05 Entries Required

1 All items on the PF Study checksheet must be completed and have an entry, unless the item is not applicable. "Not applicable" items are shown by a dash in the appropriate columns.

2 The "Per Return" column(s) are completed from the the return as filed. If the items on the return were revised by service center personnel (with "brown pencil" changes), use the revised figures only if it is clear during the examination that the service center revisions reflect a math error and are, therefore, what the taxpayer "really intended". (Some service center revisions are arbitrary reallocations of certain items and examiners should take care that these revisions are not used in the "Per Return" column(s) unless they coincide with the amounts reflected in the taxpayer's books and records.)

3 If the "Per Return" column for any item of the PF Study checksheet has a dollar amount, then its corresponding "Per Exam" column must have a dollar amount or zero. For example, if an adjustment is made to the "Per Return" which reduces a dollar amount to zero, the entry is shown as a "0" in the "Per Exam" column.

4 A zero is never entered in the "Per Return" column. If a particular line item is not reported or is shown as "0" on the return, a dash is entered in the "Per Return" or "Per Exam" columns. However, if the examiner determines that an item should have been reported, a 'dash' is entered in the "Per Return" column and the dollar amount which should have been reported is entered in the "Per Exam" column. For example:

Grant Administrative Expenses

	Category	Per Return	Per Exam	Per Return	Per Exam
6.	Total Revenue	12605	14732	////	////
7.	Compensation of Officers	8673	9500.	8678	9500
8.	Other Employees Salary, Wages	1250	0	1260	0
9.	Pension plans, Other Employee Benefits	-	1100	-	600
10.	Legal fees	-	-	-	-
11.	Accounting fees	1005	0	1005	0
12.	Other Professional Fees	500	500	500	400
13.	Interest	424	583	-	583

b Line 10—A zero is never entered in the "Per Return" column even when the organization reports "0" or "none". Also, a dash in the "Per Exam" column indicates the examiner did not overlook this item.

c Line 11—An adjustment reduced the item to zero. *Note:* No dollar signs, commas or cents are shown.

.06 Rounding

1 Money amounts are to be rounded to the nearest dollar. Cents are not to be shown. *Caution:* Even though rounding is used, summary totals of revenue, expenses/expenditures, etc. in the "Reported" column *must* agree with totals reflected on the return for Form 990-PF. For example, if an entry is 50 cents or more it is round up; if less than 50 cents it is round down.

Part I	Analysis of Support, Revenue, and Expenses (See instructions for Part I)	[illegible]
13	Compensation of officers, directors, trustees, etc	20,696.65
14	Other employee salaries and wages	2,786.90
15	Pension plans, employee benefits	3,255.03
16a	Legal fees	12,978.85
b	Accounting fees	10,538.91
c	Other professional fees	1,370.85
17	Interest	329.75
18	Taxes (attach schedule)	156.39
19	Depreciation and depletion	371.83
20	Occupancy	1,578.98
21	Travel, conferences, and meetings	5,098.85
22	Printing and publications	699.60
23	Other expenses (attach schedule)	125.25
24	Total operating and administrative expenses (add lines 13 through 23)	61,188.13

2 If the money amounts on the return shown in the above example are all rounded to the nearest dollar, the sum of the rounded amounts will equal $61,189. Because the total per the return is only $61,188, one of the amounts will not be rounded to the nearest dollar when entered on the PF Study Checksheet so that the sum of lines 7 through 19 of the checksheet will equal $61,188. See example below of proper completion of lines 7 through 20 based on the information shown above. *Note:* in entering dollar amounts do not use dollar signs, comas, or periods.

		Per Return	Per Exam	Per Return	Per Exam
7.	Compensation of Officers	20697			
8.	Other Employees Salary, Wages	2787			
9.	Pension plans, Other Employee Benefits	3255			
10.	Legal fees	12979			
11.	Accounting fees	10539			
12.	Other Professional Fees	1371			
13.	Interest	330			
14.	Taxes	156			
15.	Depreciation and Depletion	372		//////	////
16.	Occupancy	1579			
17.	Travel, Conferences, Meetings	5099			
18.	Printing and Publications	699			
19.	Other expenses	125			
20.	Total Expense	61188			

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Section 21. Specific Instructions for Completing PF Study Checksheet

.01 Entity Data (Item 1)

The EO examiner will affix an AIMS file label on the PF Study Checksheet (as described in section 20.04). If the file label is not available, enter the EIN, taxpayer's name, KDO, tax period, MFT, DLN, and SERFE score.

.02 General Information (Items 2, 3, 4, & 5)

1 Enter the GS Grade level of the examiner (on the date of assignment) in Item 2.

2 Enter the amount of time spent by the examiner in Item 3. This will be whole hours. Time entered is a total of all time charged to all related returns (e.g., Forms 990-T, 4720, etc.) for the same tax period. Do not enter prior or subsequent year time. Total time includes the use of other specialists, collateral requests, etc.

3 Enter only the appropriate disposal code for the Form 990-PF in Item 4.

4 Item 5:

a Indicate in Item 5a whether the return examined was: the original return; a taxpayer's retained copy; amended return; or, substitute for return. If the return is a final return or the organization is terminating, note this in Item 54 and in the "Remarks" section of the checksheet, Item 57, and describe the type of termination (e.g., IRC 507(b)(1)(A), 507(b)(1)(B), etc.).

b Indicate in Item 5b if this is an IRC 4947(a)(1) trust.

c If this is a short year return, indicate the number of months in the short year in Item 5c. If not applicable, enter "N.A."

.03 Administrative Expense Information

1 Items 6-41 of the checksheet are drawn from parts of the 1985 Form 990-PF return. On the checksheet each item is described and below it is a reference to where it may be found on the return.

2 In column (A), list the amount entered on the return for the particular item. In column (B), indicate the correct amount for that item as determined by the examination. Column (C) relates to the grant administrative expense per return figures reported in Part XII of the 1985 Form 990-PF. In column (D), enter the grant administrative expense figures from the examination. Columns (C) and (D) relate only to Items 7-14 and 16-20. There may be differences in some figures between column (A) and column (C) if the return was prepared properly. *Note:* In Items 6-41, if a significant difference is found between the "Per Return" and "Per Exam" figures, explain the reasons for the difference in the "Remarks" section, Item 57.

3 A substantial change between per return and per examination data depends on the facts of each case. In general, the ratio of change is more important than the amount. That is, a change from $1,000 per return to $1,100 per exam is as significant as a change from $1,000,000 per return to $1,100,000 per exam. Both are changes of 10%, a clearly significant amount. Smaller percentage changes will be significant when:

a They result in excess administrative expenses;

b They result in tax adjustments; or

c They occur in "problem" categories such as officer's compensation, or other expenses.

4 *Item 6*—Enter the total revenue from Part I, line 12, column A of Form 990-PF.

5 *Item 7*—Enter the amount reported as compensation of officers, directors, trustees, etc., from Part I, line 13, column A, and reported as grant administrative expenses in Part XII, line 1.

6 *Item 8*—Enter other employee salaries and wages from Part I, line 14, column A, and reported as grant administrative expenses in Part XII, line 2.

7 *Item 9*—Enter the amount reported as pension and other employee benefits in Part I, line 15, column A, and reported as grant administrative expenses in Part XII, line 3.

8 *Item 10*—Enter the amount of legal fees reported in Part I, line 16a, column A, and reported as grant administrative expenses in Part XII, line 4.

9 *Item 11*—Enter the amount of accounting fees from Part I, line 16b, column A, and reported as grant administrative expenses in Part XII, line 5.

10 *Item 12*—Enter other professional fees from Part I, line 16c, column A, and reported as grant administrative expenses in Part XII, line 6.

11 *Item 13*—Enter the amount of interest reported in Part I, line 17, column A, and reported as grant administrative expenses in Part XII, line 7.

12 *Item 14*—Enter the amount of taxes paid as reported in Part I, line 18, column A, and reported as grant administrative expenses in Part XII, line 8.

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13 *Item 15*—Enter depreciation and depletion from Part I, line 19, column A.

14 *Item 16*—Enter occupancy expenses reported in Part I, line 20, column A, and reported as grant administrative expenses in Part XII, line 9.

15 *Item 17*—Enter expenses for travel, conferences, and meetings from Part I, line 21, column A, and reported as grant administrative expenses in Part XII, line 10.

16 *Item 18*—Enter expenses for printing and publications from Part I, line 22, column A, and reported as grant administrative expenses in Part XII, line 11.

17 *Item 19*—Enter the amount of other expenses from Part I, line 23, column A, and reported as grant administrative expenses in Part XII, line 12. This item should be explained in the "Remarks" if the amount is greater than $10,000 and the FMV of assets (end of year) is greater than $100,000. Provide a breakdown by type of "other" expense.

18 *Item 20*—Enter the amount of total expenses in Part I, line 24, column A, and reported as grant administrative expenses in Part XII, line 13.

19 *Item 21*—Enter the amount of contributions, gifts, and grants paid, as reported in Part I, line 25, column A.

20 *Item 22*—Enter the total expenses and disbursements, as reported in Part I, line 26, column A.

21 *Item 23*—Enter the total expenses and disbursements, as reported in Part I, line 26, column B.

22 *Item 24*—Enter the total expenses and disbursements for charitable purposes, as reported in Part I, line 26, column D.

23 *Item 25*—Enter the excess of revenue over expenses and disbursements, as reported in Part I, line 27a.

24 *Item 26*—Enter the FMV of total assets from Part II, line 16, column C.

25 *Item 27*—Enter the net value of noncharitable assets, as reported in Part IX, line 5.

26 *Item 28*—Enter the maximum amount of grant administrative expenses that could be treated as qualifying distributions, as reported in Part XI, line 6. If this part of the return is not completed, enter a dash in the "Per Return" column and then compute the amount and enter it in the "Per Examination" column.

27 *Item 29*—Enter the amount paid to acquire assets used directly in carrying out charitable activities, as reported in Part XIII, line 2.

28 *Item 30*—Enter the amount set aside for specific charitable projects, as reported in Part XIII, line 3a plus 3b.

29 *Item 31*—Enter the amount of total qualifying distributions, as reported in Part XIII, line 6.

30 *Item 32*—Enter the distributable amount for 1985 from Part XIV, line 1.

31 *Item 33*—Enter the amount of undistributed income for 1985 Part XIV, line 6f.

32 *Item 34*—Enter the amount of excess distributions carryover to 1986 from Part XIV, line 9.

33 *Item 35*—Enter the amount of direct technical and other assistance to grantees, as reported in Part XVII–A, line 2c, column (c).

34 *Item 36*—Enter the total expenses for direct charitable activities, as reported in Part XVII–A, line 2e, column (c).

35 *Item 37*—Enter total program-related investments from Part XVII–A, line 3e, column (a).

36 *Item 38*—Enter the amount of the total program-related investment administrative expenses from Part XVII–A, line 3e, column (b).

37 *Item 39*—Enter the total of checksheet items 37 and 38, as reported in Part XVII–A, line 3e, column (c).

38 *Item 40*—Enter other qualifying distributions, as reported in Part XVII–A, line 4, column (c).

39 *Item 41*—Enter other expenses, as reported in Part XVII–A, line 5, column (c).

40 *Item 42*—Indicate the methods used by the private foundation to allocate administrative expenses (check the "Per Return" column). See Part XVII–B, line 1. If the organization did not attach the schedule to the return, enter an 'X' in checksheet Item 42a(6) and enter "N.A." in Items 42b & 42c for both the "Per Return" and "Per Examination" columns. Also note the lack of the schedule in "Remarks," Item 57. If on examination the agent finds that a different method or methods should have been used, he/she should check the appropriate box in the "Per Exam" column. If a "hybrid" or "other" allocation method was used, it should be described in "Remarks", Item 57. A "hybrid" is a combination of any allocation methods.

a The examiner should indicate whether the allocation method used by the organization was based on records or estimates.

b The examiner should indicate whether the allocation method was reasonable and consistently used, and if not, the examiner should describe the problem in the "Remarks", Item 57, and how it was resolved.

41 *Item 43 a & b*—From Part XVII–B, Line 3, enter the gross receipts figures "Per Return" and "Per Exam" for direct charitable activities and program related investments.

42 *NOTE:* ITEMS 44 TO 52 ARE USED TO DESCRIBE THE CHARACTERISTICS OF THE PRIVATE FOUNDATION AND SHOULD BE COMPLETED FOR ALL PRIVATE FOUNDATIONS INCLUDED IN THE STUDY (EXCEPT THOSE ITEMS EXCLUDED FOR PRIVATE OPERTING FOUNDATIONS).

43 *Item 44*—Indicate whether the organization is a private operating foundation for any purpose (i.e., 4942(j)(3) or (5)). If "yes", do not answer Items 45 to 52.

44 *Item 45*—On the basis of the examination, indicate which statement best describes the administrative activities/experiences of the private foundation. For example, if the foundation has about half of its administrative expenses paid or contributed by a related taxable corporation, "b" would be the appropriate answer. But, if the founder of a small foundation apparently paid a number of the administrative expenses from personal or other funds and no accounting of these expenses is available, "a" would be the appropriate answer. Similarly, if a small foundation with minimal expenses paid a relatively large sum for accounting and return preparer services, "a" would also be the correct answer. Please describe any "c" answers in "Remarks", Item 57.

45 *Item 46*—Indicate the percentage of total number of grants this private foundation made to the following grantees: newly organized grantees; established grantees; individuals; or, other (if "other", give an example in "Remarks", Item 57). The percentages should total 100%. Each private foundation is required to maintain records on grantees. In entering the percentages, use whole numbers (i.e., 90% should be entered as 90, not as .9). Verification of these records is sufficient for purposes of the study. Note: An established grantee is one that has been in existence over 60 months.

46 *Item 47*—Indicate the year and month in which this private foundation was formed. Use a two-digit number for each. For example, July, 1970 would be entered as "70", "07."

47 *Item 48*—Indicate the number of full-time employees of the private foundation during the year examined. Enter a dash if none.

48 *Item 49*—Indicate the number of full-time employees paid over $30,000 per year. While this number is provided in Part VIII, line 2 of the return, the examiner should only enter the "Per Exam" figure in Item 49. Enter a dash if none.

49 *Item 50*—Indicate the number of independent contractors receiving over $30,000 per year. While this number is provided in Part VIII, line 3 of the return, the examiner should only enter the "Per Exam" figure in Item 50. Enter a dash if none.

50 *Note:* A full-time employee is one who has completed 1,000 hours or more of service in the 12 consecutive month period covered by the return (Form 990–PF). See IRC 410(a)(3)(A) and 411(a)(5)(A). Annualize hours for short period returns (i.e., if the return covers six months and the employee has worked 700 hours, consider completed hours to be 1400).

51 *Item 51*—Indicate the number of grants actually made by the organization in the year. Use the criteria for Part XVI, Item 3a of the 1985 Form 990–PF. Enter a dash if none. A grant renewal is considered a grant for that year.

52 *Item 52*—Indicate the total number of grant applications received by the organization in the year (whether or not the grant was made or obligated). Enter a dash if none.

53 *Item 53*—Place an 'X' in the appropriate "yes" or "no" column.

a This item will be used to identify various problems not otherwise identified on the checksheet that might indicate the case is unusual or significant. The EO examiner should indicate whether in examining the return he/she recommended imposition or overassessment of Chapter 42 taxes; discovered any actual or potential tax abuses; made any significant adjustment of compensation items; secured any delinquent returns; and/or, found that major differences between amounts reported on the return and amounts determined upon examination were primarily due to taxpayer confusion with the 1985 Form 990–PF and its related instructions. Any "yes" answers should be described fully in "Remarks", Item 57. The examiner's comments in the "Remarks" section should indicate whether confusion was the result of any inability on the part of the PF to understand the Form or instructions generally, or whether any confusion was primarily based on those portions of the return revised to comply with the new law.

b If Chapter 42 taxes are imposed or overassessment recommended during the examination for any period, indicate "yes" in Item 53a. If an actual or potential tax abuse (including major reallocations of compensation related expenses) is discovered, indicate "yes" in Item 53b, and explain in "Remarks". If major adjustments are made to "Per Return" amounts on checksheet Items 6 through 41 and it is determined that the changes resulted primarily due to taxpayer confusion about the newly-revised portions of the 1985 Form 990–PF return and its instructions, indicate "yes" in Item 53c and explain in "Remarks". If major adjustments are made to "Per Return" amounts on checksheet Items 6 through 41 which result from "other" causes or if there was an unusual feature to this examination not otherwise listed on the checksheet, indicate "yes" in response to Item 53d and explain in "Remarks" Item 57. For example, suppose the foundation had its assets seized by the state attorney general in the second month of the tax period involved and, as a result, grant activity abruptly terminated while most expenses continued. This would make the foundation a very unusual case tending to distort study results and this should be clearly flagged for evaluation of its possible effect.

54 *Item 54*—If the organization is undergoing termination, indicate whether it is under IRC507(b)(1)(A), IRC 507(b)(1)(B), or other (describe in "Remarks", Item 57).

55 *Item 55*—Examine the record of assets of the private foundation to determine if it had engaged in foreign investment, (e.g., owns a voting interest in an "offshore" entity or partnership). In this regard, determine whether the organization has an active interest in any foreign organization (through participation in management or other activities) that indicates involvement other than as a mere investor. For example, did the private foundation solicit other organizations to join in the foreign activity (self-insurance, etc.) or, is the foreign activity merely a group of domestic organizations pooling funds in an offshore bank account? If the private foundation is investing funds in foreign activities, determine what the purposes are and seek explanations from the organization of the benefits it expects to receive, other than a higher return on investment.

56 *Item 56*—Indicate whether the organization has participated in a partnership (either as a limited or general partner, or as part of a controlled group), and if so, briefly describe in "Remarks": the degree of participation, the other partners, and the business conducted.

.04 Remarks (Item 57)

The EO examiner should enter any "Remarks" in Item 57 of the PF Study Checksheet. When there is insufficient space in the "Remarks" section of the PF Study Checksheet, attach additional sheets heading them with the organization's name, and EIN of the Form 990–PF being examined. *Also enter the item number for which the remarks are being made.* Note under "Remarks" on the PF Study Checksheet the number of additional pages attached to help ensure none are detached or lost.

Section 22. Examination Completion Date

All examinations for the study must be completed and closed to review by April 30, 1988. Those not completed by that date should be closed on an "estimated" basis marking the checksheet "estimate" in red pencil or pen at the top of page 1 of the checksheet.

Section 23. Mandatory Review

.01 All examinations of PF Study cases are subject to mandatory review.

.02 PF Study Checksheet. The reviewer must insure that *every* entry on the PF Study Checksheet is accurate.

.03 PF Study Case Review. Cases under this study will be reviewed for compliance with all existing IRM requirements for examinations. Special emphasis should be given to items in the PF Study Return and related material that concern administrative expenses. Included are the following:

1 Thorough scope of examination of all relevant items on the PF Study Checksheet.

2 Review of the following:

a Administrative file (if available). If not available, review of EOMF alpha record for consistency.

b Organization records related to administrative expenses (minute book, correspondence file, stock recordbook, ledger, contracts, agreements, financial reports, bank statements, cancelled checks, etc.).

3 Review of supporting workpapers to ensure that adequate support is provided for any "change" between the item reported by the taxpayer and the examination result.

Section 24. Processing of PF Study Returns and Checksheets

.01 After completion of review, the completed checksheet is to be forwarded to the National Office, as outlined in section 17.01. The PF Study return is to be closed (off AIMS and returned to files) using normal procedures. The original workpapers are to be retained by the KDO with a copy of the return until December 31, 1989. In cases closed to Appeals, a copy of the workpapers is to be retained by the KDO and the original workpapers are to be sent to Appeals.

.02 A form will be attached to the closed PF Study return indicating that the original workpapers (or copy of the workpapers in Appeals cases) have been retained by the KDO for PF Study purposes. This form will be supplied to key district offices by the National Office. See Attachment 3.

.03 In addition to the checksheet, a legible copy of the PF Study return, RAR (including notification letters), together with a copy of any Form 4720 or 990–T examined which involved the same tax period as the study return, are to be sent to the National Office after completion of Review. This material should be sent to: Internal Revenue Service, Washington, DC 20224, Attn: OP:E:O:E, Room 2238, PF Study Team. Use Form 3210 for these transmittals rather than a memorandum.

Section 25. Monitoring

.01 The regional office must establish sufficient monitoring procedures to control and manage the PF Study program, including visits to key district offices for on-site review. The regional office must visit each key district to review PF Study cases, inventories, and procedures within the first six months after examinations have begun. This visit is to be made even though feedback indicates that the key district is performing satisfactorily. After initial visits, additional visits will be set up on an "as needed" basis. Feedback is to be provided to the National Office on any problems for determination of overall study impact. See 25.03 below.

.02 Examples of items to consider when evaluating PF Study case files in the regional office or on-site in the key districts, or during any other monitoring of PF Study operations, are listed below. This listing is not exclusive and other areas of consideration may be included:

1 Reporting and control procedures

a Timely verification and acknowledgement of receipt of PF Study cases.

b Timely disposition and acknowledgement of transfer cases.

c Prompt reconciliation of control reports.

d Prompt disposition of inconsistent documents returned for correction.

e Timely and proper AIMS creation, updates, and closings.

2 Completion of PF Study examinations

a Timely assignment of PF Study cases to examiners.

b Prompt starting of PF Study case examinations.

c Timely action relative to collateral examinations and to requests for technical advice.

d Scope of examination appropriate to study purpose and goals.

e Evidence of use of probing techniques to ensure backup documents for relevant accounting entries exist and are accurately recorded.

3 Timely processing of cases through the Technical Review Staff

4 PF Study Staffing/Training

a All PF Study examiners have been given training regarding the PF Study.

b The examiners are experienced and of appropriate grade levels to examine PF Study returns.

c The number of PF Study examiners is sufficient to handle the workload expeditiously.

5 Intensity of examinations

a All examinations must be thorough.

b Adequate comments should be made in workpapers, report of examination, etc.

.03 Each regional office must include a comment on the status of the PF Study in the quarterly Narrative Report on EP/EO Operations (Report Symbol NO–E–1) until all study cases have been closed. Comments should be made on, but not limited to, progress in completing PF Study cases, any problems with the workflow of PF Study cases, the impact of PF Study conditions, etc.

Section 26. Monthly Reports

.01 Each key district office will make monthly reports to its region on the status of PF Study cases assigned to it.

.02 The report should indicate the number of PF Study cases assigned, in progress, and completed. PF Study related problems should be noted in this report.

Section 27. Supply of Forms

A supply of Forms 8555, green colored cover sheets, and workpaper retention forms will be furnished without requisition to key district offices. Additional quantities may be obtained from the EP/EO Examination Branch (OP:E:O:E) or by phoning FTS 566-3310.

Section 28. Effect on Other Documents

This supplements IRM 1(13)00, 7920, 7(10)66, 7(11)21, and 7(13)10.

/s/ Howard Schoenfeld
Special Assistant,
Exempt Organizations

Attachments

CHARITABLE TRUSTS:
AN IRS EXAMINATION OF NONEXEMPT
PHILANTHROPIC ORGANIZATIONS

by

Thomas B. Petska

October, 1983

Internal Revenue Service
Statistics of Income Division

This paper was presented at the Annual Meetings of the American Statistical Association, Toronto, Canada, August 16, 1983.

CHARITABLE TRUSTS: AN IRS EXAMINATION OF NONEXEMPT PHILANTHROPIC ORGANIZATIONS

Thomas B. Petska

Internal Revenue Service

ABSTRACT

Because the public sector has resisted an expansion of social welfare spending in the largest economic downturn since the Great Depression, the private sector has an increased burden for the provision of charitable funding. Interest in the organizations that are engaged in these activities has generally focussed on those that are formally recognized as tax-exempt by the Internal Revenue Service. However, trusts with charitable beneficiaries are functionally very similar to some of the tax-exempt organizations, both in their philanthropic activities and in the benefits afforded them in the tax code. In this paper, data from a first-time study of charitable and split-interest trusts are examined, and their charitable activities are compared to those of other philanthropic organizations.

Charitable activity is generally assumed to be carried out as a result of two influences: altruism and tax incentives. From an economic perspective, altruism implies that the welfare of others is important to oneself. In this sense, providing funds for charity is a means of obtaining economic satisfaction not unlike that derived from other types of economic transactions. Tax incentives, in this context, are legislative enactments to encourage philanthropy by granting exemption from taxation to institutions and by lowering the effective net cost to a donor of making a charitable contribution. The Internal Revenue Code specifically defines several types of philanthropic organizations, each with requirements, regulations, and tax incentives that provide benefits to either the philanthropic organizations, their donors, or both. In this paper two types of these organizations, nonexempt charitable trusts and nonexempt split-interest trusts, are examined. In section 1, some background information on these organizations is provided. In section 2, data from a first-time study of these organizations are examined with particular attention to their philanthropic activity and their financial composition. Section 3 contains an overview of Internal Revenue Service studies concerning tax-exemption, trusts, and wealth taxation. Finally, an appendix on the method of estimation in the Internal Revenue Service Statistics of Income (SOI) 1979 nonexempt charitable and split-interest trust study is provided.

1. PHILANTHROPY AND NONEXEMPT TRUSTS

Despite indications that the economic stagnation which has been characteristic of the 1980's will soon abate, human deprivation remains high. While economic policy analysts debate the "necessity" of the economic contraction to set the economy on a course of full employment without inflation, the human toll continues to be substantial. The presence of and forecasts for further record budget deficits has tempered the Federal government's inclination to directly address these increased social needs. Furthermore, rebuilding national defense has augmented the existing pressures on Federal expenditures. Federal entitlement programs, most notably Social Security, continue to expand due to demographics and regulations that index payments to inflation, encourage early retirement, and pay for ever-increasing medical services [25,26,27].

Since the Federal government has resisted an expansion of funding for the increased social needs, the private sector is being looked upon to help fill this gap. However, as examination of the data indicates, the private sector, and State and local governments as well, have clearly played a secondary role to that of the Federal government in the provision of social welfare expenditures [18,20]. Therefore, the capacity that the private sector has to meet this increased demand is limited.

To encourage private philanthropy, the Federal government has granted exemption from taxation to certain organizations that engage in charitable activities. Although the origins of tax-exempt status go back to the latter part of the nineteenth century, the purpose of this status was best put forth in the House Ways and Means Committee report on the Revenue Act of 1938:

"The exemption from taxation of money or property devoted to charitable or other purposes is based upon the theory that the government is compensated for the loss of revenue by its relief from the financial burden which would otherwise have to be made by appropriations from public funds, and by the benefits resulting from the promotion of the general welfare [8]."

Another benefit that directly aids charitable donors and indirectly assists the philanthropic tax-exempt organizations was established in 1917. This benefit is the allowance of deductions for charitable contributions from the tax base of individuals, and it effectively lowers the donor cost of a deduction by the amount of the deduction times the marginal tax rate of the donor. This benefit has been extended to corporate and estates donors.

In short, private sector philanthropy consists of the following:

1. Donors who are the sources of philanthropic resources and who are generally allowed to deduct the amount of their contributions from their taxable income.
2. Institutions that solicit funds from donors and channel these funds to those in need, and who generally are required to establish their tax-exempt status with the Internal Revenue Service.
3. Donees who are the recipients of philanthropy.

Although donors are generally individuals, business enterprises can likewise be sources of philanthropic funds. Institutions include all types of intermediaries that raise and disburse funds and include churches, foundations, and public charities. They can either be actively involved in philanthropic activities or simply conduits for philanthropic funds. Furthermore, they can have large financial reserves with substantial property income, or they can be essentially "pay-as-you-go" organizations that distribute amounts for charitable purposes comparable to what they receive in contributions.

From an Internal Revenue Service perspective, philanthropic institutions are composed of the following groups:

1. Organizations that must formally apply for and be recognized as tax-exempt under a specific section of the Internal Revenue Code.
2. Organizations that are presumed to be tax-exempt by the nature of their activities and are not required to apply for tax-exempt status. This group includes:
    a. Organizations, such as churches, that are not required to file annual information returns.
    b. Organizations that closely resemble tax-exempt organizations and are required to file annual information returns. Included in this group are nonexempt charitable trusts and nonexempt split-interests trusts.

A nonexempt trust is a legal instrument established by an individual or organization with funds placed in trust with either income or remainder interests (or both) devoted to charitable purposes. The term "nonexempt" in this context is somewhat of a misnomer. While nonexempt trusts are "nonexempt" in the sense that they are not required to be formally recognized as tax-exempt in the Internal Revenue Code, they are exempt from income taxation as are the tax-exempt organizations. There are two types of nonexempt trusts: charitable trusts and split-interest trusts. Charitable trusts are intended exclusively for charitable purposes. Split-interest trusts have both charitable and noncharitable beneficiaries. There are three types of split-interest trusts:

1. A pooled income fund is an instrument whereby a fixed percentage of assets is paid to a noncharitable beneficiary and all other benefits are distributed to charity.
2. A charitable remainder trust is an instrument in which a certain sum is paid a noncharitable beneficiary and the remainder is distributed to charity.
3. A charitable lead trust is an instrument whereby interest income is distributed to charity and the remainder is paid to a noncharitable beneficiary.

The many dimensions of the non-profit sector, as defined in the various sections of the Internal Revenue Code, are the result of legislative response to factors affecting the activities and well-being of the sector. For example, the allowance of the deduction for charitable contributions was instituted in 1917 because it was feared that the increased tax burden associated with financing World War I would lower the amount of contributions. Similarly, the Tax Reform Act of 1969 brought about many new regulations and requirements for private foundations because it was believed that they were abusing their tax-exempt status [9, 11, 13, 18]. Nonexempt trusts were created in the Tax Reform Act of 1969 to fill what would have been a substantial loophole in the law. Trusts are generally treated as conduits for tax purposes and, as such, are taxable only on their undistributed income. Since donors are allowed an unlimited deduction for contributions to charitable and split-interest trusts, they would have had all of the tax incentives available to private foundations without having to apply for tax-exempt status and without the additional regulations and requirements imposed on private foundations in the Tax Reform Act of 1969. Therefore, Congress provided that charitable trusts be treated as private foundations and that certain provisions applicable to private foundations would also apply to split-interest trusts [33].

2. NONEXEMPT TRUST DATA

In this section, data from a first-time Statistics of Income (SOI) study of charitable and split-interest trusts are presented and analyzed. Initially, some perspective on the philanthropic activities of charitable and split-interest trusts is provided by comparing the volume of their charitable activities to those of other charitable organizations and the social welfare portion of government spending. In 1979 charitable and split-interest trusts together provided a total of $118 million in charitable contributions. Of this total, $56 million was made by charitable trusts and $61 million by split-interest trusts. Also during 1979, private foundations contributed $3.2 billion to charities [18], and for 1978 (the latest year for which data is available) other charitable tax-exempt organizations (i.e., "public charities") contributed a total of $30.4 billion toward philanthropic pursuits [31]. In 1979, goverment spending for social welfare purposes, which includes transfer payments and public investment in schools hospitals, and other similar facilities, totaled $440.3 billion [22,23,24]. Clearly, from an aggregate perspective, nonexempt trust philanthropic expenditures are a very small portion of total philanthropic spending as well as private sector charitable expenditures. The private sector, in general, is dwarfed by public social welfare funding. However, nonexempt trusts are significant in that they are organizations that are afforded the privileges of other charitable tax-exempt organizations without having to apply for this advantageous status. Furthermore, nonexempt trusts represent the last portion of a series of recent studies of the return-filing, nonprofit sector by the SOI Division.

Data on the numbers of nonexempt charitable and split-interest trusts, their assets and asset concentrations are presented in Table 1. For comparative purposes, similar data on private foundations are included. Functionally, private foundations are very similar to charitable trusts, but unlike charitable trusts, they are required to formally apply for tax-exempt status. The number of charitable trusts and their total assets are considerably less than those for both split-interest trusts and private foundations. The nearly 14 thousand split-interest trusts are only half the number of foundations, but are over six times the number of charitable trusts. The $2.5 billion in split-interest trust assets are only 7 percent of total foundation assets, but are almost three times the $0.9 billion in assets for charitable trusts. On the average, however, charitable trusts are over twice as large as split-interest trusts with a mean asset value of $425 thousand to $180 thousand, respectively. Private foundations, on the other hand, have a mean asset value of $1,239 thousand. The greater concentration of trust assets among charitable trusts is clearly evident in the asset concentration percentages. The 11 largest charitable trusts, each with assets of $10 million or more, account for 34 percent of total charitable trust assets. The 11 largest split-interest trusts, which also include all those with at least $10 million in total assets, account for only 8 percent of total split-interest trust assets. The 490 foundations with assets of $10 million or more account for 65 percent of total foundation assets.

In Table 2 the composition of nonexempt trust assets, liabilities, and net worth are presented. Although corporate stock is the largest asset item for both charitable and split-interest trusts, it is relatively more important for charitable trusts. Corporate bonds and government obligations are the next two largest asset items. Total liabilities are relatively small for both charitable and split-interest trusts, and mortgages and notes payable is the largest identifiable liability item. In Table 4 the asset composition is examined by size of assets.

The composition of nonexempt trust receipts and deductions are provided in Table 3. Contributions, gifts, and grants received is the largest receipt item for split-interest trusts. For charitable trusts, dividends and interest are the largest, and together they account for over 60 percent of total receipts. Contributions, gifts, and grants paid is by far the largest deduction item for both types of trusts. For charitable trusts, it accounts for 72 percent of total deductions, while for split-interest trusts, it accounts for 45 percent of the total. Net income (total receipts less total deductions) is $20 million for charitable trusts, which accounts for 20 percent of total receipts. For split-interest trusts, net income totals $274 million, which is 67 percent of total receipts.

The percentage compositions of trust assets by size of assets are presented in Table 4. Corporate stock, the largest asset item for both charitable and split-interest trusts, increases in its composition share with increasing asset size. For charitable trusts, however, this increase is more pronounced and more consistent than for split-interest trusts. Corporate stock comprises only 5 percent of the assets of the smallest charitable trusts (i.e., those with under $25,000 in total assets), but the share of corporate stock increases with increasing asset size to a high of 48 percent for the largest charitable trusts (i.e., those with $10 million or more in total assets). For split-interest trusts, the corporate stock share is 19 percent for the smallest trusts. The composition share of corporate stock increases steadily with increasing asset size to 35 percent for split-interest trusts with at least $1 million but less than $10 million in total assets. For the largest split-interest trusts, those with $10 million or more in total assets, the corporate stock share declines to 26 percent. Corporate bonds and government obligations, the next two largest asset items for both charitable and split-interest trusts, indicate less stable composition trends across the asset size classes. Corporate bonds increases markedly for charitable trusts but levels off in the 17 to 21 percentage range, while for split-interest trusts it exhibits an erratic decline. Government obligations, on the other hand, generally declines in importance with increasing asset size for charitable trusts, but it increases in importance with increasing asset size for split-interest trusts for most asset size classes except the largest.

In Table 5 the trust receipt compositions by size of assets are displayed. Contributions, gifts, and grants received decreases significantly with increases in asset size for charitable trusts, but for split-interest trusts it is very large for all but the smallest and largest trusts. Dividends exhibit a relatively stable composition share for most asset size classes of both charitable and split-interest trusts. Interest, likewise, shows a relatively stable composition share except for the smallest and largest asset size classes of split-interest trusts. In these two size classes, it is two and three times the average composition share, respectively, for all asset size classes.

Contributions, gifts, and grants paid is the largest deduction item for all charitable trust asset size classes as indicated in Table 6. Its composition share is at least 79 percent for all size classes, except for the largest size class, in which it is only 46 percent. For split-interest trusts, the composition share is generally divided between contributions, gifts, and grants paid and other deductions. Together, they account for approximately 90 percent of split-interest trust deductions in each asset size class as well as in total. Contributions, gifts, and grants paid is larger in the smallest and largest asset size classes while other deductions are larger in the other size classes. Although some of the deduction detail was reduced for presentation in Table 6, this did not have a significant affect on the data as presented since the other deduction item was very large even before collapsing detail.

The preceding analysis of financial data by size of assets was carried out for size classes of book value of assets. The book value measure was used since it is consistent with the balance sheet detail that trusts are required to provide on their annual tax return. However, book value has been criticized as being a poor measure of asset values, especially during periods of inflation, such as for 1979, which is the base year of this study. In Table 7 the number of trusts are cross-classified by the size of book value of assets and the size of market value of assets. From this data it appears that the majority of trusts are reporting book and market asset values of generally comparable magnitude. However, these asset size classes are fairly broad so individual trusts may still have market values that differ from (and generally exceed) the reported book values.

3. IRS RELATED STUDIES

The 1979 nonexempt trust study, which was economically "piggybacked" onto the 1979 private foundation study because of the similarities in both form and content, is one small part of the Statistics of Income Division efforts to develop a database for the analysis of the maintenance and transfer of large wealthholdings. Other studies have directly examined private foundations [13,18,19,20], other tax-exempt organizations [31,32], fiduciaries [14], and personal wealth [23,24]. While each of these studies provides information on the separate tax filing populations, none has been able to model the "dynamics" of wealthholding which is essential to measure effective rates of wealth taxation. In the 1976 estate-income collation study, income tax return data were matched to decedent's estate tax returns and to recipients of bequests who were listed on these estate tax returns. This match enabled the examination of the interrelationships between income and the underlying value of the assets that produced that income for decedents [30]. Further analysis will explore the influences of bequests on recipients' behavior

While this study was a major improvement in modelling the dynamics of wealth transfer and taxation, it suffered from a number of methodological problems. Currently, we are initiating a second estate-income collation study. For this study, we will select a sample of estate tax returns for 1982 decedents, and match individual income tax return data (Form 1040) for decedents (for two years prior to death) and beneficiaries (for one preceding year and three years after the year of death). Furthermore, the gift tax returns (Form 709) filed by decedents and fiduciary returns (Form 1041) that were recipients of bequests will also be linked to the primary estate.

Through this procedure, it will be possible to follow the transfer of ownership of large wealthholdings between generations. It has been said that estate taxation borders on a voluntary tax since the opportunities for avoidance are readily available, and the incentives to do so increase with increases in the size of wealthholdings [5]. Further work on the estate-income collation studies will test this hypothesis.

A commitment is being made in the Statistics of Income Division to employ efficient techniques to address the complex problems of wealth taxation. Although some of this work is relatively new, we believe that the approaches we are pursuing will produce data that will permit the examination of some aspects of the Internal Revenue Code which, until recently, could not be addressed.

Clearly, we live in an information society. The decision-making process requires information so that decisions are not made without consideration of the available facts. However, many important decisions, such as those made in Congress, are sometimes made with less than ideal information. The role of the data producer is to fill this information void with as much information as is possible. While there will always be philosophical differences concerning approaches to problem-solving, more information would generally narrow these differences to a considerable degree because policy decisions are not made without some influence of fairness. For example, if it were determined that a high percentage of persons who lost eligibility in a public transfer program were undergoing severe hardship, policymakers would, in all likelihood, be more inclined to offset these reductions to reduce the resulting hardship. Therefore, the provider of information has both a privilege and a responsibility to be efficient, farseeing, understanding, and most of all, objective.

ACKNOWLEDGEMENTS

The author would like to thank Dave Johnston and Craig Schuler for their programming and systems support in the 1979 nonexempt trust study, John Gorman, Daphne Greenwood, Mike Coleman, and John Sullivan for their reviews of the paper, Dorothy Wallace for her work on the tables, and Nancy Robinson, Cathy Robinson, and Cindy Thornley for typing the manuscript. Any errors are the responsibility of the author.

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Table 1.--Numbers of Nonexempt Trusts and Private Foundations, and Amounts of Total Assets, by Size of Total Assets for Tax Year 1979

[All figures are estimates based on samples--money amounts are in millions of dollars]

Size of total assets	Numbers of organizations	Percent of total	Total assets	Percent of total
	(1)	(2)	(3)	(4)
Charitable trusts, total	2,102	100.0	$894	100.0
Under $100,000	1,175	55.9	34	3.8
$100,000 under $1,000,000	782	37.2	247	27.6
$1,000,000 under $10,000,000	134	6.4	309	34.6
$10,000,000 or more	11	0.5	304	34.0
Split-interest trusts, total	13,743	100.0	$2,467	100.0
Under $100,000	9,092	66.2	258	10.5
$100,000 under $1,000,000	4,251	30.9	1,184	48.0
$1,000,000 under $10,000,000	388	2.8	838	34.0
$10,000,000 or more	11	0.1	188	7.6
Private foundations, total	27,980	100.0	$34,668	100.0
Under $100,000	15,747	56.3	397	1.1
$100,000 under $1,000,000	8,717	31.2	2,998	8.6
$1,000,000 under $10,000,000	3,026	10.8	8,815	25.4
$10,000,000 or more	490	1.7	22,459	64.8

SOURCES: Data are from [19] and unpublished tabulations from the 1979 Statistics of Income Nonexempt Charitable and Split-Interest Trust Study.

Table 2.--The Composition of Nonexempt Trust Total Assets, Liabilities, and Net Worth for Tax Year 1979

[Money amounts are in millions of dollars]

Item	Total	Charitable trusts	Split-Interest trusts
	(1)	(2)	(3)
Number of trusts	15,846	2,103	13,743
Total assets	3,362.0	894.2	2,467.7
Corporate stock	1,082.7	350.1	732.6
Corporate bonds	514.0	171.5	342.5
Government obligations	514.1	79.1	435.0
Cash	162.8	46.5	116.3
Accounts and notes receivable	50.0	12.8	37.3
Land	75.4	14.4	61.0
Net depreciable assets	44.8	23.7	21.0
Other assets	918.1	196.1	722.1
Total liabilities	61.1	24.4	36.8
Contributions, gifts, grants payable	2.1	0.4	1.8
Mortgages and notes payable	30.4	17.5	12.8
Accounts payable	10.3	2.2	8.1
Other liabilities	18.4	4.3	14.1
Net worth	3,300.8	869.9	2,430.9
	Composition percentages		
Total assets	100.0	100.0	100.0
Corporate stock	32.2	39.1	29.7
Corporate bonds	15.3	19.2	13.9
Government obligations	15.3	8.8	17.6
Cash	4.8	5.2	4.7
Accounts and notes receivable	1.5	1.4	1.5
Land	2.2	1.6	2.5
Net depreciable assets	1.3	2.7	0.9
Other assets	27.3	21.9	29.3
otal liabilities	100.0	100.0	100.0
Contributions, gifts, grants, payable	3.5	1.5	4.8
Mortgages and notes payable	49.6	71.9	34.9
Accounts payable	16.8	9.0	21.9
Other liabilities	30.1	17.9	38.4
Net worth	100.0	100.0	100.0

SOURCE: Unpublished tabulations from the 1979 IRS Statistics of Income Nonexempt Charitable and Split-Interest Trust Study.

Table 3.--The Composition of Nonexempt Trust Total Receipts and Deductions for Tax Year 1979

[Money amounts are in millions of dollars]

Item	Total (1)	Charitable trusts (2)	Split-Interest trusts (3)
Number of trusts	15,846	2,103	13,743
Total receipts	508.6	98.5	410.1
Contributions, gifts, grants	162.4	10.9	151.5
Dividends	94.9	29.7	65.2
Interest	122.7	30.5	92.2
Net gain from sale of assets	79.8	10.4	69.4
Gross rents and royalties	14.8	4.7	10.0
Gross profits from business	3.2	0.1	3.1
Other receipts	30.9	12.1	18.8
Total deductions	215.0	78.7	136.2
Contributions, gifts, grants	117.8	56.5	61.3
Employee wages and benefits	7.1	6.6	0.5
Taxes	5.2	2.0	3.3
Professional services	6.5	2.1	4.4
Compensation of officers	6.8	3.0	3.8
Depreciation, amortization, depletion	2.0	1.2	0.8
Interest	2.2	0.3	1.9
Other expenses	67.4	7.1	60.3
	Composition percentages		
Total receipts	100.0	100.0	100.0
Contributions, gifts, grants	31.9	11.1	36.9
Dividends	18.7	30.2	15.9
Interest	24.1	30.9	22.5
Net gain from sale of assets	15.7	10.6	16.9
Gross rents and royalties	2.9	4.8	2.4
Gross profits from business	0.6	0.1	0.8
Other receipts	6.1	12.3	4.6
Total deductions	100.0	100.0	100.0
Contributions, gifts, grants	54.8	71.7	45.0
Employee wages and benefits	3.3	8.4	0.3
Taxes	2.4	2.5	2.4
Professional services	3.0	2.6	3.2
Compensation of officers	3.2	3.8	2.8
Depreciation, amortization, depletion	0.9	1.5	0.6
Interest	1.0	0.3	1.4
Other expenses	31.4	9.1	44.2

SOURCE: Unpublished tabulations from the 1979 IRS Statistics of Income Nonexempt Charitable and Split-Interest Trust Study.

Table 4.--The Percentage Composition of Nonexempt Trust Assets by Size of Assets for Tax Year 1979

Item	Total	Size of total assets					
		Under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of charitable trusts	2,102	679	496	628	154	134	11
Total assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Corporate stock	39.1	5.3	19.6	30.8	33.8	38.2	48.3
Corporate bonds	19.2	6.7	18.1	17.4	19.2	18.5	20.9
Government obligations	8.8	17.8	10.1	9.7	5.1	12.9	5.4
Cash	5.2	6.5	5.8	2.9	6.6	4.6	6.2
Accounts and notes	1.4	--	0.1	0.2	2.4	1.9	1.2
Land	1.6	--	--	1.9	5.4	0.9	1.0
Net depreciable assets	2.7	--	--	0.2	2.1	0.8	6.2
Other assets	21.9	63.8	46.2	36.8	25.5	22.2	10.7
Number of split-interest trusts ...	13,743	5,230	3,862	3,653	598	388	11
Total assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Corporate stock	29.7	18.8	23.3	25.3	33.5	34.9	26.3
Corporate bonds	13.9	19.0	20.0	13.4	11.6	15.4	5.7
Government obligations	17.6	8.5	14.8	14.6	19.3	22.0	12.2
Cash	4.7	5.9	8.4	4.8	3.4	3.9	6.3
Accounts and notes receivable	1.7	0.5	1.8	1.2	1.9	1.3	2.9
Land	2.5	--	2.2	2.6	3.7	2.4	0.5
Net depreciable assets	0.9	--	0.5	0.4	1.8	1.1	--
Other assets	29.3	47.3	28.9	37.8	24.8	19.0	46.1

SOURCE: Unpublished tabulations from the 1979 IRS Statistics of Income Nonexempt Charitable and Split-Interest Trust Study.

Table 5.--The Percentage Composition of Nonexempt Trust Receipts by Size of Assets for Tax Year 1979

Item	Total	Size of total assets: Under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of charitable trusts	2,102	679	496	628	154	134	11
Total receipts	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Contributions, gifts, grants	11.1	32.0	32.8	26.5	5.5	12.3	2.4
Dividends	30.2	29.2	18.5	27.4	26.4	33.9	29.7
Interest	30.9	36.2	35.8	35.8	31.7	29.6	29.5
Gross rents and royalties	4.8	--	--	2.5	20.0	2.3	4.0
Gross profit from business	0.1	--	--	0.3	0.2	--	--
Net gain from sale of assets	10.6	-33.5	9.5	2.3	10.1	14.5	10.9
Other receipts	12.3	36.1	3.4	5.1	6.2	7.3	23.4
Number of split-interest trusts	13,743	5,230	3,862	3,653	598	388	11
Total receipts	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Contributions, gifts, grants	36.9	12.6	43.9	42.6	34.0	36.7	2.2
Dividends	15.9	18.7	15.3	15.1	17.7	15.9	15.9
Interest	22.5	39.5	23.0	20.4	23.9	17.7	66.1
Gross rents and royalties	2.4	5.8	1.4	1.0	3.8	3.4	0.9
Gross profit from business	0.8	--	--	0.2	4.6	--	--
Net gain from sale of assets	16.9	21.6	11.0	16.9	12.8	21.2	3.6
Other receipts	4.6	1.7	5.3	3.7	3.2	5.1	11.3

SOURCE: Unpublished tabulations from the 1979 IRS Statistics of Income Nonexempt Charitable and Split-Interest Trust Study.

Table 6.--The Percentage Composition of Nonexempt Trust Deductions by Size of Assets for Tax Year 1979

Item	Total	Size of total assets					
		Under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of charitable trusts	2,102	679	496	628	154	134	11
Total deductions	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Contributions, gifts, grants	71.7	92.1	82.8	82.6	78.8	84.2	46.3
Employee wages and benefits	9.3	--	--	0.1	2.5	0.9	28.0
Compensation of officers	3.8	3.8	5.3	5.9	5.2	4.1	1.8
Professional services	2.6	0.3	4.9	2.2	2.8	2.0	3.5
Taxes	2.5	0.2	1.8	2.1	1.8	2.0	3.8
Other deductions	10.0	3.5	5.2	7.1	8.8	6.7	16.7
Number of split-interest trusts	13,743	5,230	3,862	3,653	598	388	11
Total deductions	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Contributions, gifts, grants	45.0	71.6	51.2	38.5	40.5	44.7	67.4
Employee wages and benefits	0.3	--	0.1	0.7	0.2	0.3	--
Compensation of officers	2.8	3.9	3.0	3.9	3.7	1.9	--
Professional services	3.2	5.0	3.2	4.0	3.2	2.8	1.2
Taxes	2.4	--	1.1	2.5	2.8	2.9	0.9
Other deductions	46.2	19.6	41.4	50.4	49.6	47.5	30.5

SOURCE: Unpublished tabulations from the 1979 IRS Statistics of Income Nonexempt Charitable and Split-Interest Trust Study.

Table 7.--Number of Nonexempt Trusts by Size of Total Book Value of Assets and by Size of Total Fair Market Value of Assets for Tax Year 1979

[All figures are estimated based on samples]

Size of total book value of assets	Total	Size of total fair market value of assets						
		Assets zero or not reported	$1 under $25,000	$25,000 under $100,000	$100,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $10,000,000	$10,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total	15,845	791	5,363	4,376	3,974	716	593	33
Assets zero or not reported	523	510	--	6	5	--	1	--
$1 under $25,000	5,388	42	5,135	126	42	42	--	--
$25,000 under $100,000	4,358	78	126	3,802	239	--	26	--
$100,000 under $500,000	4,281	137	15	433	3,593	56	46	--
$500,000 under $1,000,000	752	14	--	7	94	588	48	--
$1,000,000 under $10,000,000	522	9	--	1	--	29	471	12
$10,000,000 or more	22	--	--	--	--	--	1	21

SOURCE: Unpublished tabulations from the 1979 IRS Statistics of Income Nonexempt Charitable and Split-Interest Trust Study.

APPENDIX: METHOD OF ESTIMATION IN THE 1979 CHARITABLE AND SPLIT-INTEREST TRUST STUDY

The data in this paper are estimates based on a random, stratified sample of Forms 5227, Return of Nonexempt Charitable or Split-interest Trust Treated as a Private Foundation. All returns were selected before audit.

A. Sample Selection and Method of Estimation

Nonexempt trust returns processed during 1980 were computer stratified based on the size of total book value of assets. Within each sample stratum, returns were randomly selected based on a transformed value of digits in the Employer Identification Number (EIN). The sampling rates increased with increasing asset size and varied from 2 to 100 percent. All returns with $1 million or more in assets were in the 100 percent portion of the sample.

A summary of data on the population, sample, and method of estimation is provided in Table 8. The 16,564 returns processed (column (1)) in 1980 were sampled, and a total of 2,562 returns were selected (column (2)). This sample included duplicate returns (column (3)), prior year returns of selected entities (column (5)), and amended returns (column (6)). A total of 35 duplicate returns were excluded from the file, and weighting factors were derived by dividing the number of returns processed for each stratum by the sample count (column (4)), which consists of the sampled returns less identical returns for that stratum. The weighting factors (column (8)) were applied to the accepted records (column (7)), which consist of the sample counts less the prior year duplicate entity returns and amended returns for each stratum.

B. Response and Other Nonsampling Errors

Various checks were imposed to improve the quality of the information in the returns of the sample. During statistical editing, editors were instructed to correct tax return errors whenever possible through reference to the actual return form and accompanying schedules. The quality of editing was controlled by means of a continuous subsampling verification system, and the Statistics of Income Division independently reprocessed a small sample of returns to evaluate the quality of the editing after verification to determine adherence to the processing instructions.

All records in the sample were subjected to a series of 86 tests to determine their internal consistency, balance, and completeness. If a record failed any of these tests, it was printed in its entirety on an error register. The type and incidence of the errors were evaluated, and corrections were applied either automatically by computer, or by clerical or professional review, depending on the nature of the error. Finally, all tabular material was reviewed for accuracy and reasonableness in light of provision of the tax laws, taxpayer reporting variations and limitations, economic conditions, and comparability with other statistical information.

Table 8.--Returns Processed, Sample Counts, Accepted Records, Weight Determination, and Number of Trusts in the 1979 Nonexempt Trust Study

Size of total assets	Returns processed in 1980	Sampled returns	Duplicate returns	Sample counts	Prior year duplicate returns	Amended returns	Accepted records	Weight	Number of trusts
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Total	16,564	2,562	35	2,527	120	5	2,402	--	15,846
Under $25,000	6,061	144	--	144	2	--	142	42.09	5,911
$25,000 under $100,000	4,652	731	13	718	47	2	669	6.46	4,368
$100,000 under $500,000	4,483	890	12	878	40	2	836	5.09	4,281
$500,000 under $1,000,000	791	220	1	219	12	--	207	3.61	752
$1,000,000 or more	577	577	9	568	19	1	548	1.00	544

SOURCE: Unpublished tabulations from the 1979 IRS Statistics of Income Nonexempt Charitable and Split-Interest Trust Study. Detail may not add due to rounding.

Section 4

Unrelated Business Income Of Exempt Organizations

This section presents a draft of an article on the unrelated business income of exempt organizations; the first written by the Statistics of Income Division (SOI) of the IRS on this subject. The draft and the corresponding tables, to be published in the *SOI Bulletin,* follow this introduction.

The article represents an analysis of 1987 data collected from the Form 990-T, Exempt Organization Business Income Tax Return. Exempt organizations filing either Form 990 or 990-PF and earning $1,000 or more in unrelated business gross income, also must file Form 990-T in order to fulfill the requirements found in section 511 of the Internal Revenue Code. These exempt organizations are then taxed at corporate or trust rates on their unrelated business income.

SOI plans to continue its analyses of unrelated business income with an annual study of the Form 990-T data. Recently, SOI developed a new coding system for unrelated business activity to be used by those organizations filing Form 990-T. In addition, in early 1991 SOI plans to expand its exempt organization analyses by matching unrelated business income reported on Form 990-T with the corresponding parent exempt organization's Form 990 or 990-PF return. This will allow research on the types of unrelated business in which different nonprofit organizations engage. Later, SOI hopes to integrate the for-profit subsidiaries of exempt organizations into the study. This article will provide an overview of the exempt organizations that engage in business that generates taxable income unrelated to their exempt purpose.

Form 990-T

A 1987 Form 990-T and its corresponding instructions are found in the "Forms and Instructions" section. Those organizations earning unrelated business or trade gross income in excess of $10,000 must provide detailed financial information related to rental income, debt-financed income, investment income, income from controlled organizations, exploited exempt activity income, and advertising income. Those 990-T filers earning less than $10,000 need only provide summary financial information on the return.

Exempt Organization Business Income Tax Returns, 1987

By Sara P. Boroshok *

WORKING PAPER CURRENTLY IN PROGRESS

The data shown in this article are preliminary and are subject to revision. Both income and deduction categories are being re-examined. Three revised tables are currently available. The final article is scheduled for completion in the near future. If you would like to be placed on a mailing list to receive copies, please call the author on (202) 874-0313.

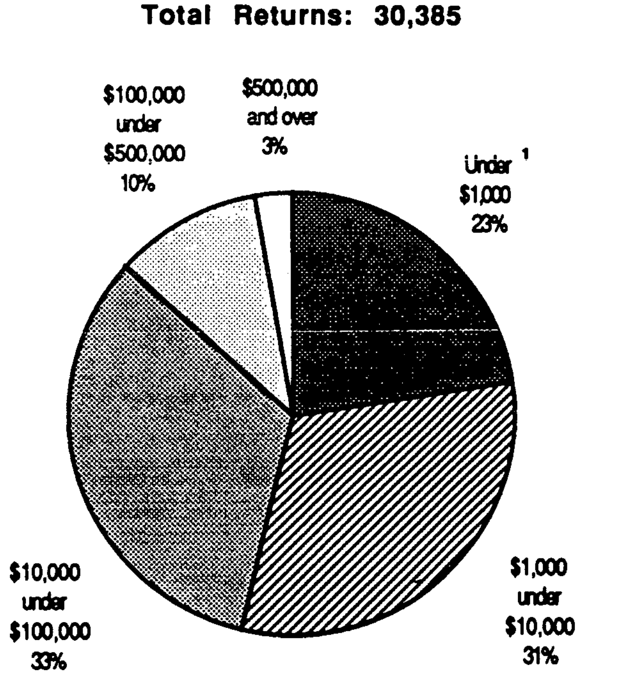
For 1987, an estimated 23,500 exempt organizations, 2.6 percent of the exempt organization population, reported $2.8 billion of aggregate gross income from business activities that were unrelated to their exempt purposes [1]. Approximately 10,200 of these organizations, ordinarily exempt from paying income taxes, reported a combined tax liability of $83 million on their gross unrelated business income (hereafter referred to as UBI). About 13,300 organizations had no taxable income after claiming various deductions that were allowed against their UBI.

PROFILE OF ORGANIZATIONS REPORTING UBI

For 1987, 30,385 exempt organizations filed a Form 990-T, Exempt Organization Business Income Tax Return. This number included 6,842 exempt organizations (23 percent) that filed returns but were not required to do so because the amount of their UBI was under the $1,000 threshold for filing Form 990-T. Most of these, it appears, may not have fully understood the reporting requirements. While these organizations are included in Figure A, they are excluded from the rest of the figures and text in this article. Excluding the organizations that were not required to file, 23,543 organizations filed Forms 990-T for 1987.

There were 19,490 organizations with UBI between $1,000 and $100,000, which accounted for 64 percent of all filers (see Figure A). In addition, there were 3,180 organizations with UBI from $100,000 to $500,000 which accounted for 10 percent of all filers. Only 873 organizations had UBI over $500,000. While these organizations represented only 3 percent of the filers, they accounted for 61 percent ($1.7 billion) of total UBI and 69 percent ($57 million) of total tax. Figures B and C show the distribution of unrelated business income and tax, respectively, by size of unrelated business income.

Figure A
Distribution of Returns, by Size of Gross Unrelated Business Income (UBI), 1987



1 Includes organizations not required to file because gross unrelated business income was under $1,000.

BACKGROUND

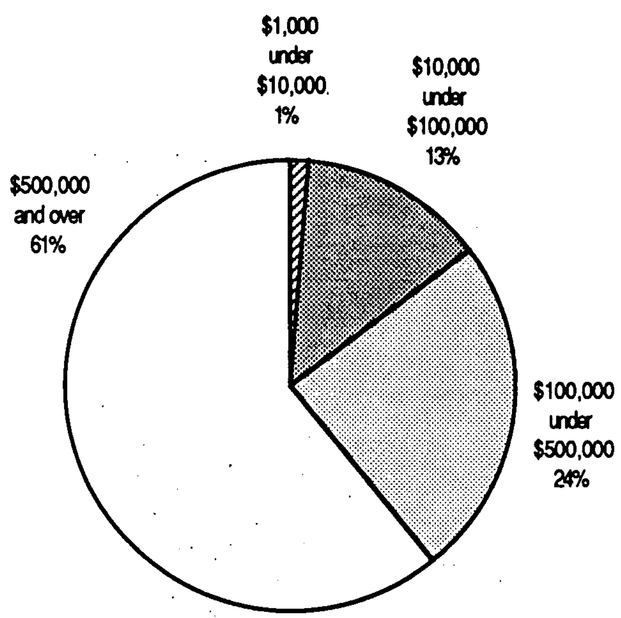
"Unrelated business income" has been defined as income from a trade or business, regularly carried on by an exempt organization, that is not substantially related to the organization's exempt purpose. The unrelated business income tax (UBIT) was designed by Congress to place unrelated business activities of exempt organiza-

*Foreign Statistics Branch. Prepared under the direction of Dan Skelly, Chief.

Figure B

Distribution of Gross Unrelated Business Income, by Size of Gross Unrelated Business Income (UBI), 1987

Total Gross UBI: $2.8 Billion

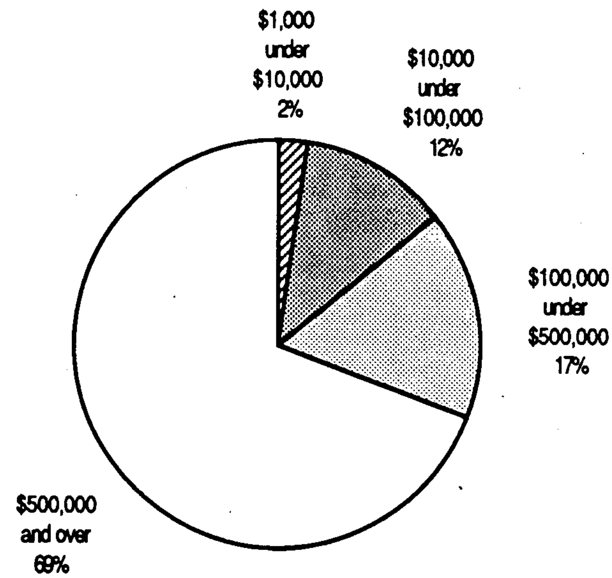


NOTE: Detail does not add to 100 percent because of rounding.

Figure C

Distribution of Total Tax, by Size of Gross Unrelated Business Income (UBI), 1987

Total Tax: $83 Million



tions on an equal footing with similar activities carried out by taxable entities, such as non-exempt corporations (see the "Tax Law Relating to UBIT" appendix to this article). Although exempt organizations are taxed on their unrelated taxable income, they are still able to enter into a wide range of commercial activities held to be substantially related to their exempt purpose(s), without having to incur tax liability on income derived from these activities.

Section 501(a) of the Internal Revenue Code (IRC) authorizes an exemption from taxation for income related to the exempt purpose of an organization. As indicated in Figure D, organizations exempt from tax for 1987 included those described in IRC sections 501(c)(1-25) as well as qualified pension, profit sharing and stock bonus plans described in IRC section 401(a); Individual Retirement Arrangements (IRA's) described in IRC section 408(e); religious and apostolic associations under IRC section 501(d); and cooperative service organizations, described in IRC sections 501(e) and (f).

Organizations with $10,000 or less of UBI report UBI as a total amount. However, UBI was not reported as such on the Form 990-T if it was over this amount. For organizations with UBI over $10,000, UBI was computed for these statistics using amounts reported on various lines of the return form and its schedules. The UBI components are: (1) gross profit (i.e., business receipts from sales and operations, less the cost of sales and operations), (2) capital gain net income, (3) net gain (or loss) from sales or exchanges of assets used in a trade or business and involuntary conversions, (4) capital loss deduction for trusts, (5) income (or loss) from partnerships, (6) gross rents received or accrued, (7) gross income from or allocable to debt-financed property, (8) gross investment income, (9) gross income from controlled organizations, (10) gross income from exploited exempt activities, (11) gross advertising and circulation income, and (12) any other unrelated business income [2]. (See the definition of gross UBI in the "Explanation of Terms" section of this article for specific line item references to Form 990-T.)

Figure D. – Types of Tax Exempt Organizations

Section of Internal Revenue Code	Description of organization	General nature of activities
401(a)	Qualified pension, profit sharing and stock bonus plans	Fiduciary agent for pensions, profit sharing and/or stock bonus plans
408(e)	Individual Retirement Arrangements	Fiduciary agent for retirement funds
501(c)(1)	Corporations organized under an Act of Congress including Federal Credit Unions	Instrumentalities of the United States, if declared to be tax exempt either by legislation or by IRS
501(c)(2)	Title holding corporation for exempt organization	Holds title to property or an exempt organization
501(c)(3)	Religious, educational, charitable, scientific, literary. Testing for public safety organizations. Also organizations preventing cruelty to children or animals, or fostering national or international amateur sports competition	Activities of a nature implied by the description or the class of organization
501(c)(4)	Civic leagues, social welfare organizations, and local associations of employees	Promotion of community welfare, charitable, educational or recreational activities
501(c)(5)	Labor, agricultural and horticultural organizations	Educational or instructive, the purpose being to improve conditions of work, and to improve products and efficiency
501(c)(6)	Business leagues, chambers of commerce, real estate boards, etc.	Improvement of business conditions of one or more lines of business
501(c)(7)	Social and recreational clubs	Pleasure, recreation, social activities
501(c)(8)	Fraternal beneficiary societies and associations	Lodge providing for payment of life, sickness, accident or other benefits to members
501(c)(9)	Voluntary employees' beneficiary associations (including Federal employees' voluntary beneficiary associations formerly covered by 501(c)(10))	Provides for payment of life, sickness, accident or other benefits to members

Figure D.—Types of Tax Exempt Organizations - Continued

Section of Internal Revenue Code	Description of organization	General nature of activities
501(c)(10)	Domestic fraternal societies and associations	Lodges, societies or associations devoting their net earnings to charitable, fraternal, and other specified purposes, without life, sickness or accident benefits to members
501(c)(11)	Teachers' retirement fund associations	Teachers' fiduciary association for payment of retirement benefits
501(c)(12)	Benevolent life insurance associations, Activities of a mutually beneficial nature similar to mutual ditch or irrigation companies, mutual or cooperative telephone companies, etc.	those implied by the description of the class of organization
501(c)(13)	Cemetery companies	Arranges for burials and incidental activities
501(c)(14)	State chartered credit unions and mutual reserve funds	Provides loans to members. (Tax exemptions for building and loan associations and cooperative banks repealed by Revenue Act of 1951, affecting all years after 1951)
501(c)(15)	Mutual insurance companies or associations other than life or marine if gross investment income or premiums are $150,000 or less	Provides insurance to members substantially at cost
501(c)(16)	Cooperative organizations to finance crop operations	Financing crop operations in conjunction with activities of a marketing or purchasing association
501(c)(17)	Supplemental unemployment benefit trusts	Fiduciary agent for payment of supplemental unemployment compensation benefits
501(c)(18)	Employee funded pension trust (created before June 25, 1959)	Fiduciary agent for payment of a pension plan funded by benefits under employees
501(c)(19)	Post or organization of past or present members of the Armed Forces	Activities implied by nature of organization
501(c)(20)	Prepaid legal service funds	Provides legal services exclusively to employees

Figure D.—Types of Tax Exempt Organizations - Continued

Section of Internal Revenue Code	Description of organization	General nature of activities
501(c)(21)	Black Lung benefit trusts	Funded by coal mine operators to satisfy their liability for disability or death due to Black Lung disease
501(c)(22)	Withdrawal liability payment fund	To provide funds to meet the liability of employers withdrawing from a multi-employer pension fund
501(c)(23)	Association of past or present members of the Armed Forces founded before 1880	To provide insurance and other benefits to veterans or their dependents
501(c)(24)	A trust described in Section 4049 of the Employee Retirement Income Security Act of 1974	To provide funds for employee retirement income
501(c)(25)	Any corporation or trust which has no more than 35 shareholders or beneficiaries and only one class of stock or beneficial interest	Acquires real property and remits all income earned from such property to one or more organizations
501(d)	Religious and apostolic associations	Regular business activities, communal religious activities, or community activities
501(e)	Cooperative hospital service organizations	Performs cooperative services for hospitals
501(f)	Cooperative service organizations of operating educational organizations	Performs collective investment services for educational organizations

DEDUCTIONS

Total deductions taken against UBI resulted in a total negative unrelated business taxable income (UBTI) of over $400 million. UBI for the 23,543 organizations required to file Form 990-T was $2.8 billion, most of which was reported by organizations with UBI over $10,000. Total deductions amounted to $3.2 billion, and consisted of deductions directly connected to the production of unrelated income, along with "general" deductions, "special" deductions, and "specific" deductions. (See definitions of these deduction items in the "Explanation of Terms" section of this article for specific line item references to Form 990-T.)

Directly connected, general, and special deductions were reported separately only for organizations with UBI greater than $10,000. These items were reported as a combined deduction item for organizations with $10,000 or less of UBI.

Deductions directly connected to UBI included expenses directly connected with the production of unrelated business income, such as direct advertising costs. The 14,088 exempt organizations with UBI over $10,000 reported $1.4 billion of deductions directly connected to unrelated business activities, for an average of $99,000 per filer. Their average UBI was $199,000.

General deductions, those not directly connected to the production of UBI, included, but were not limited to: salaries and wages, interest, taxes, contributions and depreciation. For 1987, general deductions of organizations with UBI of $10,000 or more amounted to $1.3 billion, or 44 percent of total deductions. Of this total, "other deductions" was the largest, amounting to $683 million and included such items as legal and professional fees, travel and entertainment, supplies, utilities and rental equipment. "Salaries and wages" was the second-largest general deduction, which amounted to $407 million, and third was "depreciation," which amounted to $86 million.

Special deductions consisted of advertising losses and "net operating losses" (carried-over from prior years). For organizations with $10,000 or more of UBI, these deductions amounted to $484 million, 93 percent of which was reported as operating losses.

The specific deduction, the last deduction category, totalled $13 million, less than 1 percent of total deductions. The specific deduction, allowed to most exempt organizations filing a Form 990-T, was generally $1,000 per organization. In cases where an organization had less than $1,000 of UBI, after directly connected, general, and special deductions were taken, the applied specific deduction was limited to this reduced UBI amount. However, if the UBI amount was negative, the specific deduction was not allowed.

There were 9,455 organizations with $1,000 to $10,000 of gross UBI that reported a combined amount of directly connected, general, and special deductions which totalled $41 million. (As mentioned earlier, these amounts were not reported separately by these organizations.) They also claimed $5 million of the total $13 million of specific deductions.

TAX LIABILITY

Exempt organizations were liable for unrelated business income taxes as either corporations or trusts based on their positive amounts of unrelated business taxable income (UBTI). For 1987, 10,217 organizations reported $283 million of positive UBTI, with an associated tax liability of $83 million, while 10,076 organizations reported unrelated business losses of $716 million. There were another 3,250 "breakeven" organizations that reported zero UBTI. Together, this resulted in an aggregate UBTI of negative $433 million.

Of the nearly 14,100 organizations with UBI over $10,000, almost 8,000 organizations reported negative taxable income (i.e., a net loss), totaling $689 million. In addition, over 1,300 organizations reported zero UBTI. The remaining organizations with UBI over $10,000 reported positive taxable income totaling $271 million and a total tax liability of $81 million, based on $1.2 billion of UBI. While these organizations accounted for 98 percent of total tax, nearly 70 percent of the tax burden was reported by organizations with UBI of $500,000 or more (see Figure C).

Organizations with UBI of $1,000 to $10,000 reported aggregate UBI of $42 million. UBTI for this group of organizations was an overall loss of $15 million. This was the result of over 2,500 organizations reporting losses totaling $27 million; almost 1,900 organizations reporting zero UBTI; and approximately 5,000 organizations reporting positive taxable income amounting to $12 million. The latter group reported total tax of $2 million.

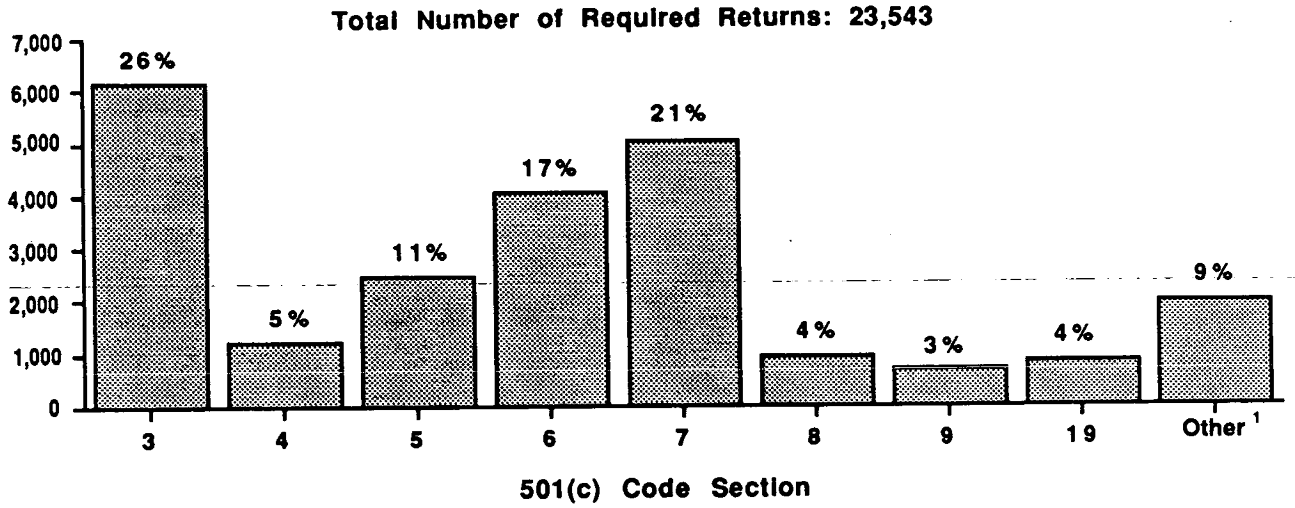
UNRELATED BUSINESS INCOME AND TAX BY TYPE OF ORGANIZATION

Organizations filing Forms 990-T for 1987 were concentrated among several categories that were specifically dealt with under IRC section 501. Religious, educational, charitable, scientific, and literary organizations, hereafter collectively referred to as charitable organizations (IRC section 501(c)(3)), represented the largest group with 6,165 filers, or 26 percent of the total (see Figure E). These organizations accounted for 47 percent ($1.3 billion) of UBI, and averaged $216 thousand of UBI per filer (see Figure F). Their total tax was $21 million (25 percent of the total) which averaged to $3 thousand per filer (see Figure G). These organizations also claimed more deductions than any other group. Deductions directly connected to business activities, which amounted to $634 million, were the principal reason why charitable organizations with UBI reported losses, or negative taxable income, of $293 million. IRC section 501(c)(3) organizations reported the largest aggregate loss of all IRC sections.

Charitable organizations were followed by social and recreational clubs (IRC section 501(c)(7)), with 5,027 filers (21 percent of all required filers). However, they accounted for only $214 million (8 percent) of UBI for an average of $157,000 per filer. Their total tax was $8 million, or 10 percent of total tax reported by all organizations.

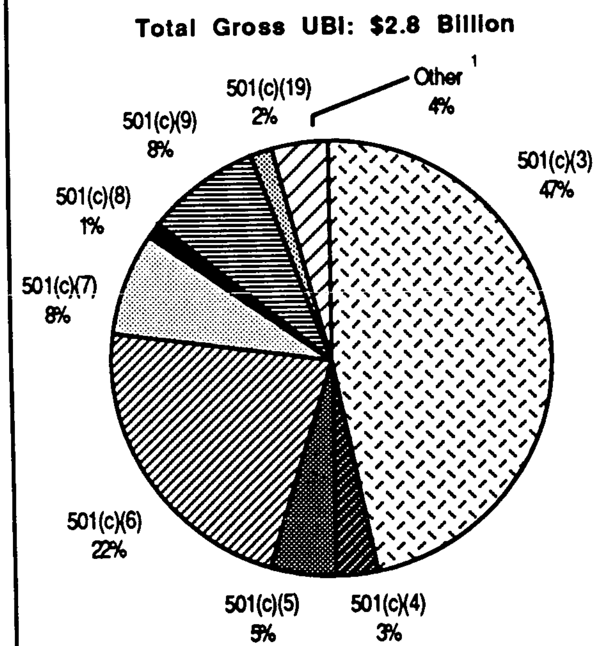
The third largest group of filers included business leagues, chambers of commerce, and real estate boards (IRC section 501(c)(6)), with 4,032 filers (17 percent).

Figure E
Number and Percentage of Returns, by Internal Revenue Code Section, 1987



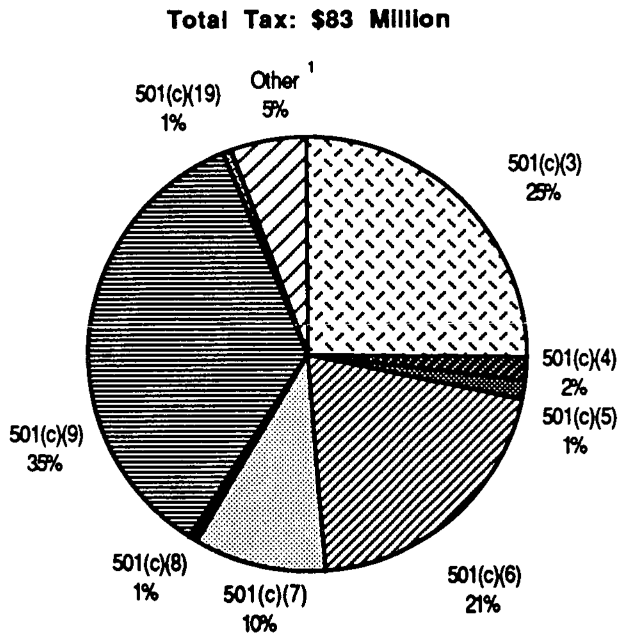
[1] Includes all other tax exempt organizations under IRC sections 501(c)(1)-(25) as well as code sections 401(a), 408(e), and 501(d)-(f); see Figure D.

Figure F
Gross Unrelated Business Income (UBI), by Internal Revenue Code Section, 1987



[1] Includes all other organizations tax-exempt under IRC sections 501(c)(1)-(25) as well as code sections 401(a), 408(e), and 501(d)-(f); see Figure D.

Figure G
Distribution of Total Tax, by Internal Revenue Code Section, 1987



[1] Includes all other organizations tax-exempt under IRC sections 501(c)(1)-(25) as well as code sections 401(a), 408(e), and 501(d)-(f); see Figure D.

Note: Parts do not add to 100 percent because of rounding.

Total UBI for these organizations was $635 million (22 percent), for an average of $157,000. They reported aggregate taxes of $17 million, or 21 percent of total tax and averaged $4,000 per filer.

The next largest group, labor, agricultural and horticultural organizations (IRC section 501(c)(5)), accounted for 2,487 filers (11 percent), and reported $134 million of UBI (5 percent). However, they reported only 1 percent of total tax.

The largest percentage of UBTI was reported by voluntary employees' beneficiary associations recognized under IRC section 501(c)(9). These organizations operated similar to insurance companies in that they provided life, sickness, accident and other benefits to members. For 1987, there were fewer than 700 of these filers. Although they accounted for only 8 percent of UBI (which on the average was $345,000 per organization), they reported net UBTI of $54 million which was more than any other group of IRC section filers. They also reported the highest percentage of tax liability (35 percent), which totalled $29 million. On the average, their total tax was $43,000 per organization. The high average tax was due to the small amount of deductions, relative to income, ordinarily claimed by these types of organizations.

The remaining 22 percent of the organizations shown in Figure E had aggregate UBI of $285 million (10 percent) and reported a combined total tax liability of $7 million (9 percent).

SOURCES OF GROSS UNRELATED BUSINESS INCOME

As mentioned previously, detailed sources of UBI were derived from the various schedules on Form 990-T that were used only by those organizations with UBI over $10,000. Organizations with $10,000 or less of UBI reported UBI as a single total amount. Therefore, detailed sources of UBI were not available for this group of organizations, and they were excluded from the following discussion of income sources.

About eighty-five percent of total UBI for 1987 was reported by IRC sections 501(c)(3), (6), (7), and (9) organizations (see Figure H). As would be expected, IRC section 501(c)(3) organizations derived the largest part of their UBI from business "gross profit." Gross profit for this group amounted to $522 million and accounted for 40 percent of the total UBI they reported.

The next largest source of UBI for this group was "gross income from or allocable to debt-financed property" which

Figure H. – Gross Unrelated Business Income (UBI) Detail, by Selected Internal Revenue Code Section, For Returns With Gross UBI Over $10,000

[All figures are estimates based on samples – money amounts are in thousands of dollars]

Components of UBI	Total	Selected Internal Revenue Code Section:							
		501(c)(3)		501(c)(6)		501(c)(7)		501(c)(9)	
		Amount	Percent of total	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Total	**$2,791,293**	**$1,321,645**	**100%**	**$628,887**	**100%**	**$202,382**	**100%**	**$233,713**	**100%**
Gross profit	877,582	522,049	40	70,467	11	137,650	68	843	**
Capital gain net income	46,757	11,843	1	17,173	3	8,394	4	5,142	2
Net gain or loss (Part II, Form 4797)[1]	1,133	792	**	195	**	104	**	-15	**
Capital loss deduction (trusts)	-133	-	-	-	-	-	-	-103	**
Income or loss from partnerships	6,666	4,207	**	406	**	*	**	218	**
Gross rent received or accrued	66,829	35,856	3	15,436	2	-	-	-	-
Gross income from or allocable to debt-financed property	350,020	250,165	19	19,760	2	-	-	-	-
Gross investment income	259,262	-	-	-	-	40,739	20	217,523	93
Gross income from controlled organizations	23,051	13,450	1	4,236	**	239	**	-	-
Exploited exempt activity gross income other than advertising	72,819	56,095	4	12,045	2	-	-	-	-
Gross advertising income	530,922	190,585	14	281,437	45	-	-	-	-
Circulation income	279,655	140,836	11	122,920	20	-	-	-	-
Other income	276,730	95,767	7	84,812	13	15,256	7	10,104	4

*Less than $500 dollars.

**Less than 0.5 percent

[1] Gains and losses from sales or exchanges of assets used in a trade or business, and involuntary conversions.

Note: Detail may not add to total because of rounding.

amounted to 19 percent ($250 million) of UBI. In addition, IRC section 501(c)(3) organizations earned 14 percent ($191 million) of their UBI from "gross advertising income" and 11 percent ($141 million) from "circulation income."

IRC section 501(c)(6) organizations reported considerably more gross advertising income than did IRC section 501(c)(3) organizations. In fact, 45 percent ($281 million) of all UBI reported by IRC section 501(c)(6) organizations consisted of gross income from advertising. An additional 20 percent of their UBI ($123 million) was from circulation income.

IRC section 501(c)(7) organizations reported $202 million of UBI, 68 percent ($138 million) of which was "gross profit." Another 20 percent ($41 million) was "gross investment income" which includes all unrelated debt-financed income from investment property.

Finally, IRC section 501(c)(9) organizations reported $218 million of "gross investment income." This accounted for 93 percent of total UBI for these organizations.

UNRELATED BUSINESS ACTIVITY BY INDUSTRIAL DIVISION

Forty-five percent of organizations required to file a Form 990-T reported various services as their primary unrelated business activity (see Figure I). Gross income from services amounted to $1.3 billion, or 46 percent of total UBI. These same organizations, as a group, reported net negative UBTI of $270 million and $20 million of tax, or 24 percent of total tax.

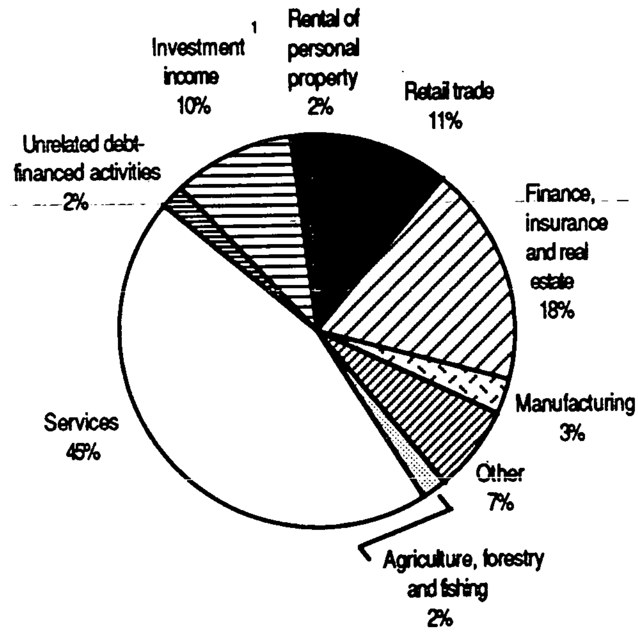
The next largest business activity group included organizations whose primary unrelated income came from finance, insurance, or real estate activities. These accounted for 18 percent of Form 990-T filers. This group accounted for $344 million (12 percent) of UBI, a net negative $12 million of UBTI and $17 million of tax, or 21 percent of total tax.

Retail trade activities accounted for another 11 percent of the organizations filing Form 990-T and 8 percent of UBI, or $221 million. In addition, these organizations reported a net negative $101 million of UBTI and only $2 million of total tax (3 percent of total tax for all organizations).

Unrelated investment activities of organizations exempt under IRC sections 501(c)(7), (9), (17) and (20), were the primary source of income for 10 percent of the Form 990-T filers. Gross unrelated business income from these investments was $206 million and was earned

Figure I
Distribution of Returns, by Unrelated Business Activity, 1987

Total Returns: 23,543



[1] Investment income of Internal Revenue Code section 501(c)(7), (9), (17) & (20) organizations.

primarily by employee benefit associations (IRC section 501(c)(9)), which reported $156 million, and exempt social and recreational clubs (IRC section 501(c)(7)), which reported $43 million.

SUMMARY

Most organizations who filed Forms 990-T for 1987 reported relatively little UBI, between $1,000 and $100,000. However, most of the UBI and tax was reported by those organizations with proportionately higher amounts of UBI. In fact, the 873 organizations with UBI over $500,000 reported 61 percent of total UBI and 69 percent of the total tax for 1987.

IRC section 501(c)(3) organizations were the largest group of Form 990-T filers, by type of organization. The charitable organizations covered by this IRC section accounted for the largest share, 47 percent, of total UBI, 40 percent of which was derived from business "gross profit." This group also accounted for 25 percent of total tax. Next in size of UBI, was IRC section 501(c)(6) filers. These business leagues, chambers of commerce and real estate boards accounted for 22 percent of total UBI, 45 percent of which came from "gross advertising income."

Forty-five percent of Form 990-T filers reported business income from services unrelated to their exempt purpose(s). This group accounted for $1.3 billion of UBI, or 45 percent of total UBI for 1987. However, because of the size of their total deductions and, consequently, their UBTI, they accounted for only 24 percent of total tax liability ($20 million).

DATA SOURCES AND LIMITATIONS

Sample Selection Criteria

These statistics were based on a sample of Tax Year 1987 exempt organization business income tax returns, Forms 990-T, filed with the Internal Revenue Service. The 1987 Form 990-T was required to be filed by organizations which had accounting periods beginning in that year and ending December 1987 through November 1988. Forms 990-T filed by organizations only to claim a refund were excluded from the statistics. While organizations reporting under $1,000 of UBI were not required to file a Form 990-T, they were processed nevertheless, and were included in Figure A (only). The sample was stratified based on the absolute value of either net unrelated business income (if the organization reported gross UBI over $10,000), or gross UBI (if the organization reported gross UBI of $10,000 or less). Selection rates ranged from 5 percent to 100 percent.

Net unrelated business income was defined as UBI less deductions directly connected to unrelated activities. It differs from UBI in that it nets out certain deductions directly connected with trade or business income. Net UBI was reported by those organizations with UBI over $10,000.

The sample was not stratified on gross unrelated business income because the total was not separately reported on the Form 990-T. The 4,482 returns in the sample were drawn from an estimated population of 30,385.

The 1987 sample was designed to provide the most reliable estimates of unrelated business income and deductions based on a small number of returns. The methodology employed was to include all returns with an absolute value of net unrelated business income of $75,000 or more, since these were the returns that dollar-wise accounted for most exempt organization unrelated business activity. The 1,780 returns in this group accounted for approximately 40 percent of all returns in the study and 87 percent of total UBI reported by all exempt organizations. The remaining 2,702 returns in the study were randomly selected at various rates, depending on the absolute value of net unrelated business income and date selected. The population from which the sample was drawn consisted of exempt organization business income tax records with specified accounting periods (ending December 1987 through November 1988), posted to the IRS Business Master File during 1988 and 1989. Sample weights applied to small organizations were revised upward to compensate for missing returns in that category.

The data presented were collected from returns as originally filed. Changes made to the original return as a result of an IRS examination or a taxpayer amendment were not used.

Returns with an absolute value of net UBI of $75,000 or more were selected at a prescribed rate of 100 percent; therefore, this category was subject to nonsampling error, but was not subject to sampling error. Because data obtained from returns with an absolute value of net UBI under $75,000 were estimates based on a sample, they were subject to both sampling and nonsampling error.

Limitations

In addition to the 180 standard industry codes (SIC), there were five non-standard industry codes (SIC) used for these statistics (see Figure I). These non-standard codes were used by the Internal Revenue Service for examination purposes. Most of these codes identify activities that could have been classified under Finance, Insurance and Real Estate.

Only the primary activity code was used in the statistics to present the types of unrelated business activity for exempt organizations. In addition to the primary activity code, up to two other codes could have been reported if the organization engaged in more than one activity. However, UBI was not reported separately by activity code if the organization entered more than one code. Therefore, it was not possible to show a distribution of UBI by more than one business activity per organization.

Some returns were filed by shareholders in regulated investment companies seeking a refund of income tax paid on undistributed long-term capital gains. These returns, which were identified as "Claim(s) for Refund", were not included in this study.

EXPLANATION OF TERMS

Combined Deductions.--This term applies only to exempt organizations with UBI of $10,000 or less. This combined amount included: (1) deductions directly connected to unrelated business income, (2) general deductions and (3) special deductions. For organizations of this size, only a combined total of these three types of deductions had to be reported. (These deductions were inseparable and could not be linked to source of income.)

Deductions Directly Connected To Unrelated Business Income.--These deductions were reported separately only by exempt organizations with UBI of more than $10,000. The component deductions were: (1) Deductions directly connected with personal property (Schedule C, column 4a and 5b). (2) Deductions allocable to unrelated debt-financed income (Schedule E, column 3a and 3b). (3) Deductions directly connected to investment income of a IRC section 501(c)(7),(9),(17) or (20) organization (Schedule F, column 3). (4) Set-asides (Schedule F, column 5). (The passive income of a social club, an employees' association, a supplemental unemployment benefit trust, and a group legal services organization generally was not taxed if set aside to be used for religious, charitable, scientific, literary, or educational purposes or for the prevention of cruelty to children or animals. In addition, in the case of an employees' association, a supplemental unemployment benefit trust, or a group legal services organization, passive income was generally not taxed if it was set aside to provide for the payment of life, sick, accident, or other benefits.) (5) Allowable deductions to income from annuities, interest, rents and royalties of controlled organizations (Schedule G, column 7). (6) Expenses directly connected with production of unrelated business income which were associated with exploited exempt activity income, other than advertising (Schedule H, column 3). (7) Expenses attributable to related activity business income which were associated with exploited exempt activity income, other than advertising (Schedule H, column 6). (8) Excess exempt expenses (Schedule H, column 7). (9) Direct advertising costs (Schedule I, column 3). (10) Readership costs (Schedule I, column 6).

The sum of all deductions directly connected to the production of unrelated income was computed for these statistics from amounts reported on the unrelated business income schedules referenced above.

General Deductions.--These deductions were reported by organizations with UBI over $10,000 (Page 2, Line 26). Specifically they included: compensation of officers; salaries and wages; repairs; bad debts; interest; taxes paid; contributions; certain depreciation; depletion; contributions to deferred compensation plans and employee benefit programs and other expenses.

Gross Unrelated Business Income (UBI).--Throughout this article, gross unrelated business income was referred to as UBI. Its components were: gross profit (Page 2, Line 3); capital gain net income (Page 2, Line 4a); net gain (or loss) from Part II, Form 4797 (Page 2, Line 4b); capital loss deduction for trusts (Page 2, Line 4c); income (or loss) from partnerships (Page 2, Line 5); rent received or accrued (Schedule C, column 2); gross income reportable (Schedule E, column 2); amount of investment income of a IRC section 501(c)(7), (9), (17), or (20) organization (Schedule F, column 2); gross income reportable (Schedule G, column 2) (When an exempt controlling organization receives interest, annuities, royalties or rents from a controlled organization, the income from the controlled organization was taxable to the controlling organization at a specific ratio, depending on whether the controlled organization was exempt or nonexempt.); gross unrelated business income from trade or business which exploits an exempt activity (Schedule H, column 2); gross advertising income (Schedule I, column 2); circulation income (Schedule I, column 5) and any other income (Page 2, Line 12).

For organizations with gross UBI less than or equal to $10,000, income from unrelated trade or business was reported only in total on Form 990-T (Page 1, Line 1).

Net Unrelated Business Income.--Net unrelated business income was UBI less only those deductions directly connected to unrelated business activities. It differs from UBI in that it nets out certain deductions directly connected with trade or business. Net UBI was reported by those organizations with UBI over $10,000.

Special Deductions.--Special deductions for advertising (Page 2, Line 28) and prior year business "net operating losses" carried forward (Page 2, Line 30) were reported separately only by those organizations with UBI over $10,000.

Specific Deduction.--A "specific deduction" (Page 1, Line 4 or Page 2, Line 32) was allowed to most organizations. The deduction, usually $1,000, was allowed to all organizations with one exception. The specific deduction for organizations with less than $1,000 of UBI, after taking directly connected, general and special deductions, was limited to this UBI amount. However, if the UBI amount was negative, the specific deduction was not allowed.

Total Deductions.--For exempt organizations with UBI over $10,000, this was the sum of deductions directly connected to unrelated business income plus "general deductions", "special deductions", and the "specific deduction." For organizations with UBI under this amount, this item was the sum of combined deductions plus the specific deduction.

Total Tax.--Total tax included income tax based on corporate and trust rates, less the foreign tax credit, general business credit, prior-year minimum tax credit carried over, and other credits. It also included the tax from recomputing certain prior-year credits (recapture tax), alternative minimum tax and the environmental tax. For 1987, total tax was $83.4 million before credits and $83.0 million after credits.

Unrelated Business Income Tax (UBIT).-- This was the tax imposed on income earned in excess of allowed deductions, from activities unrelated to exempt purpose(s).

Unrelated Business Taxable Income (UBTI).--For organizations with UBI less than or equal to $10,000, UBTI was UBI less combined deductions less specific deductions. For large organizations, those with UBI over $10,000, UBTI was UBI less: (1) deductions directly connected to unrelated business income, (2) general deductions (3) special deductions and (4) specific deduction. In summary, UBTI was UBI less total deductions. Because total deductions may have been greater than UBI, it was possible to report a loss.

APPENDIX: TAX LAW RELATING TO UBIT

Prior to 1950, exempt organizations could earn tax-free income that was unrelated to the purpose for which they were exempt, as long as they used the net profits for exempt purposes. However, in response to a perception that tax-exempt organizations were permitted an unfair advantage over their private sector counterparts, Congress established the "unrelated business income tax" (UBIT) as part of the Revenue Act of 1950. For tax years beginning after 1950, UBIT was imposed on the income earned by tax exempt organizations from activities which were not substantially related to the organization's exempt purpose (regardless of whether or not the profits from the unrelated trade or business were used solely for exempt purpose(s)).

Specifically, there were three major determinants of unrelated business income: (1) the source of income must either have been a "trade or business" which was (2) "regularly carried on" by the organization, and which was (3) not "substantially related" to the performance of the organization's exempt purpose or function (other than that the organization needed the profits derived from this activity to support its exempt purpose(s)).

A "trade or business" included activities carried on for the production of income from selling goods or performing services. "Regularly carried on" activities were considered as such if they showed a frequency and continuity, and were carried on in a manner similar to comparable commercial activities of nonexempt organizations. For example, a hospital auxiliary's operation of a sandwich stand for 2 weeks at a State fair would not be the regular conduct of a trade or business. The stand would not compete with similar facilities that a taxpaying organization would ordinarily operate year-round. However, operating a commercial parking lot every Saturday, year-round, would involve the regular conduct of a trade or business.

A trade or business was considered "related" only when the conduct of the business activities had a causal relationship to the achievement of exempt purposes (other than through the production of income). This causal relationship concept, introduced in the Tax Reform Act of 1969 (TRA of 1969), stipulated that there had to be a causal relationship between an organization's engaging in the unrelated business activity and the performance of the organization's exempt functions. This relationship had to be substantial, and the activities that generated the income must have contributed importantly to the accomplishment of the organization's exempt purpose(s). In order to determine whether activities contributed importantly to the accomplishment of an exempt purpose, the size and extent of the activities involved must have been considered in relation to the nature and extent of the exempt function that they intend to serve.

An example may help illustrate what was and what was not considered unrelated business income:

A parking deck was operated by a university for use of faculty, staff, and students. A per-semester fee was charged for use of the facility. This income was not subject to UBIT, because the parking deck's use was reserved for the use of members only. However, if the use of the deck was open to the general public, and a fee was charged, this portion of the organization's income would have been subject to tax [3].

Prior to the TRA of 1969, the unrelated business income tax applied only to charitable, educational, and religious organizations (IRC IRC section 501(c)(3)), labor and agricultural organizations (IRC section 501(c)(5)), chambers of commerce, business leagues, real estate boards, and similar organizations (IRC section 501(c)(6)), voluntary employee's benefit associations (IRC section 501(c)(9)), and mutual organizations which insured deposits in building and loan associations and mutual savings banks (IRC section 501(c)(15)). Because exempt organizations not subject to UBIT were apparently becoming more involved in unrelated business activities, Congress decided to enlarge the tax umbrella over organizations earning unrelated business income. Consequently, the TRA of 1969 extended the unrelated business income tax to all exempt organizations (except United States instrumentalities), and included churches for the first time [4].

In addition, the TRA of 1969 established a more stringent definition of UBI for both voluntary employees' benefit associations (IRC section 501(c)(9) organizations) and supplementary unemployment benefit trusts (IRC section 501(c)(17) organizations). Under this new restriction, unrelated income included both investment income and receipts from non-members. By so doing, Congress disallowed exemption of passive investment income which had allowed non-members to receive services below cost. This Act also revised the treatment of debt-financed property and placed all income of this type under the scope of UBIT.

Prior to the enactment of the Tax Reform of 1969 (TRA of 1969), income earned by exempt social and recreational clubs was not considered to be unrelated business income. The TRA of 1969, however, provided that gross investment income and nonmember income (less allowable deductions) would be subject to tax.

The TRA of 1969 also altered the treatment of money set-aside by social and similar organizations. Income set-aside for certain purposes (including religious, charitable and other) was no longer taxed under provisions of this reform.

The TRA of 1986 expanded the list of exceptions to UBIT by including income earned through the exchange and rental of mailing lists; distribution of low cost items incidental to soliciting contributions; and trade show activities which educate attendees on new developments or products related to the organization's exempt activities (only IRC section 501(c)(3), (4), (5) and (6) organizations) [5].

The earlier exceptions to UBIT included, but were not limited to, U.S. instrumentalities organized under an Act of Congress; research, the results of which were freely available to the general public; services that provided a convenience to members (i.e., students, patients, and others); and income from volunteer worker and donated products.

In addition, the TRA of 1986 created a new type of tax-exempt organization - a corporation or trust organized exclusively to 1) acquire, 2) hold title to and 3) collect income from real real property and remit it to certain tax-exempt organizations that were either shareholders or beneficiaries.

NOTES AND REFERENCES

[1] See U.S Treasury Department, Internal Revenue Service, *Annual Report, Commissioner and Chief Counsel, Fiscal Year 1987.* According to the IRS Business Master File, there were 919,664 exempt organizations.

[2] UBI from an "exploited exempt activity" is defined as income earned from an exempt activity which created goodwill, such as the sale of endorsements. The endorsement did not contribute importantly to the accomplishment of the exempt organization's purpose, so that the income earned is considered unrelated, and is therefore subject to tax.

[3] Internal Revenue Service, *Tax on Unrelated Business Income of Exempt Organizations,* Publication #598 (rev. May 1985), p. 3.

[4] Staff of the Joint Committee on Internal Revenue Taxation, *General Explanation of the Tax Reform Act of 1969,* H.R. 13270, 91st Congress, Public Law 91-172, Dec. 3, 1970, pp. 66-67.

[5] Prentice-Hall Information Services, *Prentice-Hall's Explanation of the Tax Reform Act of 1986,* Paramus, NJ, pp. 1601-1603.

Tax Forms and Instructions

The forms and instructions shown in this section relate to the studies discussed in other sections of *The Compendium*. The forms and instructions are applicable to the most recent year studied in the articles presented.

Contents

Form **990** — Department of the Treasury, Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c) (except black lung benefit trust or private foundation) of the Internal Revenue Code or section 4947(a)(1) trust

Note: You may be required to use a copy of this return to satisfy state reporting requirements. See instruction D.

OMB No. 1545-0047

1986

For the calendar year 1986, or fiscal year beginning ______, 1986, and ending ______, 19 ___

Use IRS label. Otherwise, please print or type.	
Name of organization	**A Employer identification number** (see instruction L)
Address (number and street)	**B State registration number** (see instruction D)
City or town, state, and ZIP code	**C** Section 4947(a)(1) trusts filing this form in lieu of Form 1041, check here ▶ ☐ (see instruction C10).

D Check type of organization—Exempt under section ▶ ☐ 501(c)( ) (insert number), OR ▶ ☐ section 4947(a)(1) trust — Check here if application for exemption is pending . . ▶ ☐

E Accounting method: ☐ Cash ☐ Accrual ☐ Other (specify) ▶

F Is this a group return (see instruction J) filed for affiliates? . . . . . ☐ Yes ☐ No
If "Yes," enter the number of affiliates for which this return is filed ____
Is this a separate return filed by a group affiliate? . . . . ☐ Yes ☐ No

G If "Yes" to either, give four-digit group exemption number (GEN) ▶

H ☐ Check here if your gross receipts are normally not more than $25,000 (see instruction B11). You do not have to file a completed return with IRS but should file a return without financial data if you were mailed a Form 990 Package (see instruction A). Some states may require a completed return.

I ☐ Check here if gross receipts are normally more than $25,000 and line 12 is $25,000 or less. Complete Parts I (except lines 13-15), III, IV, VI, and VII and only the indicated items in Parts II and V (see instruction I). If line 12 is more than $25,000, complete the entire return.

501(c)(3) organizations and 4947(a)(1) trusts must also complete and attach Schedule A (Form 990). (See instructions.)

Part I Statement of Support, Revenue, and Expenses and Changes in Fund Balances

	Line			(A) Total	(B) Unrestricted/ Expendable (These columns are optional—see instructions)	(C) Restricted/ Nonexpendable
Support and Revenue	1	Contributions, gifts, grants, and similar amounts received:				
	a	Direct public support				
	b	Indirect public support				
	c	Government grants				
	d	Total (add lines 1a through 1c) (attach schedule—see instructions)				
	2	Program service revenue (from Part IV, line f)				
	3	Membership dues and assessments				
	4	Interest on savings and temporary cash investments				
	5	Dividends and interest from securities				
	6a	Gross rents				
	b	Minus: rental expenses				
	c	Net rental income (loss)				
	7	Other investment income (Describe ▶)				
	8a	Gross amount from sale of assets other than inventory	Securities / Other			
	b	Minus: cost or other basis and sales expenses				
	c	Gain (loss) (attach schedule)				
	9	Special fundraising events and activities (attach schedule—see instructions):				
	a	Gross revenue (not including $ ____ of contributions reported on line 1a)				
	b	Minus: direct expenses				
	c	Net income (line 9a minus line 9b)				
	10a	Gross sales minus returns and allowances				
	b	Minus: cost of goods sold (attach schedule)				
	c	Gross profit (loss)				
	11	Other revenue (from Part IV, line g)				
	12	Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8c, 9c, 10c, and 11)				
Expenses	13	Program services (from line 44, column (B)) (see instructions)				
	14	Management and general (from line 44, column (C)) (see instructions)				
	15	Fundraising (from line 44, column (D)) (see instructions)				
	16	Payments to affiliates (attach schedule—see instructions)				
	17	Total expenses (add lines 16 and 44, column (A))				
Fund Balances	18	Excess (deficit) for the year (subtract line 17 from line 12)				
	19	Fund balances or net worth at beginning of year (from line 74, column (A))				
	20	Other changes in fund balances or net worth (attach explanation)				
	21	Fund balances or net worth at end of year (add lines 18, 19, and 20)				

For Paperwork Reduction Act Notice, see page 1 of the instructions. Form **990** (1986)

Part II Statement of Functional Expenses

All organizations must complete column (A). Columns (B), (C), and (D) are required for most sections 501(c)(3) and (c)(4) organizations and 4947(a)(1) trusts but optional for others. (See instructions.)

	Line	*Do not include amounts reported on lines 6b, 8b, 9b, 10b, or 16 of Part I.*	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
Expenses	22	Grants and allocations (attach schedule)				
	23	Specific assistance to individuals				
	24	Benefits paid to or for members				
	25	Compensation of officers, directors, etc.				
	26	Other salaries and wages				
	27	Pension plan contributions				
	28	Other employee benefits				
	29	Payroll taxes				
	30	Professional fundraising fees				
	31	Accounting fees				
	32	Legal fees				
	33	Supplies				
	34	Telephone				
	35	Postage and shipping				
	36	Occupancy				
	37	Equipment rental and maintenance				
	38	Printing and publications				
	39	Travel				
	40	Conferences, conventions, and meetings				
	41	Interest				
	42	Depreciation, depletion, etc. (attach schedule)				
	43	Other expenses (itemize): a				
		b				
		c				
		d				
		e				
		f				
	44	Total functional expenses (add lines 22 through 43) Organizations completing columns B-D, carry these totals to lines 13-15.				

Part III Statement of Program Services Rendered

List each program service title on lines a through d; for each, identify the service output(s) or product(s), and report the quantity provided. Enter the total expenses attributable to each program service and the amount of grants and allocations included in that total. (See instructions for Part III.)	Expenses (Optional for some organizations—see instructions)
a .... (Grants and allocations $)	
b .... (Grants and allocations $)	
c .... (Grants and allocations $)	
d .... (Grants and allocations $)	
e Other program service activities (attach schedule) (Grants and allocations $)	
f Total (add lines a through e) (should equal line 44, column (B))	

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Part IV Program Service Revenue and Other Revenue (State Nature)

	Program service revenue	Other revenue
a Fees from government agencies		
b		
c		
d		
e		
f Total program service revenue (enter here and on line 2)		
g Total other revenue (enter here and on line 11)		

Part V Balance Sheets

If line 12 or Column (B) of line 59 is more than $25,000, complete the entire balance sheet. If line 12, Part I, and Column (B) of line 59 are $25,000 or less, you may complete only lines 59, 66, 74, and 75. See instructions.

Note: **Columns (C) and (D) are optional.** *Columns (A) and (B) must be completed to the extent applicable. Where required, attached schedules should be for end-of-year amounts only.*

	(A) Beginning of year	End of year (B) Total	(C) Unrestricted/ Expendable	(D) Restricted/ Nonexpendable
Assets				
45 Cash—non-interest bearing				
46 Savings and temporary cash investments				
47 Accounts receivable ▶ ______ minus allowance for doubtful accounts ▶ ______				
48 Pledges receivable ▶ ______ minus allowance for doubtful accounts ▶ ______				
49 Grants receivable				
50 Receivables due from officers, directors, trustees, and key employees (attach schedule)				
51 Other notes and loans receivable ▶ ______ minus allowance for doubtful accounts ▶ ______				
52 Inventories for sale or use				
53 Prepaid expenses and deferred charges				
54 Investments—securities (attach schedule)				
55 Investments—land, buildings and equipment: basis ▶ ______ minus accumulated depreciation ▶ ______ (attach schedule)				
56 Investments—other (attach schedule)				
57 Land, buildings and equipment: basis ▶ ______ minus accumulated depreciation ▶ ______ (attach schedule)				
58 Other assets ▶ ______				
59 Total assets (add lines 45 through 58)				
Liabilities				
60 Accounts payable and accrued expenses				
61 Grants payable				
62 Support and revenue designated for future periods (attach schedule)				
63 Loans from officers, directors, trustees, and key employees (attach schedule)				
64 Mortgages and other notes payable (attach schedule)				
65 Other liabilities ▶ ______				
66 Total liabilities (add lines 60 through 65)				
Fund Balances or Net Worth				
Organizations that use fund accounting, check here ▶ ☐ and complete lines 67 through 70 and lines 74 and 75.				
67a Current unrestricted fund				
b Current restricted fund				
68 Land, buildings and equipment fund				
69 Endowment fund				
70 Other funds (Describe ▶ ______)				
Organizations that do not use fund accounting, check here ▶ ☐ and complete lines 71 through 75.				
71 Capital stock or trust principal				
72 Paid-in or capital surplus				
73 Retained earnings or accumulated income				
74 Total fund balances or net worth (see instructions)				
75 Total liabilities and fund balances/net worth (see instructions)				

Part VI List of Officers, Directors, and Trustees (List each officer, director, and trustee whether compensated or not.) (See instructions.)

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (if any)	(D) Contributions to employee benefit plans	(E) Expense account and other allowances

Part VII Other Information

	Yes	No
76 Has the organization engaged in any activities not previously reported to the Internal Revenue Service? If "Yes," attach a detailed description of the activities.		
77 Have any changes been made in the organizing or governing documents, but not reported to IRS? If "Yes," attach a conformed copy of the changes.		
78a Did the organization have unrelated business gross income of $1,000 or more during the year covered by this return?		
b If "Yes," have you filed a tax return on Form 990-T, Exempt Organization Business Income Tax Return, for this year?		
c If the organization has gross sales or receipts from business activities not reported on Form 990-T, attach a statement explaining your reason for not reporting them on Form 990-T.		
79 Was there a liquidation, dissolution, termination, or substantial contraction during the year? (See instructions.) If "Yes," attach a statement as described in the instructions.		
80 Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization? (See instructions.) If "Yes," enter the name of the organization ▶ ______ and check whether it is ☐ exempt **OR** ☐ nonexempt.		
81a Enter amount of political expenditures, direct or indirect, as described in the instructions ______		
b Did you file Form 1120-POL, U.S. Income Tax Return for Certain Political Organizations, for this year?		
82 Did your organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value? If "Yes," you may indicate the value of these items here. Do not include this amount as support in Part I or as an expense in Part II. See instructions for reporting in Part III ▶ ______		
83 *Section 501(c)(5) or (6) organizations.*—Did the organization spend any amounts in attempts to influence public opinion about legislative matters or referendums? (See instructions and Regulations section 1.162-20(c).) If "Yes," enter the total amount spent for this purpose ______		
84 *Section 501(c)(7) organizations.*—Enter amount of:		
a Initiation fees and capital contributions included on line 12 ______		
b Gross receipts, included in line 12, for public use of club facilities (see instructions) ______		
c Does the club's governing instrument or any written policy statement provide for discrimination against any person because of race, color, or religion? (See instructions.)		
85 *Section 501(c)(12) organizations.*—Enter amount of:		
a Gross income received from members or shareholders ______		
b Gross income received from other sources (do not net amounts due or paid to other sources against amounts due or received from them) ______		
86 *Public interest law firms.*—Attach information described in the instructions.		
87 List the states with which a copy of this return is filed ▶ ______		
88 During this tax year did you maintain any part of your accounting/tax records on a computerized system?		
89 The books are in care of ▶ ______ Telephone no. ▶ ______ Located at ▶ ______		

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

▶ Signature of officer | Date ▶ Title

Paid Preparer's Use Only

Preparer's signature ▶	Date	Check if self-employed ▶ ☐
Firm's name (or yours, if self-employed) and address ▶	ZIP code	

1986 Instructions for Form 990

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c) (except black lung benefit trust or private foundation) of the Internal Revenue Code or section 4947(a)(1) trust

(Section references are to the Internal Revenue Code, unless otherwise indicated.)

General Instructions

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws. You are required to give us this information.

Purpose of Form.—Form 990 is used by tax exempt organizations and nonexempt charitable trusts to provide the IRS with the information required by section 6033(a)(1). An organization's completed Form 990 (except for the list of contributors) is available for public inspection as required by section 6104(b). The procedures for inspecting or obtaining completed Forms 990 are outlined in instruction M, below.

A. Who Must File Form 990.—Except for those types of organizations listed in instruction B, an annual return on Form 990 is required from every organization exempt from tax under section 501(a), including foreign organizations and cooperative service organizations described in sections 501(e) and (f), and child care organizations described in section 501(k).

Any nonexempt charitable trust (described in section 4947(a)(1)) not treated as a private foundation is also required to file Form 990 if its gross receipts are normally more than $25,000. See instruction C10 for information about possible relief from filing Form 1041.

If your application for exemption is pending, check the "Application Pending" block at the top of page 1 of the return and complete the return in the normal manner.

If you are not required to file Form 990 because your gross receipts are normally not more than $25,000 (see instruction B11 below), we ask that you file anyway if we sent you a Form 990 Package with a preaddressed mailing label. Attach the label to the name and address space on the return, check box H in the area above Part I to indicate that your gross receipts are below the $25,000 filing minimum, sign the return, and send it to the Service Center for your area. You do not have to complete Parts I through VII. This will help us update our records, and we will not have to contact you later asking why no return was filed. If you file a return in the above manner, you will not be mailed a Form 990 Package in later years and need not file Form 990 again until your gross receipts normally exceed the $25,000 minimum or you terminate or undergo a substantial contraction as described in the instructions for line 79.

Organizations which are eligible to receive tax deductible contributions are listed in **Publication 78**, Cumulative List of Organizations Described in Section 170(c) of the Internal Revenue Code of 1954. An organization may be removed from this listing if our records show that it is required to file Form 990, but it does not file a return or advise us that it is no longer required to file. However, contributions to such an organization may continue to be deductible by the general public until the IRS publishes a notice to the contrary in the Internal Revenue Bulletin.

B. Organizations Not Required To File Form 990.—For state filing purposes, see instruction D. The following types of organizations exempt from tax under section 501(a) do not have to file Form 990 with IRS:

1. A church, an interchurch organization of local units of a church, a convention or association of churches, an integrated auxiliary of a church (such as a men's or women's organization, religious school, mission society, or youth group), or an internally supported, church-controlled organization (described in Rev. Proc. 86-23, 1986-20 I.R.B. 17).

2. A school below college level affiliated with a church or operated by a religious order.

3. A mission society sponsored by or affiliated with one or more churches or church denominations, if more than one-half of the society's activities are conducted in, or directed at persons in, foreign countries.

4. An exclusively religious activity of any religious order.

5. A state institution whose income is excluded from gross income under section 115.

6. An organization described in section 501(c)(1). Section 501(c)(1) organizations are corporations organized under an Act of Congress that are:

(a) Instrumentalities of the United States, and

(b) Exempt from Federal income taxes under such Acts as amended and supplemented.

7. A private foundation exempt under section 501(c)(3) and described in section 509(a). (Required to file **Form 990-PF**, Return of Private Foundation.)

8. A black lung benefit trust described in section 501(c)(21). (Required to file **Form 990-BL**, Information and Initial Excise Tax Return for Black Lung Benefit Trusts and Certain Related Persons.)

9. A stock bonus, pension, or profit-sharing trust which qualifies under section 401. (See **Form 5500**, Annual Return/Report of Employee Benefit Plan.)

10. A religious or apostolic organization described in section 501(d). (Required to file **Form 1065**, U.S. Partnership Return of Income.)

11. An organization whose gross receipts are normally $25,000 or less; but see instruction A, paragraph 4. Gross receipts are the sum of lines 1d, 2, 3, 4, 5, 6a, 7, 8a (both columns), 9a, 10a, and 11 of Part I. The organization's gross receipts are the total amount it received from all sources during its annual accounting period, without subtracting any costs or expenses.

However, if a local chapter of a section 501(c)(8) fraternal organization collects insurance premiums for its parent lodge and merely sends those premiums to the parent without asserting any right to use the funds or otherwise deriving any benefit from collecting them, the local chapter should not include the premiums in its gross receipts. The parent lodge should report them instead. The same rationale applies to other situations in which one organization collects funds merely as an agent for another.

An organization's gross receipts are considered to be $25,000 or less if the organization is:

(a) Up to a year old and has received, or donors have pledged to give, $37,500 or less during its first tax year;

(b) Between 1 and 3 years old and averaged $30,000 or less in gross receipts during each of its first 2 tax years; or

(c) 3 years old or more and averaged $25,000 or less in gross receipts for the immediately preceding 3 tax years (including the year for which the return would be filed). If your gross receipts are normally $25,000 or less, see the fourth paragraph of instruction A, above

C. Other Forms You May Need To File.—

1. **Schedule A (Form 990).**—Filed with Form 990 for a section 501(c)(3) organization that is not a private foundation (including an organization described in section 501(e), 501(f) or 501(k)). Also filed with Form 990 for a section 4947(a)(1) trust not treated as a private foundation. An organization is not required to file Schedule A if its gross receipts are normally $25,000 or less (see instruction B11).

2. **Form 990-T.**—Exempt Organization Business Income Tax Return. Filed separately for organizations with gross income of $1,000 or more from business unrelated to the organization's exempt purpose. For details, see the instructions for Form 990-T or **Publication 598**, Tax on Unrelated Business Income of Exempt Organizations. Publication 598 is available free from IRS.

3. **Forms W-2 and W-3.**—Wage and Tax Statement, and Transmittal of Income and Tax Statements.

4. **Form W-2P.**—Statement for Recipients of Annuities, Pensions, Retired Pay, or IRA Payments.

5. **Form 1096.**—Annual Summary and Transmittal of U.S. Information Returns.

6. **Form 1099 Series.**—Information returns for reporting payments such as dividends, interest, miscellaneous income (including medical and health care payments and nonemployee compensation), original issue discount, patronage dividends, acquisition or abandonment of secured property, and lump-sum distributions from profit sharing and retirement plans.

7. **Form 940.**—Employer's Annual Federal Unemployment (FUTA) Tax Return. Used to report unemployment tax paid by an employer

8. **Form 941.**—Employer's Quarterly Federal Tax Return. Used to report social security and income taxes withheld by an employer and social security tax paid by an employer.

9. **Form 5500, 5500-C, or 5500-R.**—Used to report on employee benefit plans.

Employers who maintain pension, profit-sharing, or other funded deferred compensation plans are generally required to file one of the 5500 series forms specified in the following paragraph. This requirement applies whether or not the plan is qualified under the Internal Revenue Code and whether or not the deduction is claimed for the current tax year. The Employee Retirement Income Security Act of 1974 imposes a penalty for late filing of these forms.

The forms required to be filed are:

Form 5500.—For each plan with 100 or more participants.

Form 5500-C or 5500-R.—For each plan with fewer than 100 participants.

10. **Form 1041.**—U.S. Fiduciary Income Tax Return. Required of section 4947(a)(1) trusts that also file Form 990. However, any such trust may use the filing of Form 990 to satisfy its Form 1041 filing requirement under section 6012 if the trust has zero taxable income under subtitle A of the Code. If this condition is met, check box C on page 1 of Form 990 and do not file Form 1041, but complete Form 990 in the normal manner. A section 4947(a)(1) trust that normally has gross receipts of not more than $25,000 (see instruction B11) and has zero taxable income under subtitle A must complete only the following items on Form 990: name; address; employer identification number; box C; the section 4947(a)(1) block in box D; box H in the area above Part I; and the signature block on page 4.

11. **Form 8282.**—Donee Information Return. Required of the donee of "charitable deduction property" who sells, exchanges, or otherwise disposes of the property within 2 years after the date of receipt of the property.

D. Use of Form 990 To Satisfy State Reporting Requirements.—Some states and local government units will accept a copy of Form 990 and Schedule A (Form 990) in place of all or part of their own financial report forms. At this time, the substitution applies primarily to section 501(c)(3) organizations, but some of the other types of section 501(c) organizations are also affected.

If you intend to use Form 990 to satisfy state or local filing requirements, such as those arising under state charitable solicitation acts, note the following:

1. You should consult the appropriate officials of all states and other jurisdictions in which you do business to determine their specific filing requirements. "Doing business" in a jurisdiction may include any of the following: (a) soliciting contributions or grants by mail or otherwise from individuals, businesses, or other charitable organizations; (b) conducting programs; (c) having employees within that jurisdiction; (d) maintaining a checking account; or (e) owning or renting property therein.

2. Some or all of the dollar limitations applicable to Form 990 when filed with IRS may not apply when using Form 990 in place of state or local report forms. Examples of IRS dollar limitations that do not meet some state requirements are the $25,000 gross receipts minimum that gives rise to an obligation to file with IRS (see instruction B11), the short reporting format explained in instruction I for organizations that report total revenue of $25,000 or less on line 12, and the $30,000 minimum for listing professional fees in Part II of Schedule A (Form 990).

3. State or local filing requirements may require you to complete additional lines and columns of Form 990 and to attach to Form 990 one or more of the following: (a) additional financial statements, such as a complete analysis of functional expenses or a statement of changes in financial position; (b) notes to financial statements; (c) additional financial schedules; (d) a report on the financial statements by an independent accountant; and (e) answers to additional questions and other information. Each jurisdiction may require the additional material to be presented on forms they provide. The additional information does not have to be submitted with the Form 990 filed with IRS.

4. Even if the Form 990 you file with IRS is accepted by IRS as complete, a copy of the same return filed with a state will not fully satisfy that state's filing requirement if required information is not provided, including any of the additional information discussed above, or the state determines that the form was not completed in accordance with the applicable Form 990 instructions or supplemental state instructions. In that event, you may be asked to provide the missing information or to submit an amended return.

5. To ensure that all organizations report similar transactions uniformly, many states require that contributions, gifts and grants on lines 1a through 1d in Part I and functional expenses on lines 13, 14, and 15 and in Part II be reported in accordance with the AICPA industry audit guide, Audits of Voluntary Health and Welfare Organizations, as supplemented by Standards of Accounting for Voluntary Health and Welfare Organizations (Revised 1974) and by Accounting and Financial Reporting—A Guide for United Ways and Not-for-Profit Human Service Organizations. However, a significant exception applies in the case of donated services and facilities. Although reporting such services and facilities as items of support and expense is called for in certain circumstances by the three publications named above, many states and IRS do not permit the inclusion of those amounts in Parts I and II of Form 990. The instructions for line 82 discuss the optional reporting of donated services and facilities in Parts III and VII.

6. If you submit supplemental information or file an amended Form 990 with IRS, you must also furnish a copy of the information or amended return to any state with which you filed a copy of Form 990 originally to meet that state's filing requirement.

7. If a state requires you to file an amended Form 990 to correct conflicts with Form 990 instructions, you must also file an amended return with IRS.

8. Most states require that all amounts be reported based on the accrual method of accounting.

9. The time for filing Form 990 with IRS differs from the time for filing reports with some states.

10. The Form 990 information made available for public inspection by IRS may differ from that made available by the states. See the cautionary note to the specific instructions for line 1d.

State Registration Number.—Insert the applicable state or local jurisdiction registration or identification number in box B (in the heading on page 1) for each jurisdiction in which you file Form 990 in place of the state or local form. When filing in several jurisdictions, prepare as many copies as needed with box B blank. Then enter the applicable registration number on the copy to be filed with each jurisdiction.

E. Other Forms as Partial Substitutes for Form 990.—Except as provided below, the Service will not accept any form as a substitute for one or more parts of Form 990. A labor organization that files Form LM-2, Labor Organization Annual Report, or the shorter Form LM-3 with the U.S. Department of Labor (DOL) can attach a copy of the completed DOL form to provide some of the information required by Form 990. This substitution is not permitted if the organization files a DOL report that consolidates its financial statements with those of one or more separate subsidiary organizations.

An employee benefit plan may be able to substitute Form 5500, Annual Return/Report of Employee Benefit Plan, or Form 5500-C for part of Form 990. The substitution can be made if the organization filing Form 990 and the plan filing Form 5500 or 5500-C meet all the following tests:

(a) the Form 990 filer is organized under section 501(c)(9), (17), (18), or (20);

(b) the Form 990 filer and Form 5500 filer are identical for financial reporting purposes and have identical receipts, disbursements, assets, liabilities, and equity accounts;

(c) the employee benefit plan does not include more than one section 501(c) organization, and the section 501(c) organization is not a part of more than one employee benefit plan, and

(d) the organization's accounting year and the employee plan year are the same. If they are not, you may want to change the organization's accounting year, as explained in instruction F, so it will coincide with the plan year.

Whether you file Form 990 for a labor organization or for an employee plan, the areas of Form 990 for which other forms can be substituted are the same. These areas are.

Part I, lines 13-15 (but complete lines 16 through 21);

Part II, and

Part V (but complete lines 59, 66, and 74).

If you substitute Form LM-2 or LM-3 for any items on Form 990, you will need to attach a statement to reconcile the disbursements shown on the DOL forms and the total expenses on line 17 of Form 990. The reconciliation is necessary because the cash disbursements section of the DOL forms includes non-expense items. If you use Form LM-2, be sure to complete its separate schedules of expenses.

F. Accounting Period Covered.—Base your return on your annual accounting period (fiscal year) if one is established. If not, base the return on the calendar year.

Your fiscal year should normally be selected to coincide with the natural operating cycle of your organization; it is not necessary that your fiscal year end on December 31 or June 30.

The 1986 Form 990 should be used to report on a calendar year 1986 accounting period or a fiscal year beginning in 1986.

For a group return, see instruction J.

To change your accounting period, file Form 990 for the short accounting period resulting from the change and indicate at the top of the form that a change of accounting period is being made. If you changed your accounting period within the 10-calendar-year period that includes the start of the short period, and you had a Form 990 filing requirement at any time during that 10-year period, you must also attach a **Form 1128**, Application for Change in Accounting Period, to the short period return. See Rev. Proc. 85-58, 1985-2 C.B. 740.

G. When and Where To File.—File Form 990 by the 15th day of the 5th month after your accounting period ends.

If the organization is liquidated, dissolved, or terminated, file the return by the 15th day of the 5th month after the change.

If your principal office is located in—	Send your return to the Internal Revenue Service Center below—
Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, or Tennessee	Atlanta, GA 31101
Arizona, Colorado, Kansas, New Mexico, Oklahoma, Texas, Utah, or Wyoming	Austin, TX 73301
Indiana, Kentucky, Michigan, Ohio, or West Virginia	Cincinnati, OH 45999
Alaska, California, Hawaii, Idaho, Nevada, Oregon, or Washington	Fresno, CA 93888

Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania (ZIP codes beginning with 169-171 and 173-196 only), Rhode Island, or Vermont	Holtsville, NY 00501
Illinois, Iowa, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, or Wisconsin	Kansas City, MO 64999
Maryland, Pennsylvania (ZIP codes beginning with 160-168 and 172 only), Virginia, District of Columbia, any U.S. possession, or foreign country	Philadelphia, PA 19255

Extension of Time To File.—To request an extension of time to file, send in **Form 2758**, Application for Extension of Time To File.

H. Penalties.—*Against the organization.*—Under section 6652(c), a penalty of $10 a day, up to a total of $5,000, may be charged when a return is filed late, unless you can show that the late filing was due to reasonable cause. The penalty begins on the due date for filing the Form 990. The penalty may also be charged if an incomplete return is filed, since filing such a return does not satisfy an organization's filing requirement. To avoid having to respond to requests for missing information, please be sure to complete all applicable line items; to answer "Yes," "No," or "N/A" (not applicable) to each question on the return; to make an entry (including a "-0-" when appropriate) on all total lines; and to enter "None" or "N/A" if an entire part does not apply.

Against responsible person(s).—If a complete return is not filed, IRS may write to give you a fixed time for filing. After that period expires, the person failing to file the return will be charged a penalty of $10 a day, not to exceed $5,000, unless he or she shows that not filing was due to reasonable cause. If more than one person is responsible, they are jointly and individually liable for the penalty (section 6652(c)).

There also are penalties—fines and imprisonment—for willfully not filing returns and for filing fraudulent returns and statements with IRS (sections 7203, 7206, and 7207). States may impose additional penalties for failure to meet their separate filing requirements.

I. Short Format for Small Organizations.—If your total revenue on line 12, Part I, is $25,000 or less and your gross receipts are normally more than $25,000, you need not complete all items on the Form 990 you file with IRS. (Gross receipts are explained in instruction B11.) In that case, you are not required to complete lines 13, 14, and 15 of Part I and columns (B), (C), and (D) of Part II. Be sure to check box I in the area above Part I to indicate that you did not have to complete all items.

Also, organizations that report total revenue of $25,000 or less on line 12 and total assets of $25,000 or less in column (B) of line 59, Part V, are required to complete only lines 59, 66, 74 , and 75 of the beginning and end-of-year balance sheets in Part V.

J. Group Return.—A central, parent, or "like" organization can file a group return on Form 990 for two or more local organizations that are:

1. Affiliated with the central organization at the time its annual accounting period ends;
2. Subject to the central organization's general supervision or control;
3. Tax exempt under a group exemption letter that is still in effect; and
4. Have the same accounting period as the central organization.

If the parent organization is required to file a return itself (see instruction B for a list of organizations not required to file), it must file a separate return and may not be included in the group return.

Every year, each local organization must authorize the central organization in writing to include it in the group return and must declare, under penalty of perjury, that the authorization and the information it submits to be included in the group return are true and complete.

If you prepare a group Form 990, attach schedules showing (1) the total number of local organizations included and the name, address, and employer identification number of each one; and (2) the same information for those not included. When you prepare the return, be sure not to confuse the four-digit group exemption number (GEN) in box G, page 1, with the nine-digit employer identification number in box A. If none of the local organizations covered by the group return has more than $25,000 in total revenue (line 12, Part I), you may use the short format described in instruction I. If each local organization included in the group return also has $25,000 or less of total assets, the short format instructions for completing the balance sheets in Part V also apply to the group return.

K. Organizations in Foreign Countries and U.S. Possessions.—Report amounts in U.S. dollars and state what conversion rate you use. Combine amounts from within and outside the United States, and report the total for each item. All information must be given in the English language.

L. Completing Form 990.—

1. Label—Name, Address, and Employer Identification Number.—If we mailed you a 990 Package with a preaddressed mailing label, please attach it in the name and address space on your return. Your using the label helps us avoid errors in processing your return. If any information on the label is wrong, draw a line through that part and correct it.

You should have only one Federal employer identification number. If you have more than one and have not been advised which to use, notify the Service Center for your area (from the list in instruction G). Tell them what numbers you have, the name and address to which each number was assigned, and the address of your principal office. IRS will advise you which number to use.

2. Accounting Method.—In box E on page 1 indicate the method of accounting used in preparing this return. Unless the specific instructions say otherwise, you should generally use the same accounting method on the return to figure support, revenue, and expenses that you regularly use to keep the organization's books and records. To be acceptable for Form 990 reporting purposes, however, the method of accounting used must clearly reflect income.

If you prepare a Form 990 for state reporting purposes, you may file an identical return with IRS even though it does not agree with your books of account, unless the manner of reporting one or more items on the state return conflicts with the instructions for preparing Form 990 for filing with IRS. For example, if you maintain your books on the cash receipts and disbursements method of accounting but prepare a state return based on the accrual method, that return could be used for reporting to IRS. As another example, if a state reporting requirement requires you to report certain support, revenue, expense or balance sheet items differently from the manner in which you normally account for them on your books, a Form 990 prepared for that state would be acceptable for IRS reporting purposes if the state reporting requirement does not conflict with the Form 990 instructions. Your records should contain a reconciliation of any differences between your books of account and the Form 990 you file.

Most states that accept Form 990 in place of their own forms require that all amounts be reported based on the accrual method of accounting. See instruction D.

3. Legible Form 990 for Public Inspection.— All information you report on or with your Form 990, including attachments, will be available for public inspection, except the list of contributors required for line 1(d), Part I. Please make sure your forms and attachments are clear enough to photocopy legibly.

4. Signature.—In order to make the return complete, an officer authorized to sign it must sign in the space provided. For a corporation, this officer will be the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other corporate officer, such as a tax officer. A receiver, trustee, or assignee must sign any return he or she files for a corporation. For a trust, the authorized trustee(s) must sign.

If the return was prepared by an individual, firm, or corporation paid for preparing it, the paid preparer's space must also be signed. For a paid firm or corporation, sign in the firm's or corporation's name. If you checked block C on page 1 (section 4947(a)(1) trust filing Form 990 in lieu of Form 1041), you must also enter the paid preparer's social security number or employer identification number in the margin next to the paid preparer's space. Leave the paid preparer's space blank if the return was prepared by a regular employee of the filing organization.

M. Public Inspection of Completed Exempt Organization Returns and Approved Exemption Applications.—Form 990, Form 990-PF, and certain other completed exempt organization returns are available for public inspection and copying upon request. Approved applications for exemption from Federal income tax are also available. IRS, however, is not permitted to disclose portions of certain otherwise disclosable returns and attachments, including the list of contributors required by Form 990.

A request for inspection must be in writing and must include the name and address (city and state) of the organization that filed the return or application. A request to inspect a return should indicate the type (number) of the return and the year(s) involved. The request should be sent to the District Director (Attention: Disclosure Officer) of the district in which the requester desires to inspect the return or application. If inspection at the IRS National Office is desired, the request should be sent to the Commissioner of Internal Revenue, Attention: Freedom of Information Reading Room, 1111 Constitution Avenue, N.W., Washington, DC 20224.

For more information, call any IRS office or see **Publication 910**, Taxpayer's Guide to IRS Information, Assistance and Publications, which is available free at IRS offices.

Specific Instructions

In General.—You may show money items as whole-dollar amounts. Drop any amount less than 50 cents, and increase any amount from 50 through 99 cents to the next higher dollar.

Unless you are permitted to use certain DOL forms or Form 5500 series returns as partial substitutes for Form 990 (see instruction E), do not leave blank any applicable lines or attach any other forms or

schedules instead of entering the required information on the appropriate line on Form 990.

Attachments.—Use the schedules on the official form unless you need more space. If you use attachments, they must:

(1) Show the form number and tax year;
(2) Show the organization's name and employer identification number;
(3) Include the information required by the form;
(4) Follow the format and line sequence of the form; and
(5) Be on the same size paper as the form.

Part I—Statement of Support, Revenue, and Expenses and Changes in Fund Balances.—

All organizations filing Form 990 with IRS or any state must complete column (A) and the items to the left of it. Columns (B) and (C) are optional for reporting to IRS, although some states that accept Form 990 in place of their own forms may require these columns to be completed on the Form 990 filed with them. (See instruction D.)

Columns (B) and (C).—The following instructions apply if you use columns (B) and (C). In preparing a Form 990 to be filed with IRS, you may complete what items you choose in columns (B) and (C), rather than all applicable lines in these two columns.

Columns (B) and (C) are to let you indicate any externally imposed restrictions on how and when certain funds can be used. The amounts are a breakdown of the information you must report in column (A) and the items to the left of it. The combined column (B) and (C) amounts for any line should equal the amount on the left.

If you use columns (B) and (C), cross out the inapplicable words in the headings to show whether you are reporting unrestricted and restricted amounts or expendable and nonexpendable funds.

Use the *Restricted* column to reflect any externally imposed restrictions on the use of contributions, gifts, grants, endowment income, and other amounts the organization received in the current year. Also use that column to summarize the use of restricted funds received in the current year or any earlier year. The term "externally imposed restrictions" primarily refers to those imposed by donors and grantors for use of their separate contributions and grants. In the case of endowment gifts, restrictions on the use of the income earned by those funds may also be imposed by the donor. The term also applies to restrictions imposed by any applicable state or Federal statute or to regulations issued by an administrative agency of a state or the Federal government. For example, the laws of some states permit noncharitable organizations to conduct certain types of special fundraising events only if the proceeds are used for charitable or other specified purposes. An appropriation of funds made at the discretion of the organization's governing body is not an externally imposed restriction. A donor-imposed restriction can specify either how the funds are to be used (for scholarships, for example) or when they are to be used (for example, a fixed term endowment). In the case of noncash contributions particularly, the donor may designate that the organization may not dispose of the property and use the proceeds for a certain period of time.

When an externally imposed restriction on the use of funds lapses, use line 20, Part I, to report the transfer to an unrestricted fund if the amount being transferred was recorded as support or revenue of a restricted fund when received. Enter a decrease in the amount involved in the *Restricted* column and a corresponding increase in the *Unrestricted* column. The offsetting entries would result in a "-0-" entry on line 20 of column (A). Also reflect the change on lines 67–70 in the fund balance section in Part V of the return. Do not show the transfer as an item of support or revenue on lines 1–12 of Part I, since those lines are for reporting the initial receipt or accrual of restricted and unrestricted amounts. Any portion of the funds utilized by the unrestricted fund in the current year would be reported as a current year expense in the normal manner.

These instructions also apply to expendable and nonexpendable funds. Expendable funds include both unrestricted and donor-restricted amounts that may be spent for current activities. For example, if a donor earmarks a contribution to be used for scholarships, that contribution (although restricted as to a specific use) would be expendable. If the donor indicates that the contribution should become part of the permanent endowment, that contribution would be nonexpendable. This is true whether or not the donor designated a specific program to be supported ultimately by the contribution or by the income earned on those funds. That income itself would be treated separately as expendable or nonexpendable, depending upon whether the donor specified when the organization could use the income.

Contributions, Gifts, Grants, and Similar Amounts Received.—On lines 1a through 1c, report amounts received as voluntary contributions; that is, payments, or the part of any payment, for which the payer (donor) does not receive full consideration from the recipient (donee) organization. (For grants, see "Grants equivalent to contributions.") Report all expenses of raising contributions in column (D), Part II, and on line 15 of Part I.

On line 9, report income from special fundraising events and activities such as dinners, door-to-door sales of merchandise, carnivals, and bingo games. However, when the buyer pays more for such goods or services than their value, report the excess on line 1a as a contribution representing direct public support. This usually occurs when organizations seek support from the public through solicitation programs that are in part special fundraising events or activities and in part a solicitation for contributions. For example, an organization announces that anyone who "contributes" at least $40 can choose a book worth $16 retail. Those who pay $40 and choose to receive the book would be both buying the book and making a contribution. Each such buyer's contribution reported on line 1a would be $24, the amount by which the buyer's payment is more than the merchandise's fair market value. (Rev. Rul. 67-246, 1967-2 C.B. 104, explains this principle in detail.) A buyer who paid more than $40 would pay the same amount for the book, but would have made a larger contribution. The primary purpose of such solicitations is not to sell the merchandise at its fair market value (even though this might produce a profit), but to receive the contributions. Therefore, all the expenses incurred, except those attributable to the merchandise furnished the buyer, should be reported as an expense of raising contributions (fundraising expense) in column (D), Part II. The revenue ($16 per book) and the expenses relating to the sale of the merchandise would be reported on line 9 as revenue and expenses of a special fundraising event.

If the organization provides merchandise of only nominal value, report the entire receipts on line 1a as contributions (direct public support) and report all the related expenses in column (D), Part II.

The differentiation between revenue and contributions derived from special fundraising events is particularly important for any section 501(c)(3) organization that claims to qualify as a publicly supported organization described in section 170(b)(1)(A)(vi) or 509(a)(2). In the public support computations under these two sections, the revenue portion may be excluded entirely, treated as public support, or, if it represents unrelated trade or business income, treated as nonpublic support. Section 501(c)(3) organizations must compute the amounts of revenue and contributions from fundraising events in accordance with the above instructions in preparing the Support Schedule in Part IV of Schedule A (Form 990). The Support Schedule generally includes only the 4 preceding years, but includes the current year as well if there have been material changes in the organization's sources of support in that year.

See the line 3 instructions for information about membership dues that should be treated as contributions.

Section 501(c)(9), (17), (18), and (20) organizations provide life, sick, accident, welfare, unemployment, pension, group legal services, or similar benefits, or a combination of these benefits to participants. When such an organization receives payments from participants or their employers to provide these benefits, report the payments on line 2 as program service revenue, rather than on line 1 as contributions.

In Part I, do not include the value of services donated to the organization, or items such as the free use of materials, equipment or facilities, among the contributions received. See the instructions for Part III and for Part VII, line 82, for the optional reporting of such amounts in Parts III and VII under certain circumstances.

Grants equivalent to contributions.—On line 1, report grants to the organization that are equivalent to contributions. Such grants are normally made to encourage the grantee organization to carry on programs or activities that further its exempt purposes. The grantor may set conditions to ensure that the grantee's programs conform to the grantor's own policies. The grantor may specify which of the recipient's activities the grant may be used for, such as a voter registration drive or restoring a historic building.

A grant is still equivalent to a contribution if the grantee performs a service or produces a work product that benefits the grantor only incidentally. (See examples in line 1c instructions.) However, if the terms of a grant require that a specific service, facility, or product be provided the grantor—the purpose of which is to serve the direct and immediate needs of that grantor rather than primarily to confer a direct benefit upon the general public or that segment of the public served by the organization—that grant does not represent a contribution, but a payment for services. In general, any payments made primarily to enable the payer to realize or receive some economic or physical benefit as a result of the service, facility, or product obtained should not be treated as contributions.

For example, a public interest organization described in section 501(c)(4) makes a grant to another organization to conduct a nationwide survey using a scientific sampling method. The survey is to determine voter attitudes on issues in which the grantor has an interest. The grantor plans to use the results in planning its program for the next 3 years. Under these circumstances, the grant to the organization making the survey is not a contribution, since conducting the survey and furnishing the report primarily serve the grantor's direct needs and benefit the grantor more than incidentally. When the grantee reports the grant as income, it should be treated as either program service revenue (line 2) or other revenue (line 11), not as a contribution.

If research is done to develop products for the payer's use or benefit, treat it as serving the payer directly. Basic research or studies in the physical or social sciences generally should not be treated as serving the payer's needs.

See Regulations section 1.509(a)-3(g) for information about determining whether a grant represents a contribution reportable on line 1 or a revenue item reportable elsewhere on Form 990.

Noncash contributions.—To report contributions received in a form other than cash, use the market value as of the date of the contribution. For marketable securities registered and listed on a recognized securities exchange, measure market value by the average of the highest and lowest quoted selling prices (or the average between the bona fide bid and asked prices) on the contribution date. (See section 20.2031-1 of the Estate Tax Regulations for this general rule, exceptions, and special rules that may be applied to determine the value of contributed stocks and bonds.) When market value cannot be readily determined, use an appraised value.

To determine the amount of any noncash contribution that has an outstanding debt attached, subtract the debt from the property's fair market value. Record the asset at its full value; record the debt as a liability in the books of account. See the *Note* in the instructions for line 1d.

Line 1a—Direct public support.—Enter the total contributions, gifts, grants, and bequests that the organization received directly from the public. Include amounts received from individuals, trusts, corporations, estates, and foundations. Also include contributions and grants from public charities and other exempt organizations that are neither fundraising organizations nor affiliates of the filing organization. (See instructions for line 1b.) Report membership dues and assessments on line 1a to the extent they represent contributions from the public rather than payments for benefits received (see the instructions for line 3) or payments from affiliated organizations. Report government grants on line 1c if they represent contributions, or on line 2 or 11 if they represent fees for services.

Amounts contributed by a commercial co-venture should be reported on line 1a as a contribution received directly from the public. These are amounts due the donee organization for letting an outside organization or individual use its name in a sales promotion campaign in which the donor advertises that it will contribute a certain dollar amount to the named donee organization for each unit of a particular product or service sold or for each occurrence of a specified type.

Contributions received through special fundraising events should be reported on line 1a.

Line 1b—Indirect public support.—Enter the total contributions received indirectly from the public through solicitation campaigns conducted by federated fundraising agencies and similar fundraising organizations (such as a United Way organization and certain sectarian federations). These organizations normally conduct fundraising campaigns within a single metropolitan area or some part of a particular state, and allocate part of the net proceeds to each participating organization on the basis of individual donors' designations and other factors.

Also include on line 1b amounts contributed by other organizations closely associated with the reporting organization. This would include contributions received from a parent organizaton, subordinate, or another organization having the same parent. National organizations that share in fundraising campaigns conducted by their local affiliates should report the amount they receive on line 1b.

Line 1c—Government grants.—The instructions on page 4 under the heading "Grants equivalent to contributions," apply to this item in particular. A grant or other payment from a governmental unit represents a contribution if its primary purpose is to enable the donee to provide a service to, or maintain a facility for, the direct benefit of the public rather than to serve the direct and immediate needs of the grantor (even if the public pays part of the expense of providing the service or facility).

Following are examples of governmental grants and other payments that represent contributions:

1. Payments by a governmental unit for the construction or maintenance of library or hospital facilities open to the public;

2. Payments under government programs to nursing homes or homes for the aged in order to provide health care or other services to their residents;

3. Payments to child placement or child guidance organizations under government programs serving children in the community. The general public gets the primary and direct benefit from these payments and any benefit to the governmental unit itself would be indirect and insubstantial as compared to the public benefit.

Line 1d—Total contributions, etc.—Enter the total of amounts reported on lines 1a through c.

Schedule of contributors (not open to public inspection. **Caution:** *See Note below).*—Attach a schedule listing contributors during the year who gave the organization, directly or indirectly, money, securities, or other property worth at least $5,000. Show each person's name and address, the total amount received, and the date received. "Person" means an individual, fiduciary, partnership, corporation, association, trust, or exempt organization.

In determining whether a contributor gave at least $5,000, total that person's gifts of $1,000 or more. Do not include smaller gifts. If the contribution consists of property whose fair market value can be determined readily (such as market quotations for securities), describe the property and list its fair market value. Otherwise, estimate the property's value.

Note: *For contributions to you of property (other than publicly traded securities) whose fair market value is greater than $5,000, you should usually receive from the contributor a partially completed Form 8283, Noncash Charitable Contributions. You should complete the appropriate information on Form 8283, sign it, and return it to the donor. Retain a copy for your records. Also see General Instruction C11.*

If an employer withholds contributions from employees' pay and periodically gives them to the organization, report only the employer's name and address and the total amount given unless you know that a particular employee gave enough to be listed separately.

If the organization meets the terms of either of the following exceptions, some information in your schedule will vary from that described above. If no one contributed the reportable minimum, you do not need to attach a schedule.

Exception 1: *Organization described in section 501(c)(3) that meets the 33⅓% support test of the Regulations under section 170(b)(1)(A)(vi) (whether or not the organization is otherwise described in section 170(b)(1)(A)).*

In your schedule, give the information described above only for contributors whose gifts of $5,000 or over are more than 2% of the total gifts (reported on line 1d) the organization received during the year.

Exception 2: *Organization described in section 501(c)(7), (8), (10), or (19) that received contributions or bequests to be used only as described in sections 170(c)(4), 2055(a)(3), or 2522(a)(3).*

The schedule should list each person whose gifts total $1,000 or more during the year. Give the donor's name, the amount given, the gift's specific purpose, and the specific use to which it was put. If an amount is set aside for a purpose described in sections 170(c)(4), 2055(a)(3), or 2522(a)(3), explain how the amount is held (for instance, whether it is mingled with amounts held for other purposes). If the organization transferred the gift to another organization, name and describe the recipient and explain the relationship between the two organizations. Also show the total gifts that were $1,000 or less and were for a purpose described in sections 170(c)(4), 2055(a)(3), or 2522(a)(3).

Note: *If you file a copy of Form 990 and attachments with any state, do not include the list of contributors discussed above unless the list is specifically required by the state with which you are filing the return. States that do not require the information might nevertheless make it available for public inspection along with the rest of the return.*

Line 2—Program service revenue.—Enter the total program service revenue from Part IV, line f. Program services are primarily those that form the basis of an organization's exemption from tax. (See the instructions for Part II, column (B).) For example, a hospital would report on line 2 all of its charges for medical services (whether to be paid directly by the patients or through Medicare, Medicaid, or other third-party reimbursement), hospital parking lot fees, room charges, laboratory fees for hospital patients, and related charges for services.

Other examples of program service revenue are tuition received by a school, revenue from admissions to a concert or other performing arts event or to a museum, royalties received as author of an educational publication distributed by a commercial publisher, interest income on loans a credit union makes to its members, payments received by a section 501(c)(9) organization from participants or employers of participants for health and welfare benefits coverage, insurance premiums received by a fraternal beneficiary society, and registration fees received in connection with a meeting or convention.

Program service revenue also includes income from program-related investments, which are investments made for the primary purpose of accomplishing an exempt purpose consistent with the investing organization's

exempt status, rather than to produce income. Examples are scholarship loans and low interest loans to charitable organizations, indigents, or victims of a disaster.

Unrelated trade or business activities (not including any special fundraising events or activities) that generate fees for services may also be program service activities. A social club, for example, should report as program service revenue the fees it charges both members and nonmembers for the use of its tennis courts and golf course.

Books and records maintained in accordance with generally accepted accounting principles for hospitals, colleges, and universities are more specialized than books and records maintained in accordance with generally accepted accounting principles for other types of organizations that are required to file Form 990. In view of this circumstance, hospitals, colleges, and universities may report as program service revenue on line 2 sales of inventory items otherwise reportable on line 10a. In that event, the applicable cost of goods sold would be shown as program service expense on line 13 of Part I and in column (B) of Part II. All other organizations should not report sales of inventory items on line 2.

Line 3—Membership dues and assessments.—Enter members' and affiliates' dues and assessments that are not contributions. Regardless of whether membership benefits are used, dues to a charitable organization are a contribution to the extent they are more than the monetary value of these membership benefits to the dues payer. (See Rev. Ruls. 54-565, 1954-2 C.B. 95, and 68-432, 1968-2 C.B. 104.)

Examples of such benefits include subscriptions to publications, newsletters (other than one about the organization's activities only), free or reduced-rate admissions to events the organization sponsors, the use of its facilities, and discounts on articles or services that both members and nonmembers can buy. In figuring the value of membership benefits, disregard other intangible benefits, such as the right to attend meetings, vote or hold office in the organization, and the distinction of being a member of the organization.

When a member pays dues primarily to support the organization's activities, rather than to derive benefits of more than nominal monetary value, that dues payment represents a contribution. The availability of benefits worth more than a nominal amount shows that the intent in paying the dues was to receive those benefits and not to make a contribution.

For membership organizations other than those described in section 501(c)(3), members generally receive benefits or consideration in return for dues; therefore, dues in that situation are not contributions and should be reported on line 3. This is particularly true of organizations described in sections 501(c)(5), 501(c)(6), or 501(c)(7), although benefits to members may be indirect.

Line 4—Interest on savings and temporary cash investments.—Enter the amount of interest income from savings and temporary cash investments reportable on line 46. So-called dividends or earnings received from mutual savings banks, etc., are really interest and should be entered on line 4.

Line 5—Dividends and interest from securities.—Enter the amount of dividend and interest income from debt and equity securities (stocks and bonds) of the type reportable on line 54. Include amounts received from payments on securities loans, as defined in section 512(a)(5). Do not include any capital gains dividends reportable on line 8. See the instructions for line 2 for reporting income from program-related investments.

Line 6a—Gross rents.—Enter the gross rental income for the year from investment property reportable on line 55. Do not include amounts that represent income from an exempt function (program service) which should be reported on line 2 (and the related expenses which should be reported in column (B) of Part II). For example, an organization whose exempt purpose is to provide low rental housing to persons with low income would receive exempt function income from such rentals. Renting office space or other facilities or equipment to unaffiliated exempt organizations is not income from an exempt function (and should be reported on line 6a) unless the charge is well below the fair rental value of the property, and the lessor's purpose in charging less than the fair rental value was to help the lessee carry out its exempt purpose. Only for purposes of completing Form 990, treat income from renting property to affiliated exempt organizations as exempt function income (program service revenue) and report it on line 2.

Line 6b—Rental expenses.—Enter the expenses paid or incurred for the income reported on line 6a. Include depreciation if it is recorded in the organization's books and records.

Line 6c—Net rental income (loss).—Subtract line 6b from line 6a. Show any loss in parentheses.

Line 7—Other investment income.—Enter the amount of investment income not reportable on lines 4 through 6 and describe the type of income in the space provided or in an attachment. The income should be the gross amount derived from investments reportable on line 56. Include, for example, royalty income from mineral interests owned by the organization. However, do not include income from program-related investments (see instructions for line 2). Also exclude unrealized gains and losses on investments carried at market value (see instructions for line 20).

Lines 8a-c—Capital gains.—Attach a schedule listing each asset (other than inventory items) sold or exchanged. Show for each one: (a) date acquired, how acquired, date sold, and to whom sold; (b) gross sales price; (c) cost, other basis, or if donated, value at time acquired (state which); (d) expense of sale and cost of improvements made after acquired, and (e) if depreciable property, depreciation since acquired. The schedule should show security transactions separately from the sale of other assets.

Publicly traded securities.—For sales of publicly traded securities through a broker, you may total the gross sales price, the cost or other basis, and the expenses of sale on all such securities sold, and report lump-sum figures in place of the detailed reporting required in the paragraph above. For this return, publicly traded securities include common and preferred stocks, bonds (including governmental obligations), and mutual fund shares that are listed and regularly traded in an over-the-counter market or on an established exchange and for which market quotations are published or otherwise readily available. You may use average cost basis to figure the organization's gain or loss from sales of securities to be reported on Form 990. For this purpose, when securities are sold, you may figure gain or loss by comparing the sales price with the average cost basis of the particular security. Do not use average cost basis to figure gain or loss from security sales reportable on Form 990-T.

Report all sales of securities on lines 8a-c in the column with that heading. Use the "Other" column to report sales of all other types of investments (such as real estate, royalty interests, or partnership interests) and all other capital assets (such as program-related investments and fixed assets used by the organization in its regular activities).

For each column, enter the total gross sales price of all involved assets on line 8a, Part I. Total the cost or other basis (less depreciation), and selling expenses and enter the result on line 8b. Enter the total net gain or loss on line 8c. On lines 8a and c report capital gains dividends, the organization's share of capital gains and losses from a partnership, and capital gains distributions from trusts. Indicate the source on the schedule described above.

Add the gain and/or loss figures reported in the "Securities" column and the "Other" column on line 8c and report that total on line 8c in the "Total" column. Do not include any unrealized gains or losses on securities carried at market value in the books of account. See the instructions for line 20.

Lines 9a-c—Special fundraising events and activities.—On the appropriate line enter the gross revenue, expenses, and net income from all special fundraising events and activities, such as dinners, dances, carnivals, raffles, bingo games, and door-to-door sales of merchandise. In themselves, these activities only incidentally accomplish an exempt purpose. Their sole or primary purpose is to raise funds (other than contributions) to finance the organization's exempt activities. This is done by offering goods or services of more than nominal value (compared to the price charged) in return for a payment higher than the direct cost of the goods or services provided. If the goods or services have only nominal value, report all of the receipts as contributions on line 1 and all of the related expenses as fundraising expenses on line 15 and in column (D) of Part II.

An activity which generates only contributions, such as a solicitation campaign by mail, is not a special fundraising event and should not be reported on line 9.

The proceeds of solicitation campaigns in which the names of contributors and other respondents are entered in a drawing for the awarding of prizes (so-called "sweepstakes" or "lotteries") are contributions and the related expenses are fundraising expenses reportable in column D of Part II. However, raffles and lotteries in which a payment of at least a specified minimum amount is required for each entry are special fundraising events unless the prizes awarded have only nominal value. Characterizing any required payment as a "donation" or "contribution" on tickets or on advertising or solicitation materials does not affect how such payments should be reported on Form 990. As discussed above, the amount of the contribution is the excess of the amount paid over the value received by the payor.

Special fundraising events sometimes generate both contributions and revenue. When a buyer pays more than the value of the goods or services furnished, report that excess on line 1 as a contribution and report the value of the goods or services on line 9a as gross revenue. Report on line 9b only the direct expenses attributable to the goods or services the buyer receives. See "Contributions, Gifts, Grants, and Similar Amounts Received" on page 4 of these instructions.

Attach a schedule listing the three largest special events conducted, as measured by gross receipts. Describe each of these events and indicate for each event the gross receipts, the amount of contributions included in gross receipts (see instructions above), the gross revenue (gross receipts less contributions), the direct expenses, and the net income (gross revenue less direct expenses). Furnish the same information in total figures for all other special events held that are not among the three largest Indicate the type and number of the events not listed individually (for example, three dances and two raffles).

If the above schedule is prepared in columnar format, the total of the gross revenue column will be the amount reportable in the column on line 9a; the totals of the direct expense column and the net income column will be the amounts reportable on lines 9b and 9c, respectively; and the total of the contributions will be the amount that should be entered in the parentheses outside the column on line 9a. The latter amount should also be combined with all other direct public support and reported on line 1a.

If you include an expense on line 9b, do not report it on line 10b or in Part II.

Lines 10a–c—Gross profit on sales of inventory.—Enter the gross sales (minus returns and allowances), cost of goods sold, and gross profit (or loss) from the sale of all inventory items, other than those sold in special fundraising events and activities reported on line 9. These inventory items are ones the organization either makes to sell to others or buys for resale. The latter does not include investments on which the organization expected to profit by appreciation and sale. Report sales of investments on line 8. On line 10, report sales revenue and the related cost of goods sold, whether the sale of the merchandise involved is an exempt function or an unrelated trade or business.

Hospitals, colleges, and universities should refer to the instructions for line 2 for an optional method of reporting sales of inventory items that would otherwise be reportable on line 10.

Line 11—Other revenue.—Enter the amount from Part IV, line g. This figure represents the total income from all sources not covered by lines 1 through 10. Each of these revenue-producing activities must be listed in Part IV. Income reportable on line 11 would include interest on notes receivable not held as investments; interest on loans to officers, directors, trustees, key employees and other employees; and royalties that do not constitute investment income or program service revenue.

Line 12—Total revenue.—Enter the total of lines 1d through 11. If the amount is $25,000 or less, see instruction I about the short format for small organizations.

Lines 13 through 15—Program services, management and general, and fundraising expenses.—*4947(a)(1) trusts and section 501(c)(3) and (c)(4) organizations.*—If you report more than $25,000 of total revenue on line 12 you should complete Part II and then come back to lines 13 through 15. Enter the appropriate amount from the column (B), (C), and (D) totals reported on line 44, Part II.

If line 12 is $25,000 or less, you do not have to enter an amount on lines 13, 14, or 15 of the Form 990 you file with IRS, and should skip to line 16 However, see instruction D if you use a copy of Form 990 for state reporting purposes

All other organizations —You are not required to complete lines 13 through 15 regardless of your total revenue

Line 16—Payments to affiliates.—This expense classification is used to report certain types of payments to organizations "affiliated with" (closely related to) a reporting agency. Predetermined quota support and dues payments (excluding membership dues of the type described below) by local agencies to their state or national organizations for unspecified purposes, i.e., general use of funds for the national's own program and support services, are to be reported on this line. Purchases of goods or services from affiliates are not reported here but as expenses in the usual manner.

In addition to payments made directly to affiliated organizations, expenses incurred in providing goods or services to affiliates may be reported on line 16 if: (1) the goods or services provided are not related to the program services conducted by the organization furnishing them (for example, when a local organization incurs expenses in the production of a solicitation film for the state or national organization); and (2) the costs involved are not connected with the management and general or fundraising functions of the reporting organization (for example, when a local organization furnishes a copy of its mailing list to the state or national organization, the expense of preparing the copy provided may be reported on line 16, but not expenses of preparing and maintaining the local organization's master list).

Federated fundraising agencies (see the instructions for line 1b) should include in their own support the full amount of contributions received in connection with a solicitation campaign they conduct, even though donors designate specific agencies to receive part or all of their individual contributions. These fundraising organizations should report the allocations to participating agencies as awards and grants (line 22) and quota support payments to their state or national organization as payments to affiliates (line 16).

Voluntary awards or grants made by the reporting agency to its state or national organization for specified purposes should not be reported here but on line 22, grants and allocations.

Membership dues that represent amounts paid to procure general membership benefits, such as regular services, publications, and materials, from other organizations should be reported as "other expenses" on line 43. This would be the case, for example, if a charitable organization pays dues to a trade association comprised of otherwise unrelated members, all of which solicit contributions by mail or telephone. Dues payments by the local charity to its affiliated state or national (parent) organization would usually be reportable on line 16.

Attach a schedule listing the name and address of each affiliate that received payments reported on line 16. Specify the amount and purpose of the payments to each affiliate

Note: *Properly distinguishing between payments to affiliates and awards and grants is especially important if you use Form 990 for state reporting purposes, as discussed in instruction D. If you use Form 990 only for reporting to IRS, payments to affiliated state or national organizations that do not represent membership dues reportable on line 43 (see instructions above) may be reported either on line 16 or on line 22 and explained in the required attachment*

Line 17—Total expenses.—Organizations reporting $25,000 or less on line 12 should complete column (A) of Part II and then enter the total of line 16 and line 44, column (A). Organizations using Form 5500, 5500-C, or an approved DOL form as a partial substitute for Form 990 (see instruction E) enter the total expense figure from Form 5500 or 5500-C, or from the required reconciliation schedule if Form LM-2 or LM-3 is used. Other organizations enter the total of lines 13 through 16.

Line 18—Excess (deficit) for the year.—Enter the difference between lines 12 and 17 If line 17 is more than line 12, enter the difference in parentheses.

Line 19—Fund balances or net worth, beginning of year.—Enter the amount from column (A) of line 74 (or from Form 5500, 5500-C, or an approved DOL form if instruction E applies).

Line 20—Other changes in fund balances or net worth.—Attach a schedule explaining any changes in fund balances or net worth between the beginning and end of the year that are not accounted for by the amount on line 18 Amounts to report here include adjustments of earlier years' activity and unrealized gains and losses on investments carried at market value If you use the *Unrestricted* and *Restricted* columns, show transfers between unrestricted and restricted funds. The net effect of such transfers would be "-0-" in the Total column.

Line 21—Fund balances or net worth, end of year.—Enter the total of lines 18, 19, and 20. The figure in the Total column must equal the amount reported in column (B) of line 74

Part II—Statement of Functional Expenses.—

All organizations must complete column (A) unless they are using an approved DOL form or Form 5500 or 5500-C as a partial substitute for Form 990 in accordance with instruction E. Columns (B), (C), and (D) are optional for all organizations other than section 4947(a)(1) trusts and section 501(c)(3) and (c)(4) organizations Section 4947(a)(1) trusts and section 501(c)(3) and (c)(4) organizations must complete columns (B), (C), and (D) if total revenue (line 12 of Part I) is more than $25,000 They need not complete these three columns if total revenue is $25,000 or less. (See instruction I.) Those organizations, however, may be required to complete all of the columns in Part II for a Form 990 filed with one or more states (see instruction D).

Part II reflects the organization's expenses by object classification (salaries, legal fees, supplies, etc.) allocated into three functions: program services (column (B)); management and general (column (C)); and fundraising (column (D)). These functions are explained below in the instructions for the columns Do not include in Part II any expense items you must report on lines 6b, 8b, 9b, 10b, or 16 in Part I.

For reporting to IRS only, use the organization's normal accounting method to report total expenses in column (A) and to segregate them into functions under columns (B), (C), and (D) (but see instructions L2 and D). If the accounting system does not provide for this type of segregation, a reasonable method of allocation may be used The amounts reported should be accurate and the method of allocation documented in the organization's records.

Expenses which are directly attributable to a particular functional category must be reported in the appropriate column. Expenses which relate to more than one functional category generally should be allocated. For example, allocate employees' salaries on the basis of each employee's time. For some shared expenses such as occupancy, supplies,

and depreciation of office equipment, use an appropriate basis for each kind of cost. However, you should report some other shared expenses in column (C) only. The column instructions below discuss allocating expenses.

Column (A)—Total.—Column (A) is the total of columns (B), (C), and (D) for each line item in Part II. Except for expenses you report on lines 6b, 8b, 9b, 10b, or 16 of Part I, you should use column (A) to report all expenses the organization paid or incurred.

Column (B)—Program services.—Program services are mainly those activities which the reporting organization was created to conduct and which, along with any activities commenced subsequently, form the basis of the organization's current exemption from tax. They may be self-funded or funded out of contributions, accumulated income, investment income, or any other source.

Program services can also include the organization's unrelated trade or business activities. For example, publishing a magazine is a program service even though it contains both editorials and articles that further the organization's exempt purpose and advertising, the income from which is taxable as unrelated business income.

If an organization receives a grant to do research, produce an item, or perform a service, either to meet the grantor's specific needs or to benefit the public directly, the costs incurred represent program service expenses. Do not treat these costs as fundraising expenses, even if you report the grant on line 1 as a contribution.

Column (C)—Management and general.—Use column (C) to report the organization's expenses for overall management and functioning, rather than for its direct conduct of fundraising activities or program services. Overall management usually includes the salaries and expenses of the chief officer of the organization and that officer's staff. If part of their time is spent directly supervising program services and fundraising activities, their salaries and expenses should be allocated among those functions. Other expenses to report in column (C) include those for meetings of the board of directors or similar group; committee and staff meetings (unless held in connection with specific program services or fundraising activities); general legal services; accounting, auditing, personnel, and other centralized services; investment expenses (except those relating to rental income and program-related income—report rental expenses on line 6b and program-related expenses in column (B)); general liability insurance; preparation, publication, and distribution of an annual report; and office management.

However, you should report only general expenses in column (C). Do not use it to report costs of special meetings or other activities that relate to fundraising or specific program services.

Column (D)—Fundraising.—Fundraising expenses represent the total expenses incurred in soliciting contributions, gifts, grants, etc. Report as fundraising expenses all expenses, including allocable overhead costs, incurred in: (a) publicizing and conducting fundraising campaigns; (b) soliciting bequests, grants from foundations or other organizations, or government grants reportable on line 1c; (c) participating in federated fundraising campaigns; (d) preparing and distributing fundraising manuals, instructions, and other materials; and (e) conducting special fundraising events that generate contributions reportable on line 1a in addition to revenue reportable on line 9a, but any expenses attributable to revenue on line 9a (that is, the direct expenses incurred in furnishing the goods or services sold) should be reported on line 9b.

Allocating indirect expenses.—Colleges, universities, hospitals, and other organizations that accumulate indirect expenses in various cost centers (such as the expenses of operating and maintaining the physical plant) that are reallocated to the program services and other functional areas of the organization in a single step or in multiple steps may find it easier to report these expenses in the following optional manner:

First, the expenses of these indirect cost centers may be reported on lines 25 through 43 of the management and general expense column in Part II, along with the expenses properly reportable in that column.

Second, allocate the total expenses for each cost center among program services, management and general, and fundraising as a separate item entry on line 43, Other expenses. Enter the name of the cost center on line 43. If any of the cost center's expenses are to be allocated to the expenses listed in Part I (such as the expenses attributable to special fundraising events and activities), enter these expenses as a negative figure in columns (A) and (C). This prevents reporting the same expense on both Parts I and II. If part of the total cost center expenses are to be allocated to columns (B), Program services, and (D), Fundraising, enter these expenses as positive amounts in these columns and as single negative amounts in column (C). Do not make any entries in column (A), Total, for these offsetting entries.

The above instructions can be illustrated by the following example. An organization reports $50,000 of actual management and general expenses and $100,000 of expenses of an indirect cost center that are to be allocated in part to other functions. The total of lines 25 through 43 of column (C) would be $150,000 before the allocations were made. Assume that $10,000 (of the $100,000 total expenses of the cost center) was allocable to fundraising, $70,000 to various program services, $15,000 to management and general functions, and $5,000 to special fundraising events and activities. To report this in Part II under this alternate method:

(1) Indicate the cost center, the expenses of which are being allocated, on line 43, "Allocation of (specify) expenses";

(2) Enter a decrease of $5,000 on the same line in the Total column, representing the special fundraising event expenses already reported on line 9b in Part I;

(3) Enter $70,000 on the same line in the Program services column;

(4) Enter $10,000 on the same line in the Fundraising column; and

(5) Enter a decrease of $85,000 on the same line in the Management and general column, representing the allocations to functional areas other than management and general.

After these allocations were made, the column (C) total (line 44, column (C)) would be $65,000, consisting of the $50,000 aggregate amount and the $15,000 allocation of the aggregate cost center expenses to management and general.

The above is an example of a simple one-step allocation that was used to show how to report the allocation in Part II. This reporting method would actually be needed more in the case of multiple step allocations in which two or more cost centers are involved. The total expenses of the first would be allocated to the other functions, including an allocation of part of these expenses to the second cost center. The expenses of the second cost center would then be allocated to other functions and any remaining cost centers to be allocated, and so on. The greater the number of these cost centers which are allocated out, the more difficult it would be to preserve the identity of the object classification (salaries, interest, supplies, etc.) of the expenses of each cost center. The reporting method described above avoids this problem.

Note: *The above instructions are intended only to facilitate the reporting of indirect expenses by both object classification and function. They do not in any way sanction the allocation to other functions of expenses properly reportable as management and general expenses.*

Line 22—Grants and allocations.—Enter the amount of awards and grants to individuals and organizations selected by the filing organization. United Way and similar fundraising organizations should include allocations to member agencies. Voluntary awards and grants to affiliated organizations for specific (restricted) purposes or projects also should be reported on line 22, but not required payments to affiliates reportable on line 16.

Scholarship, fellowship, and research grants to individuals should be reported on line 22. Certain other payments to or for the benefit of individuals may be reportable on line 23 instead. See the instructions for line 23 for specific information.

Only the amount of actual grants and awards should be reported on line 22. Expenses incurred in selecting recipients or monitoring compliance with the terms of a grant or award should be reported on lines 25 through 43.

Attach a schedule of amounts reported on line 22. Show: (a) each class of activity; (b) donee's name and address and the amount given; and (c) (in the case of grants to individuals) relationship of donee if related by blood, marriage, adoption, or employment (including employees' children) to any person or corporation with an interest in the organization, such as a creator, donor, director, trustee, officer, etc.

On the schedule, classify activities in more detail than in such broad terms as charitable, educational, religious, or scientific. For example, identify payments for nursing services, laboratory construction, or fellowships.

If the property's fair market value when the organization gave it is the measure of the award or grant, also show on the schedule: a description of the property; its book value; how the book value was determined; how the fair market value was determined; and the date of the gift. Any difference between fair market value and book value should be recorded in the organization's books of account.

Line 23—Specific assistance to individuals.—Enter the amount of payments to or for the benefit of particular clients or patients, including assistance rendered by others at the expense of the filing organization. Do not include grants to other organizations that select the person or persons to receive the assistance available through the use of the grant funds. For example, a payment to a hospital to cover the medical expenses of a particular individual should be reported on line 23, but not a contribution to a hospital to provide some service to the general public or to unspecified charity patients. Also, do not include scholarship, fellowship, or research grants to individuals even though selected by the grantor organization. Report these grants on line 22 instead.

Attach a schedule showing the total payments for each particular class of activity, such as food, shelter, and clothing for indigents or disaster victims; medical, dental, and hospital fees and charges; and direct cash assistance to indigents. For payments to indigent families, do not identify the individuals.

Line 24—Benefits paid to or for members.—For an organization giving benefits to members or dependents (such as organizations exempt under section 501(c)(8), (9), or (17)), attach a schedule. Show amounts of: (a) death, sickness, hospitalization, or disability benefits; (b) unemployment compensation benefits; and (c) other benefits (state their nature). Do not report on this line the cost of employment-related benefits the organization gives its officers and employees. Report those expenses on lines 27 and 28.

Line 25—Compensation of officers, directors, etc.—Enter the total compensation paid to officers, directors, and trustees for the year. In Part VI list each one's name and compensation (if any), along with the other information requested.

Each person you list should report this compensation on his or her income tax return, unless the Code specifically excludes any of the payments from income tax. **Publication 525**, Taxable and Nontaxable Income, may be helpful and is available free from IRS.

You must file Form 941 to report income tax withholding and social security taxes, and you must also file Form 940 to report Federal unemployment taxes, unless the organization's exemption letter states that it is not subject to these taxes.

Line 26—Other salaries and wages.—Enter the total of employees' salaries not reported on line 25.

Line 27—Pension plan contributions.—Enter the employer's share of contributions that the organization paid to qualified and nonqualified pension plans for the year. Complete Form 5500, 5500-C, or 5500-R, as appropriate, for your plan and file as a separate return. If you have more than one plan, complete the appropriate form for each plan. File the form by the last day of the 7th month after the plan year ends. See instruction C9 on page 1.

Line 28—Other employee benefits.—Enter the amount of your contributions to employee benefit programs (such as insurance, health, and welfare programs) that are not an incidental part of a pension plan included on line 27. Also see instruction C9 on page 1 and the instructions for Form 5500.

Line 29—Payroll taxes.—Enter the amount of Federal, state, and local payroll taxes for the year, but only those taxes that are imposed on the organization as an employer. This would include the employer's share of FICA taxes, the FUTA tax, state unemployment compensation taxes, and other state and local payroll taxes. Do not include taxes withheld from employees' salaries and paid over to the various governmental units (such as Federal and state income taxes and the employees' shares of FICA tax).

Line 30—Professional fundraising fees.—Enter the organization's fees to outside fundraisers for solicitation campaigns they conducted, or for providing consulting services in connection with a solicitation of contributions by the organization itself.

Line 31—Accounting fees.—Enter the total accounting and auditing fees charged by outside firms and individuals who are not employees of the reporting organization.

Line 32—Legal fees.—Enter the total legal fees charged by outside firms and individuals who are not employees of the reporting organization. Do not include any penalties, fines, or judgments imposed against the organization as a result of legal proceedings. Report those expenses on line 43, Other expenses.

Line 33—Supplies.—Enter the total for office, classroom, medical, and other supplies used during the year, as determined by the organization's normal method of accounting for supplies.

Line 34—Telephone.—Enter the total telephone, telegram, and similar expenses for the year.

Line 35—Postage and shipping.—Enter the total amount of postage, parcel delivery, trucking, and other delivery expenses, including the cost of shipping materials.

Line 36—Occupancy.—Enter the total amount paid or incurred for the use of office space or other facilities, heat, light, power, and other utilities (other than those reported on line 34), outside janitorial services, mortgage interest, real estate taxes, and similar expenses. Do not include depreciation (reportable on line 42) or any salaries of your own employees (reportable on line 26).

Line 37—Equipment rental and maintenance.—Enter the cost of renting and maintaining office equipment and other equipment, except for automobile and truck expenses reportable on lines 35 and 39.

Line 38—Printing and publications.—Enter the printing and related costs of producing the reporting organization's own newsletters, leaflets, films, and other informational materials. (However, do not include any expenses, such as salaries or postage, for which a separate line is provided in Part II.) Also include the cost of any purchased publications.

Line 39—Travel.—Enter the total travel expenses, including transportation costs (fares, mileage allowances, and automobile expenses), meals and lodging, and per diem payments.

Line 40—Conferences, conventions, and meetings.—Enter the total expenses incurred by the organization in conducting meetings relating to its activities. Include such expenses as the rental of facilities, speakers' fees and expenses, and printed materials, but not the salaries and travel expenses of the reporting organization's own officers, directors, trustees, and employees who participate. Also include the registration fees (but not travel expenses) paid for sending any of the organization's staff to conferences, meetings, or conventions conducted by other organizations.

Line 41—Interest.—Enter the total interest expense for the year, excluding any interest attributable to rental property (reported on line 6b) or any mortgage interest treated as occupancy expense on line 36.

Line 42—Depreciation, depletion, etc.—If your organization records depreciation, depletion, and similar expenses, enter the total for the year. Include any depreciation (amortization) of leasehold improvements. You are not required to use the Accelerated Cost Recovery System (ACRS) to compute the depreciation you report on Form 990. If you record depreciation using ACRS, attach **Form 4562**, Depreciation, or a schedule showing the same information required by Form 4562. If you do not use ACRS, attach a schedule showing how you computed depreciation.

You should use the same method of computing depreciation on line 42 that you use for the balance sheet, Part V of this Form 990.

If you claim a deduction for depletion, attach a schedule explaining the deduction.

Line 43—Other expenses.—Indicate the type and amount of each significant expense for which a separate line is not provided. Report all other miscellaneous expenses as a single total. Expenses that might be reported here include: investment counselling and other professional fees not reportable on lines 30 through 32; penalties, fines, and judgments; unrelated business income taxes; and real estate taxes not attributable to rental property or reported as occupancy expenses. Attach a schedule if more space is needed.

Some states that accept Form 990 in satisfaction of their filing requirements may require that certain types of miscellaneous expenses be itemized regardless of amount. See instruction D.

Line 44—Total functional expenses.—Add lines 22 through 43 and enter the totals in columns (A), (B), (C), and (D). Report the column (B) total on line 13 of Part I, the column (C) total on line 14, and the column (D) total on line 15. If you reported $25,000 or less on line 12, add the column (A) total to the amount on line 16 and enter the sum on line 17.

Part III—Statement of Program Services Rendered.—

Provide the information specified in the instructions above line a of Part III for each of the organization's four largest program services (as measured by total expenses incurred) or for each program service if the organization engaged in four or fewer of such activities. If part of the total expenses of any program service consists of grants and allocations reported on line 22, indicate the amount of the grants and allocations in the space provided.

Attach a schedule that lists the organization's other program services and the total expenses incurred in connection with each. The detailed information required in Part III for the four largest services is not required for the services listed on the attached schedule.

If the organization reports on line 82 the value of any donated services or use of materials, equipment, or facilities it received, it can also indicate in Part III the amount received and utilized in connection with specific program services. However, the applicable amounts should be disclosed only on the lines for the narrative description of the appropriate program services and must not be included in the expense column in Part III.

A program service is a major, usually ongoing objective of an organization, such as adoptions, recreation for the elderly, rehabilitation, or publication of journals or newsletters. Service outputs or products are measures of a program service, such as clients served, days of care, therapy sessions, or publications issued. Quantity is the number of outputs or products rendered, such as 4,080 counseling contacts.

If it is inappropriate to measure a quantity of output, as in a research activity, describe the objective of the activity for this time period as well as the overall longer-term goal.

You may furnish reasonable estimates for the statistical information (number of clients, patients, etc.) called for by Part III if exact figures are not readily available from the records you normally maintain. In that event, please indicate that the information provided is an estimate.

Listing expenses optional for certain organizations.—If your organization was not required to complete column (B) of Part II (see the instructions to Part II), you need not list the expenses of the program services you report in Part III or the attached schedule described above.

Part IV—Program Service Revenue and Other Revenue.—

List each revenue-producing program service activity and each "other" activity as described in the instructions for lines 2 and 11. Enter the gross revenue (that is, without subtracting any related expenses) from each such activity in the proper column. Line a is to be used only for reporting fees from government agencies that do not constitute grants reportable on line 1c of Part I. Report the total of each column on lines f and g of Part IV and on lines 2 and 11 of Part I.

Part V—Balance Sheets.—

All organizations except those that meet one of the exceptions in instruction E above, must complete all of the required lines of columns (A) and (B) of Part V of the return and may not submit a substitute balance sheet. Failure to complete Part V may result in penalties for filing an incomplete return. See instruction H. Smaller organizations filing Form 990 with IRS are not required to complete all line items in those two columns, as explained by instruction I and the information in the Part V heading on page 3 of the return.

Columns (C) and (D) are optional for reporting to IRS, although some states that accept Form 990 in place of their own forms may require that those columns be completed on the Form 990 filed with them. Some states may also require smaller organizations to complete the entire balance sheet instead of only those lines specified in instruction I. See instruction D for more information about completing a Form 990 to be filed with any state or local government agency.

When any line item in Part V calls for a schedule to be attached, a schedule is required only for the end of year balance sheet figure reported in column (B). Similarly, when space is provided to the left of column (A) for reporting any receivables or depreciable assets and the related allowance for doubtful accounts or accumulated depreciation, enter the end of year figures. (We do not need this information for beginning of year figures in column (A).)

Line 45—Cash—non-interest bearing.—Enter the total of non-interest bearing cash in checking accounts, deposits in transit, change funds, petty cash funds, or any other non-interest bearing account. Do not include advances to employees or officers or refundable deposits paid to suppliers or others.

Line 46—Savings and temporary cash investments.—Enter the total of interest bearing cash in checking accounts, savings and temporary cash investments, such as money market funds, commercial paper, certificates of deposit, and U.S. Treasury bills or other governmental obligations that mature in less than 1 year. Report the income from these investments on line 4.

Line 47—Accounts receivable.—Enter the total accounts receivable (reduced by the corresponding allowance for doubtful accounts) that arose from the sale of goods and/or the performance of services. Claims against vendors or refundable deposits with suppliers or others may be reported here if not significant in amount. (Otherwise, report them on line 58, Other assets.) Any receivables due from officers, directors, trustees, or key employees must be reported on line 50. Receivables (including loans and advances) due from other employees should be reported on line 58.

Line 48—Pledges receivable.—Enter the total pledges receivable recorded as of the beginning and end of the year, reduced by the amount of pledges estimated to be uncollectible.

Line 49—Grants receivable.—Enter the total grants receivable from governmental agencies, foundations, and other organizations as of the beginning and end of the year.

Line 50—Receivables due from officers, directors, trustees, and key employees.—All receivables due from officers, directors, trustees, and key employees and all secured and unsecured loans to such persons must be reported on line 50 and in an attached schedule described below. The term "key employees" refers to the chief administrative officers of an organization (such as an executive director or chancellor), but does not include the heads of separate departments or smaller units within an organization.

In the required schedule, report each loan separately, even if more than one loan was made to the same person, or the same terms apply to all loans made.

Receivables that are subject to the same terms and conditions (including credit limits and rate of interest) as receivables due from the general public and that arose during the normal course of the organization's operations may be reported as a single total for all the officers, directors, trustees, and key employees. Travel advances made in connection with official business of the organization may also be reported as a single total.

However, salary advances and other advances for the personal use and benefit of the recipient, and receivables subject to special terms or arising from nontypical transactions, must be reported as separate loans for each officer, director, etc.

Attach a schedule that shows the following information (preferably in columnar form) for each loan or other receivable outstanding at the end of the year that must be reported separately in accordance with the above instructions:

(a) Borrower's name and title;

(b) Original amount;

(c) Balance due;

(d) Date of note;

(e) Maturity date;

(f) Repayment terms;

(g) Interest rate;

(h) Security provided by the borrower;

(i) Purpose of the loan; and

(j) Description and fair market value of the consideration furnished by the lender (for example, cash—$1,000; or 100 shares of XYZ, Inc. common stock—$9,000).

The above detail is not required for receivables or travel advances that may be combined and reported in total (see above instructions); but report and identify those totals separately in the attachment.

Line 51—Other notes and loans receivable.—Enter the combined total of notes receivable and net loans receivable.

Notes receivable.—Enter the amount of all notes receivable not listed on line 50 and not acquired as investments. Attach a schedule similar to that called for in the instructions for line 50. The schedule should also identify the relationship of the borrower to any officer, director, trustee, or key employee of the organization.

Notes receivable from loans by a credit union to its members and scholarship loans by a section 501(c)(3) organization do not have to be itemized. These loans should merely be identified as such on a schedule and the total amount of such loans outstanding indicated.

For a note receivable from another organization exempt under the same paragraph of section 501(c) as the filing organization, list only the name of the borrower and the balance due. For example, a section 501(c)(3) organization would have to provide the full details of a loan to a section 501(c)(4) organization, but would have to provide only the name of the borrower and the balance due on a note arising from a loan to another section 501(c)(3) organization.

Loans receivable.—Enter the gross amount of loans receivable, less the allowance for doubtful accounts, arising from the normal activities of the filing organization (such as loans by a credit union to its members or scholarship loans by a section 501(c)(3) organization). A schedule of these loans is not required.

Loans to officers, directors, trustees, and key employees must be reported on line 50. Loans to other employees should be reported on line 58.

Line 52—Inventories for sale or use.—Enter the amount of materials, goods, and supplies purchased or manufactured by the organization and held to be sold or used in some future period.

Line 53—Prepaid expenses and deferred charges.—Enter the amount of short-term and long-term prepayments of expenses attributable to one or more future accounting periods. Examples include prepayments of rent, insurance, and pension costs, and expenses incurred in connection with a solicitation campaign to be conducted in a future accounting period.

Line 54—Investments—securities.—Enter the book value (which may be market value) of securities held as investments, and attach a schedule that lists the securities held at the end of the year, and indicate whether the securities are listed at cost (including the value recorded at the time of receipt in the case of donated securities) or end of year market value. Debt securities of the U.S., state, and municipal governments, corporate stocks and bonds, and other publicly traded securities (defined in the instructions for line 8) do not have to be listed individually, except for stock holdings that represent 5% or more of the outstanding shares of stock of the same class. However, show separate totals for each type of security (U.S. government obligations, corporate stocks, etc.). Do not include amounts reported on line 46.

Line 55—Investments—land, buildings, and equipment.—Enter the book value (cost or other basis less accumulated depreciation) of all land, buildings, and equipment held for investment purposes, such as rental properties. Attach a schedule listing these investment fixed assets held at the end of the year and showing for each item or category listed, the cost or other basis, accumulated depreciation, and book value. Report the income from these assets on line 6a.

Line 56—Investments—other.—Enter the amount of all other investment holdings not reported on line 54 or 55. Attach a schedule listing and describing each of these investments held at the end of the year. Show the book value for each and indicate whether the investment is listed at cost or end of year market value. Report the income from these assets on line 7. Do not include program-related investments (see instructions for line 58).

Line 57—Land, buildings, and equipment.—Enter the book value (cost or other basis less accumulated depreciation) of all land, buildings, and equipment owned by the organization and not held for investment. This would include any property, plant, and equipment owned and used by the organization in conducting its exempt activities. Attach a schedule listing these fixed assets held at the end of the year and showing, for each item or category listed, the cost or other basis, accumulated depreciation, and book value.

Line 58—Other assets.—List and show the book value of each category of assets not reportable on lines 45 through 57. Attach a separate schedule if more space is needed.

One type of asset reportable on line 58 would be program-related investments, which are investments made primarily to accomplish some exempt purpose of the filing organization rather than to produce income.

Line 59—Total assets.—Enter the total of lines 45 through 58.

Line 60—Accounts payable and accrued expenses.—Enter the total of accounts payable to suppliers and others and accrued expenses, such as salaries payable, accrued payroll taxes, and interest payable.

Line 61—Grants payable.—Enter the unpaid portion of grants and awards that the organization has made a commitment to pay other organizations or individuals, whether or not the commitments have been communicated to the grantees.

Line 62—Support and revenue designated for future periods.—Enter the amount of contributions, governmental fees or grants, grants from foundations or other organizations, and other fees and support that contributors or grantors have designated as payable for or applicable to one or more future years, either by the terms of the gift or by the terms of the contract or other arrangement. Do not include any amounts restricted for future use by the filing organization's own governing body. Attach a schedule that describes each contribution or grant designated for one or more future periods and indicates the total amount of each item and the amount applicable to each future period.

Line 63—Loans from officers, directors, trustees, and key employees.—Enter the unpaid balance of loans received from officers, directors, trustees, and key employees (see the instructions for line 50 for definition). For loans outstanding at the end of the year, attach a schedule that provides (for each loan) the name and title of the lender and the information listed in items (b) through (j) of the instructions for line 50.

Line 64—Mortgages and other notes payable.—Enter the amount of mortgages and other notes payable at the beginning and end of the year. Attach a schedule showing, as of the end of the year, the total amount of all mortgages payable and, for each nonmortgage note payable, the name of the lender and the other information specified in items (b) through (j) of the instructions for line 50. The schedule should also identify the relationship of the lender to any officer, director, trustee, or key employee of the organization.

Line 65—Other liabilities.—List and show the amount of each liability not reportable on lines 60 through 64. Attach a separate schedule if more space is needed.

Line 66—Total liabilities.—Enter the total of lines 60 through 65.

Lines 67 through 74—Fund Balances or Net Worth.—

Organizations using fund accounting.—If the organization uses fund accounting, check the box above line 67 and complete lines 67 through 70 to report the various fund balances. Also complete line 74 to report the sum of the fund balances and line 75 to report the sum of the total liabilities and fund balances.

Organizations not using fund accounting, see the instructions under that heading (below) for completing the net worth section. Under fund accounting, an organization segregates its assets, liabilities, and net worth into separate funds according to externally imposed restrictions on the use of certain assets, similar designations by the organization's governing board, and other amounts that are unrestricted as to use. Each fund is like a separate entity in that it has a self-balancing set of accounts showing assets, liabilities, equity (fund balance) "income," and expenses. Since these funds are actually part of a single entity, they are all included in that organization's own financial statements. Similar accounts in the various funds may or may not be consolidated in those statements according to the organization's preference and practice. Parts I, II, and V of this form, however, require such consolidation. Recognition of the separate funds and the net changes within the various funds during the year is accomplished by the fund balances section (lines 67 through 70) of the balance sheet.

Some states that accept Form 990 as their basic report form may require a separate statement of changes in fund balances. See instruction D.

Lines 67a and 67b—Current funds.—Enter the fund balances per books of the current unrestricted fund and the current restricted fund.

Line 68—Land, building, and equipment fund.—Enter the fund balance per books for the land, building, and equipment fund (plant fund).

Line 69—Endowment fund.—Enter the total of the fund balances for the permanent endowment fund and any term endowment funds. Annuity and life income fund balances may be reported here if not significant in amount, or on line 70. Do not include the fund balances of any quasi-endowment funds (funds functioning as endowment) or other internally designated funds.

Line 70—Other funds.—Enter the total of the fund balances for all funds not reported on lines 67 through 69. Indicate the type of fund in the space provided or on an attachment if more than one fund is involved. On the attachment, show the beginning and end of year fund balance for each fund listed.

Organizations not using fund accounting.—If the organization does not use fund accounting, check the box above line 71 and report net worth account balances on lines 71 through 74. Also complete line 75 to report the sum of the total liabilities and net worth.

Line 71—Capital stock or trust principal.—For corporations, enter the balance per books for capital stock accounts. Show par or stated value (or for stock with no par or stated value, total amount received upon issuance) of all classes of stock issued and, as yet, uncancelled. For trusts, enter the amount in the trust principal or corpus account.

Line 72—Paid-in or capital surplus.— Enter the balance per books for all paid-in capital in excess of par or stated value for all stock issued and, as yet, uncancelled. If stockholders or others gave donations that the organization records as paid-in capital, include them here. Any current year donations you include on line 72 should be reported in Part I, line 1.

Line 73—Retained earnings or accumulated income.—For a corporation, enter the balance in the retained earnings or similar account, minus the cost of any corporate treasury stock. For trusts, enter the balance per books in the accumulated income or similar account.

Line 74—Total fund balances or net worth.—For organizations that use fund accounting, enter the total of lines 67 through 70. For all other organizations, enter the total of lines 71 through 73. The beginning of the year figure in column (A) should be carried over to the Total column in Part I, line 19. The end of year figure in column (B) should agree with the figure on line 21 of the Total column in Part I.

Line 75—Total liabilities and fund balances/net worth.—Enter the total of lines 66 and 74. That figure must equal the figure for total assets reported on line 59 for both the beginning and end of the year.

Part VI—List of Officers, Directors, and Trustees.—

List each of the organization's officers, directors, trustees, and other persons having responsibilities or powers similar to those of officers, directors, or trustees. List all of these persons even if they did not receive any compensation from the organization. Show the compensation, if any, the organization paid each one during the period covered by the return.

Column (C).—Enter each officer's or director's compensation separately in the space provided. DO NOT aggregate all of the officers' and directors' compensation into a combined total.

Column (E).—Enter amounts that the recipients must report as income on their separate income tax returns. Examples include amounts for which the recipient did not account to the organization, or allowances that were more than the payee spent on serving the organization.

Part VII—Other Information.—

Line 76—Change in activities.—Attach a statement explaining any significant changes in the kind of activities the organization conducts to further its exempt purpose. These new or modified activities would be those not listed as current or planned in your application for recognition of exemption; or those not already made known to IRS by a letter to your key district director or by an attachment to your return for any earlier year. Besides describing new activities or changes to current ones, also describe any major program activities that are being discontinued.

Line 77—Changes in organizing or governing documents.—Attach a conformed copy of any changes to the articles of incorporation, constitution, trust instrument, or other organizing document, or to the bylaws or other governing document.

A "conformed" copy is one that agrees with the original document, and all amendments to it. If the copies are not signed, they must be accompanied by a written declaration signed by an officer authorized to sign for the organization, certifying that they are complete and accurate copies of the original documents.

Photocopies of articles of incorporation showing the certification of an appropriate state official need not be accompanied by such a declaration. See Rev. Proc. 68-14, 1968-1 C.B. 768, for more information.

When a number of changes are made, send a copy of the entire revised organizing instrument or governing document.

Line 78—Unrelated business income.— Check "Yes" on line 78a if the organization's total gross income from all of its unrelated trades and businesses is $1,000 or more for the year. Gross income is gross receipts less the cost of goods sold and/or operations. See General Instruction C2 for a description of unrelated business income and the Form 990-T filing requirements for section 501(c), 501(e), 501(f), and 501(k) organizations having such income. Form 990-T is not a substitute for Form 990. Items of income and expense reported on Form 990-T must also be reported on Form 990 when the organization is required to file both forms. For purposes of line 78c, the term "business activities" includes any income-generating activity involving the sale of goods or services or income from investments.

Note: *For tax years beginning after December 31, 1986, all tax exempt organizations must pay estimated tax with respect to their unrelated business income.*

Line 79—Liquidation, dissolution, termination, or substantial contraction.—If there was a liquidation, dissolution, termination, or substantial contraction, attach a statement explaining which took place.

For a complete liquidation of a corporation or termination of a trust, write **"Final Return"** at the top of the organization's Form 990. On the statement you attach, show whether the assets have been distributed and the date. Also attach a certified copy of any resolution, or plan of liquidation or termination, etc., with all amendments or supplements not already filed. In addition, attach a schedule listing: the names and addresses of all persons who received the assets distributed in liquidation or termination; the kinds of assets distributed to each one, and each asset's fair market value.

A *substantial contraction* is a partial liquidation or other major disposition of assets, except transfers for full consideration or distributions from current income.

A *major distribution of assets* means any disposition for the tax year that is:

(a) At least 25% of the fair market value of the organization's net assets when the tax year began; or

(b) One of a series of related dispositions begun in earlier years that, together, add up to at least 25% of the net assets the organization had at the beginning of the tax year when the first disposition in the series was made. Whether a major disposition of assets took place through a series of related dispositions is determined by the facts in each case.

See Regulations section 1.6043-3 for special rules and exceptions.

Line 80—Relation to other organizations.— Answer "Yes" if most of the organization's governing body, officers, trustees, or membership are also officers, directors, trustees, or members of any other organization.

Disregard a coincidental overlap of membership with another organization (that is, when membership in one organization is not a condition of membership with another organization). For example, assume that a majority of the members of a section 501(c)(4) civic organization also belong to a local chamber of commerce described in section 501(c)(6). The civic organization should answer "No" on line 80 if it does not require its members to belong to the chamber of commerce.

Also disregard affiliation with any statewide or nationwide organization. Thus, the civic organization in the above example would still answer "No" on line 80 even if it belonged to a state or national federation of similar organizations. A local labor union whose members are also members of a national labor organization would answer "No" on line 80.

Line 81—Expenditures for political purposes.—A political expenditure is one intended to influence the selection, nomination, election, or appointment of anyone to a Federal, state, or local public office, or office in a political organization, or the election of Presidential or Vice Presidential electors. Whether the attempt succeeds does not matter.

An expenditure includes a payment, distribution, loan, advance, deposit, or gift of money, or anything of value. It also includes a contract, promise, or agreement to make an expenditure, whether or not legally enforceable.

Section 501(c) organizations must file Form 1120-POL if their political expenditures and their net investment income both exceed $100 for the year.

Section 501(c) organizations that maintained separate segregated funds described in section 527(f)(3) should refer to the instructions for Form 1120-POL for filing requirements.

Line 82—Donated services or facilities.— Since Form 990 is open to public inspection, you may want the return to show contributions the organization received in the form of donated services or the use of materials, equipment, or facilities at less than fair rental value. If so, and if the organization's records either show the amount and value of such items or give a clearly objective basis for an estimate, you may enter the information on line 82. IRS does not require any organization to keep such records. Do NOT include the value of such items in Part I or II or in the expense column in Part III. However, you may indicate the value of donated services or use of materials, equipment, or facilities in Part III in the narrative description of program services rendered. See the instructions for Part III.

Line 83—Section 501(c)(5) or (6) organizations.—Attempts to influence the opinion of the general public, or any segment of the general public, on legislative matters or referendums constitute grassroots lobbying. Such lobbying may be explicit, as in an advertisement that urges the public to contact legislators for the purpose of proposing, supporting, or opposing legislation. Grassroots lobbying may also be implicit in any advertisement or other communication directed at the public if the communication is an attempt to mold public opinion on a legislative matter or referendum. Any lobbying directed at the members of the organization is not grassroots lobbying. Lobbying directed at "potential" members, employees of members, or stockholders of members would be grassroots lobbying. See Regulations section 1.162-20(c) for a discussion of grassroots lobbying.

Line 84—Section 501(c)(7) organizations.— A section 501(c)(7) organization may receive up to 35% of its gross receipts, including investment income, from sources outside its membership and remain tax exempt. Part of the 35% (up to 15% of gross receipts) may be derived from public use of a social club's facilities.

For this purpose, "gross receipts" are the club's income from its usual activities. The term includes charges, admissions, membership fees, dues, assessments, investment income (such as dividends, rents, and similar receipts), and normal recurring capital gains on investments. Gross receipts do not include capital contributions (as defined in the Regulations under section 118), initiation fees, or unusual amounts of income such as from the club's selling its clubhouse. Although gross receipts usually do not include initiation fees, these should be included for college fraternities or sororities or other organizations that charge membership initiation fees, but no annual dues.

If the 35% and 15% limits do not affect the club's exempt status, include the income from line 84b on the club's Form 990-T.

Section 501(i) provides that a section 501(c)(7) organization cannot be exempt from income tax if any written policy statement, including the governing instrument and bylaws, provides for discrimination on the basis of race, color, or religion. However, section 501(i) allows social clubs to retain their exemption under section 501(c)(7) even though their membership is limited (in writing) to members of a particular religion if: (1) the social club is an auxiliary of a fraternal beneficiary society that is exempt under section 501(c)(8) and limits its membership to the members of a particular religion; or (2) the social club's membership limitation is a good faith attempt to further the teachings or principles of that religion, and the limitation is not intended to exclude individuals of a particular race or color.

Line 85—Section 501(c)(12) organizations.—One of the requirements that an organization must meet to qualify under section 501(c)(12) is that at least 85 percent of its gross income consists of amounts collected from members for the sole purpose of meeting losses and expenses. For purposes of section 501(c)(12), the term "gross income" means gross receipts minus cost of goods sold.

For a mutual or cooperative electric or telephone company, "gross income" does not include amounts received or accrued as "qualified pole rentals" as defined in section 501(c)(12)(D).

For a mutual or cooperative telephone company, "gross income" also does not include amounts received or accrued either from another telephone company for completing long distance calls to or from or between the telephone company's members, or from the sale of display listings in a directory furnished to the telephone company's members.

Line 86—Public interest law firms.—A public interest law firm exempt under section 501(c)(3) or 501(c)(4) must attach a statement that lists the cases in litigation, or that have been litigated during the year. For each case, describe the matter in dispute and explain how the litigation will benefit the public generally. See Rev. Proc. 71-39, 1971-2 C.B. 575. Also attach a report of all fees sought and recovered. See Rev. Proc. 75-13, 1975-1 C.B. 662, about acceptance of attorney's fees.

Line 87—List of states.—List each state with which you are filing a copy of this return in full or partial satisfaction of state filing requirements.

SCHEDULE A (Form 990)

Department of the Treasury
Internal Revenue Service

Organization Exempt Under 501(c)(3)

(Except Private Foundation), 501(e), 501(f), 501(k), or Section 4947(a)(1) Trust
Supplementary Information
▶ Attach to Form 990.

OMB No. 1545-0047

1986

Name | Employer identification number

Part I Compensation of Five Highest Paid Employees Other Than Officers, Directors, and Trustees (See specific Instructions)

Name and address of employees paid more than $30,000	Title and average hours per week devoted to position	Compensation	Contributions to employee benefit plans	Expense account and other allowances
Total number of other employees paid over $30,000 . . . ▶				

Part II Compensation of Five Highest Paid Persons for Professional Services (See specific Instructions)

Name and address of persons paid more than $30,000	Type of service	Compensation
Total number of others receiving over $30,000 for professional services . . . ▶		

Part III Statements About Activities

		Yes (1)	No (2)
1 During the year, have you attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? . . .	1		
If "Yes," enter the total expenses paid or incurred in connection with the legislative activities $ ______ Complete Part VI of this form for organizations that made an election under section 501(h) on Form 5768 or other statement. For other organizations checking "Yes," attach a statement giving a detailed description of the legislative activities and a classified schedule of the expenses paid or incurred.			
2 During the year, have you, either directly or indirectly, engaged in any of the following acts with a trustee, director, principal officer or creator of your organization, or any organization or corporation with which such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary:			
a Sale, exchange, or leasing of property? . . .	2a		
b Lending of money or other extension of credit? . . .	2b		
c Furnishing of goods, services, or facilities? . . .	2c		
d Payment of compensation (or payment or reimbursement of expenses if more than $1,000)? . . .	2d		
e Transfer of any part of your income or assets? . . .	2e		
If the answer to any question is "Yes," attach a detailed statement explaining the transactions.			
3 Do you make grants for scholarships, fellowships, student loans, etc.? . . .	3		
4 Attach a statement explaining how you determine that individuals or organizations receiving disbursements from you in furtherance of your charitable programs qualify to receive payments. (See specific instructions)			

Part IV Reason for Non-Private Foundation Status (See instructions for definitions)

The organization is not a private foundation because it is (check applicable box; please check only **ONE** box):

5 ☐ 1 A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).
6 ☐ 2 A school. Section 170(b)(1)(A)(ii). (Also complete Part V, page 3.)
7 ☐ 3 A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
8 ☐ 4 A Federal, state or local government or governmental unit. Section 170(b)(1)(A)(v).
9 ☐ 5 A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii). **Enter name, city, and state of hospital ▶** ....
10 ☐ 6 An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv) (Also complete Support Schedule.)
11 ☐ 7 An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete Support Schedule.)
12 ☐ 8 An organization that normally receives: (a) no more than 1/3 of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975, and (b) more than 1/3 of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions—subject to certain exceptions. See section 509(a)(2). (Also complete Support Schedule.)
13 ☐ 9 An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in (1) boxes 5 through 12 above or (2) section 501(c)(4), (5), or (6) if they meet the test of section 509(a)(2). See section 509(a)(3).

Provide the following information about the supported organizations. (See instructions for Part IV, box 13.)

(a) Name of supported organizations	(b) Box number from above

14 ☐ 0 An organization organized and operated to test for public safety. Section 509(a)(4). (See specific instructions)

Support Schedule (Complete only if you checked box 10, 11, or 12 above) Use cash method of accounting.

Calendar year (or fiscal year beginning in) ▶	(a) 1985	(b) 1984	(c) 1983	(d) 1982	(e) Total
15 Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.) . .					
16 Membership fees received . . .					
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is not a business unrelated to the organization's charitable, etc., purpose . . .					
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975 . . .					
19 Net income from unrelated business activities not included in line 18 . .					
20 Tax revenues levied for your benefit and either paid to you or expended on your behalf . . .					
21 The value of services or facilities furnished to you by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge . . .					
22 Other income Attach schedule. Do not include gain (or loss) from sale of capital assets .					
23 Total of lines 15 through 22 . . .					
24 Line 23 minus line 17 . . .					
25 Enter 1% of line 23 . . .					

26 Organizations described in box 10 or 11:
a Enter 2% of amount in column (e), line 24. . . .
b Attach a list (not open to public inspection) showing the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 1982 through 1985 exceeded the amount shown in 26a. Enter the sum of all excess amounts here . . .

(Continued on page 3)

Part IV **Support Schedule (continued)(Complete only if you checked box 10, 11, or 12 on page 2)**

27 Organizations described in box 12, page 2:

a Attach a list for amounts shown on lines 15, 16, and 17, showing the name of, and total amounts received in each year from, each "disqualified person," and enter the sum of such amounts for each year:

(1985)............ (1984)............ (1983)............ (1982)............

b Attach a list showing, for 1982 through 1985, the name and amount included in line 17 for each person (other than "disqualified persons") from whom the organization received more, during that year, than the larger of: the amount on line 25 for the year or $5,000. Include organizations described in boxes 5 through 11 as well as individuals. Enter the sum of these excess amounts for each year:

(1985) (1984) (1983) (1982)

28 For an organization described in box 10, 11, or 12, page 2, that received any unusual grants during 1982 through 1985, attach a list (not open to public inspection) for each year showing the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not include these grants in line 15 above. (See specific instructions)

Part V **Private School Questionnaire**
To Be Completed ONLY by Schools That Checked Box 6 in Part IV

		Line	Yes (1)	No (2)
29	Do you have a racially nondiscriminatory policy toward students by statement in your charter, bylaws, other governing instrument, or in a resolution of your governing body?	29		
30	Do you include a statement of your racially nondiscriminatory policy toward students in all your brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?	30		
31	Have you publicized your racially nondiscriminatory policy by newspaper or broadcast media during the period of solicitation for students or during the registration period if you have no solicitation program, in a way that makes the policy known to all parts of the general community you serve?	31		
	If "Yes," please describe; if "No," please explain. (If you need more space, attach a separate statement.)			
32	Do you maintain the following:			
a	Records indicating the racial composition of the student body, faculty, and administrative staff?	32a		
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	32b		
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?	32c		
d	Copies of all material used by you or on your behalf to solicit contributions?	32d		
	If you answered "No" to any of the above, please explain. (If you need more space, attach a separate statement.)			
33	Do you discriminate by race in any way with respect to:			
a	Students' rights or privileges?	33a		
b	Admissions policies?	33b		
c	Employment of faculty or administrative staff?	33c		
d	Scholarships or other financial assistance? (See instructions)	33d		
e	Educational policies?	33e		
f	Use of facilities?	33f		
g	Athletic programs?	33g		
h	Other extracurricular activities?	33h		
	If you answered "Yes" to any of the above, please explain. (If you need more space, attach a separate statement.)			
34a	Do you receive any financial aid or assistance from a governmental agency?	34a		
b	Has your right to such aid ever been revoked or suspended?	34b		
	If you answered "Yes" to either 34a or b, please explain using an attached separate statement.			
35	Do you certify that you have complied with the applicable requirements of sections 4.01 through 4.05 of Rev. Proc. 75-50, 1975-2 C.B. 587, covering racial nondiscrimination? If "No," attach an explanation. (See instructions for Part V)	35		

Part VI **Lobbying Expenditures by Public Charities (See instructions)**
(To be completed ONLY by an eligible organization that filed Form 5768)

Check here ▶ a ☐ If the organization belongs to an affiliated group (See instructions)
Check here ▶ b ☐ If you checked a and "limited control" provisions apply. (See instructions)

Limits on Lobbying Expenses	(a) Affiliated group totals	(b) To be completed for ALL electing organizations
36 Total (grassroots) lobbying expenses to influence public opinion		
37 Total lobbying expenses to influence a legislative body		
38 Total lobbying expenses (add lines 36 and 37)		
39 Other exempt purpose expenses (See Part VI instructions)		
40 Total exempt purpose expenses (add lines 38 and 39) (See instructions)		
41 Lobbying nontaxable amount. Enter the smaller of $1,000,000 or the amount determined under the following table—		
If the amount on line 40 is— / **The lobbying nontaxable amount is—**		
Not over $500,000 ... 20% of the amount on line 40		
Over $500,000 but not over $1,000,000 ... $100,000 plus 15% of the excess over $500,000		
Over $1,000,000 but not over $1,500,000 ... $175,000 plus 10% of the excess over $1,000,000		
Over $1,500,000 ... $225,000 plus 5% of the excess over $1,500,000		
42 Grassroots nontaxable amount (enter 25% of line 41)		
(Complete lines 43 and 44. File Form 4720 if either line 36 exceeds line 42 or line 38 exceeds line 41.)		
43 Excess of line 36 over line 42		
44 Excess of line 38 over line 41		

4-Year Averaging Period Under Section 501(h).
(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 45-50 for details.)

Lobbying Expenses During 4-Year Averaging Period

Calendar year (or fiscal year beginning in) ▶	(a) 1986	(b) 1985	(c) 1984	(d) 1983	(e) Total
45 Lobbying nontaxable amount (See instructions)					
46 Lobbying ceiling amount (150% of line 45(e))					
47 Total lobbying expenses (See instructions)					
48 Grassroots nontaxable amount (See instructions)					
49 Grassroots ceiling amount (150% of line 48(e))					
50 Grassroots lobbying expenses (See instructions)					

1986 Department of the Treasury Internal Revenue Service

Instructions for Schedule A (Form 990)

(Section references are to the Internal Revenue Code, unless otherwise noted.)

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Purpose of Form.—Schedule A (Form 990) is used by section 501(c)(3), 501(e), 501(f), and 501(k) organizations and section 4947(a)(1) trusts to furnish additional information not required of other types of organizations that file **Form 990**, Return of Organization Exempt From Income Tax. This additional information is required by section 6033(b) and Rev. Proc. 75-50.

For purposes of these instructions, the term *section 501(c)(3)* includes organizations exempt under sections 501(e), 501(f), and 501(k).

General Information

A. Who Must File.—If you file Form 990 for an organization described in section 501(c)(3), or a nonexempt charitable trust described in section 4947(a)(1), you will need to complete and attach Schedule A. If you are not required to file Form 990, you need not file Schedule A. Do not use Schedule A if you file for a private foundation. (Private foundations file **Form 990-PF**, Return of Private Foundation, instead of Form 990.)

B. Period Covered.—Your Schedule A should cover the same period as the Form 990 with which you file it.

C. Penalties.—Schedule A (Form 990) is an integral part of Form 990 for section 501(c)(3) organizations and section 4947(a)(1) trusts required to file that form. Therefore, any such organization that does not submit a completed Schedule A with its Form 990 does not satisfy its filing requirement and may be charged a $10 a day penalty. See General Instruction H of the Form 990 instructions for more information about this and other penalties.

To avoid having to respond to requests for missing information, please be sure to complete all applicable line items; to answer "Yes" or "No" to each question on the return; to make an entry (including a "-0-" when appropriate) on all total lines; and to enter "None" or "N/A" if an entire part does not apply.

Specific Instructions

If you need more space for any part or line item, attach separate sheets on which you follow the same format and sequence as on the printed form. Show totals on the printed form. Be sure to put the organization's name and employer identification number on separate sheets and identify the part or line that the attachments support.

You may show money items as whole dollar amounts. To do so, drop any amount less than 50 cents, and increase any amount from 50 through 99 cents to the next higher dollar.

Part I.—Complete for the five employees with the highest annual compensation over $30,000. Do not include employees listed in Part VI of Form 990 (List of Officers, Directors, and Trustees). Also enter in Part I the number of other employees with annual compensation over $30,000 *who are not listed in Part I.*

Part II.—Complete for the five highest paid independent contractors who performed personal services of a professional nature for the organization and, in return, received over $30,000 for the year from the organization. Examples of such contractors include attorneys, accountants, and doctors, whether these people perform the services as individuals or as employees of a professional service corporation. Also show the number of other independent contractors who received more than $30,000 for the year for performing such services and are not listed in Part II.

Part III.—

Line 1.—For a definition of *attempting to influence legislation,* see the instructions for Part VI.

Line 2d.—If the only compensation or repayment relates to amounts you reported in Part VI of Form 990, check "Yes" and write "See Part VI, Form 990" on the dotted line to the left of the entry space. For transactions between the organization and another section 501(c)(3) organization (other than a private foundation), write "N/A."

Line 4.—In the statement, do not include payments for materials or services the organization receives.

Qualify means that organizations or individuals will use the funds you provide for charitable purposes described in sections 170(c)(1) and 170(c)(2).

Qualify also means that individual recipients belong to a charitable class, and the payments are to aid them. Examples include help to the aged poor, training of teachers and social workers from underdeveloped countries, and awards such as scholarships to individuals.

Part IV.—

Definitions.—The following terms are used in more than one item in Part IV. The definitions below generally apply.

Support (boxes 10, 11, 12, Support Schedule), with certain exceptions described below, means all forms of support including (but not limited to) contributions, investment income (such as interest, rents, royalties, and dividends), and net income from unrelated business activities whether or not such activities are carried on regularly as a trade or business.

(a) *Support* does not include—

(1) Any amounts the organization receives from exercising or performing its charitable, educational, or other similar purpose or function. In general, these amounts include those from any activity which is substantially related to the furtherance of such charitable, etc., purpose or function (other than through the production of income). **Exception:** Section 509(a)(2) organizations that check box 12 do include these amounts as part of their support.

(2) Any gain on the sale or exchange of property which would be considered under any section of the Code as gain from the sale or exchange of a capital asset.

(3) Contributions of services for which a deduction is not allowable.

(b) *Support from a governmental unit,* with certain exceptions described below, includes—

(1) Any amounts received from a governmental unit, including donations or contributions and amounts received in connection with a contract entered into with a governmental unit for the performance of services or in connection with a government research grant, provided these amounts are not excluded from the term *support* as amounts received from exercising or performing the organization's charitable purpose or function. An amount paid by a governmental unit to an organization is not treated as received from exercising or performing its charitable, etc., purpose or function if the payment is to enable the organization to provide a service to, or maintain a facility for, the direct benefit of the public, as for example, to maintain library facilities which are open to the public.

(2) Tax revenues levied for the organization's benefit and either paid to or expended on its behalf.

(3) The value of services or facilities (exclusive of services or facilities generally furnished, without charge, to the public) furnished by a governmental unit to the organization without charge; for example, a city pays the salaries of personnel to guard a museum, art gallery, etc., or provides the use of a building rent free. However, the term does not include the value of any exemption from Federal, state, or local tax or any similar benefit.

Indirect contributions from the general public are what the organization receives from other organizations that receive a substantial part of their support from general public contributions. An example is the organization's share of the proceeds from an annual community chest drive (such as the United Way or United Fund).

A disqualified person is:

(1) A *substantial contributor,* who is any person who gave an aggregate amount of more than $5,000, if that amount is more than 2% of the total contributions the foundation or organization received from its inception up through the end of the year in which that person's contributions were received. Gifts from the contributor's spouse are treated as gifts from the contributor. Gifts are generally valued at fair market value as of the date the organization received them. Special rules apply for contributions made on or before October 9, 1969. (See section 1.507-6 of the regulations.) In the case of a trust, the creator of the trust is considered a substantial contributor without regard to the amount of contributions received by the trust from the creator and other persons. Any person who is a substantial contributor at any time generally remains a substantial contributor for all future periods even if later contributions by others push that person's contributions below the 2% figure discussed above.

(2) An officer, director, or trustee of the organization or any individual having powers or responsibilities similar to those of officers, directors, or trustees.

(3) An owner of more than 20% of: the voting power of a corporation, profits interest of a partnership, or beneficial interest of a trust or an unincorporated enterprise that is a substantial contributor to the organization.

(4) A family member of an individual in the first three categories. A family member includes only a person's spouse, ancestors, lineal descendants, and spouses of lineal descendants.

(5) A corporation, partnership, trust, or estate in which persons described in (1), (2), (3), or (4) own more than 35% of the voting power, profits interest, or beneficial interest. See section 4946(a)(1).

An organization is considered *normally* to satisfy the public support test (boxes 10, 11, and 12) for its current tax year and the tax year immediately following its current tax year if the organization satisfies the applicable support test for the 4 tax years immediately before the current tax year. If the organization has a material change (other than from unusual grants—see instructions for line 28 on page 3) in its sources of support during the current tax year, the data ordinarily required in the Support Schedule covering the years 1982 through 1985 must be submitted for the years 1982 through 1986. You must prepare and attach a 5-year schedule using the same format as provided in the Support Schedule for lines 15 through 28.

Boxes 5 through 14.—Check one box to indicate why the organization is not a private foundation. The organization's exemption letter states the reason, or your local IRS office can tell you.

Box 6.—Check box 6 for a school whose primary function is the presentation of formal instruction, and which regularly has a faculty, a curriculum, an enrolled body of students, and a place where educational activities are regularly conducted.

A private school, in addition, must have a racially nondiscriminatory policy toward its students. For more information about these requirements, see the instructions for Part V.

Box 7.—Check for an organization whose main purpose is to provide hospital or medical care. A rehabilitation institution or an outpatient clinic may qualify as a hospital, but the term does not include: medical schools, medical research organizations, convalescent homes, homes for the aged, or vocational training institutions for the handicapped. Also check box 7 for a cooperative hospital service organization described in section 501(e).

Box 9.—Check for a medical research organization operated in connection with or in conjunction with a hospital. The hospital must be described in section 501(c)(3) or operated by the Federal government, a State or its political subdivision, a U.S. possession or its political subdivision, or the District of Columbia.

Medical research means studies and experiments done to increase or verify information about physical or mental diseases and disabilities: their causes, diagnosis, prevention, treatment, or control. The organization must conduct the research directly and continuously. If it primarily gives funds to other organizations (or grants and scholarships to individuals) for them to do the research, the organization is not a medical research organization.

The organization need not be an affiliate of the hospital but there must be an understanding that they will cooperate closely and continuously in doing medical research as a joint effort.

An organization qualifies as a medical research organization if its principal purpose is medical research and it devotes more than half its assets, or spends at least 3.5% of the fair market value of its endowment, in directly conducting medical research. Either test may be met based on a computation period consisting of the immediately preceding tax year or the immediately preceding 4 tax years. If an organization does not satisfy either the assets test or the expenditure test, it may still qualify as a medical research organization based on the circumstances involved. These are discussed in Regulations section 1.170A-9(c)(2)(v) and (vi). Value the organization's assets as of any day in your tax year, but use the same day every year. Value the endowment at fair market value, using commonly accepted valuation methods. (See Regulations section 20.2031.)

Box 10.—Check box 10 and complete the Support Schedule (lines 15 through 28) if your organization receives and manages property for, and expends funds to or for the benefit of, a college or university that is owned or operated by one or more states or their political subdivisions. The school must be as described in the first paragraph of the instructions for box 6.

Expending funds to or for the benefit of a college or university includes acquiring and maintaining the campus, its buildings, and its equipment, granting scholarships and student loans, and making any other payments in connection with the normal functions of colleges and universities.

The organization must meet essentially the same public support test described below for box 11. See Rev. Rul. 82-132, 1982-2 C.B. 107.

Box 11.—Check this box and complete the Support Schedule for an organization that normally receives at least 33⅓% of its support (excluding income received in exercising its charitable, etc., function) from a governmental unit or from direct or indirect contributions from the general public.

To determine whether the 33⅓ percent-of-support test is met, donor contributions are considered support from direct or indirect contributions from the general public only to the extent that their total amount during the 4-tax-year period is 2% or less of the organization's total support for those 4 tax years as described below:

Denominator.—Any contribution by one individual will be included in full in the total support denominator of the fraction determining the 33⅓ percent-of-support or the 10 percent-of-support limitation.

Numerator.—Only the portion of each donor's contribution that is 2% or less of the total support denominator will be included in the numerator. In applying the 2% limitation, all contributions by any person(s) related to the donor as described in section 4946(a)(1)(C) through (G) (and related regulations) will be treated as if made by the donor. The 2% limitation does not apply to support from governmental units referred to in section 170(c)(1), or to contributions from publicly supported organizations (section 170(b)(1)(A)(vi)), that check box 11

Example: For the years 1982 through 1985, the X organization received $600,000 in support from the following sources

Investment income	$300,000
Y City (government source)	40,000
United Fund (indirect contributions from general public)	40,000
Direct contributions	220,000
Total support	$600,000

Six donors each gave more than 2% of the total support (which is $12,000). While the donors' full contributions are counted in X organization's total support, only $12,000 from each of these six donors is included in the organization's public support. The public support is figured as follows:

Government support (Y City)	$40,000
Indirect contributions from the general public (United Fund)	40,000
Contributions from various donors, none of whom gave over 2% of the organization's total support	50,000
6 contributions limited to 2% of the organization's total support (6 x $12,000)	72,000
Public support	$202,000

One-third of X organization's total support is $200,000 for 1982 through 1985. Since the organization received more than one-third of its total support for the period from public sources, it qualifies as a publicly supported organization.

An organization which does not qualify as publicly supported under the test described above may be publicly supported on the basis of the facts in its case if it receives at least 10% of its support from the general public. If you believe you are publicly supported according to applicable regulations, attach a detailed statement of the facts upon which you base your conclusion.

Box 12.—Check box 12 and complete the Support Schedule (lines 15 through 28) for an organization that meets both of the following support tests (section 509(a)(2))

(A) normally receives more than one-third of its support in each tax year from any combination of—

(i) gifts, grants, contributions, or membership fees, and

(ii) gross receipts from admissions, sales of merchandise, performance of services, or furnishing of facilities in an activity which is not an unrelated trade or business (within the meaning of section 513), not including such receipts from any person, or from any bureau or similar agency of a government unit (as described in section 170(c)(1)), in any tax year to the extent such receipts exceed the greater of $5,000 or 1% of the organization's support in such tax year, from persons other than disqualified persons (see Definitions, above) with respect to the organization, from governmental units described in section 170(c)(1), or from organizations described in section 170(b)(1)(A) (other than in clauses (vii) and (viii)), and

(B) normally receives not more than one-third of its support in each tax year from the sum of—

(i) gross investment income (as defined in section 509(e)), and

(ii) the excess (if any) of the amount of the unrelated business taxable income (as defined in section 512) over the amount of the tax imposed by section 511.

For purposes of section 509(a)(2), determine your support solely on the cash receipts and disbursements method of accounting. For examples, see Regulations section 1.509(a)-3(k)

Retained character of gross investment income.—To determine whether an organization meets the gross investment income test set forth in section 509(a)(2)(B), amounts it receives from

(a) an organization which claims to be described in section 509(a)(3) because it supports a 509(a)(2) organization; or

(b) a charitable trust, corporation, fund, or association described in section 501(c)(3) (including a charitable trust described in section 4947(a)(1)), or a split-interest trust described in section 4947(a)(2), which is required by its governing instrument or otherwise to distribute, or which normally distributes, at least 25% of its adjusted net income (within the meaning of section 4942(f)) to a 509(a)(2) organization, and that distribution normally comprises at least 5% of the distributee organization's adjusted net income, will retain the character of gross investment income (rather than gifts or contributions) to the extent that such amounts are characterized as gross investment income in the possession of the distributing organizations described in (a) and (b) of this paragraph or, if the distributing organization is a split-interest trust described in section 4947(a)(2), to the extent that such amounts would be characterized as gross investment income attributable to transfers in trust after May 26, 1969, if the trust was a private foundation.

All income characterized as gross investment income in the possession of the distributing organization is considered to be distributed first by the organization and keeps its character as such in the possession of the recipient.

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For further details see Regulations section 1.509(a)-5, covering special rules of attribution.

If your organization received any amounts from either kind of organization above, attach a statement. Show each amount received from each organization, including amounts, such as gifts, that are not investment income.

Box 13.—Check box 13 and complete items a and b for a supporting organization operated only for the benefit of and in connection with organizations listed above in boxes 5 through 12, or with organizations described in section 501(c)(4), (5), or (6) that meet the tests of section 509(a)(2) (described in box 12). General principles governing supporting organizations are described in Regulations section 1.509(a)-4.

Under item 13b, "Box number from above," identify the organization supported if it is included in the list of boxes 5 through 12. For example, if your organization supported a hospital, enter "7" in item 13b.

Box 14.—Check box 14 only if the organization has received a ruling from the IRS that it is organized and operated primarily to test for public safety.

Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) or (vi) and 509(a)(2).—Complete the Support Schedule if you checked box 10, 11, or 12.

If the organization has not existed during the whole period the schedule covers, fill in the information for the years that apply. If the organization's status is based on years not shown in the Support Schedule, attach an additional schedule for the other years.

Lines 15, 16, 17, 26, and 27.—Refer to Regulations section 1.509(a)-3:

(1) To distinguish gross receipts from gifts and contributions, grants, and gross investment income; and

(2) For the definition of membership fees and a bureau or similar agency of a governmental unit.

Line 17.—In addition to income the organization receives from performing its charitable, etc., functions, include on line 17 gross receipts from section 513(a)(1), (2), or (3) activities. These are activities in which substantially all the work is performed without compensation, or carried on by the organization primarily for the convenience of its members, or which consists of the selling of merchandise, substantially all of which has been received by the organization as gifts or contributions.

Line 28.—Unusual grants generally are substantial contributions and bequests from disinterested persons and:

(1) Are attracted because of the organization's public support,

(2) Are unusual and unexpected because of the amount, and

(3) Are large enough that they would endanger the organization's status as normally meeting the support test described in the instructions for box 10, 11, or 12.

A grant that meets these terms may be treated as an unusual grant (that is disregarded entirely in the public support computation) even if the organization receives the funds over a period of years. In your list of unusual grants, show only what the organization received during the year.

Do not treat gross investment income items as unusual grants. Instead, include all investment income in support

See Regulations sections 1.170A-9(e)(6)(ii) and 1.509(a)-(3)(c)(3) and (4) for more information about unusual grants.

Part V.—All schools that checked box 6, Part IV, must complete Part V. Rev. Proc. 75-50, 1975-2 C.B. 587, gives guidelines and recordkeeping requirements for determining whether private schools that are presently recognized as exempt from tax have racially nondiscriminatory policies as to students.

Section 4.01 of the Rev. Proc. requires a school to include a statement in its charter, bylaws, or other governing instrument, or in a resolution of its governing body, that it has a racially nondiscriminatory policy as to students.

Section 4.02 requires every school to include a statement of its racially nondiscriminatory policy as to students in all its brochures and catalogues dealing with student admissions, programs, and scholarships. Further, every school must include a reference to its racially nondiscriminatory policy in other written advertising that it uses as a means of informing prospective students of its programs.

Section 4.03 requires a school to publicize its racially nondiscriminatory policy at least once annually during the period of its solicitation for students, or, in the absence of a solicitation program, during its registration period, unless it meets the criteria set out in section 4.03-2 of the Rev. Proc. See section 4.03-1 for examples of acceptable methods of publicizing the policy, including the use of newspapers and broadcast media. Whatever method is used, it must make the school's policy known to all segments of the general community it serves.

Section 4.03 further requires a school to be prepared to demonstrate that it has publicly denied or withdrawn any statements claimed to have been made on its behalf that are contrary to its publicity of a racially nondiscriminatory policy as to students, to the extent that the school or its principal officials were aware of such statements.

Section 4.04 requires a school to be able to show that all of its programs and facilities are operated in a racially nondiscriminatory manner.

Section 4.05 generally requires that all scholarships or other comparable benefits at any school be offered on a racially nondiscriminatory basis. However, a financial assistance program favoring members of one or more racial groups will not adversely affect exempt status if it does not significantly detract from a racially nondiscriminatory policy as to students.

Section 4.06 requires an individual authorized to take official action on behalf of a school that claims to be racially nondiscriminatory as to students to certify annually, under penalties of perjury, that to the best of his or her knowledge and belief the school has satisfied the applicable requirements of sections 4.01 through 4.05 of the Rev. Proc. This certification is line 35 in Part V.

Part VI.—Complete Part VI only for an eligible organization that filed **Form 5768**, Election/Revocation of Election by an Eligible Section 501(c)(3) Organization to Make Expenditures to Influence Legislation, to elect to be subject to the lobbying expenditure limitations of section 501(h) and the election was in effect for its tax year beginning in 1986. For lines 36 through 44, complete column (b) for any organization using Part VI, but complete column (a) only for affiliated groups, defined on page 4.

An organization that makes the election can have nontaxable lobbying expenses within certain dollar limits. It will be subject to an excise tax under section 4911 if its lobbying expenses exceed these limits in a particular year. Lines 36-44 are used to determine whether any of the organization's current year lobbying expenditures are subject to tax. File **Form 4720**, Return of Certain Excise Taxes on Charities and Other Persons Under Chapters 41 and 42 of the Internal Revenue Code, if you need to report and pay the excise tax.

If, over a 4-year averaging period, the organization's average annual lobbying or grassroots lobbying expenses are more than 150% of its dollar limits, its exempt status may be jeopardized. Lines 45-50 are used to determine if the organization exceeded these limits during the 4-year averaging period.

Definitions.—The following terms are used throughout Part VI. The definitions below generally apply.

Exempt purpose expenses are:

(1) The total amounts paid or incurred for religious, charitable, scientific, literary, or educational purposes, or to foster national or international amateur sports competition (not including (except for qualified amateur sports organizations described in section 501(j)(2)) the providing of athletic facilities or equipment), or for the prevention of cruelty to children or animals.

(2) Administrative expenses paid or incurred for the purposes above.

(3) Amounts paid or incurred to try to influence legislation, whether or not for the purposes described in (1) above.

Exempt purpose expenses do not include amounts paid or incurred to or for either the organization's separate fundraising unit or other organizations, if the amounts are primarily for fundraising.

Lobbying expenses are spent in an attempt to influence legislation by:

(1) Affecting any segment of the general public opinion (grassroots lobbying expenses), or

(2) Communicating with any member or employee of a legislative body, or with any government official or employee who may help form legislation.

Influencing legislation does not include any of the following:

(1) Making available the results of nonpartisan analysis or research.

(2) Providing technical advice or help (that would otherwise be influencing legislation) to a government body, committee, or other subdivision in response to a written request by that group.

(3) Appearing before, or communicating with, a legislative body about its possible decision that might affect the organization's existence, powers, duties, tax-exempt status, or the deduction of contributions to the organization.

(4) Communicating with a government official or employee who is not a member or employee of a legislative body, unless the main purpose of the communication is to influence legislation.

(5) Communications between the organization and its members about legislation or proposed legislation that directly interests the organization and its members. However,

influencing legislation does include requests from the organization to its members that they:

(1) try to influence legislation by communicating with anyone who helps form it; or

(2) encourage nonmembers to try to influence legislation, either by grassroots lobbying or by communicating with anyone who helps form the legislation.

Legislation includes action with respect to acts, bills, resolutions, or similar items by the Congress, any State legislature, any local council, or similar governing body or by the public in a referendum, initiative, constitutional amendment, or similar procedure.

The term *action* in the preceding sentence is limited to the introduction, amendment, enactment, defeat, or repeal of acts, bills, resolutions, or similar items.

Figuring lobbying expenses.—When an expense is incurred partly in connection with exempt purposes and partly in connection with any other type of activity, allocate the expense between the two activities on a reasonable basis. For example, if a person spends half the time on lobbying activities and half the time on investment activities, allocate that person's salary expense equally between the two activities. The same rule applies to other operating expenses, such as telephones or printing, and to overhead or fixed expenses, such as rent, insurance, or depreciation. Figure depreciation on the straight-line basis. Do not include capital expenses, such as improvements to an office, when figuring lobbying expenses.

Affiliated groups.—Two organizations are affiliated if one is bound by the other's decisions on legislative issues (control) or if enough representatives of one belong to the other's governing board to cause or prevent action on legislative issues (interlocking directorate). If you do not know whether your group is affiliated, ask IRS for a ruling letter. Send the request to: Assistant Commissioner (Employee Plans and Exempt Organizations), Exempt Organizations Technical Division, OP:E:EO, 1111 Constitution Ave., NW, Washington, D.C. 20224.

If the electing organization belongs to an affiliated group, complete lines 36 through 44 of column (a), Part VI, for the affiliated group as a whole, and complete column (b) for the electing member of the group. The electing member must also attach a schedule showing each group member's name, address, employer identification number, and expenses. Use the format of Part VI, and show which members elected and which did not.

If the group has no excess amounts on either line 43 or 44, column (a), each electing member will be treated as not having excess amounts. If the group has excess amounts on line 43 or 44, column (a), each electing member will be treated as having excess amounts, and each must file Form 4720 and pay the tax on its proportionate share of the group's excess lobbying expenses. To find a member's proportionate share, multiply the affiliated group's total lobbying expenses (on lines 43, 44, or both) by a fraction. The numerator is the electing member's total lobbying expenses (line 38, column (b)), and the denominator is the total lobbying expenses of all electing members of the affiliated group. Enter the proportionate share in column (b) of line 43, line 44, or both. Include each electing member's share of the excess lobbying expenses on the schedule you attach. Any nonelecting members would not owe tax, but would remain subject to the existing rule, which provides that no substantial part of their activities may consist of carrying on propaganda or otherwise trying to influence legislation.

Limited control.—If two organizations are affiliated because their governing instruments provide that the decisions of one will control the other only on national legislation, apply expenses as follows:

(1) Charge the controlling organization with its own lobbying expenses and with the national legislation expenses of the affiliated organizations. Do not charge the controlling organization with other lobbying expenses (or other exempt-purpose expenses) that the affiliated organizations may have.

(2) Treat each local organization as though it were not a member of an affiliated group. That is, the local organization should account for its own expenses only. It would not include any national legislation expenses deemed to have been incurred by the controlling organization under (1) above.

When this type of limited control is present, each member of the affiliated group should complete column (b) only.

Group returns.—Although membership in a group affiliated for lobbying does not establish eligibility to file a group return, a group return can sometimes meet the filing requirements of more than one member of an affiliated group. (See General Instruction J of Form 990 to see who may file a group return.) If a central or parent organization files a group return on behalf of two or more members of the group, complete lines 36 through 44 of column (a) of Part VI for the affiliated group as a whole. Include the central, electing, and non-electing members. In column (b), except on lines 43 and 44, include the amounts that apply to all electing members of the group if they are included in the group return. Also attach the schedule described above under "Affiliated groups," and show what amounts apply to each group member.

If the group return includes organizations that belong to more than one affiliated group, show the totals for all such groups in column (a). In the schedule you attach, show the amounts that apply to each affiliated group and to each group member.

If the parent organization has made the lobbying expense election, its separate return must also show in column (a) the amounts that apply to the affiliated group as a whole and, in column (b), the amounts that apply to the parent organization only. Similarly, a subordinate organization not included in the group return would also complete column (a) for the affiliated group as a whole, and column (b) for itself only.

However, if "limited control" (defined above) exists, complete only column (b) in Part VI of the group return for the electing members in the group. Attach a schedule to show the amounts that apply to each electing member. In the separate returns filed by the parent and by any subordinate organizations not included in the group return, complete only column (b).

Lines 45-50.—Any organization for which a lobbying expense election under section 501(h) was in effect for its tax year beginning in 1986 must complete columns (a) through (e) of lines 45 through 50 except in the following situations:

(1) An organization first treated as a section 501(c)(3) organization in its tax year beginning in 1986 does not have to complete any part of lines 45 through 50.

(2) An organization does not have to complete lines 45 through 50 for any period before it is first treated as a section 501(c)(3) organization.

(3) If 1986 is the first year for which an organization's first section 501(h) election is effective, that organization is required to complete only the column for 1986 and enter the same amounts in column (e) if the amount in column (a), line 47, is less than the amount in column (a), line 46, and the amount in column (a), line 50, is less than the amount reported in column (a), line 49. If the organization does not satisfy both tests (that is, if its total lobbying expenses or its grassroots lobbying expenses exceed the applicable ceiling amount), complete all five columns unless exception (1) or (2) above applies.

(4) If 1986 is the second or third tax year for which the organization's first section 501(h) election is in effect, that organization is required to complete only the columns for the years in which the election has been in effect and enter the totals for those years in column (e) if, for those 2 or 3 years, the amount entered in column (e), line 47, is less than the amount in column (e), line 46, and the amount in column (e), line 50, is less than the amount reported in column (e), line 49. If the organization does not satisfy both tests (that is, if its total lobbying expenses or its grassroots lobbying expenses exceed the applicable ceiling amount), complete all five columns unless exception (1) or (2) above applies.

If your organization is not required to complete all five columns, attach a statement explaining why. In the statement, also indicate the ending date of the tax year in which the organization made its first section 501(h) election and state whether or not that first election was revoked before the start of the organization's tax year that began in 1986.

If your organization belongs to an affiliated group, you should enter the appropriate affiliated group totals from column (a) when completing lines 45, 47, 48 and 50.

Line 45.—Lobbying nontaxable amount.—For 1984-86, enter the amount from line 41 of the Schedule A (Form 990) filed for each year. For 1983, enter the amounts from line 42 of the Schedule A (Form 990) you filed for that year.

Line 47.—Total lobbying expenses.—For 1984-86, enter the amount from line 38 of the Schedule A (Form 990) filed for each year. For 1983, enter the amounts from line 39 of the Schedule A (Form 990) you filed for that year.

Line 48.—Grassroots nontaxable amount.—For 1984-86, enter the amount from line 42 of the Schedule A (Form 990) filed for each year. For 1983, enter the amounts from line 43 of the Schedule A (Form 990) you filed for that year.

Line 50.—Grassroots lobbying expenses.—For 1984-86, enter the amount from line 36 of the Schedule A (Form 990) filed for each year. For 1983, enter the amounts from line 37 of the Schedule A (Form 990) you filed for that year.

*U.S. GOVERNMENT PRINTING OFFICE: 1986-493-064

Form **990-PF**

Department of the Treasury
Internal Revenue Service

Return of Private Foundation

or Section 4947(a)(1) Trust Treated as a Private Foundation

Note: *You may be able to use a copy of this return to satisfy state reporting requirements.*

OMB No. 1545-0052

1987

For the calendar year 1987, or tax year beginning , 1987, and ending , 19

Please type, print, or attach label. See Specific Instructions.	Name of organization	Employer identification number
	Address (number and street)	State registration number (see instructions)
	City or town, state, and ZIP code	Fair market value of assets at end of year

If application pending, check here ▶ ☐ Foreign organizations, check here ▶ . . . . . ☐ Please attach check or money order here.

Check type of organization:
☐ Exempt private foundation ☐ 4947(a)(1) trust ☐ Other taxable private foundation

If the foundation is in a 60-month termination under section 507(b)(1)(B), check here . . . ▶ ☐

Section 4947(a)(1) trusts filing this form in lieu of Form 1041, check here and see General Instructions. ▶ ☐

Check this box if your private foundation status terminated under section 507(b)(1)(A) . . ▶ ☐

The books are in care of ▶

Located at ▶ Telephone no. ▶

Part I Analysis of Support, Revenue, and Expenses (see instructions for Part I)

		(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purpose
Support and Revenue	1 Contributions, gifts, grants, etc., received (attach schedule)				
	2 Contributions from split-interest trusts				
	3 Interest on savings and temporary cash investments				
	4 Dividends and interest from securities				
	5a Gross rents				
	b (Net rental income (loss))				
	6 Net gain or (loss) from sale of assets not on line 10				
	7 Capital gain net income				
	8 Net short-term capital gain				
	9 Income modifications				
	10a Gross sales minus returns and allowances				
	b Minus: Cost of goods sold (attach schedule)				
	c Gross profit (loss)				
	11 Other income (attach schedule)				
	12 Total (add lines 1 through 11)				
Operating and Administrative Expenses	13 Compensation of officers, directors, trustees, etc.				
	14 Other employee salaries and wages				
	15 Pension plans, employee benefits				
	16a Legal fees				
	b Accounting fees				
	c Other professional fees				
	17 Interest				
	18 Taxes (attach schedule)				
	19 Depreciation and depletion				
	20 Occupancy				
	21 Travel, conferences, and meetings				
	22 Printing and publications				
	23 Other expenses (attach schedule)				
	24 Total operating and administrative expenses (add lines 13 through 23)				
	25 Contributions, gifts, grants paid				
	26 Total expenses and disbursements (add lines 24 and 25)				
	27a Excess of revenue over expenses and disbursements (line 12 minus line 26)				
	b Net investment income (if negative enter -0-)				
	c Adjusted net income (if negative enter -0-)				

For Paperwork Reduction Act Notice, see page 1 of the instructions. Form **990-PF** (1987)

Part II Balance Sheets

Attached schedules should be for end of year amounts only. (See instructions for col. (c).)

		Beginning of year (a) Book Value	End of year (b) Book Value	(c) Fair Market Value
Assets	1 Cash—non-interest-bearing			
	2 Savings and temporary cash investments			
	3 Accounts receivable ▶			
	minus allowance for doubtful accounts ▶			
	4 Pledges receivable ▶			
	minus allowance for doubtful accounts ▶			
	5 Grants receivable			
	6 Receivables due from officers, directors, trustees, and other disqualified persons (see instructions)			
	7 Other notes and loans receivable ▶			
	minus allowance for doubtful accounts ▶			
	8 Inventories for sale or use			
	9 Prepaid expenses and deferred charges			
	10 Investments—securities (attach schedule)			
	11 Investments—land, buildings, and equipment: basis ▶			
	minus accumulated depreciation (attach schedule) ▶			
	12 Investments—mortgage loans			
	13 Investments—other (attach schedule)			
	14 Land, buildings, and equipment: basis ▶			
	minus accumulated depreciation (attach schedule) ▶			
	15 Other assets (describe ▶)			
	16 Total assets (see instructions)			
Liabilities	17 Accounts payable and accrued expenses			
	18 Grants payable			
	19 Support and revenue designated for future periods (attach schedule)			
	20 Loans from officers, directors, trustees, and other disqualified persons			
	21 Mortgages and other notes payable (attach schedule)			
	22 Other liabilities (describe ▶)			
	23 Total liabilities (add lines 17 through 22)			
Fund Balances or Net Worth	**Organizations that use fund accounting, check here** ▶ ☐ **and complete lines 24 through 27 and lines 31 and 32.**			
	24a Current unrestricted fund			
	b Current restricted fund			
	25 Land, buildings, and equipment fund			
	26 Endowment fund			
	27 Other funds (Describe ▶)			
	Organizations not using fund accounting, check here ▶ ☐ **and complete lines 28-32.**			
	28 Capital stock or trust principal			
	29 Paid-in or capital surplus			
	30 Retained earnings or accumulated income			
	31 Total fund balances or net worth (see instructions)			
	32 Total liabilities and fund balances/net worth (see instructions)			

Part III Analysis of Changes in Net Worth or Fund Balances

1	Total net worth or fund balances at beginning of year—Part II, column (a), line 31	
2	Enter amount from Part I, line 27a	
3	Other increases not included in line 2 (itemize) ▶	
4	Add lines 1, 2, and 3	
5	Decreases not included in line 2 (itemize) ▶	
6	Total net worth or fund balances at end of year (line 4 minus line 5)—Part II, column (b), line 31	

Part IV Capital Gains and Losses for Tax on Investment Income

(a) List and describe the kind(s) of property sold, e.g., real estate, 2-story brick warehouse; or common stock, 200 shs. MLC Co.	(b) How acquired P—Purchase D—Donation	(c) Date acquired (mo., day, yr.)	(d) Date sold (mo., day, yr.)
1			

(e) Gross sales price minus expense of sale	(f) Depreciation allowed (or allowable)	(g) Cost or other basis	(h) Gain or (loss) (e) plus (f) minus (g)

Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69			(l) Losses (from col. (h)) Gains (excess of col. (h) gain over col. (k), but not less than zero)
(i) F.M.V. as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of col. (i) over col. (j), if any	

2 Capital gain net income or (net capital loss) . . { If gain, also enter in Part I, line 7 / If (loss), enter -0- in Part I, line 7 } . . .

3 Net short-term capital gain (loss) as defined in sections 1222(5) and (6)
If gain, also enter in Part I, line 8 (see instructions for line 8)
If loss, enter -0- in Part I, line 8 . . . .

Part V Qualification Under Section 4940(e) for Reduced Tax on Net Investment Income

(For optional use by domestic private foundations subject to section 4940(a) tax on net investment income.)

If section 4940(d)(2) applies, leave Part V blank.

Were you liable for section 4942 tax on the distributable amount of any year in the base period? . . . . . ☐ Yes ☐ No
If "Yes," you do not qualify under section 4940(e). Do not complete this part.

1 Enter the appropriate amount in each column for each year; see instructions before making any entries.

(a) Base period years Calendar year (or fiscal year beginning in)	(b) Qualifying distributions	(c) Net value of noncharitable-use assets	(d) Payout ratio (column (b) divided by column (c))
1986			
1985			
1984			
1983			
1982			

2 Total of line 1, column (d) . . . .

3 Average payout ratio for the 5-year base period—divide the total on line 2 by 5, or by the number of years the foundation has been in existence if less than 5 years. . . . .

4 Enter the net value of noncharitable-use assets for 1987 from Part IX, line 5 . . . .

5 Multiply line 4 by line 3 . . . .

6 Enter 1% of Part I, line 27b . . . .

7 Add lines 5 and 6 . . . .

8 Enter the amount from Part XIII, line 6 . . . .
If line 8 is equal to or greater than line 7, check the box in Part VI, line 1b, and complete that part using a 1% tax rate. See the Part VI instructions.

Part VI Excise Tax on Investment Income (Section 4940(a), 4940(b), 4940(e), or 4948—see instructions)

1a Exempt operating foundations described in section 4940(d)(2), check here ☐ **(attach copy of ruling letter if necessary—see instructions)** and enter "N/A" . . . .
b Domestic organizations that meet the section 4940(e) requirements in Part V, check here ☐ and enter 1% of Part I, line 27b . . . .
c All other domestic organizations enter 2% of line 27b. Exempt foreign organizations enter 4% of line 27b . . .
2 Tax under section 511 (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-) . . .
3 Add lines 1 and 2 . . . .
4 Tax under subtitle A (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-) . . . .
5 Tax on investment income (line 3 minus line 4 (but not less than -0-)) . . . .
6 Credits/Payments:
a 1987 estimated tax payments/1986 overpayment credited to 1987 . . . .
b Exempt foreign organizations—tax withheld at source . . . .
c Tax paid with application for extension of time to file (Form 2758) . . . .
7 Total credits and payments (add lines 6a, b, and c) . . . .
8 Enter any PENALTY for underpayment of estimated tax. Check here ☐ if Form 2220 is attached . . . . . .
9 TAX DUE. If the total of lines 5 and 8 is more than line 7, enter AMOUNT OWED . . . . ▶
10 OVERPAYMENT. If line 7 is more than the total of lines 5 and 8, enter the AMOUNT OVERPAID . . . . . ▶
11 Enter the amount of line 10 you want: Credited to 1988 estimated tax ▶ Refunded ▶

Part VII Statements Regarding Activities

File Form 4720 if you answer "No" to question 10b, 11b, or 14b or "Yes" to question 10c, 12b, 13a, or 13b, unless an exception applies. Yes No

1a During the tax year, did you attempt to influence any national, state, or local legislation or did you participate or intervene in any political campaign? . . . .
b Did you spend more than $100 during the year (either directly or indirectly) for political purposes (see instructions for definition)? *If you answered "Yes" to 1a or 1b, attach a detailed description of the activities and copies of any materials published or distributed by the organization in connection with the activities.*
c Did you file Form 1120-POL? . . . .
2 Have you engaged in any activities that have not previously been reported to the Internal Revenue Service? . . . . .
If "Yes," attach a detailed description of the activities.
3 Have you made any changes, not previously reported to the IRS, in your governing instrument, articles of incorporation, or bylaws, or other similar instruments? *If "Yes," attach a conformed copy of the changes* . . . .
4a Did you have unrelated business gross income of $1,000 or more during the year? . . . .
b If "Yes," have you filed a tax return on Form 990-T for this year? . . . .
5 Was there a liquidation, termination, dissolution, or substantial contraction during the year? . . . .
If "Yes," attach the schedule required by General Instruction I.
6 Are the section 508(e) requirements satisfied either:
• by language written into the governing instrument, or
• by state legislation that effectively amends the governing instrument so that no mandatory directions that conflict with the state law remain in the governing instrument? . . . .
7 Did you have at least $5,000 in assets at any time during the year? . . . .
If "Yes," complete Part II, column (c), and Part XVI.
8a Enter states to which the foundation reports or with which it is registered (see instructions) ▶ ....
b If you answered 7 "Yes," have you furnished a copy of Form 990-PF to the Attorney General (or his or her designate) of each state as required by the General Instructions? *If "No," attach explanation* . . . .
9 Are you claiming status as a private operating foundation within the meaning of section 4942(j)(3) or 4942(j)(5) for calendar year 1987 or fiscal year beginning in 1987 (see instructions for Part XV)? *If "Yes," complete Part XV* . . . .
10 Self-dealing (section 4941):
a During the year did you (either directly or indirectly):
(1) Engage in the sale or exchange, or leasing of property with a disqualified person? . . . .
(2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person? . .
(3) Furnish goods, services, or facilities to (or accept them from) a disqualified person? . . . .
(4) Pay compensation to or pay or reimburse the expenses of a disqualified person? . . . .
(5) Transfer any of your income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)? . . . .
(6) Agree to pay money or property to a government official? (Exception: check "No" if you agreed to make a grant to or to employ the official for a period after he or she terminates government service if he or she is terminating within 90 days.)

Part VII Statements Regarding Activities (continued)

		Yes	No
10b	If you answered "Yes" to any of questions 10a(1) through (6), were the acts you engaged in excepted acts as described in regulations section 53.4941(d)-3 and 4?		
c	Did you engage in a prior year in any of the acts described in 10a, other than excepted acts, that were acts of self-dealing that were not corrected by the first day of your tax year beginning in 1987?		
11	Taxes on failure to distribute income (section 4942) (does not apply for years you were a private operating foundation as defined in section 4942(j)(3) or 4942(j)(5)):		
a	Did you at the end of tax year 1987 have any undistributed income (lines 6d and e, Part XIV) for tax year(s) beginning before 1987?		
	If "Yes," list the years ▶ ...., ..., ..., ...		
b	If "Yes" to 11a, are you applying the provisions of section 4942(a)(2) (relating to incorrect valuation of assets) to the undistributed income for ALL such years?		
c	If the provisions of section 4942(a)(2) are being applied to ANY of the years listed in 11a, list the years here and see the instructions ▶ ...., ..., ..., ...		
12	Taxes on excess business holdings (section 4943):		
a	Did you hold more than a 2% direct or indirect interest in any business enterprise at any time during the year?		
b	If "Yes," did you have excess business holdings in 1987 as a result of any purchase by you or disqualified persons after May 26, 1969; after the lapse of the 5-year period (or longer period approved by the Commissioner under section 4943(c)(7)) to dispose of holdings acquired by gift or bequest; after the lapse of the 10-year first phase holding period; or after the 15-year first phase holding period?		
	Note: *You may use Schedule C, Form 4720, to determine if you had excess business holdings in 1987.*		
13	Taxes on investments that jeopardize charitable purposes (section 4944):		
a	Did you invest during the year any amount in a manner that would jeopardize the carrying out of your charitable purposes?		
b	Did you make any investment in a prior year (but after December 31, 1969) that could jeopardize your charitable purpose that you had not removed from jeopardy on the first day of your tax year beginning in 1987?		
14	Taxes on taxable expenditures (section 4945):		
a	During the year did you pay or incur any amount to:		
	(1) Carry on propaganda, or otherwise attempt to influence legislation by attempting to affect the opinion of the general public or any segment thereof, or by communicating with any member or employee of a legislative body, or by communicating with any other government official or employee who may participate in the formulation of legislation?		
	(2) Influence the outcome of any specific public election, or to carry on, directly or indirectly, any voter registration drive?		
	(3) Provide a grant to an individual for travel, study, or other similar purposes?		
	(4) Provide a grant to an organization, other than a charitable, etc., organization described in section 509(a) (1), (2), or (3), or section 4940 (d)(2)?		
	(5) Provide for any purpose other than religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals?		
b	If you answered "Yes" to any of questions 14a(1) through 14a(5), were all such transactions excepted transactions as described in regulations section 53.4945?		
c	If you answered "Yes" to question 14a(4), do you claim exemption from the tax because you maintained expenditure responsibility for the grant?		
	If "Yes," attach the statement required.		
15	Did any persons become substantial contributors during the tax year? *If "Yes," attach a schedule listing their names and addresses.*		
16	During this tax year did you maintain any part of your accounting/tax records on a computerized system?		
17	Section 4947(a)(1) trusts filing Form 990-PF in lieu of Form 1041, enter the amount of tax-exempt interest received or accrued ▶ $		

Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors

1 List all officers, directors, trustees, foundation managers and, if paid, their compensation for 1987 (see instructions):

Name and address	Title, and average hours per week devoted to position	Contributions to employee benefit plans	Expense account, other allowances	Compensation (if any)
Total ▶				

Part VIII Information About Officers, Directors, Trustees, etc. (continued)

2 Compensation of five highest paid employees for 1987 (other than included in line 1—see instructions):

Name and address of employees paid more than $30,000	Title and time devoted to position	Contributions to employee benefit plans	Expense account, other allowances	Compensation
Total number of other employees paid over $30,000 ▶				

3 Five highest paid persons for professional services for 1987 (see instructions):

Name and address of persons paid more than $30,000	Type of service	Compensation
Total number of others receiving over $30,000 for professional services ▶		

Part IX Minimum Investment Return

1	Fair market value of assets not used (or held for use) directly in carrying out charitable, etc., purposes:	
a	Average monthly fair market value of securities	
b	Average of monthly cash balances	
c	Fair market value of all other assets (see instructions)	
d	Total (add lines a, b, and c)	
2	Acquisition indebtedness applicable to line 1 assets	
3	Line 1d minus line 2	
4	Cash deemed held for charitable activities—enter 1½% of line 3 (for greater amount, see instructions)	
5	Line 3 minus line 4	
6	Minimum investment return (enter 5% of line 5)	

Part X Computation of Distributable Amount (see instructions)

1	Minimum investment return from Part IX, line 6		
2	Total of:		
a	Tax on investment income for 1987 from Part VI, line 5		
b	Income tax under subtitle A, for 1987		
3	Distributable amount before adjustments (line 1 minus line 2)		
4	Additions to distributable amount:		
a	Recoveries of amounts treated as qualifying distributions		
b	Income distributions from section 4947(a)(2) trusts		
5	Line 3 plus line 4		
6	Deduction from distributable amount (see instructions)		
7	Distributable amount as adjusted (line 5 minus line 6) (Also enter in Part XIV, line 1.)		

Part XI Limitation on Grant Administrative Expenses

Calendar year (or fiscal year beginning in):	(a) 1987	(b) 1986	(c) 1985	(d) Total
1 Net value of noncharitable-use assets (see instructions)				
2 Multiply line 1 by .0065				
3 Grant administrative expenses treated as qualifying distributions in the two preceding years				
4 Grant administrative expenses for 1987 (from Part XII, line 13)				
5 Maximum amount of 1987 grant administrative expenses that may be treated as qualifying distributions (line 2, column (d), minus line 3, column (d))				
6 Excess grant administrative expenses for 1987 (line 4 minus line 5; if negative, enter -0-; enter result in Part XIII, line 5)				
7 Grant administrative expenses treated as qualifying distributions in 1987 (line 4 minus line 6)				

Note: *The amount on line 7 will be used in completing the schedule for 1988 and 1989.*

Part XII Schedule of Grant Administrative Expenses (see instructions before making any entries)

1 Compensation of officers, directors, trustees, etc.	
2 Other employee salaries and wages	
3 Pension plans, employee benefits	
4 Legal fees	
5 Accounting fees	
6 Other professional fees	
7 Interest	
8 Taxes	
9 Occupancy	
10 Travel, conferences, and meetings	
11 Printing and publications	
12 Other expenses	
13 Total	

Part XIII Qualifying Distributions (see instructions)

1 Amounts paid (including administrative expenses) to accomplish charitable, etc., purposes:	
a Expenses, contributions, gifts, etc.—total from Part I, column (d), line 26	
b Program-related investments	
2 Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc., purposes	
3 Amounts set aside for specific charitable projects that satisfy the:	
a Suitability test (prior IRS approval required)	
b Cash distribution test (attach the required schedule)	
4 Total (add lines 1, 2, and 3)	
5 Enter excess grant administrative expenses from Part XI, line 6	
6 Total qualifying distributions (line 4 minus line 5). Enter this amount in Part XIV, line 4	
7 Organizations that qualify under section 4940(e) for the reduced rate of tax on net investment income — enter 1% of Part I, line 27b (see instructions)	
8 Qualifying distributions (line 6 minus line 7)	

Note: *The amount on line 8 will be used in Part V, column (b), when calculating the section 4940(e) reduction of tax in subsequent years.*

Part XIV Computation of Undistributed Income (see instructions)

	(a) Corpus	(b) Years prior to 1986	(c) 1986	(d) 1987
1 Distributable amount for 1987 from Part X				
2 Undistributed income, if any, as of the end of 1986:				
a Enter amount for 1986				
b Total for prior years: ______, ______, ______				
3 Excess distributions carryover, if any, to 1987:				
a From 1982 ______				
b From 1983 ______				
c From 1984 ______				
d From 1985 ______				
e From 1986 ______				
f Total of 3a through e				
4 Qualifying distributions for 1987: ______				
a Applied to 1986, but not more than line 2a				
b Applied to undistributed income of prior years (Election required—see instructions)				
c Treated as distributions out of corpus (Election required—see instructions)				
d Applied to 1987 distributable amount				
e Remaining amount distributed out of corpus				
5 Excess distributions carryover applied to 1987. *(If an amount appears in column (d), the same amount must be shown in column (a))*				
6 Enter the net total of each column as indicated below:				
a Corpus. Add lines 3f, 4c, and 4e. Subtract line 5				
b Prior years' undistributed income (line 2b minus line 4b)				
c Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed				
d Subtract line 6c from line 6b. Taxable amount— see instructions				
e Undistributed income for 1986 (line 2a minus line 4a). Taxable amount—see instructions				
f Undistributed income for 1987 (line 1 minus lines 4d and 5). This amount must be distributed in 1988				
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(E) or 4942(g)(3) (see instructions)				
8 Excess distributions carryover from 1982 not applied on line 5 or line 7 (see instructions)				
9 Excess distributions carryover to 1988 (line 6a minus lines 7 and 8)				
10 Analysis of line 9:				
a Excess from 1983 ______				
b Excess from 1984 ______				
c Excess from 1985 ______				
d Excess from 1986 ______				
e Excess from 1987 ______				

Part XV Private Operating Foundations (See instructions and Part VII, question 9)

1a If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 1987, enter the date of the ruling . . . . . ▶

b Check box to indicate whether you are a private operating foundation described in section ☐ 4942(j)(3) or ☐ 4942(j)(5).

	Tax year (a) 1987	Prior 3 years (b) 1986	(c) 1985	(d) 1984	(e) Total
2a Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part IX for 1987, 1986, and 1985 (Part VIII for 1984)					
b 85% of line 2a					
c Qualifying distributions from Part XIII, line 6, for 1987, 1986, and 1985 (Part X, line 4, for 1984)					
d Amounts included in line 2c not used directly for active conduct of exempt activities . .					
e Qualifying distributions made directly for active conduct of exempt activities (line 2c minus line 2d)					
3 Complete 3a, b, or c for the alternative test on which you rely:					
a "Assets" alternative test—enter:					
(1) Value of all assets					
(2) Value of assets qualifying under section 4942(j)(3)(B)(i)					
b "Endowment" alternative test—Enter ⅔ of minimum investment return shown in Part IX, line 6, for 1987, 1986, and 1985 (enter ⅔ of Part VIII, line 6, for 1984)					
c "Support" alternative test—enter:					
(1) Total support other than gross investment income (interest, dividends, rents, payments on securities loans (section 512(a)(5)), or royalties) . .					
(2) Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(iii) . . .					
(3) Largest amount of support from an exempt organization					
(4) Gross investment income					

Part XVI Supplementary Information (see instructions)

1 Information Regarding Foundation Managers

a List here any managers of the foundation who have contributed more than 2% of the total contributions received by the foundation before the close of any tax year (but only if they have contributed more than $5,000). (See section 507(d)(2).)

b List here any managers of the foundation who own 10% or more of the stock of a corporation (or an equally large portion of the ownership of a partnership or other entity) of which the foundation has a 10% or greater interest.

2 Information Regarding Contribution, Grant, Gift, Loan, Scholarship, etc., Programs

If you make gifts, grants, awards (see instructions), etc., to individuals or organizations, check here ☐ and complete these items:

a The name, address, and telephone number of the person to whom applications should be addressed

b The form in which applications should be submitted and information and materials they should include

c Any submission deadlines

d Any restrictions or limitations on awards, such as by geographical areas, charitable fields, kinds of institutions, or other factors

Part XVI Supplementary Information (continued)

3 Grants and Contributions Paid During the Year or Approved for Future Payment

Recipient Name and address (home or business)	If recipient is an individual, show any relationship to any foundation manager or substantial contributor	Foundation status of recipient	Purpose of grant or contribution	Amount
a *Paid during the year*				
Total . . . . ▶				
b *Approved for future payment*				
Total . . . . ▶				

Part XVII-A Summary of Grant Programs and Other Activities

	(a) Grants and program-related investments	(b) Administrative expenses	(c) Total
1 Gifts, contributions, scholarships and other grants			
2 Direct charitable activities (describe each):			
a			
b			
c Direct technical and other assistance to grantees (see instructions)			
d All other (attach schedule)			
e Total—add lines 2a through d			
3 Program-related investments (describe each type)			
a			
b			
c			
d All other (attach schedule)			
e Total—see instructions			
4 Other qualifying distributions			
5 Other expenses not included in lines 1–4. . .			

Part XVII-B Supporting Data

1 Describe on an attached schedule the bases (for example, time spent, salary expenses incurred, space utilized, etc.) used to allocate administrative expenses to the activities described in Part XVII-A.

2 For the foundation's principal direct charitable activities and program-related investments, provide a schedule of relevant statistical information, such as the number of organizations and other beneficiaries served, conferences convened, research papers produced, etc.

3 Attach a schedule for Part XVII-A, lines 2 and 3, setting forth for each activity or investment area the amount of any income produced by it.

Part XVIII Public Inspection

1 Enter the date the notice of availability of the annual return appeared in a newspaper ▶ ....

2 Enter the name of the newspaper ▶ ....

3 Check here ▶ ☐ if you have attached a copy of the newspaper notice as required by the instructions. (If the notice is not attached, the return will be considered incomplete.)

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer or fiduciary) is based on all information of which preparer has any knowledge.

▶ Signature of officer or trustee   Date   ▶ Title

Paid Preparer's Use Only

Preparer's signature ▶	Date	Check if self-employed ▶ ☐	Preparer's social security no.
Firm's name (or yours if self-employed) and address ▶		E.I. No. ▶	
		ZIP code ▶	

☆U.S. GOVERNMENT PRINTING OFFICE: 1988 205-382 E.I. 43-0787287

1987 Department of the Treasury
Internal Revenue Service

Instructions for Form 990-PF

Return of Private Foundation or Section 4947(a)(1) Trust Treated as a Private Foundation

(Section references are to the Internal Revenue Code, unless otherwise noted.)

General Information

Changes You Should Note

The Tax Reform Act of 1986 made certain changes to the Code that affect private foundations.

The principal change is in Part VI. Since domestic private foundations and section 4947(a)(1) trusts are now subject to the corporation rules for paying estimated taxes, additional entries were added to line 6 to allow for applicable credits and penalties.

The second change brought about by the Act is the addition of line 17 in Part VII. This new line is used by domestic section 4947(a)(1) trusts to report tax-exempt income as required by the revision of section 6012. The provision applies to domestic section 4947(a)(1) trusts that file Form 990-PF in lieu of Form 1041. If one of these trusts has taxable income and must file Form 1041, the tax-exempt income is reported on that return.

Due to the expiration of the transitional rule for determining the amount of grant administrative expenses treated as qualifying distributions in 1983 and 1984, we were able to eliminate one line from Part XI.

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Purpose of Form.—Form 990-PF is used by private foundations and by nonexempt charitable trusts, described in section 4947(a)(1), that are treated as private foundations to figure the tax on net investment income, to provide information on charitable activities, and to report on charitable distributions. In addition, the form serves as a substitute for the nonexempt charitable trust's income tax return **Form 1041**, U.S. Fiduciary Income Tax Return, under certain conditions.

We have provided general instructions for private foundations, specific line instructions for completing Form 990-PF, and a sample filled-in Form 990-PF.

Definitions.—The terms "foundation manager" and "disqualified person" are used frequently in these instructions. The definitions below generally apply to these terms as used.

A foundation manager is an officer, director, or trustee of a foundation, or an individual who has powers similar to those of officers, directors, or trustees. In the case of any act or failure to act, the term "foundation manager" may also include employees of the foundation who have the authority to act.

A disqualified person is:

(1) a substantial contributor;

(2) a foundation manager;

(3) a person who owns more than 20% of a corporation, partnership, trust, or unincorporated enterprise, which is itself a substantial contributor;

(4) a member of the family of an individual in the first three categories; or

(5) a corporation, partnership, trust, or estate in which persons described in (1), (2), (3), or (4) above own a total beneficial interest of more than 35%.

(6) For purposes of section 4943 (excess business holdings), a disqualified person also includes:

- **(a)** a private foundation which is effectively controlled (directly or indirectly) by the same persons who control the private foundation in question, or
- **(b)** a private foundation substantially all of the contributions to which were made (directly or indirectly) by one or more of the persons described in (1), (2), and (3) above, or members of their families, within the meaning of section 4946(d), who made (directly or indirectly) substantially all of the contributions to the foundation in question.

(7) For purposes of section 4941 (self-dealing), a disqualified person also includes certain government officials. (See section 4946(c) and the related regulations.)

A nonexempt charitable trust treated as a private foundation is a trust:

- Which is not exempt from tax under section 501(a);
- All of the unexpired interests of which are devoted to religious, charitable, or other purposes described in section 170(c)(2)(B), and for which a deduction was allowed under a section of the Code listed in section 4947(a)(1), or to which reference is made in that section.

The term "charitable" when used in these instructions should be taken to mean "exempt" when it relates to a tax-exempt private foundation.

The term "private foundation" should be taken to include section 4947(a)(1) trusts.

For additional information on private foundations and foundation managers, see **Publication 578**, Tax Information for Private Foundations and Foundation Managers. This publication is available free at most IRS offices.

General Instructions

A. Who Must File Form 990-PF.—Subsections (a), (b), and (c) of section 6033 require the filing of an annual information return (Form 990-PF) by exempt private foundations. Section 6033(d) applies these requirements to nonexempt charitable trusts treated as private foundations under section 4947(a)(1), and to taxable private foundations. These requirements also apply to foreign organizations. Organizations whose applications for exempt status are pending on the due date for filing Form 990-PF are also included if they agree to private foundation status. If your application for exemption is pending, check the "Application Pending" box on page 1 of the return and complete the return in the normal manner.

Nonexempt charitable trusts that are treated as private foundations may also use Form 990-PF, instead of Form 1041, to satisfy the return filing requirements of section 6012 if they have zero taxable income under subtitle A of the Code. If they have taxable income under subtitle A they must file both Form 1041 and Form 990-PF. The filing of Form 990-PF does not eliminate the requirements for filing any form other than Form 1041.

Organizations making an election under section 41(e)(6) are treated as private foundations and must file Form 990-PF. The section 4940 tax does not apply to them.

Organizations described in section 4947(a)(1) and further described in section 509(a) as not being private foundations need not complete Form 990-PF. However, they may be required to file **Form 990**, Return of Organization Exempt From Income Tax, and **Schedule A (Form 990)**, Organization Exempt Under 501(c)(3) (except Private Foundation), 501(e), 501(f), 501(k), or Section 4947(a)(1) Trust Supplementary Information. See Form 990 Instructions.

Note: *The parts of the form listed below do not apply to all filers. If an entire part, or a major portion of a part, does not apply, enter "N/A" where appropriate.*

- Part I, column (c), applies only to private operating foundations, and to other foundations that have income from charitable activities.
- Part II, column (c), with the exception of line 16, applies only to organizations having at least $5,000 in assets at some time during the year. Line 16, column (c), applies to all filers.
- Parts V and VI do not apply to organizations making an election under section 41(e).
- Part X does not apply to private operating foundations.
- Part XV applies only to private operating foundations.
- Part XVI applies only to organizations having assets of $5,000 or more during the year.

B. Accounting Period.—The return must be filed on the basis of the established annual accounting period of the organization. If the organization has no established accounting period, the return should be on the calendar year basis.

C. Period To Be Covered by Return.—File the 1987 return for the calendar year 1987 and fiscal years beginning in 1987. If the return is for a fiscal year, fill in the tax year space at the top of the return.

D. Accounting Methods.—Unless the instructions specify otherwise, report the financial information requested on the basis of the accounting method the foundation regularly uses in keeping its books and records.

E. When and Where To File.—This return must be filed by the 15th day of the 5th month following the close of the accounting period.

If the principal office of the organization is located in	Use the following Internal Revenue Service Center address
Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee	Atlanta, GA 39901
Arizona, Colorado, Kansas, New Mexico, Oklahoma, Texas, Utah, Wyoming	Austin, TX 73301
Indiana, Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999
Alaska, California, Hawaii, Idaho, Nevada, Oregon, Washington	Fresno, CA 93888
Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania (ZIP codes beginning with 169-171 and 173-196 only), Rhode Island, Vermont	Holtsville, NY 00501
Illinois, Iowa, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, Wisconsin	Kansas City, MO 64999
District of Columbia, Maryland, Pennsylvania (ZIP codes beginning with 150-168 and 172 only), Virginia, any U.S. possession, any foreign country	Philadelphia, PA 19255

A foundation may file **Form 2758**, Application for Extension of Time To File, to request an extension of time to file its return.

In case of a complete liquidation, dissolution, or termination, file the return by the 15th day of the 5th month following complete liquidation, dissolution, or termination.

F. Penalty for Late Filing.—If an organization does not file the return by the due date, a penalty will be charged the organization, unless there was reasonable cause for the late filing. The penalty is $10 for each day the return is late, up to a maximum of $5,000.

The Internal Revenue Service may make written demand that the return be filed within a reasonable time after the date of mailing the demand. If the return is not filed before the specified period expires, a penalty may also be charged the person or persons responsible for filing the return, unless there is reasonable cause for late filing. If more than one person is liable for failure to file the delinquent return, all such persons will be jointly and severally liable with respect to such failure. The penalty is $10 for each day the return is not filed after the period specified expires, up to a maximum of $5,000 (section 6652).

The penalty of $10 a day also applies if you file an incomplete return. To avoid filing an incomplete return or having to respond to requests for missing information, please be sure to complete all applicable line items; to answer "Yes," "No," or "N/A" (not applicable) to each question on the return; to make an entry (including a "-0-" when appropriate) on all total lines; and to enter "None" or "N/A" if an entire part does not apply.

Since this return also satisfies the filing requirements of a tax return under section 6011 for the tax on investment income imposed by section 4940 (or 4948 if an exempt foreign organization), the penalties imposed by section 6651 for not filing a return (without reasonable cause) also apply.

There are also penalties for willful failure to file and for filing fraudulent returns and statements. See sections 7203, 7206, and 7207.

G. Penalty for Not Paying Tax on Time.—Section 6651 imposes a penalty for not paying tax when due. The penalty generally is ½ of 1% of the unpaid tax for each month or part of a month the tax remains unpaid, not to exceed 25% of the unpaid tax. If there was reasonable cause for not paying the tax on time, the penalty can be waived. Interest, however, is charged on any tax not paid on time, at the rate provided by section 6621.

For tax years beginning in 1987, the section 6655 penalties for failure to pay estimated taxes apply to the taxes on net investment income of domestic private foundations and section 4947(a)(1) trusts. The penalties also apply to any tax on unrelated business income of these organizations.

Special Rules for Section 507(b)(1)(B) Terminations.—If you are terminating your private foundation status under the 60-month provisions of section 507(b)(1)(B), special rules apply. (See Specific Instructions for details.) Under these rules you may file Form 990-PF without paying the tax on net investment income if the foundation filed a consent under section 6501(c)(4) with its notification to the district director of its intention to begin a section 507(b)(1)(B) termination. The consent states that the period of limitation on the assessment of excise tax under section 4940 or 4948 on investment income of any tax year in the 60-month period will not expire until at least one year after the period for assessing a deficiency for the last tax year in the 60-month period would normally expire. Any foundation not paying the tax with the filing of Form 990-PF must attach a copy of the signed consent.

If the foundation did not file the consent, the tax must be paid with the return. You may file a claim for refund after completing termination or during the termination period. The claim for refund must be filed timely and the organization must furnish information establishing that it qualified as a public charity for the period for which it paid the tax.

H. Public Inspection of Form 990-PF.—Information reported on or with Form 990-PF, including all attachments, will be made available for public inspection under section 6104(b). This applies both to information required by the form and to information furnished voluntarily. Therefore, the return and any attachments should be of such quality that they can be reproduced photographically.

Foundation managers must make the annual return available for inspection during regular business hours at the principal office of the foundation, or may furnish a free copy to any person requesting inspection, provided the request is made at the time and in the manner prescribed in section 6104(d) and the related regulations.

A notice that the private foundation's annual return is available for inspection must be published by the due date for filing the annual return, including any extensions of time for filing. The notice must be published in a newspaper with general circulation in the county in which the principal office of the private foundation is located. (A newspaper or journal that publishes real estate title transfers or other similar legal notices to satisfy state statutory requirements is also considered to have general circulation.) The notice must state that the annual return of the private foundation is available for inspection at its principal office during regular business hours by any citizen who requests inspection within 180 days after the date the notice is published. It must also show the address and telephone number of the private foundation's principal office and the name of its principal manager. A private foundation may designate, in addition to its principal office, any other location at which its annual return will be made available. Another location may also be designated if the foundation has no principal office or none other than the residence of a substantial contributor or foundation manager.

To ensure that the return is available for public inspection for the full 180-day period as required by law, the notice should not be published until the return has been completed and, in fact, is readily available for inspection upon request.

A copy of the notice must be attached to the annual return filed with the Internal Revenue Service.

If a foundation does not publish the notice and attach a copy of it to a timely filed return, section 6652(c)(3) provides for a penalty of $10 a day, up to a maximum of $5,000 for any one return. The penalty is imposed on the person under a duty to perform the act but who fails to do so without reasonable cause. The penalty may also be imposed on any person who fails to make the return (including all required attachments) available for public inspection according to the section 6104(d) provisions discussed above. If more than one person is responsible for either failure to act, each person is jointly and severally liable for the full amount of the penalty.

A private foundation that has terminated its status as such under section 507(b)(1)(A), by distributing all its net assets to one or more public charities without retaining any right, title, or interest in those assets, should check the box on page 1 indicating termination. It does not have to publish notice of availability of its annual return or furnish the return to the public for the tax year in which it terminates (regulations section 1.507-2(a)(6)).

The notice and public inspection provisions discussed above do not apply to any foreign foundation which, from the date of its creation, has received at least 85% of its support (excluding gross investment income) from sources outside the United States. The provisions outlined in General Instruction K.1. also do not apply to such foreign foundations.

I. Liquidation, Dissolution, Termination, or Substantial Contraction.—Organizations liquidating, etc., must attach a statement to the return explaining the nature of any liquidation, dissolution, termination, or substantial contraction.

The term "substantial contraction" includes any partial liquidation or any other significant disposition of assets (other than transfers for full and adequate consideration or distributions of current income).

A "significant disposition of assets" does not include any disposition for a tax year if the total of:

(1) the dispositions for the tax year; and

(2) the total of related dispositions made during prior tax years (if a disposition is part of a series of related dispositions made during these prior tax years);

is less than 25% of the fair market value of the net assets of the organization at the beginning of the tax year (in the case of (1) above) or at the beginning of the tax year in which any of the series of related dispositions was made (in the case of (2) above).

Whether a significant disposition has occurred through a series of related dispositions will be determined from all the facts and circumstances of the particular case. Ordinarily, a distribution described in section 170(b)(1)(E)(ii) (relating to private foundations making qualifying distributions out of corpus equal to 100% of contributions received during the foundation's tax year) will not be taken into account as a significant disposition of assets. See regulations section 1.170A-9(g)(2).

In the case of a complete liquidation of a corporation or termination of a trust, state whether a final distribution of assets was made and the date made. Also attach a certified copy of the resolution or plan, if any, of liquidation, etc., and all amendments or supplements not previously filed, as well as a schedule listing the names and addresses of all recipients of assets distributed in liquidation, dissolution, or substantial contraction, and an explanation of the nature and fair market value of assets distributed to each recipient.

If the organization has ceased to exist, write "Final Return" at the top of page 1 of the return.

If the organization is terminating under section 507(b)(1)(B), see the 60-month termination rules under the Specific Instructions.

J. Organizations Organized or Created in a Foreign Country or U.S. Possession.— Regulations section 53.4948-1(b) provides that sections 507, 508, and Chapter 42 (other than section 4948) do not apply to a foreign private foundation which from the date of its creation has received at least 85% of its support (as defined in section 509(d)—other than section 509(d)(4)) from sources outside the United States.

Section 4948(a) imposes a 4% tax on the gross investment income (i.e., income from dividends, interest, rents, payments received on securities loans (as defined in section 512(a)(5)), and royalties not reported on **Form 990-T**, Exempt Organization Business Income Tax Return) of an exempt foreign private foundation from U.S. sources. This tax is instead of the section 4940 tax on the net investment income of a domestic private foundation.

Taxable foreign private foundations and foreign section 4947(a)(1) trusts are not subject to the excise taxes under sections 4948(a) and 4940, but are taxed under subtitle A of the Code.

K. Annual Return, Information Returns, and Other Forms.—

1. Furnishing Copies of the Annual Return to State Officials.—The foundation managers must furnish a copy of the annual Form 990-PF to the attorney general (or his or her designate) of (a) each state which they are required to list in Part VII, line 8a, (b) the state in which the principal office of the foundation is located, and (c) the state in which the foundation was incorporated or created. The return must be furnished at the same time it is sent to the IRS. The foundation managers must also provide a copy of the annual return to the attorney general or other appropriate state official of any other state who requests it. The foundation managers must also attach to all copies of the annual return filed with an attorney general a copy of any **Form 4720,** Return of Certain Excise Taxes on Charities and Other Persons Under Chapters 41 and 42 of the Internal Revenue Code, filed by the foundation with the IRS for the year. These provisions do not apply to a foreign foundation described in General Instruction H.

If the foundation managers submit a copy of Form 990-PF (and Form 4720, if any) to a state attorney general to satisfy a state reporting requirement, they do not have to furnish a second copy to that attorney general to comply with the Internal Revenue Code requirements covered by this instruction. If there is a state reporting requirement that the copy of Form 990-PF be filed with a state official other than the attorney general (such as a secretary of state), then the foundation managers must also furnish a copy of the Form 990-PF to the attorney general of that state.

2. Form 990-T.—Every organization exempt from income tax under section 501(c)(3) that has gross income of $1,000 or more from business that is unrelated to the purpose on which the organization's exempt status is based must file a return on Form 990-T. For additional information, see Form 990-T and Instructions.

3. Form 5500, etc.— You may be required to file one of the Form 5500 family of returns/reports if you have a pension benefit or welfare benefit plan. See the instructions for the Forms 5500 for specific information about filing requirements.

4. Forms W-2 and W-3.—Wage and Tax Statement, and Transmittal of Income and Tax Statements.

5. Form W-2P.—Statement for Recipients of Annuities, Pensions, Retired Pay, or IRA Payments.

6. Form 1096.—Annual Summary and Transmittal of U.S. Information Returns.

7. Forms 1099–INT, MISC, OID, and R.— Information returns for reporting certain interest; miscellaneous income, medical and health care payments, and nonemployee compensation; original issue discount; and total distributions from profit-sharing and retirement plans.

L. Use of Form 990-PF To Satisfy State Reporting Requirements.—Some states and local government units will accept a copy of Form 990-PF and required attachments in place of all or part of their own financial report forms.

If you intend to use Form 990-PF to satisfy state or local filing requirements, such as those arising under state charitable solicitation acts, note the following:

1. You should consult the appropriate officials of all states and other jurisdictions in which you do business to determine their specific filing requirements. "Doing business" in a jurisdiction may include any of the following: (a) soliciting contributions or grants by mail or otherwise from individuals, businesses, or other charitable organizations; (b) conducting programs; (c) having employees within that jurisdiction; or (d) maintaining a checking account or owning or renting property therein.
2. Some or all of the dollar limitations applicable to Form 990-PF when filed with IRS may not apply when using Form 990-PF in place of state or local report forms. IRS dollar limitations that may not meet some state requirements are the $5,000 total assets minimum that gives rise to an obligation to complete Part II, column (c), and Part XVI; the $30,000 minimum for listing the highest paid employees in Part VIII; and the $30,000 minimum for listing professional fees in Part VIII.
3. State and local filing requirements may require you to attach to Form 990-PF one or more of the following: (a) additional financial statements, such as a complete analysis of functional expenses or a statement of changes in financial position; (b) notes to financial statements; (c) additional financial schedules; (d) a report on the financial statements by an independent accountant; and (e) answers to additional questions and other information. Each jurisdiction may require the additional material to be presented on forms they provide. The additional information does not have to be submitted with the Form 990-PF filed with IRS.
4. Even if the Form 990-PF you file with IRS is accepted by IRS as complete, a copy of the same return filed with a state will not fully satisfy that state's filing requirement if required information is not provided, including any of the additional information discussed above, or if the state determines that the form was not completed according to the applicable Form 990-PF instructions or supplemental state instructions. In that event, you may be asked to provide the missing information or to submit an amended return.
5. If you submit supplemental information or file an amended Form 990-PF with IRS, you must also furnish a copy of the information or amended return to any state with which you filed a copy of Form 990-PF originally to meet that state's filing requirement.
6. Many states require that all amounts be reported based on the accrual method of accounting.
7. The time for filing Form 990-PF with IRS differs from the time for filing reports with some states.

State Registration Number.—Insert the applicable state or local jurisdiction registration or identification number in the box provided (in the heading on page 1) for each jurisdiction in which you file Form 990-PF in place of the state or local form. When filing in several jurisdictions, prepare as many copies as needed with the state registration number omitted. Then enter the applicable registration number on the copy to be filed with each jurisdiction.

M. Figuring and Paying Estimated Taxes on Net Investment Income.—A private foundation must make estimated tax payments of the excise tax on investment income if it can expect its estimated tax (section 4940 tax minus allowable credits) to be $40 or more. To figure the estimated tax, multiply the estimated investment income by the tax rate (1% or 2%, whichever is applicable). Section 4947(a)(1) trusts and taxable foundations use the 2% tax rate, add the applicable section 511 tax, and then subtract any subtitle A tax from the total. Section 4947(a)(1) trusts and taxable foundations that have income subject to tax under section 1 or section 11 should see Form 1041 or Form 1120 for the estimated tax rules for paying any estimated tax on that income.

The number of installment payments you must make under the depositary method (see below) is determined at the time during the year that you meet the above requirements, as follows.

If you meet the requirements:

- Before the 1st day of the 4th month of the tax year, make 4 installment deposits of 25% of the amount by the 15th day of the 4th, 6th, 9th, and 12th months of the tax year.
- After the last day of the 3rd month and before the 1st day of the 6th month of the tax year, make 3 installment deposits of 33⅓% by the 15th day of the 6th, 9th, and 12th months.
- After the last day of the 5th month and before the 1st day of the 9th month, make 2 installment deposits of 50% by the 15th day of the 9th and 12th months.
- After the last day of the 8th month and before the 1st day of the 12th month, make 1 deposit of 100% by the 15th day of the 12th month.

For calendar year taxpayers, the first deposit of estimated taxes for a year should be made by April 15 of the year.

A foundation that fails to pay the proper estimated tax when due may be subject to an underpayment penalty for the period of the underpayment. To avoid the estimated tax penalty, the amount of estimated tax payments required by a foundation is 90% of the total tax liability. See sections 6655(b) and (d).

Depositary Method of Tax Payment for Domestic Private Foundations.—

The foundation must pay the tax due in full when the return is filed, but no later than 4½ months after the end of the tax year.

Deposit foundation net investment income tax payments (estimated tax payments and balance of tax due as shown on line 9, Part VI) with a Federal Tax Deposit Coupon (Form 8109). Be sure to darken the 990-PF box on Form 8109. Make these tax deposits with either a financial institution qualified as a Depositary for Federal taxes or the Federal Reserve Bank or branch servicing the geographic area where the foundation is located. Do not submit deposits directly to an IRS office; otherwise the foundation may be subject to a 10% failure to deposit penalty. Records of deposits will be sent to IRS for crediting to the foundation's account. See the instructions contained in the coupon book (Form 8109) for more information. **Form 990-W**, Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Trusts, will tell you how to obtain these coupon books.

To ensure more accurate processing of your deposits, please write your employer identification number, type of tax paid, and the tax period to which the deposit applies on your check.

For more information concerning deposits, see **Publication 583**, Information for Business Taxpayers.

Specific Instructions

Label—Name, Address, and Employer Identification Number.—If you received a Form 990-PF from the IRS with a preaddressed label, please attach the label to the name and address area of the return you file. If the name or address on the label is wrong, draw a line through the incorrect portion and enter the correct information. The address used must be that of the principal office of the foundation.

You should have only one employer identification number. If you have more than one number, notify the Internal Revenue Service Center, at the appropriate address shown under instruction E above, of the numbers you have, the name and address to which each number was assigned, and the address of your principal office. The IRS will then advise you which number to use.

Fair Market Value of Assets.—In this block on page 1, enter the fair market value of all assets the foundation held at the end of the tax year. This amount should be the same as the figure reported in Part II, column (c), line 16.

Type of Organization.—Check the block for "Exempt private foundation" if the foundation has a ruling or determination letter from IRS in effect that recognizes its exemption from Federal income tax as an organization described in section 501(c)(3) or if the organization's exemption application is pending with IRS. Check the "4947(a)(1) trust" block if the trust is a nonexempt charitable trust treated as a private foundation. All other filers should check the "Other taxable private foundation" block.

Section 507(b)(1)(A) Terminations.— See General Instructions H and I, also regulations section 1.507-2.

60-Month Termination Under Section 507(b)(1)(B).—Check the block on page 1 if you are terminating your private foundation status under the 60-month provisions of section 507(b)(1)(B) during the period covered by this return. To begin such a termination, a private foundation must have given advance notice to its key district director and provided the information outlined in Regulations section 1.507-2(b)(3).

See General Instruction G for information regarding payment of the tax on investment income (computed in Part VI) during a section 507(b)(1)(B) termination.

Filing Requirements During Section 507 (b)(1)(B) Termination.—Although an organization terminating its private foundation status under section 507(b)(1)(B) may be regarded as a public charity for certain purposes, it is still considered a private foundation for purposes of the filing requirements under section 6033. Therefore, the organization must file an annual return on Form 990-PF. The return must be filed for each year in the termination period, if it has not expired before the due date of the return.

The regulations under section 507(b)(1)(B)(iii) specify that within 90 days after the end of the termination period the organization must furnish information to its key district director establishing that it has terminated its private foundation status and, therefore, qualifies as a public charity. If information is furnished establishing a successful termination, then for the final year of the termination period the organization should comply with the filing requirements for the type of public charity it has become. See the instructions for Form 990 and Schedule A (Form 990) for specific information on filing requirements. This applies even if the key district has not affirmed that the organization has terminated its private foundation status by the time the return for the final year of the termination is due (or would be due if a return were required).

The organization will be allowed a reasonable period of time to file any private foundation returns required (for the last year of the termination period) but not previously filed if it is later determined that the organization did not terminate its private foundation status. Interest on any tax due would be charged from the original due date of the Form 990-PF, but penalties under sections 6651 and 6652 would not be assessed if the Form 990-PF were filed within the period allowed by the key district.

Rounding Off to Whole-Dollar Amounts.— You may show the money items on the return and accompanying schedules as whole-dollar amounts. To do so, drop any amount less than 50 cents and increase any amount from 50 cents through 99 cents to the next higher dollar.

Currency and Language Requirements.— Report all amounts in U.S. dollars (state conversion rate used). Report all items in total, including amounts from both U.S. and non-U.S. sources. Furnish all information in English.

Attachments.—Use the schedules on the official form unless you need more space. If you use attachments, they must:

(1) Show the form number and tax year,

(2) Show the organization's name and employer identification number,

(3) Include the information required by the form,

(4) Follow the format and line sequence of the form, and

(5) Be on the same size paper as the form.

Part I—Analysis of Support, Revenue, and Expenses

Note: *The amounts in column (a) are the support, revenue, and expenses as shown in the books and records of the foundation. The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a).*

Column (a)—Revenue and Expenses per Books

Enter in column (a) all items of revenue and expense shown in the books and records that would increase or decrease the net worth of the organization. However, do not include the value of services donated to the foundation or items such as the free use of equipment or facilities in the contributions received.

Line 1.—Contributions, gifts, grants, etc., received.—Enter the total of gross contributions, gifts, grants, and similar amounts received. Attach an itemized schedule if money, securities, or other property valued at $5,000 or more was received directly or indirectly from one person during the year. The schedule should show the name, address, the total amount received from each such person, and the date received.

In determining whether a person has contributed $5,000 or more, total only gifts of $1,000 or more from each person. Separate and independent gifts need not be totaled if less than $1,000. If a contribution is in the form of property, furnish a description and fair market value of the property.

The term "person" includes individuals, fiduciaries, partnerships, corporations, associations, trusts, and exempt organizations.

Line 3.—Interest on savings and temporary cash investments.—Enter the amount of interest income from savings and temporary cash investments. See the instructions for Part II, line 2, for definitions.

Line 4.—Dividends and interest from securities.—Enter the amount of dividend and interest income from debt and equity securities (stocks and bonds) of the type reportable in Part II, line 10. Include amounts received from payments on securities loans, as defined in section 512(a)(5). Do not include any capital gain dividends reportable on line 6. See the instructions for line 11 for reporting income from program-related investments.

Line 5a.—Gross rents.—Enter the gross rental income for the year from investment property reportable on line 11 of the Balance Sheets.

Line 5b.—Net rental income or (loss).—Figure the net rental income or (loss) for the year and enter that amount on line 5b. Do not carry this amount into columns (a) through (d).

Report rents from other sources on line 11, Other income. Enter on lines 13 through 23 any expenses, such as interest and depreciation, attributable to the rental income reported on line 5.

Line 6.—Net gain or (loss) from sale of assets.—Enter the net gain or (loss) per books from the sale of all assets not included on line 10. Since any gain is per the books and may include gain on the sale of assets used for charitable purposes, the gain entered here will not necessarily agree with that shown in the other columns. For assets sold and not included in Part IV, attach a schedule showing: (a) date acquired, manner of acquisition, date sold, and to whom sold; (b) gross sales price; (c) cost, other basis or value at time of acquisition if donated (state which basis); (d) expense of sale and cost of improvements made subsequent to acquisition; and (e) depreciation since acquisition, if depreciable property.

Lines 10a, b, c.—Gross profit on sales of inventory.—Enter the gross sales (minus returns and allowances), cost of goods sold, and gross profit or (loss) from the sale of all inventory items, including those sold in the course of special fund raising events and activities. Do not report any sales or exchanges of investments on line 10. These inventory items are the ones the organization either makes to sell to others or buys for resale. An exempt private foundation must attach a statement explaining how each business activity not reported on Form 990-T contributed importantly to its exempt purpose.

Do not include the profit or (loss) from the sale of items of a capital nature such as securities, land, buildings, or equipment. Include such amounts on line 6.

Do not include any expenses incurred in the business activities such as salaries, taxes, rent, etc. Include them instead on lines 13 through 23.

Line 11.—Other income.—Enter the total of all other income of the foundation for the year, including royalty income, income from program-related investments (defined in the instructions for Part XIII, line 1b), and from other assets used for charitable purposes (such as interest earned on scholarship loans and rents from low income tenants), imputed interest on certain deferred payments figured under section 483, and any investment income not reportable on lines 3 through 5. However, do not include unrealized gains and losses on investments carried at market value. Report those as fund balance or net worth adjustments in Part III. Attach a schedule showing the description and amount of the income.

Line 13.—Compensation of officers, directors, trustees, etc.—Enter the total compensation for the year of all officers, directors, and trustees. If none paid, enter -0-. Complete subpart 1 of Part VIII for the compensation of officers, directors, foundation managers, and trustees.

Line 14.—Other employee salaries and wages.—Enter the total salaries and wages of all employees other than those included on line 13.

Line 15.—Contributions to employee pension plans and other benefits.—Enter the total of the employer's share of the contributions the organization paid to qualified and nonqualified pension plans and the employer's share of contributions to employee benefit programs (such as insurance, health, and welfare programs) that are not an incidental part of a pension plan. Complete the return/report of the Form 5500 series that is appropriate for your plan. (See the instructions for Form 5500 for information about employee welfare benefit plans required to file that form.) Also include in the total the amount of Federal, state, and local payroll taxes for the year, but only those that are imposed on the organization as an employer. This would include the employer's share of FICA tax, FUTA tax, state unemployment compensation tax, and other state and local payroll taxes. Do not include taxes withheld from employees' salaries and paid over to the various governmental units (such as Federal and state income taxes and the employee's share of FICA taxes).

Lines 16a, b, c.—Legal, accounting, and other professional fees.—On the appropriate line(s), enter the total amount of legal, accounting, auditing, and other professional fees (such as fees for fund raising or investment services) charged by outside firms and individuals who are not employees of the foundation.

Attach a schedule for lines 16a, b, and c showing the type of service and amount of expense for each. If the same person provided more than one of these services, provide an allocation of those expenses. (See instructions for Part VIII, line 3.) Report any fines, penalties, or judgments imposed against the foundation as a result of legal proceedings on line 23, Other expenses.

Line 18.—Taxes.—Enter the total taxes paid (or accrued) during the year. The total should include all types of taxes recorded on the books, including real estate tax not reported on line 20, the tax on investment income, and any income tax. Attach a schedule listing the type and amount of each tax reported on line 18. Do not enter on this line any taxes included in line 15.

Line 19.—Depreciation and depletion.—Enter the total expense recorded on the books for the year.

For depreciation attach a schedule showing: (a) description of the property; (b) date acquired; (c) cost or other basis (exclude any land); (d) depreciation allowed or allowable in prior years; (e) method of computation; (f) rate (%) or life (years); and (g) depreciation this year. Show on a separate line in the schedule the amount of depreciation included in cost of goods sold and not included on line 19.

Line 20.—Occupancy.—Enter the total amount paid or incurred for the use of office space or other facilities. If the space is rented or leased, enter the amount of rent; if owned, enter the amount of mortgage interest, real estate taxes, and similar expenses, but not depreciation (reportable on line 19). In either case, include the amount for utilities and related expenses, e.g., heat, lights, water, power, telephone, sewer, trash removal, outside janitorial services, and similar services. Do not include any salaries of your own employees (reportable on line 14).

Line 21.—Travel, conferences, and meetings.—Enter the total expenses for officers, employees or others during the year for travel, attending conferences, meetings, etc. The amount should include transportation (including fares, mileage allowance, or automobile expenses), meals and lodging, and related costs whether paid on the basis of a per diem allowance or actual expenses incurred. Do not include any compensation paid to those who participate.

Line 22.—Printing and publications.—Enter the total amount of expenses for printing or publishing and distributing any newsletters, magazines, etc. Also include on line 22 the cost of subscriptions to, or purchases of magazines, newspapers, etc.

Line 23.—Other expenses.—Enter the total of all other expenses for the year for which a separate line is not provided. Attach a schedule showing the type and amount of each expense.

If a deduction is claimed for amortization, attach a schedule showing: (a) a description of the expenses being amortized; (b) date acquired, completed, or expended; (c) amount being amortized; (d) amortization deducted in prior years; (e) amortization period (number of months); (f) amortization for this year; and (g) the total amount of amortization.

Line 25.—Contributions, gifts, grants paid.—Enter the total of all contributions, gifts, grants, and similar amounts paid (or accrued) for the year. List each contribution, gift, grant, etc., in Part XVI or attach a schedule of the items included on line 25 listing: (a) each class of activity; (b) separate total for each activity; (c) name and address of donee; (d) relationship of donee, if related by blood, marriage, adoption, or employment (including children of employees) to any disqualified person (see definitions); and (e) the organizational status of donee (for example, public charity—an organization described in section 509(a)(1), (2), or (3)) for each organization for which the foundation does not exercise expenditure responsibility under section 4945(d)(4)(B). You do not have to give the name of any indigent person who received one or more gifts or grants from the foundation unless that person is a disqualified person or one who received a total of more than $1,000 from the foundation during the year.

Activities should be classified according to purpose in greater detail than merely charitable, educational, religious, or scientific. For example, payments for nursing service, for fellowships, or for assistance to indigent families should be so identified.

Foundations may include as a single entry on the schedule the total of amounts paid as grants for which the foundation exercised expenditure responsibility. Attach a separate report for each grant.

When the fair market value of the property at the time of disbursement is the measure of a contribution, the schedule must also show: (a) description of the contributed property; (b) book value of the contributed property; (c) the method used to determine the book value; (d) the method used to determine the fair market value; and (e) the date of the gift. The difference between fair market value and book value should be shown in the books of account.

Line 27a.—Excess of revenue over expenses.—Subtract line 26, column (a), from line 12, column (a). Enter the difference. Generally, the amount shown in column (a) on this line would also be the amount by which the net worth (or fund balances) has increased or decreased for the year. See instructions for Part III, Analysis of Changes in Net Worth or Fund Balances.

Column (b)—Net Investment Income

All domestic private foundations (including section 4947(a)(1) trusts) are required to pay an excise tax each tax year on net investment income. The items of income and expense to be included in computing net investment income should be listed in Part I, column (b). These items may represent all or part of the amounts shown in column (a). Exempt foreign foundations are subject to an excise tax on their gross investment income from U.S. sources.

Include in column (b) on each line only that portion of the amount from column (a) that applies to investment income. For additional rules on amounts to be included or deducted, refer to the instructions for the specific line items.

If any of the expenses listed in column (a) are paid or incurred for both investment and charitable purposes, they must be allocated on a reasonable basis between the investment activities and the charitable activities.

If column (a) contains any interest, dividends, rents or royalties (and related expenses) that were reported on a separate Form 990-T as derived from a trade or business that is unrelated to your charitable purpose, do NOT include those items in column (b). For example, investment income derived from debt-financed property unrelated to your charitable purpose, and certain rents (and related expenses) treated as unrelated trade or business income should be reported on Form 990-T. Income from debt-financed property that is not taxed under section 511 is taxable under section 4940. For example, if the debt/basis percentage of a debt-financed property is 80%, only 80% of the gross income and expenses for that property is taken into account in figuring income subject to tax under section 511. The remaining 20% of the gross income and expenses of the property is includible in figuring net investment income for section 4940 purposes. See Form 990-T and Instructions for more information.

Include in column (b), interest, dividends, rents, and royalties derived from assets devoted to charitable activities. For example, interest received on a student loan would be included in column (b).

The deduction for expenses paid or incurred in any tax year for producing gross investment income earned incident to a charitable function cannot be more than the amount of income earned from the function which is includible as gross investment income for the year. For example, if rental income is incidentally realized in 1987 from historic buildings held open to the public, deductions for amounts paid or incurred in 1987 for the production of such income may not be more than the amount of rental income includible as gross investment income for 1987.

Include in column (b), all ordinary and necessary expenses paid or incurred to produce or collect interest, dividends, rents, amounts received from payments on securities loans (as defined in section 512(a)(5)), and royalties, or for the management, conservation, or maintenance of property held for the production of income.

Exempt foreign organizations should complete lines 3, 4, 5, 11, 12, and 27b of column (b) and report ONLY income derived from U.S. sources. No other income is to be included. No expenses are allowed as deductions.

Line 2.—Certain contributions from "split-interest" trusts described in section 4947(a) (2).—The income portion of distributions from split-interest trusts is treated as investment income to the extent that it was earned on amounts placed in trust after May 26, 1969. Include only that income portion of such distributions on line 2.

Line 3.—Interest on savings and temporary cash investments.—Enter the amount of interest income shown in column (a).

Line 4.—Dividends and interest from securities.—Enter the amount of dividend and interest income, and payments on securities loans from column (a), except for interest on tax-exempt government obligations.

Line 5.—Gross rents.—Enter the gross rental income from column (a).

Line 7.—Capital gain net income.—Enter the capital gain net income from Part IV, line 2.

Line 11.—Other income.—Enter the amount of investment income included in line 11, column (a). Include dividends, interest, rents, and royalties derived from assets devoted to charitable activities, such as interest on student loans.

Line 12.—Total.—Domestic organizations enter the total of lines 1 through 11. Exempt foreign organizations enter the total of lines 3, 4, 5, and 11 only.

Note: *Do not include in lines 13 through 23 of column (b) any expenses paid or incurred that are allocable to tax-exempt interest that is excluded from lines 3 and 4.*

Line 18.—Taxes.—Enter only those taxes included in column (a) that are related to investment income. Do NOT, however, include the tax paid or incurred on net investment income. Under the Tax Reform Act of 1986, sales taxes may not be deducted separately, but must be treated as a part of the cost of acquired property, or as a reduction of the amount realized on disposition of the property.

Line 19.—Depreciation and depletion.—A deduction for depreciation is allowed only for property used in connection with the production of investment income, and ONLY on the straight-line method of computing depreciation.

A deduction for depletion is allowed, but must be computed ONLY on the cost depletion method.

The basis used in computing depreciation and depletion is the basis determined under normal basis rules, without regard to the fair market value on December 31, 1969, that may be used in determining gain or loss when the asset is sold.

Line 21.—The Tax Reform Act of 1986 has reduced the deduction for business meals, etc., allowable in connection with travel, meetings, etc. Only 80% of the business meal expense paid or incurred in connection with these activities may be deducted in computing net investment income (see section 274 (n)).

Line 23.—Other expenses.—Enter the part of other expenses included in column (a) that applies to investment income.

A deduction for amortization is allowed, but only for an asset used for the production of investment income.

Line 27b.—Net Investment Income.— Domestic organizations subtract line 26 from line 12. Enter the difference. Exempt foreign organizations enter the amount shown on line 12.

The amount entered is subject to the excise tax imposed on private foundations (domestic organizations—1% (4940(e)), 2% (4940(a) or (b)), exempt foreign organizations—4% (4948)) as computed in Part VI. However, if you are a domestic organization and line 26 is more than line 12 (i.e., expenses exceed income), enter -0-, rather than a negative amount.

Column (c)—Adjusted Net Income

The amounts included in column (c) are used to figure the private foundation's adjusted net income. In general, adjusted net income is the amount by which a private foundation's gross income is more than the expenses of earning the income. The modifications and exclusions explained below are applied to gross income and expenses in figuring adjusted net income.

Note: *In completing column (c) include in each line only that portion of the amount from column (a) that is applicable to the adjusted net income computation.*

Include in income all amounts derived from, or connected with, property held by the foundation. This applies to any income attributable to amounts set aside, income from all charitable functions, and from any unrelated trade or business activity. Do not include gifts, grants, or contributions, or long-term capital gains or losses.

Deductible expenses include that part of a private foundation's operating expenses that is paid or incurred to produce or collect gross income. If only a part of the property produces income includible in column (c), deductions such as interest, taxes, and rent must be divided between the charitable and noncharitable uses of the property. If the deductions for property used for a charitable, educational, or other similar purpose are more than the income derived from the property, the excess will not be allowed as a deduction, but may be treated as a qualifying distribution in Part I, column (d).

Special Rules for Nonoperating Private Foundations.—All organizations that claim status as private operating foundations under section 4942(j)(3) or 4942(j)(5) must complete all lines of column (c) that apply, according to the general rules above and the specific line instructions below. The following special rules apply only to nonoperating private foundations.

(1) If a nonoperating private foundation has no income from charitable activities that would be reportable on line 10 or line 11 of Part I, it does not have to make any entries in column (c).

(2) Nonoperating private foundations having income from charitable activities must report that income on lines 10 and/or 11 in column (c). The expenses attributable to each specific charitable activity, up to the amount of income derived from the activity, must be reported in column (c) on lines 13 through 26. If the expenses of any charitable activity exceed the income generated by that activity, the excess of these expenses over the income, **and only that excess**, should be reported in column (d). Other income and expenses (such as investment income and expenses) that would otherwise be reportable in column (c) by these foundations, do not have to be reported in that column.

Examples: *(i) A charitable activity generated $5,000 of income and $4,000 of expenses. Report all of the income and expenses in column (c) and none in column (d). (ii) A charitable activity generated $5,000 of income and $6,000 of expenses. Report $5,000 of income and $5,000 of expenses in column (c) and the excess expenses of $1,000 in column (d).*

Line 3.—Interest on savings and temporary cash investments.—Enter the amount of interest income shown in column (a).

Line 4.—Dividends and interest from securities.—Enter the amount of dividends and interest income, and payments on securities loans from column (a), including interest on tax-exempt government obligations.

Line 5.—Gross rents.—Enter the gross rental income from column (a).

Line 8.—Net short-term capital gain.— Include only net short-term capital gain for the year (assets sold or exchanged that were held not more than 6 months (for property acquired before January 1, 1988), or 12 months (for property acquired after December 31, 1987)). Do not include net long-term capital gains and losses or a net short-term capital loss in column (c).

The net gain from the sale or exchange of depreciable property, or land used in a trade or business and held for more than 6 months (for property acquired before January 1, 1988), or 12 months (for property acquired after December 31, 1987), is not included in the computation of adjusted net income. The net loss from such property, however, should be included on line 23, Other expenses.

In general, organizations may use the net short-term capital gain reported in Part IV, line 3. However, since Part IV does not take into account capital gains and losses related to debt-financed property, any short-term capital gain on debt-financed property would have to be taken into account in figuring the net short-term capital gain reported on line 8. See the instructions for Form 990-T for definition of "debt-financed property."

Note: *Only organizations claiming to be private operating foundations need to compute their short-term capital gains and report them on line 8. See the instructions above for "Special Rules for Nonoperating Private Foundations."*

Line 9.—Income modifications.— Include on this line:

(a) Amounts received or accrued as repayments of amounts taken into account as qualifying distributions (see instructions for Part XIII for explanation of qualifying distributions) for any year.

(b) Amounts received or accrued from the sale or other disposition of property to the extent that the acquisition of the property was considered a qualifying distribution for any tax year.

(c) Any amount set aside for a specific project (see explanation for set-asides in the instructions for Part XIII) that was not necessary for the purposes for which it was set aside.

(d) Income received from an estate but only if the estate was considered terminated for income tax purposes due to a prolonged administration period.

(e) Amounts treated in a preceding tax year as qualifying distributions to:

(i) a private foundation which is not a private operating foundation if the amounts were not redistributed by the grantee organization by the close of its tax year following the year in which it received the funds, or

(ii) an organization controlled by the distributing foundation or a disqualified person if the amounts were not redistributed by the grantee organization by the close of its tax year following the year in which it received the funds.

Line 10.—Gross profit on sales of inventory.—Enter the gross profit from sales of inventory as shown in column (a), line 10c.

Line 11.—Other income.—Include all other items includible in adjusted net income not covered elsewhere in column (c). Do not include imputed interest figured under section 483 in the case of binding contracts described in section 4942(f)(2)(D).

Line 13.—Compensation of officers, etc.—Enter the portion of the compensation included in column (a) that was paid or incurred to produce or collect income included in column (c).

Line 18.—Taxes.—Enter only those taxes included in column (a) that relate to income included in column (c). Do NOT include any excise tax paid or incurred on the net investment income (as shown in Part VI), or any income tax paid or incurred on income reported on Form 990-T.

Line 19.—Depreciation and depletion.— A deduction for depreciation is allowed only for property used in connection with the production of income reported in column (c), and ONLY on the straight-line method of computing depreciation.

A deduction for depletion is allowed, but must be figured ONLY on the cost depletion method.

In figuring depreciation and depletion, determine the basis under normal basis rules, without regard to the special rules for using the fair market value on December 31, 1969, that relate only to gain or loss on dispositions.

Line 21.—Travel, conferences, and meetings.—Enter the total amount of expenses paid or incurred by officers, employees, or others for travel, conferences, meetings, etc., related to income included in column (c). Include transportation costs and expenses for food, lodging, and related costs whether paid on the basis of a per diem allowance or actual expenses incurred. Also include registration fees or similar expenses for conferences, meetings, etc.

Line 22.—Printing and publications.— Enter the total amount paid or incurred for printing and distributing newsletters, magazines, directories, etc., published by the organization, and subscription costs for magazines or newspapers that relate to income included in column (c).

Line 23.—Other expenses.—In addition to the applicable portion of expenses from column (a), also include any net loss from the sale or exchange of land or depreciable property that was held for 6 months or more and used in a trade or business.

A deduction for amortization is allowed, but only for assets used for the production of income reported in column (c).

Line 27c.—Adjusted net income.— Subtract line 26, column (c) from line 12, column (c) and enter the difference. If line 26 is more than line 12 (i.e., expenses exceed income) enter a -0-rather than a negative amount on line 27c.

Column (d)—Disbursements for Charitable Purpose

Expenses entered in column (d) relate to activities that constitute the charitable purpose of the foundation. The total of the expenses and disbursements on line 26 will be taken into account in Part XIII in figuring total qualifying distributions.

Determine the amounts entered in column (d) on the cash receipts and disbursements method of accounting, regardless of the method of accounting used in keeping the books of the foundation.

Generally, gifts and grants to organizations described in section 501(c)(3) that have been determined to be publicly supported charities (i.e., organizations not private foundations as defined in section 509(a)) are qualifying distributions, provided that the granting foundation does not control the public charity.

Include on lines 13 through 25 all expenses, including necessary and reasonable administrative expenses, paid by the foundation for religious, charitable, scientific, literary, educational, or other public purposes, or for the prevention of cruelty to children or animals.

Do not include in column (d) any amount or part of an amount that is included in column (b) or (c). If an expense is related to the production of income and also to the charitable purposes of the foundation, enter only the part allocable to the charitable purposes in column (d).

For purposes of column (d), include a distribution of property at the fair market value on the date the distribution was made.

If you want to provide an analysis of disbursements that is more detailed than column (d), you may attach a schedule instead of completing lines 13 through 25. The schedule must include all the specific items of lines 13 through 25, and the total from the schedule must be entered in column (d), line 26.

Line 18.—Taxes.—Do not include any excise tax paid on investment income (as reported in Part VI of this return or the equivalent part of a return for prior years) unless the organization is claiming status as a private operating foundation.

Line 25.—Contributions, gifts, grants paid.—Enter on line 25 all contributions, gifts, and grants the foundation paid during the year. Do not include contributions to organizations controlled (see below) by the foundation or by a disqualified person (see General Information at the beginning of the instructions for definition) or contributions to nonoperating foundations, unless the donees are exempt from tax under section 501(c)(3), they redistribute the contributions, and maintain sufficient evidence of redistributions according to the regulations under section 4942(g). Do not reduce the amount of grants paid in the current year by the amount of grants paid in a prior year that was returned or recovered in the current year. Report those repayments in column (c), line 9, and in Part X, line 4a. Do not include any payments of set-asides (see instructions for Part XIII, line 3) taken into account as qualifying distributions in the current year or any prior year. All set-asides are included in qualifying distributions (Part XIII, line 3) in the year of the set-aside regardless of when paid.

Do not include any payments that are not qualifying distributions as defined in section 4942(g)(1).

Control.—An organization is controlled by a foundation or by one or more disqualified persons with respect to the foundation if any of these persons may, by combining their votes or positions of authority, require the organization to make an expenditure or prevent the organization from making an expenditure, regardless of the method of control. "Control" is determined without regard to the conditions imposed by a foundation on the manner in which the contribution must be used.

Part II—Balance Sheets

Attached schedules called for by line items in this part must show the value of the assets listed at the end of the tax year. Schedules for column (b) must show the book value at the end of the year and schedules for column (c) must show the fair market value at the end of the year. The schedules must show the end of year value for each asset listed.

When space is provided to the left of column (a) for reporting receivables and the related allowance for doubtful accounts or depreciable assets and accumulated depreciation, enter the end of year figures.

Foundations that had assets of $5,000 or more at any time during the year must complete all of column (c). Foundations with less than $5,000 of total assets at all times during the year must complete only line 16 of column (c). All filers must complete all of columns (a) and (b).

Line 1.—Cash—non-interest-bearing.— Enter the amount of cash on deposit in checking accounts, deposits in transit, change funds, petty cash funds, or any other non-interest- bearing account. Do not include advances to employees or officers or refundable deposits paid to suppliers or others.

Line 2.—Savings and temporary cash investments.—Enter the total of cash in savings or other interest- bearing accounts and temporary cash investments, such as money market funds, commercial paper, certificates of deposit, and U.S. Treasury bills or other governmental obligations that mature in less than one year.

Line 3.—Accounts receivable.—Enter the total accounts receivable (reduced by the corresponding allowance for doubtful accounts) that arose from the sale of goods and/or the performance of services. Claims against vendors or refundable deposits with suppliers or others may be reported here if not significant in amount. (Otherwise, report them on line 15, Other assets.) Any receivables due from officers, directors, trustees, foundation managers, or other disqualified persons must be reported on line 6. Receivables (including loans and advances) due from other employees should be reported on line 15.

Line 4.—Pledges receivable.—Enter the total pledges receivable recorded as of the beginning and end of the year, reduced by the amount of pledges estimated to be uncollectible.

Line 5.—Grants receivable.—Enter the total grants receivable from governmental agencies, foundations, and other organizations as of the beginning and end of the year.

Line 6.—Receivables due from officers, directors, trustees, and other disqualified persons.—All receivables due from officers, directors, trustees, foundation managers, and other disqualified persons and all secured and unsecured loans (including advances) to such persons must be reported on line 6 and in an attached schedule described below.

In the required schedule, report each loan separately, even if more than one loan was made to the same person, or the same terms apply to all loans made.

Receivables that are subject to the same terms and conditions (including credit limits and rate of interest) as receivables due from the general public and that arose in connection with an activity functionally related to the foundation's charitable purposes may be reported as a single total for all the officers, directors, etc. Travel advances made in connection with official business of the organization may also be reported as a single total.

However, salary advances and other advances for the personal use and benefit of the recipient and receivables subject to special terms or arising from transactions not functionally related to the foundation's charitable purposes must be reported as separate loans for each officer, director, etc.

Attach a schedule that shows the following information (preferably in columnar form) for each loan or other receivable outstanding at the end of the year that must be reported separately according to the above instructions:

(a) Borrower's name and title;
(b) Original amount;
(c) Balance due;
(d) Date of note;
(e) Maturity date;
(f) Repayment terms;
(g) Interest rate;
(h) Security provided by the borrower;
(i) Purpose of the loan; and
(j) Description and fair market value of the consideration furnished by the lender (for example, cash—$1,000; or 100 shares of XYZ, Inc., common stock—$9,000).

The above detail is not required for receivables or travel advances that may be combined and reported in total (see above instructions), but report and identify those totals separately in the attachment.

Line 7.—Other notes and loans receivable.—Enter the combined total of notes receivable and net loans receivable.

Notes receivable.—Enter the amount of all notes receivable not listed on line 6 and not acquired as investments. Attach a schedule similar to that called for in the instructions for line 6. The schedule should also identify the relationship of the borrower to any officer, director, trustee, foundation manager, or other disqualified person.

For a note receivable from any section 501(c)(3) organization, list only the name of the borrower and the balance due on the required schedule.

Loans receivable.—Enter the gross amount of loans receivable, less the allowance for doubtful accounts, arising from the normal activities of the filing organization (such as scholarship loans). An itemized list of these loans is not required, but attach a schedule indicating the total amount of each type of loan outstanding.

Loans to officers, directors, trustees, foundation managers, or other disqualified persons must be reported on line 6. Loans to other employees should be reported on line 15.

Line 8.—Inventories for sale or use.—Enter the amount of materials, goods, and supplies purchased or manufactured by the organization and held to be sold or used in some future period.

Line 9.—Prepaid expenses and deferred charges.—Enter the amount of short-term and long-term prepayments of expenses attributable to one or more future accounting periods. Examples include prepayments of rent, insurance, and pension costs, and expenses incurred in connection with a solicitation campaign to be conducted in a future accounting period.

Line 10.—Investments—securities.—Enter the book value (which may be market value) of securities held as investments and attach a schedule that lists each security held at the end of the year and shows whether the security is listed at cost (including the value recorded at the time of receipt in the case of donated securities) or end of year market value. Do not include amounts shown on line 2. Debt securities of the U.S. Government may be reported as a single total rather than itemized. Obligations of state and municipal governments may also be reported as a lump-sum total; do not combine these with U.S. Government obligations.

Line 11.—Investments—land, buildings, and equipment.—Enter the book value (cost or other basis less accumulated depreciation) of all land, buildings, and equipment held for investment purposes, such as rental properties. Attach a schedule listing these investment fixed assets held at the end of the year and showing, for each item or category listed, the cost or other basis, accumulated depreciation, and book value.

Line 12.—Investments—mortgage loans.—Enter the amount of mortgage loans receivable held as investments, but do not include program-related investments (see instructions for line 15).

Line 13.—Investments—other.—Enter the amount of all other investment holdings not reported on lines 10 through 12. Attach a schedule listing and describing each of these investments held at the end of the year. Show the book value for each and indicate whether the investment is listed at cost or end of year market value. Do not include program-related investments (see instructions for line 15).

Line 14.—Land, buildings, and equipment.—Enter the book value (cost or other basis less accumulated depreciation) of all land, buildings, and equipment owned by the organization and not held for investment. This would include any property, plant, and equipment owned and used by the organization in conducting its charitable activities. Attach a schedule listing these fixed assets held at the end of the year and showing, for each item or category listed, the cost or other basis, accumulated depreciation, and book value.

Line 15.—Other assets.—List and show the book value of each category of assets not reportable on lines 1 through 14. Attach a separate schedule if more space is needed.

One type of asset reportable on line 15 would be program-related investments, which are investments made primarily to accomplish a charitable purpose of the filing organization rather than to produce income.

Line 16.—Total assets.—Organizations having assets of $5,000 or more at any time during the year, enter the total of lines 1 through 15 in columns (a), (b), and (c). Those having assets of less than $5,000 enter the fair market value of assets held at the end of the year only in column (c), line 16.

Line 17.—Accounts payable and accrued expenses.—Enter the total of accounts payable to suppliers and others and accrued expenses, such as salaries payable, accrued payroll taxes, and interest payable.

Line 18.—Grants payable.—Enter the unpaid portion of grants and awards that the organization has made a commitment to pay other organizations or individuals, whether or not the commitments have been communicated to the grantees.

Line 19.—Support and revenue designated for future periods.—Enter the amount of contributions, governmental fees or grants, grants from foundations or other organizations, and other fees and support that contributors or grantors have designated as payable for or applicable to one or more future years, either by the terms of the gift or by the terms of the contract or other arrangement. Do not include any amounts restricted for future use by the filing organization's own governing body. Attach a schedule that describes each contribution or grant designated for one or more future periods and indicates the total amount of each item and the amount applicable to each future period.

Line 20.—Loans from officers, directors, trustees, and other disqualified persons.—Enter the unpaid balance of loans received from officers, directors, trustees, and other disqualified persons. For loans outstanding at the end of the year, attach a schedule that provides (for each loan) the name and title of the lender and the information listed in items (b) through (j) of the instructions for line 6.

Line 21.—Mortgages and other notes payable.—Enter the amount of mortgages and other notes payable at the beginning and end of year. Attach a schedule showing, as of the end of the year, the total amount of all mortgages payable and, for each non-mortgage note payable, the name of the lender and the other information specified in items (b) through (j) of instruction 6. The schedule should also identify the relationship of the lender to any officer, director, trustee, foundation manager, or other disqualified person.

Line 22.—Other liabilities.—List and show the amount of each liability not reportable on lines 17 through 21. Attach a separate schedule if more space is needed.

Lines 24 through 31—Fund balances or net worth.—

Organizations using fund accounting.—If the organization uses fund accounting, check the box above line 24 and complete lines 24 through 27 to report the various fund balances. Also complete line 31 to report the sum of the fund balances and line 32 to report the sum of the total liabilities and fund balances. Organizations not using fund accounting, see the instructions under that heading (below) for completing the net worth section.

Under fund accounting, an organization segregates its assets, liabilities, and net worth into separate funds according to externally imposed restrictions on the use of certain assets, similar designations by the organization's governing board, and other amounts that are unrestricted as to use. Each fund is like a separate entity in that it has a self-balancing set of accounts showing assets, liabilities, equity (fund balance), income, and expenses. Since these funds are actually part of a single entity, they are all included in that organization's own financial statements. Similar accounts in the various funds may or may not be consolidated in those statements according to the organization's preference and practice. Form 990-PF, however, requires such consolidation. Recognition of the separate funds and the net changes within the various funds during the year is accomplished by the fund balances section (lines 24 through 27) of the balance sheet.

Some states that accept Form 990-PF as their basic report form may require a separate statement of changes in fund balances.

Line 24.—Current funds.—Enter the sum of the fund balances per books of the current unrestricted fund and the current restricted fund.

Line 25.—Land, buildings, and equipment fund.—Enter the fund balance per books for the land, buildings, and equipment fund (plant fund).

Line 26.—Endowment fund.—Enter the total of the fund balances for the permanent endowment fund and any term endowment funds. Annuity and life income fund balances may be reported here if not significant in amount, or on line 27. Do not include the fund balances of any quasi-endowment funds (funds functioning as endowment) or other internally designated funds.

Line 27.—Other funds.—Enter the total of the fund balances for all funds not reported on lines 24 through 26. Indicate the type of fund in the space provided or on an attachment if more than one fund is involved. On the attachment, show the beginning and end of year fund balance for each fund listed.

Organizations not using fund accounting.—If the organization does not use fund accounting, check the box above line 28 and report net worth account balances on lines 28 through 31. Also complete line 32 to report the sum of the total liabilities and net worth.

Line 28.—Capital stock or trust principal.—For corporations, enter the balance per books for capital stock accounts. Show par or stated value (or for stock with no par or stated value, total amount received upon issuance) of all classes of stock issued and, as yet, uncancelled. For trusts, enter the amount in the trust principal or corpus account.

Line 29.—Paid-in or capital surplus.—Enter the balance per books for all paid-in capital in excess of par or stated value for all stock issued and, as yet, uncancelled. If stockholders or others made donations that the organization records as paid-in capital, include them here. Any current year donations you include on line 29 must also be reported in Part I, line 1.

Line 30.—Retained earnings or accumulated income.—For a corporation, enter the balance in the retained earnings or similar account, minus the cost of any corporate treasury stock. For trusts, enter the balance per books in the accumulated income or similar account.

Line 31.—Total fund balances or net worth.—For organizations that use fund accounting, enter the total of lines 24 through 27. For all other organizations, enter the total of lines 28 through 30. The beginning of the year figure in column (a) should be carried over to Part III, line 1. The end of year figure in column (b) should agree with the figure in Part III, line 6.

Line 32.—Total liabilities and fund balances/net worth.—Enter the total of lines 23 and 31. That figure must equal the figure for total assets reported on line 16 for both the beginning and end of year.

Part III—Analysis of Changes in Net Worth or Fund Balances

Generally, the difference between the net worth at the beginning and end of the year would be accounted for by Part III, line 2, the excess of support and revenue over expenses. On lines 3 and 5, list any changes in the net worth that were not caused by the receipts or expenses shown in Part I, column (a). For example, if an asset is shown in the ending balance sheet at a higher value than in the beginning balance sheet because of an increased market value, include the increase in Part III, line 3. Also, if you use a stepped-up basis to determine gains on sales of assets included in column (a), then include the amount of step-up in basis in Part III.

Part IV—Capital Gains and Losses for Tax on Investment Income

Use Part IV to figure the amount of net capital gain to report on lines 7 and 8 of Part I. This part does not apply to foreign organizations. Organizations that are not private operating foundations do not have to figure their short-term capital gains . See the "Special Rules for Nonoperating Private Foundations" under Part I, column (c).

Private foundations must report gains and losses from the sale or other disposition of property used to produce interest, dividends, rents, royalties, or other income. If the foundation disposes of property that is used to produce income subject to the unrelated business income tax, include any gain or loss from the sale of that property in net investment income, but only the part that is not included in the computation of unrelated business taxable income.

Property is treated as held for investment purposes even if the foundation disposes of the property as soon as it receives it , if the property is of a type that generally produces interest, dividends, rents, royalties, or capital gains through appreciation.

Do not include any gain or loss from disposing of property used for the foundation's charitable purposes in the computation of tax on net investment income. If the foundation uses property for its charitable purposes, but also incidentally derives income from the property which is subject to the net investment income tax, any gain or loss from the sale or other disposition of the property is not subject to the tax.

However, if the foundation uses property both for charitable purposes and (other than incidentally) for investment purposes, include in the computation of tax on net investment income that part of the gain or loss from the sale or disposition of the property that is allocable to the investment use of the property.

Do not include gains or losses from the sale or exchange of program-related investments as defined in the instructions for Part XIII, line 1b.

For further information, see section 4940(c)(4).

Losses.—If the disposition of investment property results in a loss, that loss may be subtracted from capital gains realized from the disposition of property during the same tax year, but only to the extent of the gains. If losses are more than gains, the excess may not be subtracted from gross investment income, nor may the losses be carried back or forward to other tax years.

Basis.—The basis for determining gain from the sale or other disposition of property is the larger of:

(1) The fair market value of the property on December 31, 1969, plus or minus all adjustments after December 31, 1969, and before the date of disposition, provided the foundation held the property on that date and continuously after that date until disposition; or

(2) The basis of the property on the date of disposition under normal basis rules (actual basis). The normal (actual) basis rules are contained in Subchapter O, Part II.

The rules that usually apply to property dispositions reported in this part are:

Section 1011, Adjusted basis for determining gain or loss;

Section 1012, Basis of property-cost;

Section 1014, Basis of property acquired from a decedent;

Section 1015, Basis of property acquired by gifts and transfers in trust; and

Section 1016, Adjustments to basis.

For determining a loss, basis is determined on the date of disposition under normal basis rules.

See Chapter IV of Publication 578 for examples of how to determine gain or loss.

Part V—Qualification Under Section 4940(e) for Reduced Tax on Net Investment Income

This part is used by exempt domestic private foundations, otherwise subject to the 2% tax under section 4940(a) on net investment income, to determine whether they qualify for the reduced 1% tax under section 4940(e). A private foundation cannot qualify under section 4940(e) for its first year of existence, nor can a former public charity qualify for the first year it is treated as a private foundation. A separate computation must be made for each year in which the foundation wants to qualify for the reduced tax.

Line 1, column (a), shows the base period years used to determine the average percentage payout shown on line 3.

The amounts in column (b) for tax years 1985 and 1986 are taken from Part XIII, line 8 of the 1985 and 1986 Forms 990-PF. For tax years 1982-84, the amounts are taken from Part X, line 4 of the 1982-84 Forms 990-PF.

The amounts in column (c) for tax years 1985 and 1986 are taken from Part IX, line 5 of the 1985 and 1986 Forms 990-PF. For tax years 1982-84, the amounts are taken from Part VIII, line 5 of the 1982-84 Forms 990-PF.

Line 1, column (b).—Enter the amount of qualifying distributions made for each year shown.

Line 1, column (c).—Enter the net value of noncharitable-use assets for each year.

Line 1, column (d).—Enter the payout ratio determined for each year.

Line 2.—Enter the total of column (d), line 1.

Line 3.—Divide the figure on line 2 by 5, or the number of years the foundation has been a private foundation if less than 5 years.

Line 4.—You must complete Part IX to get the amount for this line.

Line 8.—You must complete lines 1-6 of Part XIII to get the amount to enter here.

Part VI—Excise Tax on Investment Income (Section 4940(a), 4940(b), 4940(e) or 4948)

General rules for tax on investment income.—Domestic exempt private foundations generally are subject to a 2% tax on net investment income under section 4940(a). However, certain domestic tax exempt private foundations may qualify for a reduced tax of 1% under section 4940(e), or may not owe any tax under section 4940(d)(2).

A modified 2% tax on the net investment income of domestic section 4947 (a)(1) trusts and taxable foundations is imposed by section 4940(b).

The section 4940 tax does not apply to an organization making an election under section 41(e)(6). Enter "N/A" in Part VI.

Exempt foreign private foundations are subject, under section 4948, to a 4% tax on their gross investment income derived from U.S. sources.

Other foreign organizations that filed **Form 1040NR**, U.S. Nonresident Alien Income Tax Return, or **Form 1120F**, U.S. Income Tax Return of a Foreign Corporation, enter "N/A" in Part VI.

A domestic exempt private foundation that qualifies as an exempt operating foundation under section 4940(d)(2) does not owe any tax on net investment income on this return. To qualify as an exempt operating foundation for a particular year, an organization must meet all the requirements of section 4940(d)(2) for the entire tax year.

A domestic exempt private foundation that wants to qualify for the section 4940(e) 1% tax on net investment income must properly complete Part V to determine whether it qualifies.

A domestic section 4947(a)(1) trust or taxable private foundation subject to the tax on net investment income under section 4940(b) must first compute the tax under section 4940(a) as if that tax applied to it.

Note: *A private foundation must pay estimated taxes on its net investment income. See General Instruction M for more information.*

Tax Computation.—

Line 1.—Use these instructions to figure the tax, if any, for the year. Make only one entry for line 1.

1a.—Domestic exempt operating foundations defined in section 4940(d)(2) check the box, enter "N/A" on line 1a, and leave the rest of Part VI blank. For the first year you must attach a copy of the ruling letter establishing exempt operating foundation status. In subsequent years, as long as you retain this status, write the date of the ruling letter in the space following the line instructions. If you cease to qualify under section 4940(d)(2), do not use line 1a.

1b.—Domestic exempt foundations meeting section 4940(e) requirements, check the box and enter the amount from Part V, line 6.

1c.—All other domestic organizations, enter 2% of Part I, line 27b. Foreign organizations, enter 4% of Part I, line 27b.

Line 2.—Section 511 tax.—Under section 4940(b), a domestic section 4947 (a)(1) trust or taxable private foundation must add to the tax figured under section 4940(a) the tax which would have been imposed under section 511 for the tax year if it had been exempt from tax under section 501(a). If the domestic section 4947(a)(1) trust or taxable private foundation has unrelated business taxable income that would have been subject to the tax imposed by section 511, the computation of tax must be shown in an attachment. Form 990-T may be used as the attachment. All other filers enter -0-.

Line 4.—Subtitle A tax.—Domestic section 4947(a)(1) trusts and taxable foundations enter the amount of subtitle A tax for the year reported on Form 1041 or **Form 1120**, U.S. Corporation Income Tax Return. All other filers enter -0-.

Line 5.—Tax on Investment Income.—Subtract line 4 from line 3 and enter the difference (but not less than -0-) on line 5. Unless you are a domestic section 4947(a)(1) trust or taxable private foundation, the amount is the same as line 1. The tax shown on line 5 may not be less than zero. Any overpayment entered on line 10 that is the result of a negative amount shown on line 5 will not be refunded.

Line 6.—Credits/Payments.—*(Note: 6a applies only to domestic organizations).*

Line 6a.—On 6a enter the amount of 1987 estimated tax payments, and any 1986 overpayment of taxes that you wrote in on your 1986 return to be credited toward payment of your estimated taxes for 1987.

Note: *The Tax Reform Act of 1986 added Code section 643(g), which allows a trust to treat any part of estimated taxes it paid as being paid by the beneficiary. If you received such a payment from a trust, include the amount on line 6a of Part VI, and write in on that line "includes section 643(g) payment." See section 643(g) for more information.*

Line 6b.—On 6b exempt foreign foundations must enter the amount of tax withheld at source.

Line 8.—Penalty.—Enter penalty for underpayment of estimated tax shown on **Form 2220**, Underpayment of Estimated Tax by Corporations.

Line 9.—Tax Due.—Domestic foundations, see General Instruction M for depositary method of payment. Foreign organizations, attach a check or money order (in U.S. funds) at the place indicated on the top of page 1 of the return.

Part VII—Statements Regarding Activities

General

Every question in this section should be answered "Yes," "No," or "N/A" (not applicable).

In addition to the excise tax on the investment income of private foundations, there are excise taxes imposed on acts of self-dealing between private foundations and disqualified persons, failure to distribute income, excess business holdings, investments that jeopardize the foundation's charitable purposes, and making expenditures that do not further the foundation's charitable purposes. Certain taxes and penalties also apply to foundation managers, substantial contributors, and certain related persons. The purpose of most of the questions in Part VII is to determine whether there is any initial tax due under section 4941, 4942, 4943, 4944, or 4945. If you answer "No" to question 10b, 11b, or 14b; OR "Yes" to question 10c, 12b, or 13a or b, complete and attach Form 4720, unless an exception applies.

Line 1.—Political purposes include, but are not limited to: directly or indirectly accepting contributions or making payments to influence the selection, nomination, election, or appointment of any individual to any Federal, state, or local public office or office in a political organization, or the election of Presidential or Vice Presidential electors, whether or not the individual or electors are actually selected, nominated, elected, or appointed.

Line 3.—A conformed copy of an organizational document is one that agrees with the original document and all its amendments. If copies are not signed, attach a written declaration signed by an officer authorized to sign for the organization, certifying that they are complete and accurate copies of the original documents.

Line 6.—In order for a private foundation to be exempt from income tax, its governing instrument must include provisions that require it to act or refrain from acting so as not to engage in an act of self-dealing (section 4941), or subject the foundation to the taxes imposed by sections 4942 (failure to distribute income), 4943 (excess business holdings), 4944 (investments which jeopardize charitable purpose), and 4945 (taxable expenditures). A private foundation may satisfy these section 508(e) requirements either by express language in its governing instrument or by application of state law which imposes the above requirements on the foundation or treats these requirements as being contained in the governing instrument. If an organization claims it satisfies the requirements of section 508(e) by operation of state law, the provisions of state law must effectively impose the section 508(e) requirements on the organization. See Rev. Rul. 75-38, 1975-1 C.B. 161, for a list of states with legislation that satisfies the requirements of section 508(e).

If, however, the state law does not apply to a governing instrument which contains mandatory directions conflicting with any of its requirements and the organization has such mandatory directions in its governing instrument, then the organization has not satisfied the requirements of section 508(e) by the passing of that legislation.

Line 8.—In the space provided list all states:

(1) to which the organization reports in any way about its organization, assets, or activities; and

(2) with which the organization has registered (or which it has otherwise notified in any manner) that it intends to be, or is, a charitable organization or that it is, or intends to be, a holder of property devoted to a charitable purpose.

Attach a separate list if you need more space.

Line 10.—Self-dealing.—The activities listed in 10a(1) through (6) are considered self-dealing under section 4941 unless one of the exceptions referred to in Chapter VIII of Publication 578 applies. Also see applicable Revenue Rulings for additional exceptions.

The terms "disqualified person" and "foundation manager" are defined in the General Information section of these Instructions.

Line 11.—Taxes on failure to distribute income.—If you answer "Yes" to question 11b, attach a statement explaining:

(a) all the facts regarding the incorrect valuation of assets, and

(b) the actions taken (or planned) to comply with section 4942(a)(2)(B), (C), and (D) and the related regulations.

Line 12.—Taxes on excess business holdings.—In general, the excess business holdings are the amount of stock or other interest in a business enterprise which the foundation must dispose of to a person other than a disqualified person in order for the foundation's remaining holdings in the enterprise to be permitted holdings. Business holdings do not include program-related investments as defined in section 4944(c) and related regulations.

In general, the combined permitted holdings of a private foundation and all disqualified persons are limited to 20% of the voting power (or beneficial or profits interest, in the case of a trust or a partnership) in any business enterprise.

There are grace periods of 15 or 20 years for certain excess business holdings of the foundation that were held on May 26, 1969. These holdings are considered held by disqualified persons rather than the foundation during the grace period. The 15-year grace period expired on May 25, 1984. This period applied when a private foundation and all disqualified persons together held more than 75% interest, but not more than 95% interest in a business enterprise. The 20-year grace period applies if the combined holdings were more than 95%.

The term "business enterprise," in general, includes the active conduct of a trade or business. It includes any activity carried on to produce income from the sale of goods or the performance of services and that is considered an unrelated trade or business under section 513.

The term "business enterprise" does not include:

(1) A functionally related business, which is defined in section 4942(j)(4); or

(2) A trade or business if at least 95% of its gross income is from passive sources described in sections 512(b)(1), (2), (3), and (5).

Line 12b.—If the 5-year period to dispose of holdings acquired by gift or bequest has expired, and you have a ruling letter from the Commissioner approving a longer period under the provisions of section 4943(c)(7), answer 12b "No."

2% de minimis rule.—A private foundation is not treated as having excess business holdings in any enterprise if, together with related foundations described in item (6) (definition of "disqualified person") of the General Information section of these Instructions, it owns 2% or less of the voting stock and 2% or less in value of all outstanding shares of all classes of stock. A similar exception applies to a beneficial or profits interest in any business enterprise that is a trust or partnership.

For more information about excess business holdings, see Publication 578 and the instructions for Form 4720.

Line 13.—Taxes on investments which jeopardize charitable purposes.—In general, an investment which jeopardizes any of the charitable purposes of a private foundation is one in which a foundation manager did not exercise ordinary business care in making the investment in order to provide for the long and short-term financial needs of the foundation in carrying out its charitable purposes.

For more information on investments which jeopardize charitable purposes, refer to Publication 578 and the regulations under section 4944.

Line 14.—Taxes on taxable expenditures.—(See the regulations under section 4945 for more information regarding special rules and requirements.)

In general, payments made for the activities described on lines 14a(1) through 14a (5) are taxable expenditures.

A grant by a private foundation to a public charity is not a taxable expenditure if the private foundation does not earmark the grant for use for any of the activities described in lines 14a(1) through 14a(5) and there is no oral or written agreement by which the grantor foundation may cause the grantee to engage in any such prohibited activity or to select the recipient to which the grant is given.

Under the Tax Reform Act of 1984, grants made to exempt operating foundations (as defined in section 4940(d)(2)) are not subject to the expenditure responsibility provisions of section 4945.

See Chapter VI of Publication 578 for exceptions to taxable expenditures. Also take into account any Revenue Rulings that provide additional exceptions.

Line 15.—Substantial contributors.—If you answered "Yes," attach a schedule listing the names and addresses of all persons who became substantial contributors during the year.

The term "person" includes individuals, trusts, estates, partnerships, associations, corporations, and other exempt organizations.

The term "substantial contributor" to a private foundation means any person whose contributions or bequests during the current tax year and prior tax years total more than $5,000 and are more than 2% of the total contributions and bequests received by the foundation from its creation through the close of its tax year. In the case of a trust, the term "substantial contributor" also means the creator of the trust.

Each contribution or bequest must be valued at fair market value on the date it was received.

Any person who is a substantial contributor on any date will remain a substantial contributor for all later periods, unless the exception that applies to tax years beginning after December 31, 1984, as added by section 507(d)(2), applies.

For purposes of the two preceding paragraphs, the term "substantial contributor" does not include public charities (organizations described in section 509(a)(1), (2), or (3)).

Line 17.—Tax-exempt interest.—Section 4947 (a)(1) trusts filing Form 990-PF in lieu of Form 1041 must report tax-exempt interest received or accrued during the year. Include exempt-interest dividends from a mutual fund or other regulated investment company on line 17.

Part VIII—Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees and Contractors

Line 1.—List of officers, directors, trustees, etc.— List the names, addresses, and other information requested for the officers, directors, and trustees (or any person who has responsibilities or powers similar to those of officers, directors, or trustees) of the foundation. All such persons must be listed whether or not they receive any compensation from the foundation. Attach a schedule if more space is needed. Include all compensation or other payments made during the foundation's annual accounting period (or during the calendar year ending within such accounting period) to, or on behalf of, the officers, directors, and trustees of the foundation.

Include on line 1 only the amount of the expense account allowance for which the employee did not account. For example, if the employee did not account for any of the allowance, report the entire amount. If the employee gave only partial accounting, report the amount that was not accounted for. Report all reimbursements or advances for personal expenses, whether or not an accounting was made (e.g., reimbursement for meals on a business trip that did not involve overnight travel).

The organization's officers, directors, and trustees should include in their income all payments and allowances made to them or on their behalf unless the payments are specifically excluded by some provision of the Code. For more information see **Publication 525**, Taxable and Nontaxable Income.

Line 2.—Compensation of five highest paid employees.—Fill in the information requested for the five employees (if any) who received the greatest amount of annual compensation over $30,000. Do not include employees listed under line 1. Also enter the total number of other employees who received more than $30,000 in annual compensation. See the instructions for line 1 for additional information on includible compensation.

Line 3.— Five highest paid persons for professional services.—Fill in the information requested for the five highest paid independent contractors (if any) whom you paid more than $30,000 for the year to perform personal services of a professional nature for the organization (such as attorneys, accountants, and doctors, whether they performed the services in their individual capacities or as employees of a professional service corporation). Also show the total number of all other independent contractors who received more than $30,000 for the year for performing professional services.

Part IX—Minimum Investment Return

All organizations filing this return must complete Part IX.

Operating foundations described in section 4942(j)(3) must complete Part IX to have the information needed to complete Part XV, line 2a (see Part XV instructions), and Part XV, line 3b if the endowment alternative test is used. Operating foundations described in section 4942(j)(5) must complete Part IX to have the information needed to complete Part XV, line 3b. See the Part XV instructions for an explanation of the section 4942(j)(5) requirements.

A private foundation that is not a private operating foundation must pay out as qualifying distributions its minimum investment return, generally 5% of the total fair market value of its noncharitable assets, subject to further adjustments as explained in the instructions for Part X. The amount of this minimum investment return is figured in Part IX, and is used in Part X to figure the amount that is required to be paid out (the distributable amount)

Include only the assets that are not used or held for use for charitable purposes in figuring the minimum investment return. These are assets that are not actually used or held for use by the organization for a charitable, educational, or other similar function which gives rise to the charitable status of the foundation. Cash on hand and on deposit is considered used or held for use for charitable purposes ONLY to the extent of the reasonable cash balances reported in Part IX, line 4. See the instructions for lines 1b and 4. Assets held for the production of income or for investment are considered not used directly for charitable functions even though the income from the assets is used for the charitable functions.

Whether an asset is held for the production of income or for investment rather than used or held for use directly by the foundation for charitable purposes is a factual question. For example, an office building used to provide offices for employees engaged in managing endowment funds for the foundation is not considered an asset used for charitable purposes. However, when property is used both for charitable purposes and other purposes, the property is considered used entirely for charitable purposes if 95% or more of its total use is for charitable purposes. If less than 95% of its total use is for charitable purposes, a reasonable allocation must be made between charitable and noncharitable use.

Certain assets are not considered either held for the production of income or for investment. See Chapter VII of Publication 578 for a listing of these kinds of assets.

Line 1a.—Average monthly fair market value of securities.—If market quotations are readily available, a foundation may use any reasonable method to determine the average monthly fair market value of securities such as common and preferred stock, bonds, and mutual fund shares, as long as that method is consistently used. Market quotations are considered readily available if a security is:

- Listed on the New York or American stock exchanges or any city or regional exchange in which quotations appear on a daily basis, including foreign securities listed on a recognized foreign national or regional exchange;
- Regularly traded in the national or regional over-the-counter market for which published quotations are available; or
- Locally traded, for which quotations can readily be obtained from established brokerage firms.

If securities are held in trust for, or on behalf of, a foundation by a bank or other financial institution which values those securities periodically using a computer pricing system, a foundation may use that system to determine the value of the securities. The system must be acceptable to the IRS for Federal estate tax purposes.

You may reduce the fair market value of securities only to the extent that you can establish that the securities could only be liquidated in a reasonable period of time at a price less than the fair market value because of:

- **The size of the block of the securities;**
- **The fact that the securities held are securities in a closely held corporation; or**
- **The fact that the sale of the securities would result in a forced or distress sale.**

Any reduction in value allowed under these provisions may not be more than 10% of the fair market value (determined without regard to any reduction in value).

Also see regulations sections 53.4942(a)-2(c)(4)(i)(b), 53.4942(a)-2(c)(4)(iv)(a), and 53.4942(a)-2(c)(4)(i)(c).

Line 1b.—Average of monthly cash balances.—Compute cash balances on a monthly basis by averaging the amount of cash on hand on the first and last days of each month. Include all cash balances including amounts that may be used for charitable purposes (see line 4 below) or set aside and taken as a qualifying distribution (see Part XIII).

Line 1c.—Fair market value of all other assets.—The fair market value of assets other than securities is determined annually except as described below. The valuation may be made by private foundation employees or by any other person, whether or not that person is a disqualified person in relation to the foundation. If the IRS accepts the valuation, it is valid only for the tax year for which it is made. A new valuation is required for the next tax year.

The fair market value of any real estate, including any improvements, may be determined on a 5-year basis by a written, certified independent appraisal by a qualified person. The person may not be a disqualified person with respect to the private foundation or an employee of the foundation.

Commonly accepted valuation methods must be used in making the appraisal. A valuation based on acceptable methods of valuing property for Federal estate tax purposes will be considered acceptable. An appraisal means a determination of fair market value and should not be construed in a technical sense peculiar to particular property or interests in property, as, for example, mineral interests in real property.

The appraisal must contain a statement at its end that, in the appraiser's opinion, the appraised assets were valued according to valuation principles regularly employed in making appraisals of such property using all reasonable valuation methods. The foundation must keep a copy of the independent appraisal for its records. If a valuation is reasonable, the foundation may use it for the tax year for which the valuation is made and for each of the four following tax years.

Any valuation of real estate by a certified independent appraisal may be replaced during the 5-year period by a subsequent 5-year valuation by a certified independent appraisal or by an annual valuation as described above. The most recent valuation will be used in computing the foundation's minimum investment return.

If the valuation is made according to the above rules, the IRS will continue to accept it during the 5-year period for which it applies even if the actual fair market value of the property changes during the period.

Valuation date.—An asset required to be valued annually may be valued as of any day in the private foundation's tax year, provided the foundation values the asset as of that date in all tax years. However, a valuation of real estate determined on a 5-year basis by a certified, independent appraisal may be made as of any day in the first tax year of the foundation to which the valuation applies.

Assets held for less than a tax year.—To determine the value of an asset held for less than one tax year, divide the number of days the foundation held the asset by the number of days in the tax year. Multiply the result by the fair market value of the asset.

Line 2.—Acquisition indebtedness.—Enter the total acquisition indebtedness that applies to assets included on line 1 above. For details, see section 514(c) and regulations section 53.4942(a)-2(c)(1).

Line 4.—Cash deemed held for charitable activities.—Foundations may exclude from the assets used in the minimum investment return computation the reasonable cash balances necessary to cover current administrative expenses and other normal and current disbursements directly connected with the charitable, educational, or other similar activities. The amount of cash that may be excluded generally is deemed to be 1½% of the fair market value of all assets (minus any acquisition indebtedness) as computed in Part IX, line 3. However, if the facts and circumstances indicate that an amount larger than the deemed amount is necessary to pay expenses and disbursements, then you may enter the larger amount instead of 1½% of the fair market value on line 4. If you use a larger amount, attach an explanation.

Line 6.—Applicable percentage.—The applicable percentage for computing the minimum investment return is 5% for all private foundations.

Short tax periods.—If the foundation's tax period is less than 12 months, determine the applicable percentage by dividing the number of days in the short tax period by 365 (or 366 in a leap year). Multiply the result times the applicable percentage for the calendar year in which the short tax period began. Then multiply the modified percentage by the amount on line 5 and enter the result on line 6.

Part X—Computation of Distributable Amount

If you are claiming status as a private operating foundation described in section 4942(j)(3) or (j)(5), you may enter "N/A—private operating foundation" in Part X. See the Part XV instructions for definitions of these two types of private operating foundations.

Section 4942(j)(5) organizations are classified as private operating foundations for purposes of section 4942 only, provided they meet the requirements of regulations section 53.4942(b)-1(a)(2).

The distributable amount for 1987 is the amount that the foundation must distribute by the end of 1988 as qualifying distributions in order to avoid the 15% tax on the undistributed portion.

To figure the distributable amount, subtract:

(1) The amount of income taxes and tax on investment income for 1987 imposed on the foundation from

(2) The minimum investment return reported in Part IX.

In some cases, certain adjustments must be made to the distributable amount to arrive at the net amount to be distributed. Include the adjustments on lines 4a, 4b, and 6.

Line 4a.—Enter the total of recoveries of amounts treated as qualifying distributions for any year under the provisions of sections 4942(d)(1) and 4942(f)(2)(C). Include recoveries of part or all (as applicable) of grants previously made, proceeds from the sale or other disposition of property whose cost was treated as a qualifying distribution when the property was acquired, and any amount set aside under section 4942(g) to the extent it is determined that such amount is not necessary for the purposes of the set-aside.

Line 4b.—Income distributions from section 4947(a)(2) trusts.—The income portion of distributions from split-interest trusts on amounts placed in trust after May 26, 1969, must be ADDED to the distributable amount, subject to the limitation of regulations section 53.4942(a)-2(b)(2)(iii). Section 4947(a)(2) defines a split-interest trust as a trust which is not exempt from tax under section 501(c)(3), not all of the unexpired interests of which are devoted to charitable, religious, educational, and like purposes, and which has amounts in trust for which a charitable contributions deduction has been allowed.

If the foundation receives distributions of amounts placed in trust both on or before and after May 26, 1969, these distributions must be allocated between those amounts to determine the extent to which the distributions are included in the foundation's distributable amount.

Line 6.—Deduction from distributable amount.—If the foundation was organized before May 27, 1969, and its governing instrument or any other instrument continues to require the accumulation of income after a judicial proceeding to reform the instrument has terminated, then the amount of the income required to be accumulated must be SUBTRACTED from the distributable amount beginning with the first tax year after the tax year in which the judicial proceeding was terminated. (See the instructions for Part VII, line 6.)

Enter the amount from Part X, line 7, in Part XIV, line 1.

Part XI—Limitation on Grant Administrative Expenses

Line 1.—In columns (a), (b), and (c) enter the net value of noncharitable-use assets from each appropriate year from Part IX, line 5. In column (d) enter the total of columns (a), (b), and (c).

Line 2.—Multiply the amount in each column on line 1 by .0065 and enter the result in each corresponding column of line 2.

Line 3.—In columns (b) and (c) enter the amount of grant administrative expenses from Part XI, line 8, from the Form 990-PF for each of the 2 prior years. Enter in column (d) the total of columns (b) and (c).

Line 4.—Enter the grant administrative expenses for the year from Part XII, line 13.

Line 5.—Subtract the amount in column (d), line 3 from the amount in column (d), line 2 and enter the result in column (a).

Line 6.—Subtract the amount on line 5 from the amount on line 4 and enter the result. If this is a positive amount, enter it also in Part XIII, line 5; otherwise, enter "0" in Part XIII, line 5.

Line 7.—Subtract the amount on line 6 from the amount on line 4 and enter the result.

Part XII—Schedule of Grant Administrative Expenses

In this part, each line item shows the grant administrative expense share of the expense item reported in the Operating and Administrative Expenses section of Part I, column (d).

The share of expenses used in Part XII is determined on the bases outlined in the attachment for Part XVII-B, line 1.

Part XIII—Qualifying Distributions

Qualifying distributions are amounts spent or set aside for religious, educational, or similar charitable purposes. The total amount of qualifying distributions for any year is used to reduce the distributable amount for specified years to arrive at the undistributed income (if any) for those years.

Borrowed funds.—If the foundation borrowed money in a tax year beginning before January 1, 1970, or later borrows money under a written commitment binding on December 31, 1969, the foundation may elect to treat any repayments of the loan principal after December 31, 1969, as qualifying distributions at the time of repayment, rather than at the earlier time that the borrowed funds were actually distributed provided that:

(1) The money is used to make expenditures for a charitable or similar purpose; and

(2) Repayment on the loan did not start until a year after 1969.

On these loans, deduct any interest payment from gross income to compute adjusted net income in the year paid.

To make this election, attach a statement to Form 990-PF for the first tax year beginning after 1969 in which a repayment of loan principal is made, and for each tax year after that in which any repayment of loan principal is made. The statement should show:

(1) The lender's name and address;

(2) The amount borrowed;

(3) The specific use of the borrowed funds; and

(4) The private foundation's election to treat repayments of loan principal as qualifying distributions.

If this provision applies, add the total of the repayments during the year to the amount from Part I, column (d), line 26. Enter the total in Part XIII, line 1a.

Line 1a.—Enter the total gifts, contributions, expenses, etc., from Part I, column (d), line 26.

Line 1b.—Enter the total amount spent for program-related investments. A program-related investment is an investment that meets all of the following tests:

(a) Its primary purpose is to accomplish one or more religious, charitable, educational, etc., purposes;

(b) The production of income or the appreciation of property is not a significant purpose of the investment; and

(c) Its purpose is NOT to carry on propaganda, or otherwise influence legislation, or to participate or intervene in any political campaign for any candidate for public office.

See regulations section 53.4944-3 for examples of program-related investments.

Line 2.—Amounts paid to acquire assets.— Enter the amount paid to acquire assets used (or held for use) directly in carrying out charitable purposes.

Line 3.—Amounts set aside.—Amounts set aside may be treated as qualifying distributions only if the private foundation establishes to the satisfaction of the Commissioner that the amount will be paid for the specific project within 60 months from the date of the first set-aside, and meets (a) or (b) below.

(a) The project can better be accomplished by a set-aside than by the immediate payment of funds (suitability test), or

(b) The foundation meets the requirements of section 4942(g)(2)(B)(ii) (cash distribution test).

For a set-aside under alternative (a) you must apply for IRS approval by the end of the tax year in which the amount is set aside. Write to Internal Revenue Service, Assistant Commissioner Employee Plans/Exempt Organizations, E:EO, 1111 Constitution Avenue, NW, Washington, DC 20224.

The application for approval must state:

(1) The nature and purposes of the specific project and the amount of the set-aside for which approval is requested;

(2) The amounts and approximate dates of any planned additions to the set-aside after its initial establishment;

(3) The reasons why the project can be better accomplished by the set-aside than by the immediate payment of funds;

(4) A detailed description of the project, including estimated costs, sources of any future funds expected to be used for completion of the project, and the location or locations (general or specific) of any physical facilities to be acquired or constructed as part of the project; and

(5) A statement of an appropriate foundation manager that the amounts set aside will actually be paid for the specific project within a specified period of time ending within 60 months after the date of the first set-aside; or a statement explaining why the period for paying the amount set aside should be extended (including why the proposed project could not be divided into two or more projects covering periods of no more than 60 months each), and indicating the extension of time requested.

For any set-aside under alternative (b) you must attach a schedule to your annual information return showing how the requirements are met. A schedule is required for the year of the set-aside and for each subsequent year until the set-aside amount has been distributed. See regulations section 53.4942(a)-3(b)(7)(ii) for specific requirements.

Line 6.—Total qualifying distributions.—Enter the amount on this line in Part XIV, line 4.

Line 7.—Reduced tax on investment income under section 4940(e).—If you do not qualify for the 1% tax under section 4940(e), enter -0-.

Line 8.—Amount for calculating future tax reduction.—The amount on this line will be used in determining whether the foundation qualifies for the 4940(e) tax reduction in the succeeding 5 tax years.

Part XIV—Computation of Undistributed Income

If the organization is a private operating foundation for any of the years shown in Part XIV, do not complete those portions of Part XIV that apply to those years. If there are excess qualifying distributions for any tax year, do not carry them over to a year in which the organization is a private operating foundation or to any later year. For example, if a foundation made excess qualifying distributions in 1985 and became a private operating foundation in 1987, the excess qualifying distributions from 1985 could be applied against the distributable amount for 1986 but not to any year after 1986.

The purpose of this part is to enable the foundation to comply with the rules for applying its qualifying distributions for the year 1987. In applying the qualifying distributions there are three basic steps.

1. First, reduce any undistributed income for 1986 to an amount not less than zero.

2. You may use any part or all remaining qualifying distributions for 1987 to satisfy elections. For example, if undistributed income remained for any year before 1986, it could be reduced to zero or, if the foundation wished, the distributions could be treated as distributions out of corpus.

3. If no elections are involved, apply remaining qualifying distributions to the 1987 distributable amount on line 4d. If the remaining qualifying distributions are greater than the 1987 distributable amount, the excess is treated as a distribution out of corpus on line 4e.

If for any reason the 1987 qualifying distributions do not reduce any 1986 undistributed income to zero, the amount not distributed is subject to a 15% tax. If the 1986 income remains undistributed at the end of 1988, it could again be subject to the 15% tax. See section 4942(b) for the circumstances under which the second tier tax could be imposed.

Line 1.—Distributable amount.—Enter the distributable amount for 1987 from Part X, line 7.

Line 2.—Undistributed income.—Enter the distributable amount for 1986 and earlier years that remained undistributed at the beginning of the 1987 tax year.

Line 2a.—Enter the amount of undistributed income for 1986 only.

Line 2b.—Enter the amount of undistributed income for years before 1986. Indicate the years in the space provided.

Line 3.—Excess distributions carryover to 1987.—If the foundation has made excess distributions out of corpus in prior years, which have not been applied in any year, enter the amount for each year. Do not enter an amount for a particular year if the organization was a private operating foundation for any later year.

Lines 3a through 3e.—Enter the amount of any excess distribution made next to each year listed. Do not include any amount that was applied against the distributable amount of an earlier year or that was already used to meet pass-through distribution requirements. (See instructions for line 7.)

Line 3f.—Enter the total of lines 3a through 3e. This amount can be applied in 1987.

Line 4.—Qualifying distributions.—Enter the total amount of qualifying distributions made in 1987 from Part XIII, line 6.

Line 4a.—The qualifying distributions for 1987 are first used to reduce any undistributed income remaining from 1986. Enter only enough of the 1987 qualifying distributions to reduce the 1986 undistributed income to zero.

Lines 4b and 4c.—If there are any 1987 qualifying distributions remaining after reducing the 1986 undistributed income to zero, one or more elections can be made under regulations section 53.4942(a)-3(d)(2) to apply all or part of the remaining qualifying distributions to any undistributed income remaining from years before 1986, or to corpus. To make these elections you must file a statement with the Commissioner or attach a statement, as described in the above regulations section, to Form 990-PF. An election made by filing a statement with the Commissioner must be made within the year for which the election is made; an election made by attaching the statement to the Form 990-PF must be made by attaching the statement to the return filed for the year the election was made. If you elected to apply all or part of the remaining amount to the undistributed income remaining from years before 1986, enter the amount on line 4b. If you elected to treat those qualifying distributions as a distribution out of corpus, enter the amount on line 4c. Entering an amount on line 4b or 4c without submitting the required statement does not constitute a valid election.

Line 4d.—Treat as a distribution of the distributable amount for 1987 any 1987 qualifying distributions that remain after reducing the 1986 undistributed income to zero and after electing to treat any part of the remaining distributions as a distribution out of corpus or as a distribution of a prior year's undistributed income. Enter only enough of the remaining 1987 qualifying distributions to reduce the 1987 distributable amount to zero.

Line 4e.—Any 1987 qualifying distributions remaining after reducing the 1987 distributable amount to zero should be treated as an excess distribution out of corpus. This amount may be carried over and applied to later years. The total of the amounts applied on lines 4a through 4e is equal to the qualifying distributions made in 1987.

Line 5.—Excess qualifying distributions carryover applied in 1987.—Enter any excess qualifying distributions from line 3 which were applied to 1987 in both the Corpus column and the 1987 column. Apply the oldest excess qualifying distributions first. Thus, apply any excess qualifying distributions carried forward from 1982 before those from later years.

Line 6a.—Add lines 3f, 4c, and 4e. Subtract line 5 from the total. Enter the net total in the Corpus column.

Line 6b.—In the "prior years" column (column (b)) enter the amount by which line 2b is more than line 4b.

Line 6c.—Enter only the undistributed income from 1985 and prior years for which either a notice of deficiency under section 6212(a) has been mailed for the section 4942(a) first tier tax, or on which the first tier tax has been assessed as a result of your filing a Form 4720 for 1986 or an earlier year.

Line 6d.—The amount on this line is subject to the first tier tax under section 4942(a) except for any part that is due solely to misvaluation of assets to which the provisions of section 4942(a)(2) are being applied (see Part VII, line 11). Report the taxable amount on Form 4720 and, if the exception applies, attach an explanation.

Line 6e.—In the 1986 column enter the amount by which line 2a is more than line 4a. This amount is the undistributed income for 1986 and is taxable under the provisions of section 4942(a), except for any part that is due solely to misvaluation of assets to which the provisions of section 4942(a)(2) are being applied. Report the taxable amount on Form 4720. If the exception applies, attach an explanation.

Line 6f.—In the 1987 column enter the amount by which line 1 is more than the total of lines 4d and 5. This is the undistributed income for 1987. You must distribute the amount shown by the end of your 1988 tax year so that the foundation will not be liable for the tax on undistributed income.

Line 7.—Distributions out of corpus for 1987, pass-through distributions.—

(a) If the foundation, as a donee, receives a contribution from another private foundation, the donor foundation may treat the contribution as a qualifying distribution only if the donee foundation makes a distribution equal to the full amount of the contribution and the distribution is a qualifying distribution which is treated as a distribution of corpus. The donee foundation must, not later than the close of the first tax year after the tax year in which it receives the contributions, distribute an amount equal in value to the contributions received in the prior tax year and have no remaining undistributed income for the prior year. For example, if private foundation X received $1,000 in tax year 1986 from foundation Y, foundation X would have to distribute the $1,000 as a qualifying distribution out of corpus by the end of 1987 and have no remaining undistributed income for 1986.

(b) If a private foundation receives a contribution from an individual or a corporation and the individual is seeking the 50% contribution base limit on deductions for the tax year (or the individual or corporation is not applying the limit imposed on deductions for contributions to the foundation of capital gain property), the foundation must comply with certain distribution requirements.

By the 15th day of the third month after the end of the tax year in which the foundation received the contributions, the donee foundation must distribute as qualifying distributions out of corpus:

(i) An amount equal to 100% of ALL contributions received during the year in order for the individual contributor to receive the benefit of the 50% limit on deductions, and

(ii) Distribute ALL contributions of property only so that the individual or corporation making the contribution is not subject to the section 170(e)(1)(B)(ii) limitations.

If you are applying excess distributions from prior years (i.e., any part of the amount in Part XIV, line 3f) to satisfy the distribution requirements of section 170(b)(1)(E) or 4942(g)(3), you must make the election under regulations section 53.4942(a)-3(e). Also see regulations section 1.170A-9(g)(2).

Enter on line 7 the total distributions out of corpus you made to satisfy the restrictions on amounts received from donors described above.

Line 8.—Outdated excess distributions carryover.—Because of the 5-year carryover limitation under section 4942(i)(2), you must reduce any excess distributions carryover by any amounts from 1982 that were not applied in 1987.

Line 9.—Excess distributions carryover to 1988.—Enter on this line the amount by which line 6a is more than the total of lines 7 and 8. This is the amount you may apply to 1988 and following years.

Line 10.—Analysis of line 9.—In the space provided for each year, enter the amount of excess distributions carryover from that year that has not been applied as of the end of the 1987 tax year. If there is an amount on the line for 1983, it must be applied by the end of the 1988 tax year since the 5-year carryover period for 1983 ends in 1988.

Part XV—Private Operating Foundations

All organizations that claim status as private operating foundations under section 4942(j)(3) or (5) for 1987 must complete Part XV.

For purposes of section 4942 only, certain elderly care facilities may be classified as "private operating foundations." To be so classified, they must be operated and maintained for the principal purpose set out in section 4942(j)(5) and in addition meet the endowment test described below. If you are a section 4942(j)(5) organization, complete only lines 1a, 1b, 2c, 2d, 2e, and 3b. Enter "N/A" on all other lines in Part XV.

The term "private operating foundation" means any private foundation that spends at least 85% of the lesser of its adjusted net income or its minimum investment return directly for the active conduct of the exempt purpose or functions for which the foundation is organized and operated (the "Income Test") and that also meets one of the three tests below.

(1) Assets test.—65% or more of the foundation's assets are devoted directly to those activities or to functionally related businesses, or to both. Or 65% or more of the foundation's assets are stock of a corporation which is controlled by the foundation and substantially all of the assets of the corporation are devoted to those activities or to functionally related businesses.

(2) Endowment test.—The foundation normally makes qualifying distributions directly for the active conduct of the exempt purpose or functions for which it is organized and operated in an amount that is two-thirds or more of its minimum investment return.

(3) Support test.—The foundation normally receives 85% or more of its support (other than gross investment income under section 509(e)) from the public and from five or more exempt organizations which are not described in section 4946(a)(1)(H) with respect to each other or the recipient foundation. Not more than 25% of the support (other than gross investment income) normally may be received from any one of the exempt organizations and not more than half of the support normally may be received from gross investment income.

See the regulations under section 4942 for the meaning of "directly for the active conduct" of exempt activities for purposes of these tests.

A foundation may meet the income test and either the assets, endowment, or support test by satisfying the tests for any 3 years during a 4-year period consisting of the tax year in question and the 3 immediately preceding tax years. It may also meet the tests based on the total of all related amounts of income or assets held, received, or distributed during that 4-year period. A foundation may not use one method for satisfying the income test and another for satisfying one of the three alternative tests. Thus, if a foundation meets the income test on the 3-out-of-4-year basis for a particular tax year, it may not use the 4-year aggregation method for meeting one of the three alternative tests for that same year.

In completing line 3c(3) of Part XV under the aggregation method, the largest amount of support from an exempt organization will be based on the total amount received for the 4-year period from any one exempt organization.

A new private foundation must use the aggregation method to satisfy the tests for its first tax year in order to be treated as an operating foundation from the beginning of that year. It must continue to use the aggregation method for its second and third tax years in order to maintain its status for those years.

Part XVI—Supplementary Information

Complete this part of the form only if the foundation had assets of $5,000 or more at any time during the year. This part does not apply to a foreign foundation which during its entire period of existence received substantially all of its support (other than gross investment income) from sources outside the United States.

Line 2.—In the space provided (or in an attachment, if necessary), furnish the required information about your grant, scholarship, fellowship, loan, etc., programs. In addition to restrictions or limitations on awards by geographical areas, charitable fields, and kinds of recipients, indicate any specific dollar limitations or other restrictions applicable to each type of award you make. This information is intended to aid grant seekers by directing them to foundations that make grants for which they may be eligible. It is also intended to aid grant-making foundations by minimizing the number of applications that do not meet their grant criteria.

If the foundation only makes contributions to preselected charitable organizations and does not accept unsolicited applications for funds, write a statement to this effect in this part.

Line 3.—If necessary, attach a schedule for 3a and 3b that has separate lists of amounts of money given to individuals and to organizations.

Line 3a.—Paid during year.—List all contributions, grants, etc., actually paid during the year, including grants or contributions that are not qualifying distributions under section 4942(g). Include current year payments of set-asides treated as qualifying distributions in the current tax year or any prior year.

Line 3b.—Approved for future payment.—List all contributions, grants, etc., approved during the year but not paid by the end of the year, including the unpaid portion of any current year set-aside.

Part XVII-A—Summary of Grant Programs and Other Activities

At the end of the instructions for this subpart are two special instructions that certain organizations may follow in completing Part XVII-A. Regardless of whether you use the regular instructions or one of the special instructions, you are required to complete Part XVII-B.

Part XVII-A requires foundations to allocate their expenses to the various activities which they conduct. Both direct expenses and indirect expenses must be allocated and reported in Part XVII-A.

Direct expenses are those which can be specifically identified with a particular activity. These include, among others, compensation and travel expenses of employees and officers directly engaged in an activity, the cost of materials and supplies utilized in conducting the activity, and fees paid to outside firms and individuals in connection with a specific activity. Indirect (overhead) expenses are those which are not specifically identifiable with a particular activity but which relate to the direct costs incurred in conducting the activity. Examples of indirect expenses include occupancy expenses; supervisory and clerical compensation; repair, rental and maintenance of equipment; expenses of other departments or cost centers (such as accounting, personnel, and payroll departments or units) that service the department or function that incurs the direct expenses of conducting an activity; and other applicable general and administrative expenses, including the compensation of top management, to the extent reasonably allocable to a particular activity.

No specific method of allocation is required. The method used, however, must be reasonable and must be used consistently. For example, it would generally be reasonable to allocate compensation and related expenses among various activities on the basis of time spent on each, and to allocate rent and other occupancy expenses on the basis of space utilized. Additionally, foundations must maintain records according to sound accounting practices to provide the necessary information for allocating administrative expenses on a reasonable and consistent basis, and to provide a breakdown of the administrative expenses (reported in column (b), line 1) similar to the itemization of expenses in Part I.

Foundations whose charitable programs consist solely of grant-making activities or solely of non-grant-making activities should refer to the special rules following the instructions for line 5.

Line 1.—Gifts, contributions, scholarships, and other grants.—Except for "significant involvement" grants discussed below, enter in column (a) the total of all gifts, contributions, scholarships, and other grants paid by the foundation during the year (the amount reported in Part I, column (d), line 25) and the amounts set aside by the foundation in 1987 to fund future gifts, contributions, etc. (included in the total set-asides reported in Part XIII, line 3). This total should include only gifts, set-asides, etc., that are qualifying distributions as defined in section 4942(g). Any current year payment of a set-aside that was treated as a qualifying distribution in a prior year should not be reported on line 1 or elsewhere in Part XVII-A.

If the foundation awards scholarships, grants or other payments to individuals as a part of an active program in which the foundation maintains some significant involvement, then such scholarships, grants, or other payments and related administrative expenses should be reported on line 2 rather than line 1. Examples of active programs and a definition of the term "significant involvement" are contained in regulations section 53.4942(b)-1(b)(2). Additional examples are contained in regulations section 53.4942(b)-1(d). Merely reviewing grant applications, interviewing or testing applicants, selecting grantees and performing other related administrative actions do not constitute a significant involvement in an individual grant program.

In column (b) enter the total amount of the administrative expenses paid in connection with responding to grant seekers, soliciting and reviewing grant applications, and awarding, supervising and monitoring the grants, etc., included in line 1 of column (a). Also include any current year administrative expenses attributable to grants, etc., treated as qualifying distributions in any prior year, such as would arise when a foundation pays a portion of a set-aside made before 1987 or monitors a pre-1987 grant that the grantee had not fully expended or accounted for prior to 1987. Include both expenses which relate directly to the conduct of the grant program (such as the allocable part of the salary of a foundation employee who reviews grant applications and prepares grant agreements) and an allocable share of the foundation's general and administrative (indirect) expenses (such as occupancy expenses, clerical compensation, compensation of top management, etc.).

In column (c) enter the total of columns (a) and (b).

Line 2.—Direct charitable activities.—In determining whether any expenditure is for the direct active conduct of a charitable activity that should be reported on lines 2a–d, the definitions and special rules of section 4942(j)(3) of the Code and the related regulations (which define a private operating foundation) generally apply. However, except for expenses related to "significant involvement" grants, grant administrative expenses do not constitute expenditures directly for the active conduct of charitable activities for purposes of line 2 even though they are treated as such for purposes of section 4942(j)(3). If a foundation maintains some significant involvement in an individual grant program as described in the instructions for line 1 above, both the grants and the related grant administrative expenses (and qualified set-asides for such purposes included in Part XIII, line 3) should be reported on line 2 as expenses of a direct charitable activity. Except for program-related investments reportable on line 3; line 2 should also include all qualifying distributions that consist of amounts paid or set aside to acquire assets used in the conduct of the foundation's charitable activities, including its grant, etc., programs whether or not the foundation maintained a significant involvement in such programs. The expenses of operating and maintaining these assets are reportable on lines 1–4, depending upon the activity or activities in which they are used.

Expenditures for direct charitable activities include, among others, amounts paid or set aside to acquire or maintain the operating assets of a museum, library, or historic site or to operate any such facility; to provide goods, shelter, or clothing to indigents or disaster victims if the foundation maintains some significant involvement in the activity rather than merely making grants to the recipients; to conduct educational conferences and seminars; to operate a home for the aged or disabled; to conduct scientific, historic, public policy, or other research with significance beyond the foundation's grant program and which does not constitute a proscribed attempt to influence legislation; to publish and disseminate the results of such research, reports of educational conferences, or similar educational material; to support the service of foundation staff on boards or advisory committees of other charitable organizations or on public commissions or task forces; to provide technical advice or assistance to a governmental body, a governmental committee, or subdivision of either in response to a written request by the governmental body, committee, or subdivision; and to conduct performances in the performing arts. See the paragraph below relating to line 2c concerning the providing of direct technical assistance to grantees and others.

List the two major activities that constitute the direct active conduct of a charitable activity on lines 2a and 2b and indicate in column (c) the total of the direct and indirect expenses paid by the foundation in connection with each of them. If you need to combine activities on line 2d, attach a schedule that lists each significant activity included on line 2d and shows the total expenses of each one.

Line 2c is to be used to report the expenses paid in connection with providing direct technical assistance to grantees. Such assistance must have significance beyond the purposes of the grants made to those grantees and must not consist merely of monitoring or advising the grantees in their use of the grant funds. (Report these latter expenses as grant administrative expenses on line 1.) For any expense reported on line 2c the foundation must maintain records documenting the nature and amount of such expense and demonstrating its significance beyond the mere monitoring or supervision of a grant to the organization receiving the technical assistance. Expenses relating to providing technical assistance to other charitable organizations (and individuals constituting a charitable class) that are not grantees should be reported on lines 2a, b, and d. Technical assistance involves the furnishing of expert advice and related assistance regarding, for example, compliance with governmental regulations; reducing operating costs or increasing program accomplishments; fundraising methods; and maintaining complete and accurate financial records.

Line 3.—Program-related investments.—Section 4944(c) of the Code and the regulations under it define a program-related investment as one which is made primarily to accomplish a charitable purpose of the foundation and no substantial purpose of which is to produce investment income or a capital gain from the sale of the investment Examples of program-related investments include educational loans to individuals and low-interest loans to other section 501(c)(3) organizations.

On lines 3a–c list the three largest program-related investments made, or for which a qualifying set-aside was made, by the foundation in 1987 whether or not the investments were still held by the foundation at the end of the year. Combine all other program-related investments on line 3d and attach a schedule that lists the individual investments or groups of investments in the manner described in the following paragraph. Include only those investments reported in Part XIII, lines 1b and 3, for the current year. Do not include any investments or set-asides made in any prior year. Enter the total of the investments in column (a) and the total of the direct and the indirect administrative expenses allocable to the investments on line 3e of column (b). The administrative expenses in column (b) should also include amounts attributable to investments made in prior years and held by the foundation at the beginning of the year.

Investments consisting of loans to individuals (such as educational loans) do not have to be listed separately on lines 3a–d but may be grouped with other program-related investments of the same type. Loans to other section 501(c)(3) organizations and all other types of program-related investments must be listed separately on lines 3a–d or on an attachment.

Line 4.—Other qualifying distributions.—Enter the total of the foundation's other qualifying distributions not reported on lines 1–3. Include on line 4, for example, expenses attributable to

soliciting grants or contributions to the foundation; preparing Form 990-PF; publishing the required newspaper notice to inform the public that the return is available for inspection upon request; making the return available for public inspection or providing copies; and publishing an annual report that is available to the public. Operating foundations should also include the section 4940 tax on net investment income (or section 4948 tax on gross investment income in the case of a foreign operating foundation).

Line 5.—Other expenses.—Enter the total of the foundation's other expenses not reported on lines 1–4 but excluding any expenses attributable to net investment income reported in Part I, column (b). Include on line 5, for example, unrelated trade or business expenses; taxes under section 4942 for failure to distribute income; and taxes under section 4945 for making taxable expenditures. Do not include the section 4940 tax for domestic foundations, or section 4948 tax in the case of foreign foundations. Do not include any expenditure that is a qualifying distribution under section 4942(g).

Special Rules:

(1) **For Certain Small Organizations and Other Foundations Solely Engaged in Grant-Making Activities.** A foundation that accomplishes its charitable purposes solely through a program of making charitable gifts and grants and does not conduct any direct charitable activities or make program-related investments does not need to allocate any of its administrative expenses beyond those already shown in Part I, column (d). Such a grant-making foundation may complete Part XVII-A, column (a), line 1, simply by entering the amount reported on Part I, column (d), line 25, for total contributions; and entering on Part XVII-A, column (c), line 1, the amount from Part I, column (d), line 26, for total expenses and disbursements. The difference in those two amounts is presumed to be the grant-making administrative expenses to be reported in Part XVII-A, column (b), line 1, and no further allocation or reporting on lines 2–4 is required unless the foundation chooses to report separately the amounts reportable on line 4 according to the general instructions. In any event, amounts reportable on line 5 must be so reported.

(2) **For Certain Small Organizations and Other Non-Grant-Making Foundations.** Similarly, a simplified reporting procedure is available to foundations that do not make gifts or grants but accomplish their charitable purposes solely by engaging in the direct active conduct of charitable activities or solely by making program-related investments, or by doing both. In such event, the miscellaneous qualifying distributions included in Part I, column (d), which would otherwise be reportable in Part XVII-A, line 4, may be included in the expenses reported in column (c), line 2, or, in the case of organizations that make program-related investments, on line 3, in columns (b) and (c).

Part XVII-B—Supporting Data

Line 1.—Attach a statement describing the basis or bases used to allocate the direct and indirect expenses reported in Part XVII-A. If different bases were used to allocate different types of expenses, indicate the basis used for each type. Following are examples of explanations that would be adequate: "Compensation is allocated on a time basis. Employee benefits are allocated on the basis of direct salary expenses. The expenses of travel, conferences and meetings are charged directly to the activity which incurred the expense. Occupancy expenses are allocated on a space utilized basis. Other indirect expenses are allocated on the basis of direct salary expenses or total direct expenses."

Line 2.—In the schedule required by line 2, provide the information for the direct charitable activities listed on lines 2a–c of Part XVII-A and for the program-related investments listed on lines 3a–c. You may furnish reasonable estimates for the statistical information (number of individuals or organizations served, etc.) if exact figures are not readily available from the records you normally maintain. In that event, please indicate that the information provided is an estimate.

Line 3.—In an attached schedule, indicate the amount of income (without reduction for cost of goods sold or any other expenses) produced by the direct charitable activities listed in Part XVII-A, lines 2a–d, and by the program-related investments listed in Part XVII-A, lines 3a–d. Also indicate the amount of income produced by program-related investments held at the beginning of the year.

Part XVIII—Public Inspection

See General Instruction H for information about making the foundation's annual return available for public inspection and publishing a notice in a newspaper stating that the return is available for public inspection. All domestic private foundations (including section 4947(a)(1) trusts treated as private foundations) are subject to the public inspection and notice provisions.

Signature.—The return must be signed either by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other corporate officer (such as tax officer) who is authorized to sign. A receiver, trustee, or assignee must sign any return which he or she is required to file for a corporation. If the return is filed for a trust, it must be signed by the authorized trustee or trustees.

If you fill in your own return, the Paid Preparer's space should remain blank. If someone prepares your return and does not charge you, that person should not sign your return.

Generally, anyone who is paid to prepare your tax return must sign your return and fill in the other blanks in the Paid Preparer's Use Only area of your return.

If you have questions about whether a preparer is required to sign your return, please contact an IRS office.

The person required to sign your return must complete the required preparer information and:

- Sign it, by hand, in the space provided for the preparer's signature. (Signature stamps and labels are not acceptable.)
- Give you a copy of your return in addition to the copy to be filed with IRS.

Tax return preparers should be familiar with their responsibilities. These are described in **Publication 1045**, Information for Tax Practitioners.

Supplemental Instructions and Completed Example of Form 990-PF

This part of the instructions provides a set of facts and a filled-in example to help you prepare a complete and accurate Form 990-PF.

The illustrated example was prepared using the following facts:

1. The Oak Foundation, Inc., was created by the Oak Manufacturing Co., Inc., which made an initial gift of $100,000 ($95,000 in cash plus land valued at $5,000) when the foundation was incorporated. Before 1987, Oak Manufacturing Co., Inc., was the only substantial contributor to the foundation. The Oak Manufacturing Co., Inc., did not make a contribution to the foundation in 1987.
2. The foundation was incorporated February 15, 1968, and recognized as an exempt organization described in Code section 501(c)(3) on June 1, 1968, at which time it was issued a determination letter. It was classified as a private nonoperating foundation on October 15, 1970.
3. The foundation's investments consisted of $250,000 in certificates of deposit, $67,000 in stocks, and $5,000 basis in land at the beginning of 1987.
4. The foundation purchased office equipment in the amount of $3,000 on June 2, 1983, and is depreciating this equipment on a straight-line depreciation method using an estimated life of 10 years.
5. Total revenue for the year consisted of:

Gift from Miss Carroll Haggerty on 5/17/87	$16,000
Gift from Miss Rachel Patton on 12/7/87	15,000
Other contributions (none substantial)—	10,000
Interest income on certificates of deposit—	15,000
Dividend income on stocks owned—	4,000
Capital gain on sale of land (basis $5,000, selling price $6,000, no settlement costs)	1,000
Total revenue	$61,000

6. The expenses paid by the organization during the year consisted of:

Salary to foundation's Sec.-Treas.—		$ 600
Other salaries and wages		1,000
Accounting services (auditing – $200, preparing Form 990-PF – $80)		280
Taxes (1986 excise tax on investment income)		320
Occupancy expenses		2,200
Other expenses:		
Stationery	$105	
Postage	55	
Annual newspaper notice	20	
Telephone	140	320
		$4,720

Grants made:

Allen Reid Museum of Fine Arts, 31 Myers St., Atlanta, Ga., a private operating foundation under 501(c)(3) and defined in 4942(j)(3)	$15,000
Moore-Price Clinic, 1111 Jordan Ave., College Park, Ga., a publicly supported hospital under 509(a)(1) and described in 170(b)(1)(A)(iii)	15,000
Ervin Guinn Institute, 198 Long Blvd., Stone Mtn., Ga., a publicly supported college under 509(a)(1) and described in 170(b)(1)(A)(ii)	10,000
Blue Circle of America, Washington, D.C., a publicly supported charity under 509(a)(1) and defined in 170(b)(1)(A)(vi)	5,000
Grants and contributions paid	$45,000
Total expenses, grants, and contributions paid	$49,720

The foundation purchased 500 shares of Venus Corporation stock from other than a disqualified person for $5,000 during the year. The purchase is not included in the $49,720 of expenses, grants, and contributions paid in the year. Also not included in this total is the $300 of depreciation on office equipment referred to in Item 4 above.

7. On the basis of time devoted to particular activities, 60% of the foundation's expenses were allocated to the exempt purpose and 40% to the production of income. However, no allocation was required for the cost of preparing the Form 990-PF or publishing the annual newspaper notice because these expenses are considered to relate only to the foundation's exempt purpose.

8. The balance in the organization's checking account at the beginning of the tax year was $1,100. The average monthly balance in the account for the year was $3,550. The average monthly fair market value of the foundation's securities—stocks and certificates of deposit—was $322,000.

9. The excise tax on net investment income imposed under section 4940 is the only tax due with this return. No other Chapter 42 taxes apply this year.

10. In 1986 the foundation's qualifying distributions exceeded the distributable amount for that year by $2,100. This amount is available as an excess distributions carryover to 1987.

11. Grant approved for future payment but not distributed in 1987:
Dr. Clark Eller
101 Gore Ave., Atlanta, Ga. 30311
$2,000 for post-doctoral studies in physics at Georgia Tech.
The foundation previously applied for and received advance approval of its grant-making procedures under the procedures set forth in regulations section 53.4945-4(d).

12. A grant of $15,000 was made to the Allen Reid Museum of Fine Arts to cover part of the costs of renovation and expansion of the museum facilities. The grant was made according to established requirements for expenditure responsibility under section 4945(h).

13. The foundation obtained a certified written appraisal of the land which established its value at $5,300 as of December 31, 1969.

14. The foundation is on the cash receipts and disbursements method of accounting and uses the calendar year.

Part I—Analysis of Support, Revenue, and Expenses

Line 1, column (a).—We have entered the gross amount of contributions, gifts, grants, etc., received during the tax year.

Line 3, columns (a) and (b).—We have entered the interest income received during the tax year.

Line 4, columns (a) and (b).—We have entered the dividend income received during the tax year.

Line 6, column (a).—We have entered the gain as reflected in the books on the sale of investment property sold in 1987.

Line 7, column (b).—We have entered the capital gain figure from Part IV, line 2. The basis for computing the gain in this case is the fair market value on December 31, 1969, since that figure is greater than book value.

Line 12, columns (a) and (b).— We have entered the totals of lines 1 through 11.

Line 13, column (a).—We have entered compensation of officers. Note columns (b), and (d) reflect the 60% and 40% allocation of expenses that apply to the exempt purpose function and production of income respectively.

Line 14, column (a).—We have entered other salaries and wages and applied the above-mentioned allocation to the remaining columns.

Line 16, columns (a), (b), and (d).—We have entered the total accounting expenses in column (a), and made an allocation in columns (b) and (d). The allocation for this line is based on $200 of allocable expenses and $80 of nonallocable expenses. Column (b) is 40% of the $200 allocable expenses. Column (d) is 60% of the $200 plus $80 (which is not allocable) for preparing Form 990-PF.

Line 18, column (a).—We have entered the amount of excise tax on investment income paid with the 990-PF filed for 1986. This is not an allocable expense between the exempt purpose function and the production of income.

Line 19, columns (a) and (b).—We have entered the amount allowable as a deduction for depreciation of office equipment, $3,000 x 10% (10-year life) equals $300. Column (b) reflects the allocation for the production of investment income.

Line 20, column (a).—We have entered the expense for office rental. The remaining columns reflect the allocation between the exempt function and the production of income.

Line 23, columns (a), (b), and (d).—We have entered the total other expenses in column (a). Columns (b) and (d) are allocated as follows. Column (b) is 40% of the $300 in allocable expenses. Column (d) is 60% of the $300 allocable expenses plus $20 nonallocable expense for printing the annual newspaper notice.

Line 24, column (a).—We have entered the total of lines 13 through 23 for each column. The remaining columns represent the allocation of the operating and administrative expenses for the year between the exempt function and the production of income.

Line 25, columns (a) and (d).—We have entered the total contributions, gifts, and grants paid out in both columns. This disbursement is for the exempt purpose of the foundation and no allocation is required.

Line 26, column (a).—We have entered the total of operating and administrative expenses and contributions, etc., for the year. The necessary allocations are shown in the remaining columns.

Line 27a, column (a).—We have entered the excess of revenue over expenses (line 12 less line 26, column (a)).

Line 27b.—We have entered the net investment income (line 12 less line 26, column (b)).

Line 27c.—We have entered "N/A" since this column does not apply.

Part II—Balance Sheets

We have prepared balance sheets which correctly reflect the organization's assets, liabilities, and net worth at the beginning of the tax year and at the end of the tax year. The end of year fair market value of all assets is shown as well.

Part III—Analysis of Changes in Net Worth

This section is used to show the increase in net worth of the foundation in the amount of $10,980 as shown in Part I, line 27a.

Part IV—Capital Gains and Losses for Tax on Investment Income

We have entered the long-term capital gain from the sale of an unimproved lot to a corporation that is not a disqualified person.

Part V—Qualification Under Section 4940(e) for Reduced Tax on Net Investment Income

We have checked the "No" box to indicate that the foundation was not liable for the section 4942 tax during the 5 base period years.

Line 1, column (b).—We have entered the qualifying distributions for each year in the base period.

Line 1, column (c).—We have entered the net value of noncharitable-use assets for each year in the base period.

Line 1, column (d).—We determined the payout ratio for each year in the base period by dividing column (b) by column (c) and have entered the ratio for each year.

Line 2.—We have entered the total of the amounts from line 1, column (d).

Line 3.—We divided the amount on line 2 by 5 and have entered the result.

Line 4.—We have entered the net value of noncharitable-use assets for 1987.

Line 5.—We multiplied the amount on line 4 by the payout ratio on line 3 and have entered the result.

Line 6.—We have entered 1% of the amount from Part I, line 27, column (b).

Line 7.—We have entered the total of lines 5 and 6.

Line 8.—We have entered the total qualifying distributions for 1987 from Part XIII, line 6.

Since line 8 is more than line 7, the foundation qualifies for the reduced 1% tax on net investment income for the year.

Part VI—Excise Tax on Investment Income

Line 1.—We have entered the excise tax on investment income (1% of the net investment income shown on line 27b of Part I). This amount is then brought down to lines 3 and 5.

Line 6.—On line 6a we have entered $164, the amount of estimated tax payments made by the foundation in the year. The same amount is entered on line 7. Since this is more than 90% of the prior year's tax liability, the foundation is not liable for the penalty for underpayment of estimated taxes.

Line 9.—We have entered $15, which is the excess of line 5 over line 7, and is the amount of tax due. This amount must be paid in full when the return is filed.

Part VII—Statements Regarding Activities

Every statement in this section should be answered "Yes," "No," or "N/A" (not applicable). In addition, statement 8a should list all the states which require a report from your organization. We have attached a list for line 15 giving the names and addresses of the two persons who became substantial contributors in 1987.

Part VIII—Information Regarding Officers, etc.

Line 1.—We have listed the names and other pertinent data for the foundation's officers, including the compensation of the secretary-treasurer for 1987.

Lines 2 and 3 do not apply so we have entered "N/A."

Part IX—Minimum Investment Return

We have computed the minimum investment return for 1987 using the information provided.

Part X—Computation of Distributable Amount

This section provides the computation for the distributable amount for 1987. The distributable amount in this sample is the minimum investment return minus the tax on net investment income for 1987.

Part XI—Limitation on Grant Administrative Expenses

Line 1.—In columns (a),(b),and (c) we have entered the net value of noncharitable-use assets for each year. In column (d) we have entered the total of the other three columns.

Line 2.—We have multiplied the amount in each column by .0065 and entered the results.

Line 3.—We have entered the amounts determined from the 1986 and 1985 returns in columns (b) and (c), respectively. Column (d) is the total of columns (b) and (c).

Line 4.—The grant administrative expenses do not include the $20 for publishing the newspaper notice, and the $80 for preparation of Form 990-PF, both of which are included in Part I, line 16b, column (d), and are shown in Part XVII-A, line 4.

Line 5.—We have computed the maximum amount of grant administrative expenses allowed by subtracting line 3, column (d), from line 2, column (d).

Line 6.—We have determined the excess grant administrative expenses for the year and have entered the amount.

Line 7.—We determined the grant administrative expenses treated as qualifying distributions for the year and entered the amount.

Part XII—Schedule of Grant Administrative Expenses

Lines 1-13.—On each line that applies we have determined the grant administrative expenses allocable and entered the respective amounts. Line 13 is the total of these.

Part XIII—Qualifying Distributions

Line 1a.—The amount from Part I, column (d), line 26, is entered here. Since there are no additions from lines 1b, 2, or 3, the amount is carried to line 4.

Line 5.—The excess grant administrative expenses from Part XI, line 6, have been entered.

Line 6.—Line 5 is subtracted from line 4 and the difference entered.

Line 7.—Since this foundation qualifies for the section 4940(e) reduction in tax, we have entered "179."

Line 8.—Subtract line 7 from line 6 and enter the difference on this line.

Part XIV—Computation of Undistributed Income

Line 3e.—We have entered the excess distributions carryover from 1986.

Line 4.—We have entered the qualifying distributions for 1987 from Part XIII, line 6.

Line 4d.—We have entered the amount applied to the 1987 distributable amount.

Line 4e.—We have entered the remaining amount distributed out of corpus. The amount shown is the memo entry for line 4 minus the amount in line 4d.

Line 5.—We have entered "0" since there is no excess distributions carryover applied to 1987.

Line 6.—We have entered the net total of line 6a and zeroes for the rest of line 6.

Line 7.—We have entered "0" since there were no distributions applicable under these Code sections.

Line 8.—We have entered "0" since there was no excess distributions carryover from 1982.

Line 9.—We have entered the excess distributions carried forward.

Lines 10d and 10e.—We have entered the excess distributions from 1986 and 1987 as an analysis of line 9.

Part XV—Private Operating Foundations

We have entered "N/A" (not applicable) in this section since the information required here applies to private operating foundations. The foundation used in this sample was classified as a private non-operating foundation.

Part XVI—Supplementary Information

Lines 1a and 1b.—These lines do not apply.

Line 2.—We have included the information required.

Line 3a.—We have listed the names, addresses, purposes, and amounts of all contributions and grants paid out during the tax year.

Line 3b.—This line contains information on the one grant approved for future payment.

Part XVII-A—Summary of Grant Programs and Other Activities

Line 1.—In column (a) we have entered the total of gifts, contributions, grants, etc., made in the year. In column (b) we have entered the share of administrative expenses allocated to making these gifts, etc., for the year. Column (c) is the total of columns (a) and (b).

Line 2.—Since there were no disbursements in this category, we have entered "0" in the total line.

Line 3.—Since there were no disbursements in this category, we have entered "0" in the total line.

Line 4.—We have entered the amount paid for preparation of Form 990-PF and for publishing the annual notice of availability of Form 990-PF in a local newspaper.

Line 5.—We have entered the amount allocable for depreciation on office furniture and fixtures for the year.

Part XVII-B—Supporting Data

Line 1.—We have provided the required information in the attachments to the sample return.

Lines 2 and 3.—Since these two lines did not apply, we entered "N/A" for each.

Part XVIII—Public Inspection

Information on the publication of the required notice in a newspaper is shown here. A copy of the public notice from the newspaper is shown as an attachment to the return.

We made certain that the return was signed and dated in the appropriate space on the bottom of page 10.

Form **990-PF**

Department of the Treasury
Internal Revenue Service

Return of Private Foundation

or Section 4947(a)(1) Trust Treated as a Private Foundation

Note: *You may be able to use a copy of this return to satisfy state reporting requirements.*

OMB No. 1545-0052

1987

For the calendar year 1987, or tax year beginning 1987, and ending , 19

Please type, print, or attach label. See Specific Instructions.		
	Name of organization: The Oak Foundation, Inc.	Employer identification number: 58 1234567
	Address (number and street): 133 Winchester Dr.	State registration number (see instructions)
	City or town, state, and ZIP code: Atlanta, GA 30320	Fair market value of assets at end of year: 337,130

If application pending, check here ▶ ☐ Foreign organizations, check here ▶ ☐ — Please attach check or money order here.

Check type of organization: ☒ Exempt private foundation ☐ 4947(a)(1) trust ☐ Other taxable private foundation

Section 4947(a)(1) trusts filing this form in lieu of Form 1041, check here and see General Instructions. ▶ ☐

If the foundation is in a 60-month termination under section 507(b)(1)(B), check here ▶ ☐

The books are in care of ▶ Ernest Amos Herbert
Located at ▶ 133 Winchester Dr., Atlanta, GA Telephone no. ▶ (404) 423-4567

Check this box if your private foundation status terminated under section 507(b)(1)(A) ▶ ☐

Part I Analysis of Support, Revenue, and Expenses (see Instructions for Part I)

	Line	(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purpose
Support and Revenue	1 Contributions, gifts, grants, etc., received (attach schedule)	41,000			
	2 Contributions from split-interest trusts		-0-		
	3 Interest on savings and temporary cash investments	15,000	15,000	N/A	
	4 Dividends and interest from securities	4,000	4,000		
	5a Gross rents	-0-	-0-		
	b (Net rental income (loss))				
	6 Net gain or (loss) from sale of assets not on line 10	1,000			
	7 Capital gain net income		700		
	8 Net short-term capital gain				
	9 Income modifications				
	10a Gross sales minus returns and allowances				
	b Minus: Cost of goods sold (attach schedule)				
	c Gross profit (loss)	-0-			
	11 Other income (attach schedule)	-0-	-0-		
	12 Total (add lines 1 through 11)	61,000	19,700		
Operating and Administrative Expenses	13 Compensation of officers, directors, trustees, etc.	600	240		360
	14 Other employee salaries and wages	1,000	400		600
	15 Pension plans, employee benefits	-0-	-0-		-0-
	16a Legal fees				
	b Accounting fees	280	80		200
	c Other professional fees				
	17 Interest	-0-	-0-		-0-
	18 Taxes (attach schedule)	320	-0-		-0-
	19 Depreciation and depletion	300	120		
	20 Occupancy	2,200	880		1,320
	21 Travel, conferences, and meetings	-0-	-0-		-0-
	22 Printing and publications	-0-	-0-		-0-
	23 Other expenses (attach schedule)	320	120		200
	24 Total operating and administrative expenses (add lines 13 through 23)	5,020	1,840		2,880
	25 Contributions, gifts, grants paid	45,000			45,000
	26 Total expenses and disbursements (add lines 24 and 25)	50,020	1,840		47,680
	27a Excess of revenue over expenses and disbursements (line 12 minus line 26)	10,980			
	b Net investment income (if negative enter -0-)		17,860		
	c Adjusted net income (if negative enter -0-)			N/A	

For Paperwork Reduction Act Notice, see page 1 of the Instructions. Form **990-PF** (1987)

Part II Balance Sheets Attached schedules should be for end of year amounts only. (See instructions for col. (c).)

	Line	Beginning of year (a) Book Value	End of year (b) Book Value	End of year (c) Fair Market Value
Assets	1 Cash—non-interest-bearing	1,100	12,380	12,380
	2 Savings and temporary cash investments	250,000	250,000	250,000
	3 Accounts receivable ▶			
	minus allowance for doubtful accounts ▶	-0-	-0-	-0-
	4 Pledges receivable ▶			
	minus allowance for doubtful accounts ▶	-0-	-0-	-0-
	5 Grants receivable	-0-	-0-	-0-
	6 Receivables due from officers, directors, trustees, and other disqualified persons (see instructions)	-0-	-0-	-0-
	7 Other notes and loans receivable ▶			
	minus allowance for doubtful accounts ▶	-0-	-0-	-0-
	8 Inventories for sale or use	-0-	-0-	-0-
	9 Prepaid expenses and deferred charges	-0-	-0-	-0-
	10 Investments—securities (attach schedule)	67,000	72,000	73,100
	11 Investments—land, buildings, and equipment: basis ▶			
	minus accumulated depreciation (attach schedule) ▶	5,000	-0-	-0-
	12 Investments—mortgage loans	-0-	-0-	-0-
	13 Investments—other (attach schedule)	-0-	-0-	-0-
	14 Land, buildings, and equipment: basis ▶ 3,000			
	minus accumulated depreciation (attach schedule) ▶ 1,350	1,950	1,650	1,650
	15 Other assets (describe ▶)	-0-	-0-	-0-
	16 Total assets (see instructions)	325,050	336,030	337,130
Liabilities	17 Accounts payable and accrued expenses			
	18 Grants payable			
	19 Support and revenue designated for future periods (attach schedule)			
	20 Loans from officers, directors, trustees, and other disqualified persons			
	21 Mortgages and other notes payable (attach schedule)			
	22 Other liabilities (describe ▶)			
	23 Total liabilities (add lines 17 through 22)	-0-	-0-	
Fund Balances or Net Worth	**Organizations that use fund accounting, check here ▶ ☐ and complete lines 24 through 27 and lines 31 and 32.**			
	24a Current unrestricted fund			
	b Current restricted fund			
	25 Land, buildings, and equipment fund			
	26 Endowment fund			
	27 Other funds (Describe ▶)			
	Organizations not using fund accounting, check here ▶ ☒ and complete lines 28-32.			
	28 Capital stock or trust principal	325,050	336,030	
	29 Paid-in or capital surplus	-0-	-0-	
	30 Retained earnings or accumulated income	-0-	-0-	
	31 Total fund balances or net worth (see instructions)	325,050	336,030	
	32 Total liabilities and fund balances/net worth (see instructions)	325,050	336,030	

Part III Analysis of Changes in Net Worth or Fund Balances

1 Total net worth or fund balances at beginning of year—Part II, column (a), line 31	325,050
2 Enter amount from Part I, line 27a	10,980
3 Other increases not included in line 2 (itemize) ▶	-0-
4 Add lines 1, 2, and 3	336,030
5 Decreases not included in line 2 (itemize) ▶	-0-
6 Total net worth or fund balances at end of year (line 4 minus line 5)—Part II, column (b), line 31	336,030

Part IV Capital Gains and Losses for Tax on Investment Income

	(a) List and describe the kind(s) of property sold, e.g., real estate, 2-story brick warehouse; or common stock, 200 shs. MLC Co.	(b) How acquired P—Purchase D—Donation	(c) Date acquired (mo., day, yr.)	(d) Date sold (mo., day, yr.)
1	Real estate, Unimproved lot	D	2/15/68	3/18/87

(e) Gross sales price minus expense of sale	(f) Depreciation allowed (or allowable)	(g) Cost or other basis	(h) Gain or (loss) (e) plus (f) minus (g)
6,000	-0-	5,000	1,000

Complete only for assets showing gain in column (h) and owned by the foundation on 12/31/69			(l) Losses (from col. (h)) Gains (excess of col. (h) gain over col. (k), but not less than zero)
(i) F.M.V. as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of col. (i) over col. (j), if any	
5,300	5,000	300	700

2 Capital gain net income or (net capital loss) { If gain, also enter in Part I, line 7 / If (loss), enter -0- in Part I, line 7 } . . . 700

3 Net short-term capital gain (loss) as defined in sections 1222(5) and (6). If gain, also enter in Part I, line 8 (see instructions for line 8) If loss, enter -0- in Part I, line 8 . . . -0-

Part V Qualification Under Section 4940(e) for Reduced Tax on Net Investment Income

(For optional use by domestic private foundations subject to section 4940(a) tax on net investment income.)

If section 4940(d)(2) applies, leave Part V blank.

Were you liable for section 4942 tax on the distributable amount of any year in the base period? . . . . . ☐ Yes ☒ No
If "Yes," you do not qualify under section 4940(e). Do not complete this part.

1 Enter the appropriate amount in each column for each year; see instructions before making any entries.

(a) Base period years Calendar year (or fiscal year beginning in)	(b) Qualifying distributions	(c) Net value of noncharitable-use assets	(d) Payout ratio (column (b) divided by column (c))
1986	17,600	318,200	.0553111
1985	15,700	320,100	.0490471
1984	15,800	315,400	.0500951
1983	16,300	308,800	.0528191
1982	15,500	310,200	.0499677

2 Total of line 1, column (d) 2572401

3 Average payout ratio for the 5-year base period—divide the total on line 2 by 5, or by the number of years the foundation has been in existence if less than 5 years. 0514480

4 Enter the net value of noncharitable-use assets for 1987 from Part IX, line 5 322,361

5 Multiply line 4 by line 3 16,585

6 Enter 1% of Part I, line 27b 179

7 Add lines 5 and 6 16,764

8 Enter the amount from Part XIII, line 6 47,223
If line 8 is equal to or greater than line 7, check the box in Part VI, line 1b, and complete that part using a 1% tax rate. See the Part VI instructions.

Part VI Excise Tax on Investment Income (Section 4940(a), 4940(b), 4940(e), or 4948—see Instructions)

1a	Exempt operating foundations described in section 4940(d)(2), check here ☐ **(attach copy of ruling letter if necessary—see Instructions) and enter "N/A"**		
b	Domestic organizations that meet the section 4940(e) requirements in Part V, check here ☒ and enter 1% of Part I, line 27b		179
c	All other domestic organizations enter 2% of line 27b. Exempt foreign organizations enter 4% of line 27b		
2	Tax under section 511 (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-)		
3	Add lines 1 and 2		179
4	Tax under subtitle A (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-)		
5	Tax on investment income (line 3 minus line 4 (but not less than -0-))		179
6	Credits/Payments:		
a	1987 estimated tax payments/1986 overpayment credited to 1987	164	
b	Exempt foreign organizations—tax withheld at source		
c	Tax paid with application for extension of time to file (Form 2758)		
7	Total credits and payments (add lines 6a, b, and c)		164
8	Enter any PENALTY for underpayment of estimated tax. Check here ☐ if Form 2220 is attached		
9	TAX DUE. If the total of lines 5 and 8 is more than line 7, enter AMOUNT OWED ▶		15
10	OVERPAYMENT. If line 7 is more than the total of lines 5 and 8, enter the AMOUNT OVERPAID ▶		
11	Enter the amount of line 10 you want: Credited to 1988 estimated tax ▶ Refunded ▶		

Part VII Statements Regarding Activities

File Form 4720 if you answer "No" to question 10b, 11b, or 14b or "Yes" to question 10c, 12b, 13a, or 13b, unless an exception applies.

		Yes	No
1a	During the tax year, did you attempt to influence any national, state, or local legislation or did you participate or intervene in any political campaign?		x
b	Did you spend more than $100 during the year (either directly or indirectly) for political purposes (see instructions for definition)? *If you answered "Yes" to 1a or 1b, attach a detailed description of the activities and copies of any materials published or distributed by the organization in connection with the activities.*		x
c	Did you file Form 1120-POL?		x
2	Have you engaged in any activities that have not previously been reported to the Internal Revenue Service? *If "Yes," attach a detailed description of the activities.*		x
3	Have you made any changes, not previously reported to the IRS, in your governing instrument, articles of incorporation, or bylaws, or other similar instruments? *If "Yes," attach a conformed copy of the changes*		x
4a	Did you have unrelated business gross income of $1,000 or more during the year?		x
b	If "Yes," have you filed a tax return on Form 990-T for this year?	N/A	
5	Was there a liquidation, termination, dissolution, or substantial contraction during the year? *If "Yes," attach the schedule required by General Instruction I.*		x
6	Are the section 508(e) requirements satisfied either: • by language written into the governing instrument, or • by state legislation that effectively amends the governing instrument so that no mandatory directions that conflict with the state law remain in the governing instrument?	x	
7	Did you have at least $5,000 in assets at any time during the year? *If "Yes," complete Part II, column (c), and Part XVI.*	x	
8a	Enter states to which the foundation reports or with which it is registered (see instructions) ▶ Georgia		
b	If you answered 7 "Yes," have you furnished a copy of Form 990-PF to the Attorney General (or his or her designate) of each state as required by the General Instructions? *If "No," attach explanation*	x	
9	Are you claiming status as a private operating foundation within the meaning of section 4942(j)(3) or 4942(j)(5) for calendar year 1987 or fiscal year beginning in 1987 (see instructions for Part XV)? *If "Yes," complete Part XV*		x
10	Self-dealing (section 4941):		
a	During the year did you (either directly or indirectly):		
(1)	Engage in the sale or exchange, or leasing of property with a disqualified person?		x
(2)	Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person?		x
(3)	Furnish goods, services, or facilities to (or accept them from) a disqualified person?		x
(4)	Pay compensation to or pay or reimburse the expenses of a disqualified person?	x	
(5)	Transfer any of your income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)?		x
(6)	Agree to pay money or property to a government official? (Exception: check "No" if you agreed to make a grant to or to employ the official for a period after he or she terminates government service if he or she is terminating within 90 days.)		x

Part VII Statements Regarding Activities (continued)

		Yes	No
10b	If you answered "Yes" to any of questions 10a(1) through (6), were the acts you engaged in excepted acts as described in regulations section 53.4941(d)-3 and 4?	x	
c	Did you engage in a prior year in any of the acts described in 10a, other than excepted acts, that were acts of self-dealing that were not corrected by the first day of your tax year beginning in 1987?		x
11	Taxes on failure to distribute income (section 4942) (does not apply for years you were a private operating foundation as defined in section 4942(j)(3) or 4942(j)(5)):		
a	Did you at the end of tax year 1987 have any undistributed income (lines 6d and e, Part XIV) for tax year(s) beginning before 1987?		x
	If "Yes," list the years ▶ ...., ..., ..., ...		
b	If "Yes" to 11a, are you applying the provisions of section 4942(a)(2) (relating to incorrect valuation of assets) to the undistributed income for ALL such years?	N/A	
c	If the provisions of section 4942(a)(2) are being applied to ANY of the years listed in 11a, list the years here and see the instructions ▶ ...., ..., ..., ...		
12	Taxes on excess business holdings (section 4943):		
a	Did you hold more than a 2% direct or indirect interest in any business enterprise at any time during the year?		x
b	If "Yes," did you have excess business holdings in 1987 as a result of any purchase by you or disqualified persons after May 26, 1969; after the lapse of the 5-year period (or longer period approved by the Commissioner under section 4943(c)(7)) to dispose of holdings acquired by gift or bequest; after the lapse of the 10-year first phase holding period; or after the 15-year first phase holding period?	N/A	
	Note: *You may use Schedule C, Form 4720, to determine if you had excess business holdings in 1987.*		
13	Taxes on investments that jeopardize charitable purposes (section 4944):		
a	Did you invest during the year any amount in a manner that would jeopardize the carrying out of your charitable purposes?		x
b	Did you make any investment in a prior year (but after December 31, 1969) that could jeopardize your charitable purpose that you had not removed from jeopardy on the first day of your tax year beginning in 1987?		x
14	Taxes on taxable expenditures (section 4945):		
a	During the year did you pay or incur any amount to:		
	(1) Carry on propaganda, or otherwise attempt to influence legislation by attempting to affect the opinion of the general public or any segment thereof, or by communicating with any member or employee of a legislative body, or by communicating with any other government official or employee who may participate in the formulation of legislation?		x
	(2) Influence the outcome of any specific public election, or to carry on, directly or indirectly, any voter registration drive?		x
	(3) Provide a grant to an individual for travel, study, or other similar purposes?	x	
	(4) Provide a grant to an organization, other than a charitable, etc., organization described in section 509(a) (1), (2), or (3), or section 4940 (d)(2)?	x	
	(5) Provide for any purpose other than religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals?		x
b	If you answered "Yes" to any of questions 14a(1) through 14a(5), were all such transactions excepted transactions as described in regulations section 53.4945?	x	
c	If you answered "Yes" to question 14a(4), do you claim exemption from the tax because you maintained expenditure responsibility for the grant? *If "Yes," attach the statement required.*	x	
15	Did any persons become substantial contributors during the tax year? *If "Yes," attach a schedule listing their names and addresses.*	x	
16	During this tax year did you maintain any part of your accounting/tax records on a computerized system?		x
17	Section 4947(a)(1) trusts filing Form 990-PF in lieu of Form 1041, enter the amount of tax-exempt interest received or accrued ▶ $ N/A		

SAMPLE

Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors

1 List all officers, directors, trustees, foundation managers and, if paid, their compensation for 1987 (see instructions):

Name and address	Title, and average hours per week devoted to position	Contributions to employee benefit plans	Expense account, other allowances	Compensation (if any)
J. Rollins Phillips 9432 Herschel Ave., Atlanta, GA 30329	President 4 hrs. per wk	-0-	-0-	-0-
Hayden Dillon Dunn 9900 Shular Rd., Atlanta, GA 30324	V. President 3 hrs. per wk	-0-	-0-	-0-
Ernest Amos Herbert 1241 Hutton Dr., Decatur, GA 30034	Sec.-Treas. 8 hrs. per wk	-0-	-0-	600
Total ▶				600

Part VIII Information About Officers, Directors, Trustees, etc. (continued)

2 Compensation of five highest paid employees for 1987 (other than included in line 1—see instructions):

Name and address of employees paid more than $30,000	Title and time devoted to position	Contributions to employee benefit plans	Expense account, other allowances	Compensation
				N/A
Total number of other employees paid over $30,000 ▶				

3 Five highest paid persons for professional services for 1987 (see instructions):

Name and address of persons paid more than $30,000	Type of service	Compensation
		N/A
Total number of others receiving over $30,000 for professional services ▶		

SAMPLE

Part IX Minimum Investment Return

1	Fair market value of assets not used (or held for use) directly in carrying out charitable, etc., purposes:	
a	Average monthly fair market value of securities	322,000
b	Average of monthly cash balances	3,550
c	Fair market value of all other assets (see instructions)	1,720
d	Total (add lines a, b, and c)	327,270
2	Acquisition indebtedness applicable to line 1 assets	-0-
3	Line 1d minus line 2	327,270
4	Cash deemed held for charitable activities—enter 1½% of line 3 (for greater amount, see instructions)	4,909
5	Line 3 minus line 4	322,361
6	Minimum investment return (enter 5% of line 5)	16,118

Part X Computation of Distributable Amount (see instructions)

1	Minimum investment return from Part IX, line 6		16,118
2	Total of:		
a	Tax on investment income for 1987 from Part VI, line 5	179	
b	Income tax under subtitle A, for 1987		179
3	Distributable amount before adjustments (line 1 minus line 2)		15,939
4	Additions to distributable amount:		
a	Recoveries of amounts treated as qualifying distributions	-0-	
b	Income distributions from section 4947(a)(2) trusts	-0-	-0-
5	Line 3 plus line 4		15,939
6	Deduction from distributable amount (see instructions)		-0-
7	Distributable amount as adjusted (line 5 minus line 6) (Also enter in Part XIV, line 1.)		15,939

511

Part XI Limitation on Grant Administrative Expenses

Calendar year (or fiscal year beginning in):	(a) 1987	(b) 1986	(c) 1985	(d) Total
1 Net value of noncharitable-use assets (see instructions)	322,361	318,200	320,100	960,661
2 Multiply line 1 by .0065	2,095	2,068	2,081	6,244
3 Grant administrative expenses treated as qualifying distributions in the two preceding years		2,040	2,070	4,110
4 Grant administrative expenses for 1987 (from Part XII, line 13)	2,580			
5 Maximum amount of 1987 grant administrative expenses that may be treated as qualifying distributions (line 2, column (d), minus line 3, column (d))	2,134			
6 Excess grant administrative expenses for 1987 (line 4 minus line 5; if negative, enter -0-; enter result in Part XIII, line 5)	446			
7 Grant administrative expenses treated as qualifying distributions in 1987 (line 4 minus line 6)	2,134			

Note: *The amount on line 7 will be used in completing the schedule for 1988 and 1989.*

Part XII Schedule of Grant Administrative Expenses (see instructions before making any entries)

1 Compensation of officers, directors, trustees, etc.	360
2 Other employee salaries and wages	600
3 Pension plans, employee benefits	
4 Legal fees	
5 Accounting fees	100
6 Other professional fees	
7 Interest	
8 Taxes	
9 Occupancy	1,320
10 Travel, conferences, and meetings	
11 Printing and publications	
12 Other expenses	200
13 Total	2,580

SAMPLE

Part XIII Qualifying Distributions (see instructions)

1 Amounts paid (including administrative expenses) to accomplish charitable, etc., purposes:	
a Expenses, contributions, gifts, etc.—total from Part I, column (d), line 26	47,680
b Program-related investments	
2 Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc., purposes	
3 Amounts set aside for specific charitable projects that satisfy the:	
a Suitability test (prior IRS approval required)	
b Cash distribution test (attach the required schedule)	
4 Total (add lines 1, 2, and 3)	47,680
5 Enter excess grant administrative expenses from Part XI, line 6	446
6 Total qualifying distributions (line 4 minus line 5). Enter this amount in Part XIV, line 4	47,234
7 Organizations that qualify under section 4940(e) for the reduced rate of tax on net investment income — enter 1% of Part I, line 27b (see instructions)	179
8 Qualifying distributions (line 6 minus line 7)	47,055

Note: *The amount on line 8 will be used in Part V, column (b), when calculating the section 4940(e) reduction of tax in subsequent years.*

Part XIV Computation of Undistributed Income (see instructions)

		(a) Corpus	(b) Years prior to 1986	(c) 1986	(d) 1987
1 Distributable amount for 1987 from Part X					15,939
2 Undistributed income, if any, as of the end of 1986:					
a Enter amount for 1986				-0-	
b Total for prior years: _____, _____, _____			-0-		
3 Excess distributions carryover, if any, to 1987:					
a From 1982					
b From 1983					
c From 1984					
d From 1985					
e From 1986	2,100				
f Total of 3a through e		2,100			
4 Qualifying distributions for 1987: 47,234					
a Applied to 1986, but not more than line 2a				-0-	
b Applied to undistributed income of prior years (Election required–see instructions)			-0-		
c Treated as distributions out of corpus (Election required–see instructions)					
d Applied to 1987 distributable amount					15,939
e Remaining amount distributed out of corpus		31,295			
5 Excess distributions carryover applied to 1987. *(If an amount appears in column (d), the same amount must be shown in column (a))*		-0-			-0-
6 Enter the net total of each column as indicated below:					
a Corpus. Add lines 3f, 4c, and 4e. Subtract line 5		33,395			
b Prior years' undistributed income (line 2b minus line 4b)			-0-		
c Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed			-0-		
d Subtract line 6c from line 6b. Taxable amount— see instructions			-0-		
e Undistributed income for 1986 (line 2a minus line 4a). Taxable amount—see instructions				-0-	
f Undistributed income for 1987 (line 1 minus lines 4d and 5). This amount must be distributed in 1988					-0-
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(E) or 4942(g)(3) (see instructions)		-0-			
8 Excess distributions carryover from 1982 not applied on line 5 or line 7 (see instructions)		-0-			
9 Excess distributions carryover to 1988 (line 6a minus lines 7 and 8)		33,395			
10 Analysis of line 9:					
a Excess from 1983					
b Excess from 1984					
c Excess from 1985					
d Excess from 1986	2,100				
e Excess from 1987	31,295				

SAMPLE

Part XV Private Operating Foundations (See instructions and Part VII, question 9)

1a If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 1987, enter the date of the ruling ▶ N/A

b Check box to indicate whether you are a private operating foundation described in section ☐ 4942(j)(3) or ☐ 4942(j)(5).

	Tax year	Prior 3 years			
	(a) 1987	(b) 1986	(c) 1985	(d) 1984	(e) Total
2a Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part IX for 1987, 1986, and 1985 (Part VIII for 1984)					
b 85% of line 2a					
c Qualifying distributions from Part XIII, line 6, for 1987, 1986, and 1985 (Part X, line 4, for 1984)					
d Amounts included in line 2c not used directly for active conduct of exempt activities					
e Qualifying distributions made directly for active conduct of exempt activities (line 2c minus line 2d)					
3 Complete 3a, b, or c for the alternative test on which you rely:					
a "Assets" alternative test—enter: (1) Value of all assets					
(2) Value of assets qualifying under section 4942(j)(3)(B)(i)					
b "Endowment" alternative test—Enter ⅔ of minimum investment return shown in Part IX, line 6, for 1987, 1986, and 1985 (enter ⅔ of Part VIII, line 6, for 1984)					
c "Support" alternative test—enter: (1) Total support other than gross investment income (interest, dividends, rents, payments on securities loans (section 512(a)(5)), or royalties)					
(2) Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(iii)					
(3) Largest amount of support from an exempt organization					
(4) Gross investment income					

Part XVI Supplementary Information (see instructions)

1 **Information Regarding Foundation Managers**

a List here any managers of the foundation who have contributed more than 2% of the total contributions received by the foundation before the close of any tax year (but only if they have contributed more than $5,000). (See section 507(d)(2).)

None

b List here any managers of the foundation who own 10% or more of the stock of a corporation (or an equally large portion of the ownership of a partnership or other entity) of which the foundation has a 10% or greater interest.

None

2 **Information Regarding Contribution, Grant, Gift, Loan, Scholarship, etc., Programs**

If you make gifts, grants, awards (see instructions), etc., to individuals or organizations, check here ☒ and complete these items:

a The name, address, and telephone number of the person to whom applications should be addressed

E.A. Herbert, The Oak Foundation, Inc., 133 Winchester Dr., Atlanta, GA 30320
Telephone (404) 423-4567

b The form in which applications should be submitted and information and materials they should include

See attachment.

c Any submission deadlines

Applications are accepted at any time. Notice of approval, rejection, or requests for additional information usually sent in 2 months.

d Any restrictions or limitations on awards, such as by geographical areas, charitable fields, kinds of institutions, or other factors

See attachment.

Part XVI Supplementary Information (continued)

3 **Grants and Contributions Paid During the Year or Approved for Future Payment**

Recipient — Name and address (home or business)	If recipient is an individual, show any relationship to any foundation manager or substantial contributor	Foundation status of recipient	Purpose of grant or contribution	Amount
a *Paid during the year*				
Moore-Price Clinic College Park, GA	N/A	Public	To buy equipment	15,000
Allen Reid Museum of Fine Arts Atlanta, GA	N/A	Pvt. Op. Fdn.	Renovating museum	15,000
Ervin Guinn Institute Stone Mtn., GA	N/A	Public	To buy library materials	10,000
American Frontier Scouts Chicago, IL	N/A	Public	To build campground	5,000
Total ▶				45,000
b *Approved for future payment*				
Dr. Clark Eller 101 Gore Ave., Atlanta, GA 30311	None	N/A	For post-doctoral studies	2,000
Total ▶				2,000

Part XVII-A Summary of Grant Programs and Other Activities

	(a) Grants and program-related investments	(b) Administrative expenses	(c) Total
1 Gifts, contributions, scholarships and other grants	45,000	2,580	47,580
2 Direct charitable activities (describe each):			
a			
b			
c Direct technical and other assistance to grantees (see instructions)			
d All other (attach schedule)			
e Total—add lines 2a through d			-0-
3 Program-related investments (describe each type)			
a			
b			
c			
d All other (attach schedule)			
e Total—see instructions			-0-
4 Other qualifying distributions			100
5 Other expenses not included in lines 1–4			180

Part XVII-B Supporting Data

1 Describe on an attached schedule the bases (for example, time spent, salary expenses incurred, space utilized, etc.) used to allocate administrative expenses to the activities described in Part XVII-A.

2 For the foundation's principal direct charitable activities and program-related investments, provide a schedule of relevant statistical information, such as the number of organizations and other beneficiaries served, conferences convened, research papers produced, etc. N/A

3 Attach a schedule for Part XVII-A, lines 2 and 3, setting forth for each activity or investment area the amount of any income produced by it. N/A

Part XVIII Public Inspection

1 Enter the date the notice of availability of the annual return appeared in a newspaper ▶ April 5, 1988

2 Enter the name of the newspaper ▶ Atlanta News

3 Check here ▶ ☒ if you have attached a copy of the newspaper notice as required by the instructions. (If the notice is not attached, the return will be considered incomplete.)

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer or fiduciary) is based on all information of which preparer has any knowledge.

▶ J. Rollins Phillips — Signature of officer or trustee | 4/8/88 — Date | ▶ President — Title

Paid Preparer's Use Only

Preparer's signature ▶ Nicholas Miller | Date 4/8/88 | Check if self-employed ▶ ☐ | Preparer's social security no.

Firm's name (or yours if self-employed) and address ▶ Nicholas Miller Assoc. 711 Wiles Ave., Atlanta, GA | E.I. No. ▶ 58 7654321 | ZIP code ▶ 30302

Public Notice

The annual report of the Oak Foundation, Inc., is available, at the address noted below, for inspection during normal business hours, by any citizen who so requests within 180 days after publication of this notice of its availability.

SAMPLE

The Oak Foundation, Inc
123 Winchester Dr
Atlanta, GA 30320

The principal manager is
J. Rollins Phillips, President
Telephone (404) 423-4567

This notice appeared in the Atlanta News on April 5, 1988.

THE OAK FOUNDATION, INC. E.I.N. 58-1234567 SCHEDULE OF INFORMATION FOR FORM 990-PF

PART I, LINE 16

Accounting services

Nicholas Miller, C.P.A. For auditing and preparation of Form 990-PF $280

PART I, LINE 18

Taxes

SAMPLE

The 1986 excise tax on net investment income $320

PART I, LINE 19, DEPRECIATION SCHEDULE

Description of Property	Date Acquired	Cost	Prior Years Depreciation	Method	Useful Life	Depreciation for This Year
Office Equipment	6/2/83	$3,000	$1,050	S/L	10 years	$300

PART I, LINE 23, OTHER EXPENSES

Stationery	$105
Postage	55
Publishing annual newspaper notice	20
Telephone	140
Total	$320

PART II, LINE 10, INVESTMENTS--SECURITIES

Corporate Name	No. of Shares	Book Value	Fair Market Value
Atlas, Inc.	100	$1,000	$1,100
Zeus, Inc.	500	10,000	9,500
Athena, Inc	300	6,000	6,000
Mars-Mercury, Inc.	500	10,000	9,000
Jupiter, Inc.	100	30,000	31,000
Venus, Inc.	500	5,000	5,500
Saturn, Inc	500	10,000	11,000
Total		$72,000	$73,100

PART II, LINE 14, LAND, BUILDINGS, AND EQUIPMENT

Description	Cost	Accu. Deprec.	Fair Market Value
Office furnishings and equipment	$3,000	$1,350	$1,650

PART VII, QUESTION 14c, TAXES ON TAXABLE EXPENDITURES

Information relating to grants subject to expenditure responsibility:

Grantee-Allen Reid Museum of Fine Arts-31 Meyers St., Atlanta, GA 30301.
Date paid-April 7, 1987. Amount $15,000.
Purpose-For the partial support of a major renovation and expansion of the museum facilities.
Amount of grant spent by grantee-$15,000.
Diversion-To the knowledge of the Foundation, and based on the the report furnished by the grantee, no part of the grant has been used for other than its intended purpose.
Date of report for grantee-Final report January 8, 1988.
In addition to its own report covering the use of grant funds, the grantee furnished an independent auditor's report of its operations for its fiscal year ending September 30, 1987. Since this latter report verified the information provided by the grantee, the Oak Foundation, Inc., deemed further verification of the grantee's report unnecessary.

PART VII, LINE 15, SUBSTANTIAL CONTRIBUTORS

Individual	Date	Amount
Miss Carroll Haggerty 121 Anderson Ave. Athens, GA 30601	12/7/87	$16,000
Miss Rachael Patton 162 Reno Rd. Rome, GA 30161	5/17/87	$15,000

Both substantial contributors are nieces of the foundation's president but are not otherwise related by blood, marriage, or stock ownership to the foundation or its managers.

PART XVI, LINES 2b and d

b Individual applicants should submit a brief resume of academic qualifications. For research grants, include an outline of the proposed investigation and a proposed budget.

d Preference is given to Georgia residents and charitable organizations. Most grants are made for educational purposes but, to the extent that funds are available, grants may be made for other purposes and to individuals and organizations in other states. No more than $5,000 is granted to any one person over a 4-year period. Grants to organizations are not more than $25,000 to any one organization in one year.

PART XVII-B--SUPPORTING DATA

Line 1--The salaries of officers and employees reported in Part I were allocated between grant-making and investment activities on the basis of time spent on each. The fee for preparing Form 990-PF was specifically identified and reported on line 4 of Part XVII-A, and depreciation expense not attributable to investment was reported on line 5. The remaining administrative expenses were allocated on the basis of salary expenses attributable to each activity.

Pregnant Inquiry

When a private foundation makes a grant to an organization that is not described in sections 509(a)(1), (2), or (3), or section 4940(d)(2), it must exercise expenditure responsibility under section 4945(h).

To obtain the necessary information from organizations that are subject to the section 4945(h) requirements, a pregnant inquiry form was developed that such organizations could submit when seeking a grant from a private foundation.

We have included this model format as it might be submitted by a civic association that requested money to build a Little League baseball field for the community. Part III of the example is blank because the application has only been submitted to but not yet acted on by the Oak Foundation, Inc.

The format shown here may be used by any private foundation to obtain pregnant information from an applicant organization. The format may also be used by a grantor foundation to show that it is maintaining expenditure responsibility under section 4945(h) in carrying out its grant program.

Organization's Application for Grant From Private Foundation
(Not for use by individuals)

To:	From:
The Oak Foundation, Inc.	The Sharp Ridge Community Assn.
(Name of Foundation)	(Name of Applicant)
133 Winchester Dr.	4405 Sharp Ridge Rd.
(Street Address)	(Street Address)
Atlanta, GA 30320	Marietta, GA 30060
(City, State, and ZIP code)	(City, State, and ZIP code)

Part I. Information about the Applicant

1. Is the applicant organized as a nonprofit organization under state laws governing charitable organizations? . . . . ☒ Yes ☐ No
If yes, what state or commonwealth governs? Georgia
If no, please explain:

SAMPLE

2. Has the applicant received a ruling or determination letter from the Internal Revenue Service about any of the following?
(a) Exempt status . . . . ☒ Yes ☐ No
(b) Private foundation status . . . . ☐ Yes ☒ No
(c) Grant-making procedures . . . . ☐ Yes ☒ No
Attach a photocopy of each such letter. (a) Copy of letter attached.
If any item is marked no, explain: (b) and (c). We are a civic association exempt under section 501(c)(4) of the Internal Revenue Code and thus are not subject to the private foundation rules.

3. (a) Attach a copy of the applicant's proposed budget for the year in which the grant funds are to be used. Copy of budget attached.
(b) If this grant will be a substantial and material part of the total budget, attach a copy of the latest information return (Form 990 or 990-PF) filed by the applicant with the Internal Revenue Service.
(c) Describe the applicant's purposes and activities in general.

Our purposes are to provide leadership in improving our community by supporting such things as recreational facilities, improving the community's general appearance, and providing information of general interest to the members of the community. To support and carry out these purposes, we provide a community center, playground, swimming pool, and tennis court; we also provide shrubbery and volunteers to landscape the streets and other community projects; and we publish a monthly newsletter detailing activities of general interest to the residents of the community.

Organization's Application for Grant From Private Foundation

4. Is the applicant controlled by, related to, connected with, or sponsored by another organization? . . . . ☐ Yes ☒ No
If yes, identify the organization (including its purposes and activities) and explain the relationship:

SAMPLE

5. List the name, address, and title of each member of the applicant's governing board:

Charlie Houston	President
(Name)	(Title or office)
5016 Ginger Circle	Marietta, GA 30060
(Street address)	(City, state, and ZIP code)
Joanne Kent	Secretary
(Name)	(Title or office)
3847 Pierce Lane	Marietta, GA 30060
(Street address)	(City, state, and ZIP code)
Jerry G. Henry	Treasurer
(Name)	(Title or office)
4500 Sharp Ridge Rd.	Marietta, GA 30060
(Street address)	(City, state, and ZIP code)

(If more space is needed attach a separate list)

6. Has the applicant (or any organization listed in 4, above) ever applied for or received a grant from this foundation? . . . . ☐ Yes ☒ No
If yes, give details:

Organization's Application for Grant From Private Foundation

Part II. Use of the proposed grant

7. Show the amount requested and explain in detail how it will be used. State whether the grant is to be earmarked for the use or benefit of any one person, group, or class of people. If so, for whom?

We are requesting $3,000 to build a little league playing field. The funds will be used to buy materials to make bleachers, dugouts, fences, and a backstop, and to pay for necessary excavating work. All other labor required to construct these facilities will be done by volunteers from the Sharp Ridge Community Assn. and the Sharp Ridge Youth Athletic Club. The Sharp Ridge Youth Athletic Club will be the principal users of the field.

8. Person to contact who will be administering the proposed program.

SAMPLE

Mr. J. G. Henry (Name) — Treasurer (Title)

4500 Sharp Ridge Rd. (Street address) — Marietta, GA 30060 (City, state, and ZIP code)

(404) 566-4444 (Area code and telephone number)

Describe this person's experience and qualifications to administer the program.

Mr. Henry is a building contractor (Volunteer Construction Co., Inc., Atlanta, GA., telephone (404) 602-9363) and will personally supervise the building of the facilities as his schedule permits. In his absence he will provide an experienced person to supervise the job.

From my own knowledge, I state the information given in Parts I and II is correct. The applicant organization has authorized me to make this application.

Charlie Houston (Name) — 10/31/87 (Date)

President (Title or office)

The information in Parts I and II is to help the grantor foundation meet the requirements of section 4945(h) of the Internal Revenue Code.

Organization's Application for Grant From Private Foundation

Part III. To be filled in by Grantor Foundation

9. Evaluation by grant or program officer:

10. Special supervisory or followup requirements, if any:

SAMPLE

11. Remarks:

(Grant or program officer)

12. Action taken. (Person to approve action must initial and date)

(a) Approved as requested ( )
(b) Approved as modified, see Remarks ( )
(c) Denied ( )
(d) Date of grant agreement ( )
(e) Amount of grant $ ______ ( )
(f) Date of grant ______ ( )
(g) Date of interim report ______ ( )
(h) Date of final report ______ ( )
(i) Date file closed ______ ( )

SHARP RIDGE COMMUNITY ASSOCIATION

PROPOSED BUDGET

January 1, 1988 to December 31, 1988

Income	
General	
Dues/Assessments	$14,300.00
Sale of Flowers/Plants, etc.	3,100.00
Interest	400.00
Activities	
Dance Admissions	6,200.00
Food/Beverages (Dances & Parties/Vending Machines)	5,900.00
Raft Race	900.00
Book Sale	2,400.00
Total Income	$33,200.00
Expenses	
General	
Cleaning Supplies	$ 500.00
Flowers/Plants to Sell	2,400.00
Food/Beverages	4,600.00
Pool/Maintenance/Lifeguard	2,500.00
Legal/Accounting	500.00
Office Supplies/Newsletter	1,800.00
Utilities	1,700.00
Janitorial and Office Help	2,900.00
Principal and Interest on Mortgage	6,500.00
Taxes	1,100.00
Insurance	1,400.00
Activities	
4th of July	600.00
Landscaping	2,900.00
Raft Race	300.00
Other Recreational Activities	3,100.00
Annual Board Meeting/Election of Officers	200.00
Christmas Party for Children	400.00
Construction of Little League Playing Field	3,000.00
Total Expenses	$36,400.00
Deficit	$(3,200.00)

SAMPLE

*U.S. G.P.O. 1988-205-372:80011

Form **990-T**
Department of the Treasury
Internal Revenue Service

Exempt Organization Business Income Tax Return

(Under Section 511 of the Internal Revenue Code) For calendar year 1987 or other tax year beginning ...., 1987, and ending ...., 19 ......

OMB No. 1545-0687

1987

Name of organization

A Employer identification number (employees' trust see instruction for Block A)

Address (number and street)

B Enter unrelated business activity codes from page 12 of instructions

City or town, state, and ZIP code

C Check box if address changed . . . . ▶ ☐ **D** Exempt under section ▶ ☐ 501( ) ( ) OR ▶ ☐ 408(e)

E Check type of organization . . ▶ ☐ Corporation ☐ Trust ☐ Section 401(a) trust

F Group exemption number (see instructions for Block F) ▶

If the unrelated trade or business gross income is $10,000 or less, complete only page 1 and Part III on page 2, and sign the return. Complete all applicable parts of the form (except lines 1 through 4) if unrelated trade or business gross income is over $10,000.

Taxable Income

1	Unrelated trade or business gross income (state sources ▶ ....)	1	
2	Deductions (including net operating loss) (complete Parts I and II instead of lines 1, 2, 3, and 4 if you have gross income over $10,000)	2	
3	Unrelated business taxable income before specific deduction (subtract line 2 from line 1)	3	
4	Specific deduction (see instructions)	4	
5	Unrelated business taxable income (Subtract line 4 from line 3 or enter amount from line 33, page 2. If line 4 is greater than line 3, enter the lesser of zero or line 3.)	5	

Tax Computation

Organizations Taxable as Corporations (see Instructions for tax computation)

6a	Check if you are a member of a controlled group (see sections 1561 and 1563) ▶ ☐ If checked, see instructions and enter your share of tax bracket amounts. If your tax year includes June 30, 1987, complete both b and c below. Otherwise, complete only c.		
b	(i) $ .... (ii) $ .... (iii) $ .... (iv) $		
c	(i) $ .... (ii) $		
7	Income tax on the amount on line 5, above. Check here ▶ ☐ if from Schedule D (Form 1120) . .	7	

Trusts Taxable at Trust Rates (see Instructions for tax computation)

8	Income tax on the amount on line 5. Use the tax rate schedules in the instructions	8	

Total Income Tax

9a	Foreign tax credit (corporations attach Form 1118, trusts attach Form 1116)	9a			
b	Other credits (see instructions)	9b			
c	General business credit.—Check if from ☐ Form 3800 ☐ Form 3468 ☐ Form 6478 ☐ Form 6765 ☐ Form 8586	9c			
10	Total (add lines 9a through 9c)			10	
11	Subtract line 10 from line 7 or line 8			11	
12	Tax from recomputing prior year investment credit (attach Form 4255)			12	
13a	Alternative minimum tax .... b Environmental tax			13c	
14	TOTAL TAX (add lines 11, 12 and 13c)			14	
15	**Payments:** a 1986 overpayment credited to 1987	15a			
b	1987 estimated tax payments	15b			
c	Subtotal (add lines 15a and 15b)	15c			
d	Tax deposited with Form 7004 or Form 2758	15d			
e	Foreign organizations—Tax paid or withheld at the source (see instructions)	15e			
f	Other credits and payments (see instructions)	15f			
16	Total credits and payments (add lines 15c through 15f)			16	
17	Enter the **PENALTY** for underpayment of estimated tax. Check ☐ if Form 2220 is attached . .			17	
18	**TAX DUE**—If the total of lines 14 and 17 is larger than line 16, enter AMOUNT OWED . . . ▶			18	
19	**OVERPAYMENT**—If line 16 is larger than the total of lines 14 and 17, enter AMOUNT OVERPAID ▶			19	
20	Enter the amount of line 19 you want: **Credited to 1988 estimated tax** ▶	Refunded ▶		20	

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Signature of officer | Date | ▶ Title

Paid Preparer's Use Only

Preparer's signature ▶ | Date | Check if self-employed ▶ ☐ | Preparer's social security no.

Firm's name (or yours, if self-employed) and address ▶ | E.I. No. ▶ | ZIP code ▶

For Paperwork Reduction Act Notice, see page 1 of Instructions. Form **990-T** (1987)

Part I Unrelated Trade or Business Income

1a	Gross receipts or sales .... b Less returns and allowances .... Balance ▶	1c	
2	Cost of goods sold and/or operations (Schedule A)	2	
3	Gross profit (subtract line 2 from line 1c)	3	
4a	Capital gain net income (attach separate Schedule D) (see instructions)	4a	
b	Net gain (loss) from Part II, Form 4797 (attached)	4b	
c	Capital loss deduction for trusts	4c	
5	Income (loss) from partnerships (attach statement)	5	
6	Rent income (Schedule C)	6	
7	Unrelated debt-financed income (Schedule E, line 2)	7	
8	Investment income of a section 501(c)(7), (9), (17), or (20) organization (Schedule F)	8	
9	Interest, annuities, royalties, and rents from controlled organizations (Schedule G)	9	
10	Exploited exempt activity income (Schedule H)	10	
11	Advertising income (Schedule I, Part III, Column A)	11	
12	Other income (see instructions for line 12—attach schedule)	12	
13	TOTAL—Unrelated trade or business income (add lines 3 through 12)	13	

Part II Deductions Not Taken Elsewhere (See Instructions for limitations on deductions.) (Except for contributions, deductions must be directly connected with the unrelated business income.)

14	Compensation of officers, directors, and trustees (Schedule J)			14	
15	Salaries and wages			15	
16	Repairs (see instructions)			16	
17	Bad debts (see instructions)			17	
18	Interest (attach schedule)			18	
19	Taxes			19	
20	Contributions (see instructions)			20	
21	Depreciation (attach Form 4562)	21			
22	Less depreciation claimed in Schedule A and elsewhere on return	22a		22b	
23	Depletion			23	
24a	Contributions to deferred compensation plans (see instructions)			24a	
b	Employee benefit programs (see instructions)			24b	
25	Other deductions (attach schedule)			25	
26	TOTAL DEDUCTIONS (add lines 14 through 25)			26	
27	Unrelated business taxable income before allowable advertising loss (subtract line 26 from line 13) .			27	
28	Advertising loss (Schedule I, Part III, Column B)			28	
29	Unrelated business taxable income before net operating loss deduction (subtract line 28 from line 27) .			29	
30	Net operating loss deduction (see instructions)			30	
31	Unrelated business taxable income before specific deduction (subtract line 30 from line 29)			31	
32	Specific deduction (see instructions for line 4 of page 1)			32	
33	Unrelated business taxable income (subtract line 32 from line 31. If line 32 is greater than line 31, enter the lesser of zero or line 31.) Enter here and on page 1, line 5			33	

SCHEDULE A—COST OF GOODS SOLD AND/OR OPERATIONS (see Instructions for Part I, line 2)

Method of inventory valuation (specify) ▶

1	Inventory at beginning of year .	1		6	Inventory at end of year	6			
2	Purchases	2		7	Cost of goods sold and/or operations. Subtract line 6 from line 5. (Enter here and on line 2, Part I.)	7			
3	Cost of labor	3						Yes	No
4a	Additional section 263A costs (attach schedule)	4a		8	Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the organization?				
b	Other costs (attach schedule)	4b							
5	TOTAL—Add lines 1 through 4b .	5							

Part III Statements Regarding Certain Activities and Other Information

		Yes	No
1	At any time during the tax year, did you have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? (See page 10 of the instructions for exceptions and filing requirements for TD F 90-22.1.) If "Yes," write in the name of the foreign country ▶		
2	Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you had any beneficial interest in it? If "Yes," you may have to file Forms 3520, 3520-A, or 926.		
3	Enter the amount of tax-exempt interest received or accrued during the tax year ▶		

The books are in care of ▶ **Telephone number** ▶

SCHEDULE C—RENT INCOME FROM REAL PROPERTY AND PERSONAL PROPERTY LEASED WITH REAL PROPERTY
(see Instructions for Part I, line 6)

1. Description of property	2. Rent received or accrued	3. Percentage of rent for personal property
		%
		%
		%
		%
		%

4. Complete for any item if the entry in column 3 is more than 50%, or if the rent is based on profit or income		5. Complete for any item if the entry in column 3 is more than 10% but not more than 50%		
(a) Deductions directly connected (Attach schedule)	(b) Income includible (Column 2 minus column 4(a))	(a) Gross income reportable (Column 2 × column 3)	(b) Deductions directly connected with personal property (Attach schedule)	(c) Income includible (Column 5(a) minus column 5(b))
Add columns 4(b) and 5(c) and enter total here and on line 6, Part I, page 2				

SCHEDULE E—UNRELATED DEBT-FINANCED INCOME (see Instructions for Part I, line 7)

1. Description of debt-financed property	2. Gross income from or allocable to debt-financed property	3. Deductions directly connected with or allocable to debt-financed property	
		(a) Straight-line depreciation (Attach schedule)	(b) Other deductions (Attach schedule)
1			

4. Amount of average acquisition indebtedness on or allocable to debt-financed property (Attach schedule)	5. Average adjusted basis of or allocable to debt-financed property (Attach schedule)	6. Percentage which col. 4 is of col. 5	7. Gross income reportable (Column 2 × column 6)	8. Allocable deductions (Column 6 × total of columns 3(a) and 3(b))	9. Net income (loss) includible (Column 7 minus column 8)
		%			
		%			
		%			
		%			

2 Total (enter here and on line 7, Part I, page 2)
3 Total dividends-received deductions included in column 8

SCHEDULE F—INVESTMENT INCOME OF A SECTION 501(c)(7), (9), (17), OR (20) ORGANIZATION
(see Instructions for Part I, line 8)

1. Description	2. Amount	3. Deductions directly connected (Attach schedule)	4. Net investment income (Column 2 minus column 3)	5. Set-asides (Attach schedule)	6. Balance of investment income (Column 4 minus column 5)
Total (enter here and on line 8, Part I, page 2)					

SCHEDULE G—INCOME (ANNUITIES, INTEREST, RENTS AND ROYALTIES) FROM CONTROLLED ORGANIZATIONS
(see Instructions for Part I, line 9)

1. Name and address of controlled organization(s)	2. Gross income from controlled organization(s)	3. Deductions of controlling organization directly connected with column 2 income (Attach schedule)	4. Exempt controlled organizations		
			(a) Unrelated business taxable income	(b) Taxable income computed as though not exempt under sec. 501(a), or the amount in col. (a), whichever is more	(c) Percentage which col. (a) is of col. (b)
					%
					%
					%

5. Nonexempt controlled organizations			6. Gross income reportable (Column 2 × column 4(c) or column 5(c))	7. Allowable deductions (Column 3 × column 4(c) or column 5(c))	8. Net income includible (Column 6 minus column 7)
(a) Excess taxable income	(b) Taxable income, or amount in column (a), whichever is more	(c) Percentage which col. (a) is of col. (b)			
		%			
		%			
		%			
Total (enter here and on line 9, Part I, page 2)					

SCHEDULE H—EXPLOITED EXEMPT ACTIVITY INCOME, OTHER THAN ADVERTISING INCOME
(see Instructions for Part I, line 10)

1. Description of exploited activity	2. Gross unrelated business income from trade or business	3. Expenses directly connected with production of unrelated business income	4. Net income from unrelated trade or business (Column 2 minus column 3)	5. Gross income from activity that is not unrelated business income	6. Expenses attributable to column 5	7. Excess exempt expenses (Column 6 minus column 5, but not more than column 4)	8. Net income includible (Column 4 minus column 7)
Total (enter here and on line 10, Part I, page 2)							

SCHEDULE I—ADVERTISING INCOME AND ADVERTISING LOSS (see Instructions for Part I, line 11)

Part I Income From Periodicals Reported on a Consolidated Basis

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or loss (col. 2 minus col. 3). If loss, enter in col. B, Part III. Do not complete cols. 5, 6, and 7. If gain, complete cols. 5, 6, and 7	5. Circulation income	6. Readership costs	7. If col. 5 exceeds col. 6, enter in col. A, Part III, the gain shown in col. 4. If col. 6 exceeds col. 5, subtract col. 6 plus col. 3 from col. 5 plus col. 2. Enter gain in col. A, Part III
Totals						

Part II Income From Periodicals Reported on a Separate Basis

Part III Column A—Advertising Income

(a) Enter "consolidated periodical" or names of nonconsolidated periodicals	(b) Enter total amount from column 4 or 7, Part I, and amounts listed in cols. 4 and 7, Part II
Enter total here and on line 11, Part I, page 2	

Part III Column B—Advertising Loss

(a) Enter "consolidated periodical" or names of nonconsolidated periodicals	(b) Enter total amount from column 4, Part I, and amounts listed in column 4, Part II
Enter total here and on line 28, Part II, page 2	

SCHEDULE J—COMPENSATION OF OFFICERS, DIRECTORS, AND TRUSTEES

1. Name	2. Title	3. Percent of time devoted to business	4. Compensation attributable to unrelated business
		%	
		%	
		%	
		%	
		%	
		%	
Total (enter here and on line 14, Part II, page 2)			

☆U.S. Government Printing Office: 1988—210-068/79346

1987 Department of the Treasury Internal Revenue Service

Instructions for Form 990-T

Exempt Organization Business Income Tax Return

(Section references are to the Internal Revenue Code, unless otherwise noted.)

Changes You Should Note

The Tax Reform Act of 1986 made several changes to the way tax-exempt organizations compute their unrelated business taxable income and their tax liability. Many of these changes are explained in these Instructions. For information on other changes, see **Publication 921**, Explanation of the Tax Reform Act of 1986 for Business.

General Instructions

Paperwork Reduction Act Notice

We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Who Must File

Any domestic or foreign organization exempt under section 501(a) must file Form 990-T if it has gross income from an unrelated trade or business of $1,000 or more. See Regulations section 1.6012-2(e). Gross income is gross receipts less the cost of goods sold and/or operations. (See Regulations section 1.61-3.)

Colleges and universities of states and of other governmental units, as well as subsidiary corporations wholly owned by such colleges and universities, are also subject to the Form 990-T filing requirements.

However, a section 501(c)(1) corporation that is an instrumentality of the United States and both organized and exempted from tax by Act of Congress does not have to file.

Individual Retirement Accounts (IRAs) described in section 408(a) with $1,000 or more of gross income from an unrelated trade or business must file Form 990-T.

If you are a shareholder in a regulated investment company, and are filing Form 990-T only to obtain a refund of income tax paid on undistributed long-term capital gains, complete the heading and signature areas, and enter the amount of credit on the appropriate lines. Also, indicate at the top of the return, "Claim for Refund."

What Is an Unrelated Trade or Business.—An unrelated trade or business is any trade or business that is regularly carried on, and that is not substantially related (aside from the need of the organization for income or funds or the use it makes of the profits) to the organization's exempt purpose or function; or, for a section 511(a)(2)(B) state college or university, to exercising or performing any purpose or function described in section 501(c)(3).

An unrelated trade or business is not a trade or business:

(1) In which substantially all the work in carrying on the trade or business is performed for the organization without compensation; or

(2) That is carried on by a section 501(c)(3) or 511(a)(2)(B) organization mainly for the convenience of its members, students, patients, officers, or employees; or

(3) That sells items of work-related equipment and clothes, and items normally sold through vending machines, food dispensing facilities or by snack bars, by a local association of employees described in section 501(c)(4), organized before May 27, 1969, if the sales are for the convenience of its members at their usual place of employment; or

(4) That sells merchandise substantially all of which was received by the organization as gifts or contributions; or

(5) That consists of qualified public entertainment activities regularly carried on by a section 501(c)(3), (4), or (5) organization as one of its substantial exempt purposes (see section 513(d)(2) for the meaning of qualified public entertainment activities); or

(6) That consists of qualified convention or trade show activities regularly conducted by a section 501(c)(3), (4), (5), or (6) organization as one of its substantial exempt purposes (see section 513(d)(3) for the meaning of qualified convention and trade show activities); or

(7) That furnishes one or more services described in section 501(e)(1)(A) by a hospital to one or more hospitals subject to conditions in section 513(e); or

(8) That consists of bingo games as defined in section 513(f). Generally, a bingo game is not an unrelated trade or business if:

(a) Wagers are placed, winners determined, and prizes distributed in the presence of all persons wagering in that game, and

(b) The game does not compete with bingo games conducted by for-profit businesses in the same jurisdiction, and

(c) The game does not violate state or local law; or

(9) That consists of conducting any game of chance if:

(a) The game of chance is conducted by a nonprofit organization;

(b) The conducting of the game does not violate any state or local law; and

(c) As of October 5, 1983, there was a state law (originally enacted on April 22, 1977) in effect that permitted the conducting of the game of chance only by a nonprofit organization; or

(10) That consists of qualified pole rentals (as defined in section 501(c)(12)(D)), by a mutual or cooperative telephone or electric company; or

(11) That includes activities relating to the distribution of low cost articles each costing $5 or less by an organization described in section 501 and contributions to which are deductible under section 170(c)(2) or (3) if the distribution is incidental to the solicitation of charitable contributions; or

(12) That includes the exchange or rental of donor or membership lists between organizations described in section 501 and contributions to which are deductible under section 170(c)(2) or (3).

A trade or business is any activity carried on for the production of income from selling goods or performing services. An activity does not lose its identity as a trade or business merely because it is carried on within a larger group of similar activities which may or may not be related to the exempt purpose of the organization. If, however, an activity carried on for profit is an unrelated trade or business, no part of it can be excluded from this classification merely because it does not result in profit.

Not substantially related means that the activity that produces the income does not contribute importantly to the exempt purposes of the organization, other than the need for funds, etc. Whether an activity contributes importantly depends in each case on the facts involved.

For more information see **Publication 598**, Tax on Unrelated Business Income of Exempt Organizations.

When To File.—Generally, the organization must file Form 990-T by the 15th day of the 5th month after the end of the organization's tax year. However, an employees' trust defined in section 401(a) and an IRA must file Form 990-T by the 15th day of the 4th month after the end of the tax year.

Extension.—Corporations may request an automatic 6-month extension of time to file Form 990-T by filing **Form 7004**, Application for Automatic Extension of Time To File Corporation Income Tax Return.

Trusts may request an extension of time to file by filing **Form 2758**, Application for Extension of Time To File U.S. Partnership, Fiduciary, and Certain Exempt Organization Returns. Trusts are not granted an automatic extension of time to file.

Where To File:

If the principal office of the organization is located in ▼	Send the return to the following Internal Revenue Service Center address ▼
Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, or Tennessee	Atlanta, GA 39901
Arizona, Colorado, Kansas, New Mexico, Oklahoma, Texas, Utah, or Wyoming	Austin, TX 73301
Indiana, Kentucky, Michigan, Ohio, or West Virginia	Cincinnati, OH 45999
Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania (ZIP codes beginning with 169–171 and 173–196 only), Rhode Island, or Vermont	Holtsville, NY 00501
Illinois, Iowa, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, or Wisconsin	Kansas City, MO 64999
Alaska, California, Hawaii, Idaho, Nevada, Oregon, or Washington	Fresno, CA 93888
District of Columbia, Maryland, Pennsylvania (ZIP codes beginning with 150–168 and 172 only), Virginia, any U.S. possession, or foreign country	Philadelphia, PA 19255

Estimated Taxes.— All Form 990-T filers are required to make quarterly payments of estimated taxes as if they were corporations. Corporate organizations should use **Form 1120-W**, Corporation Estimated Tax, to figure their estimated tax liability. Trust organizations should use **Form 990-W**, Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Trusts, to figure their estimated tax liability. Do not claim the jobs credit when computing your estimated tax liability.

In computing their estimated tax, trusts and corporations must take the alternative minimum tax into account. See Form 990-W and Form 1120-W for more information.

Which Parts of Form 990-T To Complete.—If the organization's unrelated trade or business gross income is $10,000 or less, complete page 1 and Part III on page 2, and sign the return. If the organization's unrelated trade or business gross income is more than $10,000, complete all lines and schedules that apply, but do not complete lines 1 through 4 on page 1.

Consolidated Returns.—The consolidated return provisions of section 1501 do not apply to exempt organizations, except for organizations having title holding companies. If a title holding corporation described in section 501(c)(2) pays any amount of its net income for a tax year to an organization exempt from tax under section 501(a) (or would except that the expenses of collecting its income exceeded that income), and the corporation and organization file a consolidated return as described below, then treat the title holding corporation as being organized and operated for the same purposes as the other exempt organization (in addition to the purposes described in section 501(c)(2)).

Two organizations exempt from tax under section 501(a), one a title holding company, and the other earning income from the first, will be includible corporations for purposes of section 1504(a). If the organizations meet the definition of an affiliated group, and the other relevant provisions of Chapter 6 of the Code, then these organizations may file a consolidated return. The parent organization must attach **Form 851**, Affiliations Schedule, to the consolidated return. For the first year a consolidated return is filed, the title holding company must attach **Form 1122**, Authorization and Consent of a Subsidiary Corporation To Be Included in a Consolidated Income Tax Return. See Regulations section 1.1502-100 for more information on consolidated returns.

Information Returns.—Organizations engaged in an unrelated trade or business may be required to file an information return on **Forms 1099-A, B, DIV, INT, MISC, OID, R, 1096, W-2, and W-3** to report certain abandonments, acquisitions through foreclosures, proceeds from broker and barter exchange transactions, real estate transactions, dividends, interest, medical and health care payments, miscellaneous income payments, non-employee compensation, original issue discount, total distributions from profit-sharing, retirement plans, and Individual Retirement Arrangements (IRAs), and wages, tips, and other compensation.

Form 1098.—If the organization in the course of its trade or business received from any individual $600 or more of mortgage interest during any calendar year, file **Form 1098**, Mortgage Interest Statement.

Form 5498.—Use **Form 5498**, Individual Retirement Arrangement Information, to report contributions (including rollover contributions) to an individual retirement arrangement (IRA) and the value of an IRA or simplified employee pension account.

Form 5713.—If the organization had operations in or related to an international boycott, it may be required to file **Form 5713**, International Boycott Report. See Form 5713 and its instructions for more information.

Form 8300.—If the organization received more than $10,000 in cash or foreign currency in one transaction (or a series of related transactions), file **Form 8300**, Cash Payments Over $10,000 Received in a Trade or Business.

Accounting Methods.—The organization must figure taxable income using the method of accounting regularly used in keeping its books and records. The method used must clearly reflect income. See section 446.

Unless the law specifically permits otherwise, the organization may change the method used to report income in earlier years (in whole or in part) only by first getting consent on **Form 3115**, Application for Change in Accounting Method. Also see **Publication 538**, Accounting Periods and Methods.

Note: *The Tax Reform Act of 1986 changed several of the rules governing accounting methods.*

For tax years beginning after 1986, organizations are generally required to use the accrual method of accounting with respect to their unrelated trade or business activities if their annual average gross receipts are $5,000,000 or more. In determining whether an organization meets the $5 million gross receipts test, only the gross receipts from activities that constitute unrelated trades or businesses are taken into account. Organizations changing to the accrual method because of this provision must complete Form 3115 and attach it to Form 990-T. Organizations must also show on a statement accompanying Form 3115 the period over which the section 481(a) adjustment will be taken into account and the basis for that conclusion. See section 448 and Regulations sections 1.448-1T(g) and 1.448-1T(h) for more information. Include the amount reportable as income in 1987 under section 481(a) on line 12, page 2.

For long-term contracts (except certain real property construction contracts), entered into after February 28, 1986, tax-payers must elect either the percentage of completion or the percentage of completion-capitalized cost method. See section 460 for more information.

Reporting Form 990-T Information on Other Returns.—Organizations required to file an annual information return on **Form 990**, Return of Organization Exempt from Income Tax, **Form 990-PF**, Return of Private Foundation, or any of the Form 5500 series returns (except Form 5500-R and Form 5500EZ) must include on that information return the unrelated business gross income and expenses (but not including the specific deduction claimed on line 4, page 1, or line 32, page 2, or any expense carryovers from prior years) reported on Form 990-T for the same tax year.

Rounding Off to Whole-Dollar Amounts.—The money items on the return and accompanying schedules may be shown as whole-dollar amounts. To do so, drop any amount less than 50 cents and increase any amount from 50 cents through 99 cents to the next higher dollar.

Attachments.—If more space is needed on the forms or schedules, use separate sheets. Show the same information in the same order as on the printed forms. Be sure to show the totals on the printed forms. Use sheets that are the same size as the forms and schedules. Attach these separate sheets after all the schedules and forms. Be sure to put the organization's name and employer identification number (EIN) on each sheet.

At-Risk Provisions.—For the rules limiting a loss to the amount at risk for certain trade or business and production of income activities, see section 465 and **Form 6198**, Computation of Deductible Loss From an Activity Described in Section 465(c).

Passive Activity Loss Limitation.— The passive loss rules of section 469 apply to closely held C corporations, personal service corporations, and trusts. Organizations subject to passive loss rules must complete **Form 8582**, Passive Activity Loss Limitations, to compute their allowable passive activity loss. Before completing Form 8582, see Regulations section 1.163-8T, which provides rules for allocating interest expense among activities. An organization subject to the passive activity loss limitations may also be required to adjust credits attributable to passive activities on **Form 8582-CR**, Passive Activity Credit Limitations. If a passive activity is also subject to the at-risk rules of section 465, the at-risk rules apply before the passive loss rules apply. For more information, see section 469 and **Publication 925**, Passive Activity and At-Risk Rules.

Special Instructions for Form 8582.—Organizations subject to the passive loss rules should complete the following sections of Form 8582: Part I (only lines 2a through 2g, and 3) and, if applicable, all of Part III. Also complete the applicable worksheets in the Instructions for Form 8582. Special rules apply to closely held corporations (see below).

In completing Worksheets 2, 4, and 5 in the instructions for Form 8582, enter net income (or loss) from each separate activity in the appropriate column of these worksheets. Also, show the net gain or loss for each transaction reportable on Schedule D (Form 1120), Schedule D (Form 1041), Form 4797, or Schedules C through I (on pages 3 and 4 of Form 990-T) as a separate activity in these worksheets.

If line 3 of Form 8582 is net income, all of the organization's passive activity losses are allowed. Complete Form 990-T and related forms and schedules in the regular manner, disregarding the passive activity loss limitation rules.

If line 3 is a loss, enter -0- on line 9 and complete lines 10 through 19 of Form 8582. Use Worksheets 4 and 5 in the Form 8582 instructions to figure the allowed and unallowed amount of each loss. From column (c) of worksheet 5, enter the allowed portion of any Schedule D, Form 4797, or Schedule C through I loss on the appropriate schedule.

If the organization's passive losses consist only of losses from Schedule D, Form 4797, and/or Schedules C through I, no adjustment to line 29 of Form 990-T is necessary. If the organization's passive losses are limited to (1) losses from Schedule D, Form 4797 and/or Schedules C through I **and** losses on "other passive activities," or (2) just losses on "other passive activities," the amount of the unallowed losses for "other passive activities" is figured in column (c) of worksheet 4. Add the total of these unallowed "other passive activity losses" and increase the taxable income (or reduce the loss, which may result in taxable income if the adjustment is significant) shown on line 27, Form 990-T by this amount. Write the amount of the adjustment in the space to the left of line 26, and label as PALA (Passive Activity Loss Adjustment).

Closely held corporations.—Closely held corporations can use "net active income" to offset any loss on Form 8582, line 2g. Net active income is your taxable income for the taxable year determined without regard to any income, expenses, gain, or loss from a passive activity and any item of gross income, expenses, gain or loss under section 469(e)(1)(A). Closely held C corporations should combine the loss, if any, on line 2g with net active income and enter the result on line 3. The net active income should also be added in on line 18, Form 8582, along with any other income entered on lines 2a and 2d.

Specific Instructions

Period To Be Covered by 1987 Return.—File the 1987 return for calendar year 1987 and fiscal years beginning in 1987. If the return is for a fiscal year, fill in the tax year space in the form heading. To change an accounting period, some organizations may make a notation on a timely filed Form 990, 990-PF, or 990-T. Others may be required to file **Form 1128**, Application for Change in Accounting Period. For further information on the procedure that applies to your organization, see Rev. Proc. 85-58, 1985-2 C.B. 740, and the instructions for Form 1128.

Name, Address, and Employer Identification Number.—The name and address on Form 990-T should be exactly as shown on the preaddressed label on the Package 990 (or Package 990-PF). If any information on the preaddressed label is wrong, please correct it.

Page 1, Form 990-T

Block A.—An employees' trust described in section 401(a) and exempt under section 501(a) must put its trust identification number in this block. An IRA trust must enter its employer identification number (EIN) in this block. An EIN can be obtained by filing **Form SS-4**, Application for Employer Identification Number.

Block D.—If the return is filed for an IRA trust, check the box marked "408(e)."

Block E.—Please check the box that describes your organization. If you check "Corporation," leave line 8 blank. If you check "Trust," or "Section 401(a) Trust," leave lines 6 and 7 blank.

Block F.—If the organization is covered by a group exemption, put the group exemption number in this block.

Line 4—Specific deduction.—A specific deduction of $1,000 is allowed except for computing the net operating loss and the net operating loss deduction under section 172.

Only one specific deduction may be taken, regardless of the number of unrelated businesses you conduct. However, a diocese, province of a religious order, or convention or association of churches is allowed one specific deduction for each parish, individual church, district, or other local unit that regularly conducts an unrelated trade or business. This applies only to those parishes, districts, or other local units that are not separate legal entities, but are components of a larger entity (diocese, province, convention, or association). Each specific deduction will be the smaller of $1,000 or the gross income from any unrelated trade or business the local unit conducts. If you claim a total specific deduction larger than $1,000, attach a schedule showing how you figured the amount.

The diocese, province of a religious order, or convention or association of churches must file a return reporting the gross income and deductions of all its units that are not separate legal entities. These local units cannot file a separate return because they are not separately incorporated. Local units that are separately incorporated must file their own return and cannot be included with any other entity except for a title holding company. See the instructions under "Consolidated Returns" above.

For more information on the specific deduction, see section 512 and the related regulations.

Tax Computations

Corporations. Lines 6a, b, and c.—Note: *Corporations must figure their tax using the worksheet on page 11. If the organization is a trust, skip to line 8 to figure its tax. For any organization other than a trust, the corporate tax rates apply.*

Members of a controlled group, as defined in section 1563, with tax years beginning before July 1, 1987, are entitled to only one $25,000 amount in each taxable income bracket on line 6b.

Members of a controlled group that have tax years ending after June 30, 1987, are entitled to only one $50,000 amount and one $25,000 amount (in that order) on line 6c.

When a controlled group adopts or later amends an apportionment plan, each member must attach to its tax return a copy of its consent to this plan. The copy (or an attached statement) must show the part of the amount in each taxable income bracket apportioned to that member. There are other requirements as well. See Regulations section 1.1561-3(b) for the requirements and for the time and manner of making the consent.

Note: *Members of a controlled group of corporations are treated as one corporation for purposes of figuring the applicability of the additional 5% tax. If the additional tax applies, each member of the controlled group must attach to its tax return a schedule that shows the taxable income of the entire group as well as how its portion of the additional tax was figured.*

Equal Apportionment Plan. If no apportionment plan is adopted, the members of the controlled group must divide the amount in each taxable income bracket (e.g., $25,000) equally among themselves. For example, controlled group AB consists of corporation A and corporation B, both calendar year corporations. They do not elect an apportionment plan. Therefore, corporation A is entitled to $12,500 (one-half of $25,000) in each taxable income bracket on line 6b. Corporation B is also entitled to $12,500 in each taxable income bracket.

Unequal Apportionment Plan. Members of a controlled group may elect an unequal apportionment plan and divide the taxable income bracket as they wish. There is no need for consistency between taxable income brackets. Any member of the controlled group may be entitled to all, some, or none of the taxable income bracket. However, the total amount for all members of the controlled group cannot be more than the total amount in each taxable income bracket.

Line 7.—The worksheet on page 11 includes the computation of an additional 5% tax on the excess of a corporation's taxable income over a specified amount. The "specified amount" was changed, effective July 1, 1987, from $1,000,000 to $100,000. The limitation on the additional tax (previously $20,250), has been changed to $11,750 effective July 1, 1987.

If the tax year of the corporation begins before July 1, 1987, and the corporation has a net capital gain on line 10, Schedule D (Form 1120), the alternative tax computation may apply. To compute the alternative tax, complete Schedules A and B of the tax computation worksheet on page 11 as instructed, and enter the amount from line 34, Schedule B, on line 12, Part IV, Schedule D (Form 1120). Complete the rest of Part IV, Schedule D (Form 1120) and enter the lesser of the alternative tax or the tax figured by the regular method on line 7, page 1 of Form 990-T.

If the corporation is a dealer in personal property and is using the installment method in 1987, see section 811(c)(7) of the Tax Reform Act of 1986 to figure the ratable portion of tax attributable to section 453C to be included in line 7. Write in the

space to the left of line 7, "Section 453C tax computation." Attach a schedule showing the computation.

Line 8—Trusts.—Trusts exempt under section 501(a), which otherwise would be subject to subchapter J (estates, trusts, etc.), are taxed at trust rates. This rule also applies to employees' trusts that qualify under section 401(a). Trusts figure the tax on the amount on line 5 using the Tax Rate Schedule for Trusts on this page. Enter this amount on line 8.

Line 9a—Foreign tax credits.—

(1) *Corporations.*—See **Form 1118,** Computation of Foreign Tax Credit—Corporations, for rules on how to compute the foreign tax credit.

(2) *Trusts.*—See **Form 1116,** Computation of Foreign Tax Credit—Individual, Fiduciary, or Nonresident Alien Individual, for rules on how to compute the foreign tax credit.

Complete the form that applies to the organization and attach the form to its Form 990-T. Enter the credit on this line.

Note: *If the organization had operations in or related to an international boycott, it may be required to report these operations. See Form 5713.*

Line 9b—Other credits.—

- *Possessions tax credit.* See **Form 5712,** Election To Be Treated as a Possessions Corporation Under Section 936, for rules on how to elect to claim the possessions tax credit (section 936). Compute the credit on **Form 5735,** Computation of Possessions Corporation Tax Credit Allowed Under Section 936.
- *Credit for fuel produced from a nonconventional source.* A credit is allowed for the sale of qualified fuels produced from a nonconventional source. Section 29 contains a definition of qualified fuels, provisions for figuring the credit, and other special rules. Attach a separate schedule to the return showing the computation of the credit.

Line 9c—General business credit.—The general business credit includes:

- *Investment credit.* The investment credit was generally repealed for property placed in service after 1985. If the organization has a carryover of the regular investment credit, it may be able to take the investment credit or the energy investment credit, or both. See **Form 3468,** Computation of Investment Credit, for exceptions.
- *Alcohol fuel credit.* The organization may be able to take a credit for alcohol used as fuel. Use **Form 6478,** Credit for Alcohol Used As Fuel, to figure the credit and attach to Form 990-T.
- *Credit for increasing research activities.* See **Form 6765,** Credit for Increasing Research Activities (or for claiming the orphan drug credit).
- *Low-Income Housing Credit.* See section 42 and **Form 8586,** Low-Income Housing Credit.
- **Form 3800,** General Business Credit. Enter on line 9c the amount of the credit from Form 3800, and check the boxes indicating which forms are attached to the return. If the organization is claiming only one of the above credits, do not complete Form 3800. Instead, check the appropriate box and attach the form for which the credit is being taken. However, if the organization has a carryforward or carryback of any of these credits, use Form 3800.

Line 12—Tax from recomputing prior-year investment credit.—The organization may owe this tax if it disposed of property before the end of the life-years category or recovery period used in computing the investment credit. See **Form 4255,** Recapture of Investment Credit, for more information. Enter any tax from Form 4255 on this line.

Line 13a—Alternative minimum tax.—Organizations liable for tax on unrelated business taxable income may be liable for alternative minimum tax on tax preference items. Trusts should attach **Form 8656,** Alternative Minimum Tax–Fiduciaries, and enter any tax from Form 8656 on this line. Corporations should attach **Form 4626,** Alternative Minimum Tax–Corporations, and enter any tax from Form 4626 on this line.

Line 13b—Environmental tax.—Corporations should attach Form 4626 and enter any environmental tax on this line. Corporations may be subject to the environmental tax even if there is no alternative minimum tax due.

Line 13c.—Enter the total of lines 13a and 13b.

Line 15b—Estimated tax.—Enter the total estimated tax payments made for the tax year.

If the organization is a beneficiary of a trust, also include the amount of estimated tax payments the trustee elected under section 643(g) to be treated as made by the beneficiary. Write "Section 643(g) amount included" on the dotted line to the left of the entry space.

Line 15e—Foreign organizations.—Enter the tax withheld on unrelated business taxable income from U.S. sources that is not effectively connected with the conduct of a trade or business within the United States.

Line 15f—Other credits and payments.—Enter on this line the following:

(1) *Credit from regulated investment companies.*—Attach **Form 2439,** Notice to Shareholder of Undistributed Long-Term Capital Gains.

(2) *Federal tax on gasoline and special fuels.*—Attach **Form 4136,** Computation of Credit for Federal Tax on Gasoline and Special Fuels.

(3) *Credit for overpaid windfall profit tax.*—An organization that has overpaid its windfall profit tax may claim a credit on its income tax return. Use **Form 6249,** Computation of Overpaid Windfall Profit Tax, to figure the credit.

Note: *If the organization overpaid its windfall profit tax and is not otherwise required to file Form 990-T (see "Who Must File" on page 1), file Form 843 to claim the refund. Do not file Form 990-T.*

Line 17—Estimated tax penalty.—If the organization owes an estimated tax penalty, check the box on this line. Attach **Form 2220,** Underpayment of Estimated Tax by Corporations, to show how the organization figured the penalty or which exceptions the organization believes it meets.

Line 18—Tax due.—

(1) All organizations must pay the tax due in full when the return is filed but not later than the 15th day of the 5th month after the close of the tax year.

Domestic organizations and foreign organizations with an office or place of business in the U.S. must deposit income tax payments and estimated tax payments with a Federal Tax Deposit Coupon (**Form 8109**). Make these tax deposits with either a financial institution qualified as a depositary for Federal taxes or the Federal Reserve bank or branch servicing the geographic area where the taxpayer is located. Do not submit deposits directly to an IRS office; otherwise the organization may be subject to a failure-to-deposit penalty. Records of deposits will be sent to the IRS for crediting to the organization's account. See the instructions contained in the coupon book for additional information.

(2) All foreign organizations not having an office or place of business in the U.S. may pay the tax by check or money order (in U.S. dollars) payable to the Internal Revenue Service. The tax due must be paid in full when the return is filed.

Signature

Corporations.—The return must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, trustee, or by any other corporate officer authorized to sign. A receiver, trustee, or assignee must sign and date any return he or she is required to file on behalf of the organization.

Trusts.—The return must be signed and dated by the individual fiduciary, or by the authorized officer of the trust receiving or having custody, or control and management of the income of the trust. If two or more individuals act jointly as fiduciaries, any one of them may sign.

Paid Preparer.—If an officer of the organization filled in its return, the Paid Preparer's Use Only area should remain blank. If someone prepares the return and does not charge the organization, that person should not sign the return. Certain others who prepare the return should not sign. For example, a regular, full-time employee of the organization does not have to sign.

Generally, anyone who is paid to prepare the organization's tax return must sign the

Tax Rate Schedule for Trusts
(Section 1(e) of the Internal Revenue Code)

If the amount on line 5, page 1 is: Not over $500 .... *Enter on line 8, page 1:* 11% of the amount

Over—		*but not over—*		*of excess over—*
$500	—	$4,700	$55 plus 15% —	$500
4,700	—	7,550	685 plus 28% —	4,700
7,550	—	15,150	1,483 plus 35% —	7,550
15,150	—		4,143 plus 38.5% —	15,150

return and fill in the other blanks in the Paid Preparer's Use Only area of the return.

The person required to sign the return MUST complete the required preparer information and:

- Sign it, by hand, in the space provided for the preparer's signature (signature stamps or labels are not acceptable).
- Give the organization a copy of the return in addition to the copy filed with IRS.

Tax return preparers should be familiar with their responsibilities. See **Publication 1045**, Information for Tax Practitioners, for more details.

Penalties and Interest

Late Filing of Return.—Unless the organization can show reasonable cause for the delay, it may be charged a penalty for not filing a return by its due date, including any extensions. The penalty is 5% of the net amount due for each month or part of a month that the return is not filed, up to a maximum of 25%. The minimum penalty for failure to file a tax return within 60 days of the due date for filing (including extensions) is the lesser of the underpayment of tax or $100.

Late Payment of Tax.—Unless the organization can show reasonable cause for the delay, it may be charged a penalty for late payment of tax. Generally, the penalty is ½ of 1% of the net amount due for each month or part of a month that the tax remains unpaid, to a maximum of 25%.

Underpayment of estimated tax.—An organization that fails to make estimated tax payments when due may be subject to an underpayment penalty for the period of underpayment. To avoid the estimated tax penalty, the organization must make estimated tax payments of at least 90% of the tax shown on the return. See section 6655.

Overstated tax deposits.—If deposits are overstated, the organization may be subject to a penalty of 25% of the overstated deposit claim. See section 6656(b).

These penalties are in addition to any interest charged.

Interest.—Interest will be charged on unpaid tax at a rate determined under section 6621.

Part I—Unrelated Trade or Business Income (Lines 1–13)

Part I and Part II must be completed by organizations with unrelated trade or business gross income over $10,000.

When an organization has gross income from the regular conduct of two or more unrelated business activities, unrelated business gross income is the total gross income from all unrelated business activities.

For a discussion of what income is and is not included in unrelated business income, see Publication 598.

Line 1—Gross receipts or sales.—Enter the gross income from any unrelated trade or business regularly carried on that involves the sale of goods or performance of services. However, if the activity is a type includible in Schedules C through I, report it in the appropriate schedule and corresponding line of Part I instead of on line 1. For example, a section 501(c)(7) social club would report its restaurant and bar receipts from nonmembers on line 1, but would report its investment income in Schedule F and on line 8.

For reporting advance payments, see Regulations section 1.451-5. Also the rules for long-term contracts have been changed by the Tax Reform Act of 1986. See section 460 for more information.

Changes have also been made to the installment method. Effective for tax years beginning after 1986, the installment method is no longer available for any sale of personal property under a revolving credit plan. If the installment method is used, enter on line 1 the gross profit on collections from installment sales and carry the same amount to line 3. Attach a schedule showing the following for the current year and the 3 preceding years: (1) gross sales, (2) cost of goods sold, (3) gross profits, (4) percentage of gross profits to gross sales, (5) amount collected, and (6) gross profit on amount collected. Increase the amount collected by any allocable installment indebtedness required by section 453C. For more information see section 453C. Dealers in personal property should also see the instructions for line 7, Tax Computation.

Line 2—Cost of goods sold and/or operations.—Enter the amount from line 7, Schedule A, on line 2, Part I.

Note: *The uniform capitalization rules of section 263A are discussed in general under "Limitations on deductions" on page 8. See those instructions before proceeding. Organizations that are subject to section 263A will be required to make adjustments to the cost of goods sold computation on Schedule A. To the extent that section 263A costs were not included in inventory in prior years, organizations must revalue their beginning inventory. Organizations may elect one of the simplified methods of accounting for section 263A costs provided in the regulations for purposes of both revaluing their inventory and accounting for costs in subsequent years. Absent the election of a simplified method, taxpayers are required to allocate additional costs to be included in inventory under section 263A with the same degree of specificity as was required of inventoriable costs under prior law.*

Lines 1 and 6, Schedule A.—If the organization is using Schedule A to figure cost of operations, and inventories are not an income-determining factor, enter a zero on lines 1 and 6. If the Last-in First-out (LIFO) method of valuing inventory provided in section 472 is elected or extended, attach **Form 970**, Application To Use LIFO Inventory Method, or a similar statement to the return for the first year the organization uses or extends that method.

When facilities are used to conduct exempt activities and unrelated trade or business activities, attach a schedule showing the allocation of the cost of goods sold between the two uses. See Regulations section 1.512(a)-1(c).

Organizations subject to section 263A must revalue their beginning inventories for tax years beginning after 1986 as if the section 263A rules had been in effect for all prior periods. Enter the revalued beginning inventory on line 1. An adjustment to income is required under section 481. This adjustment should be included on page 2, line 12, "Other Income" and separately identified on an attached schedule. The section 481 adjustment is taken into account over a period not to exceed 4 years. In addition, since the application of section 263A is considered to be a change in accounting method, organizations are required to complete Form 3115 to show their computation of the section 481 adjustment. Attach a copy of Form 3115 to Form 990-T. Be sure to use the 1987 revision of Form 3115. See the regulations for more information on revaluing beginning inventory.

See Regulations section 1.263A-1T for more information on computing the amount of additional section 263A costs to be capitalized and added to ending inventory.

Line 4a, Schedule A.—An entry is required on this line only for organizations electing a simplified method. In the case of taxpayers electing the simplified production method, additional section 263A costs are generally those costs, other than interest, that were not capitalized or included in inventory costs under the taxpayer's method of accounting immediately prior to the effective date in Regulations section 1.263A-1T but that are now required to be capitalized under section 263A. In the case of taxpayers electing the simplified resale method, additional section 263A costs are generally those costs incurred with respect to the following categories: off-site storage or warehousing; purchasing; handling, processing, assembly, and repackaging; and general and administrative costs (mixed service costs). Enter on line 4a the balance of section 263A costs paid or incurred during the taxable year not included on lines 2 and 3. See Regulations section 1.263A-1T for more information.

Line 4b, Schedule A.—Enter on line 4b any costs paid or incurred during the taxable year not entered on lines 2 through 4a.

Line 4a—Capital gain net income.—Generally, organizations required to file Form 990-T (except organizations described in sections 501(c)(7), (9), (17), and (20)) are not taxed on the net gains from the sale, exchange, or other disposition of property. However, net capital gains on debt-financed property, capital gains on cutting timber, and ordinary gains on sections 1245, 1250, 1252, 1254, and 1255 property are taxed. Refer to **Form 4797**, Gains and Losses From Sales or Exchanges of Assets Used in a Trade or Business and Involuntary Conversions, and its instructions for additional information and computations.

Capital gains and losses should be reported by a trust on **Schedule D (Form 1041)**, Capital Gains and Losses, and by a corporation on Schedule D (Form 1120).

An organization that transfers securities it owns for the contractual obligation of the borrower to return identical securities recognizes no gain or loss. To qualify for this treatment, the organization must lend the securities under an agreement which requires:

(1) The return of identical securities;

(2) The payment of amounts equivalent to the interest, dividends, and other distributions that the owner of the securities would normally receive; and

(3) The risk of loss or opportunity for gain not to be lessened.

See section 512(a)(5) for more information.

The amount of gain or loss to be reported on the sale, exchange, or other disposition of debt-financed property is the same percentage as the highest acquisition indebtedness for the property for the 12-month period before the date of disposition is to the average adjusted basis of the property. The percentage may not be more than 100%. See the instructions for line 7 to determine basis and average adjusted basis.

Example.—On March 10, 1986, an exempt educational corporation purchased an office building for $608,000 using $296,000 of borrowed funds. The only adjustment to basis was $32,000 for depreciation (election of straight line under ACRS over the 19-year recovery period for real property). The corporation sold the building on March 31, 1987, for $640,000. At the date of sale, the adjusted basis of the building was $576,000 ($608,000 less $32,000) and the indebtedness remained at $296,000. The average adjusted basis would be $592,000 (($608,000 + $576,000) ÷ 2). The debt/basis percentage would be 50% ($296,000 ÷ $592,000).

The taxable gain is $32,000 (50% × ($640,000 − $576,000)). This is a long-term capital gain. A corporation should enter the gain on line 5, Part II, Schedule D (Form 1120); a trust should use line 7, Part II, Schedule D (Form 1041). Both should attach a statement to the return showing how the gain was figured.

If debt-financed property is depreciable or depletable property, the provisions of sections 1245, 1250, 1252, 1254, and 1255 must first be considered.

Line 4b—Net gain or (loss).—Show gains and losses on other than capital assets on Form 4797. Enter on this line the net gain or (loss) from line 18, Part II, Form 4797.

An exempt organization using Form 4797 to report ordinary gain on sections 1245, 1250, 1252, 1254, and 1255 property will include only depreciation, amortization, or depletion allowed or allowable in figuring unrelated business taxable income or taxable income of the organization (or a predecessor organization) for a period when it was not exempt.

Line 4c—Capital loss deduction for trusts.—If a trust has a net capital loss, it is subject to the limitations in Schedule D (Form 1041). Enter on this line the loss figured on Schedule D (Form 1041).

Line 5—Income or (loss) from partnerships.—If the organization is a partner in a partnership carrying on an unrelated trade or business, enter the organization's share (whether or not distributed) of the partnership gross income from the unrelated trade or business, and its share of the partnership deductions directly connected with the unrelated gross income. Figure the gross income and deductions of the partnership in the same way you figure unrelated trade or business income the organization earns directly. See Forms 6198 and 8582, and sections 465 and 469 for limitations on losses for certain activities.

Line 6—Rent income.—Sections 501(c)(7), (9), (17), and (20) organizations enter gross rents on this line, and applicable expenses on lines 14 through 25. All rents except those determined to be exempt function income must be included.

All organizations other than sections 501(c)(7), (9), (17), and (20) organizations should complete Schedule C on page 3 of the return. For organizations other than sections 501(c)(7), (9), (17), and (20) organizations, only the following rents are taxable on line 6:

(1) Rents from personal property leased with real property, if the rents from the personal property are more than 10% of the total rents received or accrued under the lease.

(2) Rents from real and personal property if:

(a) More than 50% of the total rents received or accrued under the lease are for personal property; or

(b) The amount of the rent depends on the income or profits derived by any person from the property leased (except an amount based on a fixed percentage of receipts or sales).

A redetermination of the percentage of rent for personal property is required when either:

(1) There is an increase of 100% or more by the placing of additional or substitute personal property in service; or

(2) There is a modification of the lease which changes the rent charged.

Rents from both real and personal property not taxable on line 6 may be taxable on line 9 if the income is from a controlled organization or on line 7 if the property is debt-financed. Taxability of the rents must be considered in that order; that is, rents not taxed on line 6 may be taxed on line 9 and rents not taxed on line 6 or line 9 may be taxed on line 7.

See Form 8582 and section 469 for limitations on losses on rental activities.

Line 7—Unrelated debt-financed income.—All organizations except sections 501(c)(7), (9), (17), and (20) organizations should complete Schedule E on page 3 of the return. Enter income or (loss) from Schedule E on this line.

When debt-financed property is held for exempt purposes and other purposes, the organization must allocate the basis, indebtedness, income, and deductions among the purposes for which the property is held. Do not include in Schedule E amounts allocated to exempt purposes.

Schedule E.—

Column 1—Description of debt-financed property.—Any property held to produce income is debt-financed property if at any time during the tax year there was acquisition indebtedness outstanding for the property. When any property held for the production of income by an organization is disposed of at a gain during the tax year, and there was acquisition indebtedness outstanding for that property at any time during the 12-month period before the date of disposition, the property is debt-financed property. Securities purchased on margin are considered debt-financed property if the liability incurred in purchasing them remains outstanding.

Acquisition indebtedness is the outstanding amount of principal indebtedness incurred:

(1) By the organization to acquire or improve the property;

(2) Before the property was acquired or improved, if the indebtedness was incurred because of the acquisition or improvement of the property; or

(3) After the property was acquired or improved, if the indebtedness was incurred because of the acquisition or improvement, and the organization could reasonably foresee the need to incur the indebtedness at the time the property was acquired or improved.

With certain exceptions, acquisition indebtedness does not include indebtedness incurred by:

- A qualified (section 401) trust in acquiring or improving real property. See section 514(c)(9) for more information.
- A charitable educational organization (section 170(b)(1)(A)(ii)) and its affiliated support organizations (section 509 (a)(3)) for indebtedness incurred after July 18, 1984.
- An organization described in section 501(c)(25) in taxable years beginning after December 31, 1986.

See Publication 598 for exceptions to the rules for debt-financed property.

Column 4.—Average acquisition indebtedness for any tax year is the average amount of the outstanding principal indebtedness during the part of the tax year the property is held by the organization. To figure the average amount of acquisition indebtedness, determine the amount of the outstanding principal indebtedness on the first day of each calendar month during that part of the tax year that the organization holds the property. Add these amounts together, and divide the result by the total number of months during the tax year that the organization held the property. See section 514(a) and the related regulations for property acquired for an indeterminate price.

Column 5.—Determine the adjusted basis of property under section 1011. The determination of the adjusted basis of debt-financed property is not affected by the fact that the organization was exempt from tax for earlier tax years. Adjustment must be made under section 1011 for the entire period since the acquisition of the property. Adjust the basis of the property by the depreciation for all earlier tax years, whether or not the organization was exempt from tax for any of these years. Similarly, for tax years during which the organization is subject to tax on unrelated business taxable income, adjust the basis of the property by the entire amount of allowable depreciation, even though only a part of the deduction for depreciation is taken into account in figuring unrelated business taxable income.

If no adjustments to the basis of property under section 1011 apply, the basis of the property is cost.

The average adjusted basis for debt-financed property is the average of the adjusted basis of the property on the first and last days during the tax year that the organization holds the property.

See section 514(d) and the related regulations for the basis of debt-financed property acquired in a complete or partial liquidation of a corporation in exchange for its stock.

Column 7.—The amount of income from debt-financed property included in unrelated trade or business income is figured by multiplying the property's gross income by the percentage obtained from dividing the property's average acquisition indebtedness for the tax year by the property's average adjusted basis during the period it is held in the tax year. This percentage cannot be more than 100%.

Column 8.—For each debt-financed property, you may deduct the same percentage (as determined above) of the total deductions that are directly connected to the income (including the dividends-received deductions allowed by sections 243, 244, and 245). However, if the debt-financed property is depreciable property, figure the depreciation deduction by the straight-line method only, and enter the amount in column 3(a).

For each debt-financed property, attach schedules showing separately a computation of the depreciation deduction (if any) reported in column 3(a) of Schedule E, and a breakdown of the expenses included in column 3(b). Corporations owning stock that is unrelated debt-financed property should refer to Schedule C (Dividends and Special Deductions) of **Form 1120**, U.S. Corporation Income Tax Return, to determine the dividends-received deductions to include in column 3(b).

Enter on line 3 of Schedule E the total dividends-received deductions (after reduction, when applicable, by the debt-basis percentage(s)) included in column 8.

Column 9.—Subtract the allowable deductions (including the dividends-received deductions) from the reportable gross income for each debt-financed property. Combine the amounts in column 9. Enter the total on line 2, Schedule E, and line 7, page 2, Part I, of the return.

When a capital loss for the tax year may be carried back or carried over to another tax year, the amount to carry over or back is figured by using the percentage determined above. However, in the year to which the amounts are carried, do not apply the debt-basis percentage to determine the deduction for that year.

Income is not unrelated debt-financed income if the income is otherwise included in unrelated business taxable income. For example, do not include rents from personal property shown in Schedule C, or rents and interest from controlled organizations shown in Schedule G.

Example 1.—An exempt organization owns a four-story building. Two floors are used for exempt purposes and two floors are rented (as an unrelated trade or business) for $10,000. Expenses are $1,000 for depreciation and $5,000 for other expenses for the entire building. The average acquisition indebtedness is $6,000, and the average adjusted basis is $10,000. Both apply to the entire building.

To complete Schedule E for this example, enter $10,000 in column 2 (since the entire amount is for debt-financed property), $500 and $2,500 in columns 3(a) and 3(b) respectively (since only one-half of the expenses are for the debt-financed property), $3,000 and $5,000 in columns 4 and 5 respectively (since only one-half of the acquisition indebtedness and the average adjusted basis are for debt-financed property), 60% in column 6, $6,000 in column 7, $1,800 in column 8 and $4,200 in column 9.

Example 2.—Assume the same facts as in Example 1, except the entire building is rented out as an unrelated trade or business for $20,000. To complete Schedule E for this example, enter $20,000 in column 2, $1,000 and $5,000 in columns 3(a) and 3(b), respectively (since the entire amount is for debt-financed property), $6,000 and $10,000 in columns 4 and 5 (since the entire amount is for debt-financed property), 60% in column 6, $12,000 in column 7, $3,600 in column 8, and $8,400 in column 9.

Line 8—Investment income of a section 501(c)(7), (9), (17), or (20) organization.—All sections 501(c)(7), (9), (17), and (20) organizations figure their investment income using Schedule F. Do not include interest on state and local governmental obligations described in section 103(a).

Investment income includes all income from debt-financed property whether or not the income is subject to tax by section 514.

Deduct only those expenses that are directly connected to the net investment income. Allocate deductions where necessary between exempt activities and other activities. The organization may not take the dividends-received deductions in figuring net investment income because they are not treated as directly connected with the production of gross income.

Sections 501(c)(7), (9), (17), and (20) organizations may set aside income that would otherwise be taxable under section 512(a)(3). However, income derived from an unrelated trade or business may not be set aside and thus cannot be exempt function income. In addition, any income set aside and later expended for other purposes must be included in income.

Sections 501(c)(7), (9), (17), and (20) organizations will not be taxed on income set aside for:

(1) Religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals;

(2) The payment of life, sick, accident, or other benefits by a section 501(c)(9), (17), or (20) organization. The amount allowed as a set-aside may not exceed a limit determined using section 419A. See sections 419A and 512(a)(3)(E) for details;

(3) Reasonable administration costs directly connected with (1) and (2).

Report set-asides in column 5 of Schedule F.

Amounts set aside are not deductible under section 170 or any other section of the Code.

The organization may elect to treat income set aside by the date for filing the return, including any extensions of time, as income set aside in the tax year for which the return is filed. The income set aside must have been includible in gross income for that earlier tax year.

Although set-aside income may be accumulated, any accumulation that is unreasonable will be evidence that the set-aside was not for the purposes described above.

Net investment income set aside must be specifically earmarked as such, or placed in a separate account or fund (except for an employees' association which by the terms of its governing instrument must use its net investment income for the purposes stated in (2) above).

These rules apply to a corporation described in section 501(c)(2) (title holding company) whose income is payable to an organization described in section 501(c)(7), (9), (17), or (20) if it files a consolidated return with the section 501(c)(7), (9), (17), or (20) organization.

If a section 501(c)(7), (9), (17), or (20) organization (or a title holding company described above) sells property that was used for the exempt function of the section 501(c)(7), (9), (17), or (20) organization, and buys other property used for the organization's exempt function within a period beginning 1 year before the date of the sale, and ending 3 years after the date of the sale, the gain from the sale will be recognized only to the extent that the sales price of the old property is more than the cost of the other property. The other property need not be similar in type or use to the old property. The organization must notify the IRS of the sale by a statement attached to the return, or other written notice.

For computing the gain on the sale of depreciable property, see the instructions for column 5 of Schedule E to determine the adjusted basis of the property.

Line 9—Interest, annuities, royalties, and rents from controlled organizations.— Interest, annuities, royalties, and rents received by a controlling organization from a controlled organization are subject to tax, whether or not the activity conducted by the controlling organization to earn these amounts is a trade or business or is regularly carried on.

Control means (a) for a stock corporation, the ownership of stock possessing at least 80% of the total combined voting power of all classes of stock entitled to vote and at least 80% of the total number of shares of all other classes of stock of the corporation, or (b) at least 80% of the directors or trustees of a nonstock organization are either representatives of or directly or indirectly controlled by an exempt organization.

Controlling organizations complete Schedule G as follows:

Column 2.—Enter total gross interest, annuities, royalties, and rents from each controlled organization during the year.

Column 3.—Enter the total deductions directly connected with the column 2 income for each controlled organization.

Column 4.—If the controlled organization is exempt from tax under section 501(a), enter in column 4(c) the percentage that is figured by dividing the unrelated business taxable income of the controlled organization by the greater of: (1) the taxable income of the controlled organization (figured as though it were not exempt from tax under section 501(a)); or (2) its unrelated business taxable income, both figured without any amount paid directly or indirectly to the controlling organization.

Column 5.—If the controlled organization is not exempt from tax under section 501(a), enter in column 5(c) the percentage that is figured by dividing the excess taxable income (defined below) of the controlled organization by the greater of:

(1) The taxable income of the controlled organization, or

(2) Its excess taxable income, both figured without any amount paid directly or indirectly to the controlling organization.

Excess taxable income is the amount by which the controlled organization's taxable income is more than the taxable income that, if earned directly by the controlling organization, would not be unrelated business taxable income.

Enter total income from Schedule G on line 9, page 2, of the return.

Line 10—Exploited exempt activity income other than advertising income.—A section 501(c)(7), (9), (17), or (20) organization does not report exploited exempt activity income on this line. Report it instead on the line for the particular kind of income.

Exempt organizations (other than section 501(c)(7), (9), (17), or (20) organizations) that have gross income from an unrelated trade or business activity that exploits an exempt activity (other than advertising income) should complete Schedule H. See Regulations section 1.513-1(d)(4)(iv) for a definition of exploited exempt activity.

An organization may take all deductions directly connected with the gross income from the unrelated trade or business activity. In addition, the organization may take into account all deductible items attributable to the exploited exempt activity, with the following limitations:

(1) Reduce the deductible items of the exempt activity by the income from the activity;

(2) Limit the net amount of deductible items arrived at in (1) above for the exempt activity to the net unrelated business income from the exploited exempt activity;

(3) Exclude income and expenses of the exempt activity in figuring a loss carryover or carryback from the unrelated trade or business activity exploiting the exempt activity; and

(4) Exclude deductible items of the exempt activity in figuring unrelated trade or business income from an activity that is not exploiting the same exempt activity.

Therefore, the net includible exploited exempt activity income is the unrelated business taxable income minus the excess of the exempt activity expenses over the exempt activity income. If the income from the exempt activity exceeds the exempt activity expenses, do not add that profit to the net income from the unrelated business activity. If two or more unrelated trade or business activities exploit the same exempt activity, treat those activities as one on Schedule H. Attach a separate schedule showing the computation.

Line 11—Advertising income.—A section 501(c)(7), (9), (17), or (20) organization does not report advertising income on line 11. Report it instead on line 1.

An exempt organization (other than a section 501(c)(7), (9), (17), or (20) organization) that earned gross income from the sale of advertising in an exempt organization periodical should complete Schedule I. The rules in the instructions for line 10 apply. The part of the advertising income taken into account is determined as follows:

(1) If direct advertising costs (expenses directly connected with advertising income) are more than advertising income (unrelated business income), deduct that excess in figuring unrelated business taxable income from any other unrelated trade or business activity carried on by the organization.

(2) If advertising income is more than direct advertising costs, and circulation income (exempt activity income) is more than readership costs (exempt activity expenses), then unrelated business taxable income is the excess of advertising income over direct advertising costs. However, if readership costs are more than circulation income, then unrelated business taxable income is the excess of total income (advertising income and circulation income) over total periodical costs (direct advertising costs and readership costs). However, following instruction (2) for line 10, if the readership costs are more than the circulation income, and the net readership costs are more than the excess of advertising income over direct advertising costs, no loss is allowable. See Regulations section 1.512(a)-1.

For allocating membership receipts to circulation income, see Rev. Rul. 81-101, 1981-1 C.B. 352.

If an organization publishes two or more periodicals, it may elect to treat the gross income for all (but not less than all) periodicals, and deductions directly connected with those periodicals (including excess readership costs), as if the periodicals were one to determine its unrelated business taxable income. This rule only applies to periodicals published for the production of income. A periodical is considered published for the production of income if gross advertising income of the periodical is at least 25% of the readership costs, and the periodical is an activity engaged in for profit.

Enter the total income from Schedule I on line 11, or if a loss, enter the amount on line 28.

Line 12—Other income.—Enter on line 12 any item of unrelated business income that is not reportable elsewhere on the return. Include recoveries of bad debts deducted in earlier years under the specific charge-off method. Also, see the instructions for line 17 for information on including in other income a portion of the bad debt reserve balance.

Many changes made by the Tax Reform Act of 1986 result in a change in method of accounting for the organization and require income adjustments under section 481. Include any section 481 adjustment on line 12, "Other Income," and attach a schedule identifying the nature and amount of the adjustment.

Organizations described in section 501(c)(19) will enter the net income from insurance business that was not properly set aside. These organizations may set aside income from payments received for life, sick, accident, or health insurance for members of the organization or their dependents:

(1) To provide for the payment of insurance benefits; or

(2) For a purpose specified in section 170(c)(4) (religious, charitable, scientific, literary, educational, etc.); or

(3) For administrative costs directly connected with benefits described in (1) and (2).

Amounts set aside and used for purposes other than those in (1), (2), or (3) must be included in unrelated business taxable income for the tax year if they were previously excluded from taxable income.

Any amount spent for a purpose described in section 170(c)(4) will be first considered as paid from funds earned by the organization from insurance activities if the income is not used for the insurance activities.

Expenditures for lobbying are not considered section 170(c)(4) expenses.

Part II—Deductions

(Lines 14–32)

Part II must be completed by all organizations with unrelated trade or business gross income over $10,000. Only expenses directly connected with unrelated trade or business income (except contributions) may be deducted on these lines. Contributions may be deducted, whether or not directly connected. Other than advertising losses entered on line 28, do not include in Part II any expenses that are reported in Schedules A through I. For example, officers' compensation allocable to advertising income is reported in Schedule I only, and should not be included on line 14.

Limitations on deductions.

(1) Transactions between related taxpayers. See section 267 for limitation on deductions for unpaid expenses and interest.

(2) Tax preference items. Corporations may be required to adjust deductions for depletion of iron ore and coal, intangible drilling and exploration and development costs, and the amortizable basis of pollution control facilities. See section 291 to determine the amount of the adjustment.

(3) Section 263A Uniform Capitalization Rules. Many items that were deductible under prior law must now be capitalized or included in inventory under the new uniform capitalization rules of section 263A. The new rules require corporations to capitalize or include in inventory certain costs incurred in connection with the production of real and personal tangible property held in inventory or held for sale in the ordinary course of business. Tangible personal property produced by a taxpayer includes a film, sound recording, videotape, book, or similar property. The rules also apply to personal property (tangible and intangible) acquired for resale. Taxpayers subject to the rules are required to capitalize not only direct costs but an allocable portion of most indirect costs (including taxes) that relate to the assets produced or acquired for resale. Interest expense paid or incurred in the course of production must be capitalized and is governed by special rules. The uniform capitalization rules also apply to the production of property constructed or improved by a taxpayer for use in its trade or business or in an activity engaged in for profit.

Section 263A does not apply to personal property acquired for resale if the taxpayer's annual average gross receipts are $10,000,000 or less. It does not apply to timber or to property produced under a long-term contract. The rules do not apply to property which is produced for use by the taxpayer if substantial construction had occurred before March 1, 1986.

The uniform capitalization rules are generally effective for costs and interest paid or incurred after December 31, 1986. With respect to inventory, the uniform capitalization rules apply to tax years beginning after 1986. Transitional rules are contained in section 803 of the Tax Reform Act of 1986.

In the case of inventory, some of the indirect costs which may not have been capitalized before the Tax Reform Act which must now be capitalized are administration expenses, taxes, depreciation, insurance costs, compensation paid to officers, costs attributable to services, rework labor, and contributions to pension, stock bonus, and certain profit-sharing, annuity, or deferred compensation plans. Current deductions may be claimed for research and experimental costs under section 174, intangible drilling costs for oil and gas and geothermal property, and mining and exploration and development costs. Regulations section 1.263A-1T specifies other indirect costs that may be currently deducted and those that must be capitalized with respect to production or resale activities. For more information, see Regulations section 1.263A-1T.

(4) Meals, Travel, and Entertainment Expenses. For tax years beginning after 1986, many of the rules on what are allowable expenses for meals, entertainment, travel, and certain other business expenses have been changed. The amount deductible for meals and entertainment expenses is generally limited to 80% of the amount otherwise allowable. In addition, meals must not be lavish or extravagant; a bona fide business discussion must precede or directly follow the meal; and your employee must be present at the meal. See section 274 for additional information.

Line 14—Compensation of officers, directors, and trustees.—Complete columns 1 through 4, Schedule J, for those officers, directors, and trustees whose salaries or other compensation are allocable to unrelated business gross income. Do not include in column 4 compensation that is deducted in Schedules A through I of the return.

Caution: *If you provided taxable fringe benefits to your employees, such as personal use of a car, do not deduct as salaries and wages the amounts you deducted for depreciation and other deductions.*

Line 16—Repairs.—Enter the cost of incidental repairs, such as labor and supplies, that do not add to the value or appreciably prolong the life of the property.

Line 17—Bad debts.—Enter the total debts that became worthless in whole or in part during the tax year.

The reserve method of computing bad debts has been repealed for tax years beginning after 1986 for all taxpayers except small banks and thrift institutions. If an organization maintained such a reserve for its last tax year beginning before 1987, it must change to the specific charge-off method in 1987. The organization must include the balance remaining in the reserve in income ratably over a 4-year period. Enter the amount reportable as income in 1987 on line 12, page 2, and attach a computation. The change from the reserve method to the specific charge-off method is treated as a change in accounting method and shall be considered as approved by the Commissioner.

Line 18—Interest.—Attach a separate schedule listing the interest being claimed on this line. Do not include interest on indebtedness incurred or continued to purchase or carry obligations on which the interest income is wholly exempt from income tax.

Interest paid or incurred after 1986 that is allocable to certain property produced by an organization for its own use or for sale must be capitalized. In addition, an organization must also capitalize any interest on debt it incurred or continued in connection with an asset needed to produce the above property. See section 263A for definitions and more information.

See section 267 for the limitation on deductions for unpaid expenses and interest in transactions between related taxpayers.

Generally, a cash basis taxpayer who prepaid interest for any period after 1987 can only deduct the amount for 1987. See **Publication 545**, Interest Expense.

Line 19—Taxes.—Enter taxes paid or accrued during the year. Do not include Federal income taxes, excise taxes imposed by Chapters 41, 42, or 43, foreign or U.S. possession income taxes if a foreign or possession income tax credit is claimed, or taxes not imposed on your organization. Taxes, including state or local sales taxes, that are paid or incurred in connection with an acquisition or disposition of property must be treated as part of the cost of the acquired property or, in the case of a disposition, as a reduction in the amount realized on the disposition.

If a corporation is liable for environmental tax under section 59A, see Form 4626 for the computation.

See section 164(d) for the apportionment of real estate taxes between the buyer and seller.

Line 20—Contributions.—If a contribution is in property other than money, attach a schedule describing the kind of property contributed and the method used in determining its fair market value.

If the organization made a qualified conservation contribution under section 170(h), also include the fair market value of the underlying property before and after the donation, the type of legal interest contributed, and describe the conservation purpose furthered by the donation.

For a special rule for certain contributions of ordinary income and capital gain property, see section 170(e).

If a charitable contribution deduction is taken for property sold to a charitable organization, the adjusted basis for determining gain from the sale is an amount that is in the same ratio to the adjusted basis as the amount realized is to the fair market value of the property.

(1) Corporations.—If the organization is taxable at corporate rates, enter contributions or gifts actually paid to another organization within the tax year for the use of charitable and governmental organizations described in section 170(c). Also enter any unused contributions carried over from earlier years.

The total amount claimed may not exceed 10% of the unrelated business taxable income figured without any deduction for contributions but taking into account:

(a) The deduction for dividends received on unrelated debt-financed income (Schedule E); and

(b) Any net operating loss carryback to the tax year under section 172; and

(c) Any capital loss carryback to the tax year under section 1212(a)(1).

Therefore, if the organization carries back a 1987 net operating loss or capital loss to the 1984 tax year, the maximum allowable deduction for contributions in 1984 must be refigured at that time.

Charitable contributions over the 10% limitation may not be deducted for the tax year, but may be carried over to the next 5 tax years. A contribution carryover is not allowed if it increases a net operating loss carryover. See section 170(d)(2)(B).

This deduction for contributions will be allowed whether or not directly connected with the carrying on of a trade or business. Organizations on the accrual basis may elect to deduct contributions paid by the 15th day of the 3rd month after the end of the tax year if the contributions are authorized by the board of directors during the tax year. A declaration, signed by an officer, stating that the resolution authorizing the contributions was adopted by the board of directors during the tax year and a copy of the resolution must both be attached to the return.

(2) Trusts.—Organizations taxable at trust rates under section 1(e), enter charitable contributions or gifts actually paid to another organization within the tax year for the use of a charitable or governmental organization described in section 170(c).

In general, the amount claimed:

(a) For contributions to organizations described in section 170(b)(1)(A) may not be more than 50% of the unrelated business taxable income figured without this deduction; also,

(b) For contributions to other organizations may not be more than the smaller of:

(i) 30% of unrelated business taxable income figured without this deduction; or

(ii) the amount by which 50% of the unrelated business taxable income is more than the contributions allowed in (a) above.

Note: *Contributions not allowable in whole or in part because of the limitations may not be deducted as a business expense.*

Line 21—Depreciation.—Besides depreciation, include on line 21 the part of the cost that the organization elected to expense for certain recovery property placed in service during tax year 1987. See instructions for **Form 4562**, Depreciation and Amortization.

The rules for depreciation for property placed in service in 1987 have been changed. Also, the taxpayer may elect to apply the new rules to property placed in service after July 31, 1986. Effective for property placed in service after December

31, 1986, the amount the taxpayer may expense under section 179 has been raised from $5,000 to $10,000.

Do not deduct amortization of trademark and trade name expenses paid or incurred after 1986.

Note: *In figuring depreciation for Form 990-T, the organization generally must use the accelerated cost recovery system (ACRS) to depreciate any assets placed in service after December 31, 1980, even if it uses another method of depreciation for the same assets on Form 990 or Form 990-PF. However, the straight-line method of depreciation must be used for debt-financed property, the income and expenses of which are reportable in Schedule E.*

Line 23—Depletion.—See sections 613 and 613A for percentage depletion rates for natural deposits. Attach **Form T (Timber)**, Forest Industries Schedules, if a deduction is claimed for depletion of timber.

Line 24a—Contributions to deferred compensation plans.—Employers who maintain pension, profit-sharing, or other funded deferred compensation plans are generally required to file one of the 5500 series forms specified in the following paragraph. This requirement applies whether or not the plan is qualified under the Internal Revenue Code and whether or not a deduction is claimed for the current tax year. Section 6652(e) imposes a penalty for late filing of these forms. In addition, there is a penalty for overstating the pension plan deduction. See section 6659A.

The forms required to be filed are:

Form 5500.—For each plan with 100 or more participants.

Form 5500-C or 5500-R (whichever applies).—For each plan with fewer than 100 participants.

Line 24b—Employee benefit programs.—Enter your contributions to employee benefit programs (e.g., insurance, health and welfare programs) that are not an incidental part of a deferred compensation plan included on line 24a.

Line 25—Other deductions.—Enter on this line the deduction taken for amortization (see Form 4562) as well as other authorized deductions for which no space is provided on the return. Attach a separate schedule listing the deductions claimed on this line. Deduct only items directly connected with the unrelated trade or business for which income is reported on page 2 of the return.

Line 30—Net operating loss deduction.—The "net operating loss deduction" is the amount of the net operating loss carryovers and carrybacks that can be deducted in the tax year.

An organization may have available a net operating loss deduction derived from its unrelated business taxable income. The amount of a net operating loss carryback or carryover is determined under section 172. See Regulations section 1.512(b)-1(e).

Line 32—Specific deduction.—See instructions for page 1, line 4, on page 3 of these instructions.

Part III—Statements Regarding Certain Activities and Other Information

Before signing and dating the return, be sure to answer the questions on page 2.

Question 1.—Check the "Yes" box if:

(1) At any time during the year, the organization had an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account) and:

(a) The combined value of the accounts was more than $10,000; and

(b) The accounts were NOT with a U.S. military banking facility operated by a U.S. financial institution.

(2) The organization owns more than 50% of the stock in a corporation that would answer the question "Yes" based on item (1) above.

If "Yes" is checked to question 1, write the name of the foreign country or countries. Attach a separate sheet if more space is needed.

See **TD F 90-22.1**, Report of Foreign Bank and Financial Accounts, to determine if the organization is considered to have an interest in or signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account). The organization can obtain TD F 90-22.1 from the IRS Forms Distribution Center. If the organization is required to file this form, do so by June 30, 1988, with the Department of the Treasury at the address shown on the form. Do not file it with the IRS or attach it to Form 990-T.

Question 2.—Check the "Yes" box if the organization was ever a grantor of, or transferor to, a foreign trust that existed during this tax year.

Question 3.—Enter the amount of tax-exempt interest received or accrued during the tax year. Include exempt-interest dividends from a mutal fund or other regulated investment company.

Instructions for Schedules A and B, Tax Computation Worksheet for Corporations

Net Capital Gain and Alternative Tax (Lines 2 and 20).—In general, the alternative tax is the sum of: (a) a tax computed on taxable income reduced by the net capital gain using the applicable tax brackets and tax rates, and (b) a tax of 34% of the net capital gain.

For tax years beginning on or after July 1, 1987, the alternative tax computation does not apply. If a corporation's tax year begins before July 1, 1987, and the corporation has a net capital gain, both computations (the regular tax computation and the alternative tax computation) should be made to determine which one results in the lower tax.

The alternative tax is computed by using Schedules A and B of the tax computation worksheet and Part IV of Schedule D (Form 1120). If the alternative tax is less than the regular tax computed on taxable income using the applicable tax brackets and tax rates, then the corporation may enter the alternative tax from Schedule D in line 7, page 1, of Form 990-T, and check the box for Schedule D.

Lines 4, 6, 8, 10, 22, and 24.—Members of a controlled group must enter their portion of each taxable income bracket. See the instructions for rules regarding how controlled groups (as defined in section 1563) may divide these amounts.

Line 17.—If the total taxable income of the controlled group is more than $1,000,000, each member should enter its portion of the additional tax on line 17 as explained in the instructions on page 3.

Line 29.—If total taxable income of the controlled group is more than $100,000, each member should enter its portion of the additional tax on line 29. See section 1561 for rules on determining each member's share of the additional tax.

Schedules A and B—Tax Computation Worksheet for Corporations

Effective July 1, 1987, the tax rates for corporations were reduced. The new rates of tax are:

- 15% on the first $50,000 of income;
- 25% on the next $25,000 of income; and
- 34% on any amount over $75,000.

Also, an additional tax of 5% is applied against income in excess of $100,000. The maximum amount of this additional tax is $11,750. **Corporations with tax years beginning after June 30, 1987, should complete Schedule B only.**

Schedule A — Tax Computation for the Period Before July 1, 1987

1 Unrelated business taxable income (from line 5, page 1 of Form 990-T)	1	
2 Net capital gain (If the alternative tax applies, enter net capital gain from line 10, Schedule D (Form 1120). If the alternative tax does not apply, enter zero. See instructions.)	2	
3 Subtract line 2 from line 1	3	
4 Enter the lesser of line 3 or $25,000 (members of a controlled group, see instructions)	4	
5 Subtract line 4 from line 3	5	
6 Enter the lesser of line 5 or $25,000 (members of a controlled group, see instructions)	6	
7 Subtract line 6 from line 5	7	
8 Enter the lesser of line 7 or $25,000 (members of a controlled group, see instructions)	8	
9 Subtract line 8 from line 7	9	
10 Enter the lesser of line 9 or $25,000 (members of a controlled group, see instructions)	10	
11 Subtract line 10 from line 9	11	
12 Multiply line 4 times 15%	12	
13 Multiply line 6 times 18%	13	
14 Multiply line 8 times 30%	14	
15 Multiply line 10 times 40%	15	
16 Multiply line 11 times 46%	16	
17 Additional tax. If line 3 is greater than $1,000,000, enter the lesser of: (a) 5% of the excess of line 3 over $1,000,000 or (b) $20,250 (members of a controlled group, see instructions)	17	
18 Add amounts on lines 12 through 17	18	

Schedule B — Tax Computation for the Period After June 30, 1987

19 Taxable income (line 5, page 1 of Form 990-T)	19	
20 Net capital gain (If the alternative tax applies, enter net capital gain from line 10, Schedule D (Form 1120). If the alternative tax does not apply, enter zero. See instructions.)	20	
21 Subtract line 20 from line 19	21	
22 Enter the lesser of line 21 or $50,000 (members of a controlled group, see instructions)	22	
23 Subtract line 22 from line 21	23	
24 Enter the lesser of line 23 or $25,000 (members of a controlled group, see instructions)	24	
25 Subtract line 24 from line 23	25	
26 Multiply line 22 times 15%	26	
27 Multiply line 24 times 25%	27	
28 Multiply line 25 times 34%	28	
29 Additional tax. If line 21 is more than $100,000, enter the lesser of: (a) 5% of line 21 in excess of $100,000 or (b) $11,750 (members of a controlled group, see instructions)	29	
30 Add lines 26 through 29. (If only Schedule B was completed, skip lines 31 through 34. Enter the amount from line 30 on line 7, page 1 of Form 990-T.)	30	
31 Amount from line 18, Schedule A	31	
32 Line 31 times $\frac{\text{number of days in tax year before 7-1-87}}{\text{number of days in tax year}}$	32	
33 Line 30 times $\frac{\text{number of days in tax year after 6-30-87}}{\text{number of days in tax year}}$	33	
34 Tax liability before credits. Add amounts on lines 32 and 33. If alternative tax applies, enter on line 12, Schedule D (Form 1120). Otherwise, enter here and on line 7, page 1, Form 990-T	34	

Codes for Unrelated Business Activity

(If engaged in more than one unrelated business activity, select up to three codes for the principal activities. List first the largest in terms of unrelated income, then the next largest, etc.)

AGRICULTURE, FORESTRY, AND FISHING

Code

0400 Agricultural production.
0600 Agricultural services (except veterinarians), forestry, fishing, hunting, and trapping.

MINING

Metal mining:

1010 Iron ores.
1070 Copper, lead and zinc, gold and silver ores.
1098 Other metal mining.
1150 Coal mining.

Oil and gas extraction:

1330 Crude petroleum, natural gas, and natural gas liquids.
1380 Oil and gas field services.

Nonmetallic minerals (except fuels) mining:

1430 Dimension, crushed and broken stone; sand and gravel.
1498 Other nonmetallic minerals, except fuels.

CONSTRUCTION

General building contractors and operative builders:

1510 General building contractors.
1531 Operative builders.
1600 Heavy construction contractors.

Special trade contractors:

1711 Plumbing, heating, and air conditioning.
1731 Electrical work.
1798 Other special trade contractors.

MANUFACTURING

Food and kindred products:

2010 Meat products.
2020 Dairy products.
2030 Preserved fruits and vegetables.
2040 Grain mill products.
2050 Bakery products.
2060 Sugar and confectionary products.
2081 Malt liquors and malt.
2088 Alcoholic beverages, except malt liquors and malt.
2089 Bottled soft drinks and flavorings.
2096 Other food and kindred products.
2100 Tobacco manufacturers.

Textile mill products:

2228 Weaving mills and textile finishing.
2250 Knitting mills.
2298 Other textile mill products.

Apparel and other textile products:

2315 Men's and boys' clothing.
2345 Women's and children's clothing.
2388 Hats, caps, millinery, fur goods, and other apparel and accessories.
2390 Misc. fabricated textile products.

Lumber and wood products, except furniture:

2415 Logging camps and logging contractors, sawmills, and planing mills.
2430 Millwork, plywood, and related products.
2498 Other wood products including wood buildings and mobile homes.
2500 Furniture and fixtures.

Paper and allied products:

2625 Pulp, paper, and board mills.
2699 Other paper products.

Printing, publishing, and allied industries:

2710 Newspapers.
2720 Periodicals.
2735 Books, greeting cards, and misc. publishing.
2799 Commercial and other printing, and printing trade services.

Chemicals and allied products:

2815 Industrial chemicals, plastics materials and synthetics.
2830 Drugs.
2840 Soap, cleaners, and toilet goods.
2850 Paints and allied products.
2898 Agricultural and other chemical products.

Petroleum refining and related industries (including those integrated with extraction):

2910 Petroleum refining (including those integrated with extraction).
2998 Other petroleum and coal products.

Rubber and misc. plastics products:

3050 Rubber products; plastics footwear, hose and belting.
3070 Misc. plastics products.

Leather and leather products:

3140 Footwear, except rubber.
3198 Other leather and leather products.

Stone, clay, glass, and concrete products:

3225 Glass products.
3240 Cement, hydraulic.
3270 Concrete, gypsum, and plaster products.
3298 Other nonmetallic mineral products.

Primary metal industries:

3370 Ferrous metal industries; misc. primary metal products.
3380 Nonferrous metal industries.

Code

Fabricated metal products, except machinery and transportation equipment:

3410 Metal cans and shipping containers.
3428 Cutlery, hand tools, and hardware; screw machine products, bolts, and similar products.
3430 Plumbing and heating, except electric and warm air.
3440 Fabricated structural metal products.
3460 Metal forgings and stampings.
3470 Coating, engraving, and allied services.
3480 Ordnance and accessories, except vehicles and guided missiles.
3490 Misc. fabricated metal products.

Machinery, except electrical:

3520 Farm machinery.
3530 Construction, mining and materials handling machinery and equipment.
3540 Metalworking machinery.
3550 Special industry machinery, except metalworking machinery.
3560 General industrial machinery.
3570 Office, computing, and accounting machines.
3598 Engines and turbines, service industry machinery, and other machinery, except electrical.

Electrical and electronic machinery, equipment, and supplies:

3630 Household appliances.
3665 Radio, television, and communication equipment.
3670 Electronic components and accessories.
3698 Other electric equipment.

Transportation equipment:

3710 Motor vehicles and equipment.
3725 Aircraft, guided missiles and parts.
3730 Ship and boat building and repairing.
3798 Other transportation equipment.

Measuring and controlling instruments; photographic and medical goods, watches and clocks:

3815 Scientific instruments and measuring devices, watches and clocks.
3845 Optical, medical, and ophthalmic goods.
3860 Photographic equipment and supplies.
3998 Other manufacturing products.

TRANSPORTATION, COMMUNICATION, ELECTRIC, GAS, AND SANITARY SERVICES

Transportation:

4000 Railroad transportation.
4100 Local and interurban passenger transit.
4200 Trucking and warehousing.
4400 Water transportation.
4500 Transportation by air.
4600 Pipe lines, except natural gas.
4700 Other transportation services.

Communication:

4825 Telephone, telegraph, and other communication services.
4830 Radio and television broadcasting.

Electric, gas, and sanitary services:

4910 Electric services.
4920 Gas production and distribution.
4930 Combination utility services
4990 Water supply and other sanitary services.

WHOLESALE TRADE

Durable goods:

5008 Machinery, equipment, and supplies.
5010 Motor vehicles and automotive equipment.
5020 Furniture and home furnishings.
5030 Lumber and construction materials.
5040 Sporting, recreational, photographic, hobby goods, toys, and supplies.
5050 Metals and minerals, except petroleum and scrap.
5060 Electrical goods
5070 Hardware, plumbing and heating equipment.
5080 Machinery, equipment, and supplies.
5098 Other durable goods.

Nondurable goods:

5110 Paper and paper products.
5129 Drugs, drug proprietaries, and druggists' sundries.
5130 Apparel, piece goods, and notions.
5140 Groceries and related products.
5147 Meats and meat products
5150 Farm-product raw materials.
5160 Chemicals and allied products.
5170 Petroleum and petroleum products.
5180 Alcoholic beverages.
5190 Misc. nondurable goods.

RETAIL TRADE

Building materials, hardware, garden supply, and mobile home dealers:

5220 Building materials dealers.
5251 Hardware stores.
5265 Garden supplies and mobile home dealers.
5300 General merchandise stores.
5410 Grocery stores.
5490 Other food stores.

Code

Automotive dealers and service stations:

5515 Motor vehicle dealers.
5541 Gasoline service stations.
5598 Other automotive dealers.
5600 Apparel and accessory stores.
5700 Furniture and home furnishing stores.
5800 Eating and drinking places.

Misc. retail stores:

5912 Drug stores and proprietary stores.
5921 Liquor stores.
5995 Other misc. retail stores.

FINANCE, INSURANCE, AND REAL ESTATE

Banking:

6030 Mutual savings banks.
6060 Bank holding companies.
6090 Banks, except mutual savings banks and bank holding companies.

Credit agencies other than banks:

6120 Savings and loan associations.
6140 Personal credit institutions
6150 Business credit institutions.
6199 Other credit agencies.

Security, commodity brokers, dealers, exchanges, and services:

6210 Security brokers, dealers, and flotation companies.
6299 Commodity contracts brokers and dealers; security and commodity exchanges; and allied services.

Insurance:

6355 Life insurance.
6356 Mutual insurance except life or marine and certain fire or flood insurance companies.
6359 Other insurance companies.
6411 Insurance agents, brokers, and services.

Real estate:

6511 Real estate operators (except developers) and lessors of buildings.
6516 Lessors of mining, oil, and similar property.
6518 Lessors of railroad property and other real property.
6530 Condominium management and cooperative housing associations.
6550 Subdividers and developers.
6599 Other real estate.

Holding and other investment companies:

6744 Small business investment companies
6749 Holding and other investment companies, except bank holding companies.

SERVICES

7000 Hotels and other lodging places.
7200 Personal services.

Business services:

7310 Advertising.
7389 Business services except advertising

Auto repair and services; misc. repair services:

7500 Auto repair and services.
7600 Misc. repair services.

Amusement and recreational services:

7812 Motion picture production, distribution, and services.
7830 Motion picture theaters
7900 Amusement and recreation services, except motion pictures.

Other services:

8015 Offices of physicians, including osteopathic physicians.
8021 Offices of dentists
8040 Offices of other health practitioners.
8050 Nursing and personal care facilities.
8060 Hospital
8071 Medical laboratories
8099 Other medical services.
8111 Legal services.
8200 Educational services
8300 Social services.
8600 Membership organizations
8911 Architectural and engineering services.
8930 Accounting, auditing and bookkeeping
8980 Miscellaneous services (including veterinarians).

OTHER

9000 Unrelated debt-financed activities other than rental of real estate
9100 Investment activities by section 501(c)(7), (9), (17), or (20) organizations.
9200 Rental of personal property
9300 Passive income activities with controlled organizations.
9400 Exploited exempt activities

*U.S. G.P.O. 1988- 205-370/80010

Appendix*

General Description of Statistics of Income Sample Procedures and Data Limitations

This appendix discusses typical sampling procedures used in most Statistics of Income (SOI) programs. Aspects covered briefly include sampling criteria, selection techniques, methods of estimation, and sampling variability. Some of the nonsampling error limitations of the data are also described, as well as the tabular conventions employed.

Additional information on sample design and data limitations for specific SOI studies can be found in the separate SOI reports (see the References at the end of this Appendix). More technical information is available, upon request, by writing to the Director, Statistics of Income Division, Internal Revenue Service, P.O. Box 2608, Washington, DC 20013-2608.

SAMPLE CRITERIA AND SELECTION OF RETURNS

Statistics compiled for the SOI studies are generally based on stratified probability samples of income tax returns or other forms filed with the Internal Revenue Service (IRS). The statistics do not reflect any changes made by the taxpayer through an amended return or by the IRS as a result of an audit. As returns are filed and processed for tax purposes, they are assigned to sampling classes (strata) based on criteria such as: industry, presence or absence of a tax form or schedule, accounting period, State from which filed, and various income factors or other measures of economic size (total assets, for example, is used for the corporation and partnership statistics). The samples are selected from each stratum over the appropriate filing periods. Thus, sample selection can continue for a given study for several calendar years--3 for corporations because of the prevalence of fiscal (non-calendar) year reporting. Because sampling must take place before the population size is known precisely, the rates of sample selection within each stratum are fixed. This means, in practice, that both the population and the sample size can differ from that planned. However, these factors do not compromise the validity of the estimates. The probability of a return being designated depends on its sample class or stratum and may range from a fraction of 1 percent to 100 percent. Considerations in determining the selection probability for each stratum include the number of returns in the stratum, the diversity of returns in the stratum, and interest in the stratum as a separate subject of study. All this is subject to constraints based on the estimated cost or the target size of the total sample for the program.

For most SOI studies, returns are designated by computer from the IRS Master File based on the taxpayer identification number (TIN), which is either the social security number (SSN) or the employer identification number (EIN). A fixed and essentially random number is associated with each possible TIN. If that random number falls into a range of numbers specified for a return's sample stratum, then it is selected and processed for the study. Otherwise, it is counted (for estimation purposes) but not selected. In some cases, the TIN is used directly by matching specified digits of it against a predetermined list for the sample stratum. A match is required for designation.

Under either method of selection, the TIN's designed from one year's sample are for the most part selected for the next year's, so that a very high proportion of the returns selected in the current sample are from taxpayers whose previous years' returns were included in earlier samples. This longitudinal character of the sample design improves the estimates of change from one year to the next.

METHOD OF ESTIMATION

As noted above, the probability with which a return is selected for inclusion in a sample depends on the sampling rate prescribed for the stratum in which it is classified. Weights are, in general, computed by dividing the count of returns filed for a given stratum by the count of sample returns for that same stratum. "Weights" are used to adjust for the various sampling rates used--the lower the rate, the larger the weight. For some studies, it is possible to improve the estimates by subdividing the original sampling classes into "post-strata," based on additional criteria or refinements of those used in the original stratification. Weights are then computed for these post-strata using additional population counts. The data on each return in a stratum are multiplied by that weight. To produce the tabulated estimates, these weighted data are summed to produce the published statistical totals.

*Compiled by Bettye Jamerson, Coordination and Publications Staff, under the direction of Robert Wilson, Chief, Publications Team. Major contributions were made by Paul McMahon, Mathematical Statistics Team.

SAMPLING VARIABILITY

The particular sample used in a study is only one of a large number of possible random samples that could have been selected using the same sample design. Estimates derived from the different samples usually vary. The standard error of the estimate is a measure of the variation among the estimates from all possible samples and is used to measure the precision with which an estimate from a particular sample approximates the average result of the possible samples. The sample estimate and an estimate of its standard error permit the construction of interval estimates with prescribed confidence that this interval includes the actual population value.

In SOI reports the standard error is not directly presented. Instead, the ratio of the standard error to the estimate itself is presented in decimal form. This ratio is called the coefficient of variation (CV). The user of SOI data may multiply an estimate by its coefficient of variation to recreate the standard error and to construct confidence intervals.

For example, if a sample estimate of 150,000 returns is known to have a coefficient of variation of 0.02, then the following arithmetic procedure would be followed to construct a 68 percent confidence interval estimate:

150,000	(sample estimate)
x 0.02	(coefficient of variation)
= 3,000	(standard error of estimate)
150,000	(sample estimate)
+ or - 3,000	(standard error)
= 147,000-153,000	(68 percent confidence interval)

Based on these data, the interval estimate is from 147 to 153 thousand returns. A conclusion that the average estimate of the number of returns lies within an interval computed in this way would be correct for approximately two-thirds of all possible similarly selected samples. To obtain this interval estimate with 95 percent confidence, the standard error should be multiplied by 2 before adding to and subtracting from the sample estimate. (In this particular case, the resulting interval would be from 144 to 156 thousand returns.)

Generally in the *SOI Bulletin* only conservative upper limit CV's are provided for frequency estimates. These do, however, provide a rough guide to the order of magnitude of the sampling error.

Further details concerning sample design, sample selection, estimation method, and sampling variability for a particular SOI study, may be obtained on request by writing the Director, Statistics of Income Division.

NONSAMPLING ERROR CONTROLS AND LIMITATIONS

Although the previous discussion focuses on sampling methods and the limitations of the data caused by sampling error, there are other sources of error that may be significant in evaluating the usefulness of SOI data. These include taxpayer reporting errors, processing errors, and effects of an early cut-off of sampling. More extensive information on nonsampling error is presented in SOI reports, when appropriate. In transcribing and tabulating the information from the returns or forms selected for the sample, checks are imposed to improve the quality of the resultant estimates. Tax return data may be disaggregated or recombined during statistical "editing" in order both to improve data consistency from return to return and to achieve definitions of the data items that are more in keeping with the needs of major users. In some cases not all of the data are available from the tax return as originally filed. Sometimes the missing data can be obtained through field follow up. More often, though, they are obtained through imputation methods. As examples, other information in the return or in accompanying schedules may be sufficient to enable an estimate to be made; prior-year data for the same taxpayer may be used for the same purpose; or data from another return for the same year that has similar characteristics may be substituted. Research to improve methods of imputing data that are missing from returns continues to be an ongoing process [1].

Quality of the basic data abstracted from the returns is subjected to a number of quality control steps including 100-percent key verification. The data are then subjected to many tests based on the structure of the tax law and the improbability of various data combinations. Records failing these tests are then subjected to further review and any necessary corrections are made. In addition, the Statistics of Income Division in the National Office conducts an independent reprocessing of a small subsample of statistically-processed returns as a further check [2].

Finally, before publication, all statistics are reviewed for accuracy and reasonableness in light of provisions of the tax laws, taxpayer reporting variations and limitations, economic conditions, comparability with other statistical series, and statistical techniques used in data processing and estimating.

TABULAR CONVENTIONS

Estimates of frequencies and money amounts, that are considered unreliable due to the small sample size on which they are based, are noted in SOI tables by an asterisk (*) to the left of the data item(s). The presence of an asterisk indicates that the sample rate is less than 100 percent of the population and that there are fewer than 10 sample observations available for estimation purposes.

A dash in place of a frequency or amount indicates that no sample return had that characteristic. In addition, a dash in place of a coefficient of variation for which there is an estimate indicates that all returns contributing to the estimate were selected at the 100-percent rate.

Whenever a weighted frequency in a data cell is less than 3, the estimate is either combined with other cells or deleted in order to avoid disclosure of information about individual taxpayers or businesses [3]. These combinations and deletions are indicated by a double asterisk (**).

NOTES

[1] See, for example, Hinkins, Susan M., "Matrix Sampling and the Effects of Using Hot Deck Imputation," in *1984 Proceedings: American Statistical Association, Section on Survey Research Methods.* Other research efforts are included in *Statistical Uses of Administrative Records: Recent Research and Present Prospects,* Volume 1, Internal Revenue Service, March 1984.

[2] Quality control activities for all SOI studies are published from time to time in a series of separate reports. These reports provide detailed information relating to quality in all phases of SOI processing.

[3] For geographic statistics, these same steps are taken when a weighted frequency is less than 10.

REFERENCES

For information about the samples used for specific SOI programs see:

Statistics of Income--1987, Individual Income Tax Returns, (see especially pages 13-17).

Statistics of Income--1987, Corporation Income Tax Returns (see especially pages 11-19).

Statistics of Income--1978-82, Partnership Returns (see especially pages 237-244).

Statistics of Income--1979-83, Compendium of Studies of International Income and Taxes, Foreign Income and Taxes Reported on U.S. Tax Returns (see information about the samples used at the end of each chapter).

SOI Bulletin (see each issue).

*U.S. GOVERNMENT PRINTING OFFICE: 1991--517-015/46832

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