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To Have and Not Hold

A Report of Foundations

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TO HAVE AND NOT HOLD

BY ROBERT L. SUTHERLAND

**THE HOGG FOUNDATION FOR MENTAL HEALTH
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PREFACE

COOPERATIVE work with other foundations is one of the five objectives of the current Hogg Foundation program. Such activity is not new. In 1948 the Lemuel Scarbrough Foundation, the H. E. Butt Foundation, and the Hogg Foundation joined as co-hosts in sponsoring the first informal conference of philanthropic trust fund representatives in Texas. This idea grew into an annual conference and spread to the Southwest. More than one hundred persons representing about fifty different trust funds now come to the annual meeting, which is also attended by invited guests from various national foundations.

Several projects in the field of mental health have been financed by the Hogg Foundation, along with other foundations, and one trust fund in the amount of \$100,000 was given by a philanthropist in San Antonio for administering by the Hogg Foundation.

Because of the value of working together in analyzing areas of need, the Hogg Foundation has been pleased to help financially in the establishment of the Conference of Southwest Foundations, which by next year will be entirely self-supporting. It was the first area conference established in the United States. Others are now meeting in New York, California, and Michigan.

The author of this article appreciates the assistance given in its preparation by the director of the Foundation Library Center of New York City, Dr. F. Emerson Andrews, who read the article in manuscript form and made many helpful suggestions; by the executive secretary of the Conference of Southwest Foundations, Mrs. Maud Walker Keeling, who gave permission for revising and reprinting; and by members of the Foundation's staff, Dr. Bernice Milburn Moore, Mrs. Bert Kruger Smith, and Mrs. Louise M. Collier, who aided in editorial revision.



Director

*The Hogg Foundation for Mental Health
The University of Texas*

The Conference of Southwest Foundations in April, 1957, published a paper given the preceding year by Dr. Robert L. Sutherland at the Eighth Annual Conference held in Corpus Christi, Texas. Copies of the article have already been distributed to members of the Conference and to other persons interested in foundation work.

The Conference is pleased to grant permission to the author of the article and to the Hogg Foundation for Mental Health to revise and republish this address.

Maud W. Keeling
Executive Secretary
Conference of Southwest Foundations

TO HAVE AND NOT HOLD

Types of Foundations and Their Cooperative Action

FOUNDATIONS and their programs may be classified in many ways, since there are variations in size, scope, and interest of the thousands of foundations in existence today. One classification might be made according to their breadth of interest.

SCOPE OF FOUNDATION PROGRAM

WHILE MOST PEOPLE think of these trusts in terms of the broad programs of the larger foundations, some are as narrow in scope as the Henry G. Freeman, Jr., Pin Money Fund for the President's Wife, which was started when a philanthropist observed that the First Lady is called upon for many incidental but unprovided-for expenditures. The hundreds of trusts established centuries ago in Great Britain were also often narrow in purpose. One fund instructed the village rector to give a shilling at Christmas time to each of the deserving

poor of the parish. Since narrow-purpose trust funds outlived their usefulness in Great Britain, Parliament finally established procedures whereby the money could be released for other types of expenditures. However, legal complications necessitated long delays, and years were required to release unused money.

The First Twenty-Five Years, a recently published volume, tells the story of the W. K. Kellogg Foundation, which, like the Ford Foundation, represents the opposite extreme. The terms of their charters are so broad that anything contributing to the welfare of mankind could come within their scope.

SOURCE OF FUNDS

MANY FOUNDATIONS are capital endowments which provide that only the earnings may be spent. Julius Rosenwald conceived of the reverse when he said that all of the capital in his foundation, as well as the earnings from it, had to be used within twenty-five years after his death. He thought that later generations should take care of their own philanthropic needs.

Some foundations are created through a gift of real property or stocks, earning income which is made available for the program. Others are simple revolving funds to which a family or a corporation contributes from its current income during profitable years.

CONTROL AND ADMINISTRATION

MANY FOUNDATIONS are kinship affairs, with members of the immediate family and possibly an attorney, trust officer, or friend included as an additional trustee. Family members take

great personal interest in the expenditure of the funds, often receiving the requests themselves, making the investigations, and supervising the grants.

Others are established through less personal trustees chosen from business, banking, law, welfare work, education, religion, or a combination. These frequently are one step or one generation removed from the family members who amassed the wealth in the first place. The trustees may employ a professional staff to develop and carry out the program of work. The composition of boards of trustees of foundations would make an interesting study in itself. Are they chosen because of their skill in investing and preserving the trust funds or their knowledge of broad programs of action, or both?

Some foundations are satellites; they are related to and are a part of another organization, such as a university or a church order, although they retain a distinctive purpose of their own. The trustees of the larger organization are responsible for carrying out the special purpose of the trust.

JOINT SPONSORSHIP

FOUNDATIONS can also be classified according to their degree of joint action or cooperation with other foundations—the special subject of this discussion. There are many types and degrees of cooperation among foundations. Here are a few:

1. One Foundation Gives to Another

AN OUTRIGHT GRANT may be made by one foundation to another as a simple form of cooperative action, which may be taken on two principal occasions; the first occurs when a new

foundation, either large or small, whose trustees and staff are inexperienced in philanthropy, asks an older, well-established organization to receive, administer, and spend a grant from the new organization's income. Also, trust officers sometimes find that clients with a little money would like to see it go to a foundation which has developed sound principles of management rather than set up new and costly machinery of their own.

In the second place, a foundation which is nearing the close of its work, and whose funds are almost expended, may choose to make grants to on-going, expanding foundations. In this way the General Education Board gave a sizable grant to the Southern Education Foundation, knowing that the latter would add its own money to carry out a common purpose over a long period of time.

2. Giving Service Instead of Money

THE RUSSELL SAGE FOUNDATION sometimes has been called "a foundation's foundation." Part of its grants go to the study of philanthropy, to the publishing of books about foundations, and more recently to helping establish the Foundation Library Center through gifts of material, advice, and a cash grant for the research on the Center's first study, *Legal Instruments of Foundations*. The Carnegie Corporation aided greatly in establishing the Center by underwriting the first five years of its operating budget with a half million dollar grant.

One of the trustees of a Texas foundation spends much of her time helping other families learn how to establish foundations, how to discover worthwhile projects, and how to administer their funds efficiently. Another family foundation published and distributed information concerning the establishment of new foundations. The leaflets went to trust officers, attorneys, and families interested in the foundation idea.

Three Texas groups jointly established the Conference of Southwest Foundations with no purpose other than to provide a forum of discussion for persons interested in philanthropy. Various members serve as co-hosts to the meeting each year.

Other foundations, in the Southwest as well as nationally, have offered to help any new organizations by providing technical information, acquainting them with broad areas of need, or providing expert consultants to help evaluate the results of their grants.

Foundation conferences, providing an opportunity for informal exchange of experience as well as for hearing experts in philanthropic work, have been started in California, Michigan, and New York. Also, Columbia University each year holds a conference pertaining to foundation problems and programs.

3. A Foundation May Give to Another Tax-Free Enterprise

MANY FOUNDATIONS help support the program of work of a non-profit operating agency, which, in some cases, may make grants of its own. The American Council on Education, engaging in research and publication in behalf of higher education, secures a sizable part of its budget from foundation grants. Likewise, the Social Science Research Council, which gives fellowships and faculty grants for research leaves and provides for research seminars, is entirely supported by grants from foundations.

Private and public colleges and universities receive money from foundations, as do religious and welfare organizations and scientific research institutes. For example, the Sealy and Smith Foundation has been an important benefactor of the Medical Branch of The University of Texas in Galveston. These recipients, like foundations themselves, are chartered as non-profit enterprises. In fact, many of them use the name itself in their own title, like the Fine Arts Foundation, the Psychological Research Foundation, and the Southwestern Legal Foundation, though they are each an integral part of a university program. "In the trade" they are referred to as "receiving foundations." Two research institutes which op-

erate in Texas are now largely supported by grants from foundations, corporations, or from individuals, though both had their start as family philanthropies with initial capital of their own.

4. Foundations Stimulate and Initiate

MANY FOUNDATIONS help initiate a program of education, research, or welfare, knowing full well that after the pump-priming period is over, the larger share of the cost will be borne by other non-profit organizations. The Carnegie Corporation made a grant to study the mutual purposes of three national mental health associations with the understanding that soon after the merger was completed, the operating cost of the new association would be raised from other sources.

Similarly, the M. D. Anderson Foundation of Houston purchased land from the city, making possible the establishment of the Texas Medical Center. The individual hospitals and research centers now located on this land donated by the M. D. Anderson Foundation secure their other capital and operating funds from their own clientele, although the original foundation has also made an occasional grant.

Several smaller foundations in the Southwest help communities establish new services of a health or welfare nature; but after a brief period of initial support, withdraw and expect the long-term budgets to be raised locally.

5. Venture Capital

SIMILAR TO THE cooperative action just described, but different in the degree of venture involved, are a number of other patterns. Two or more foundations often join to try out

an idea. Local charity funds cannot be used for such a venture nor can tax money (except in crucial fields like atomic defense).

Foundation money often has a unique degree of flexibility. The Rockefeller Foundation and the Carnegie Corporation together helped provide the six million dollars needed to construct the world's largest telescope, Palomar, in California. No one knew whether the huge glass would even survive the flatcar train trip from New York to California.

A new type of in-service training for college deans was jointly financed by the Carnegie Corporation, the Harvard School of Business, and the National Association of Deans, with the foundation's dropping out of the financial picture as soon as the program proved its value. Two foundations are cooperating in experiments to improve the grasslands of West Texas, and two other foundations have initiated programs of vocational guidance for high-school youth. These are only a few examples of the wide variety of new ideas started and tested by foundations acting individually or jointly.

6. More Formalized Cooperation

THE KANSAS CITY Association of Trusts and Foundations sets a unique pattern. It was created by four member trusts, each with its separate board and capital funds. The board of the Association is made up of representatives from the constituent members. Provision is made for other trusts to join and to be represented.

The purpose of the Association is to serve only as an advisory agency to the member trusts in studying community needs and in coordinating the grants of the member trusts. "The Association itself has no substantial assets nor does it issue grants. Its powers are limited to advising the member trusts and other foundation groups. The responsibilities assumed by the member trusts are twofold: (1) to pay a proportionate share of the cost

of maintaining the Association office; and (2) to review requests for assistance only in and through the Association.”*

The Association sees that research is conducted to discover community needs and the best ways of meeting them. Then, it recommends to its member trusts the support of demonstration or experimental projects for varying periods of time. The research is done by Community Studies, Incorporated, which the Association created, but for which it now provides only 12 per cent of the total budget. The remainder of the approximately \$650,000 a year devoted to community studies comes from grants from national foundations and other groups confident of the research ability of this organization.

The Mental Health Foundation was started by the Association, though now only \$50,000 of its \$350,000 a year budget is given by the member trusts of the Association, with the remainder coming from other sources, including tax funds. Great strides have been made in the development of out-patient clinics, services to emotionally disturbed children, and other mental health facilities. With all of these results to show for its effort, the Association becomes a low-cost technique whereby member trusts can carry on a more intelligent program of philanthropy.

Community trusts operate in a way somewhat similar to the Kansas City Association. They are incorporated to receive requests and grants either earmarked for special purposes within a geographical area or to be expended at the discretion of the staff and trustees of the community trust. Research and planning functions are carried on by the trust to assure wise expenditure of funds from the donors. The difference in this case is that the community trust usually receives the funds as a part of its own capital, whereas in the Kansas City Association the separate trust funds continue to operate under their own boards of trustees.

* An address to the Chamber of Commerce of Kansas City, Missouri, March 13, 1957, by Homer C. Wadsworth, Executive Director of the Kansas City Association of Trusts and Foundations.

7. Watchdog of Government or Partner With It?

ONE HEALTH FOUNDATION and another non-profit organization in the Southwest, supported largely by corporation gifts, are studying the efficiency of government and recommending improvements in specific areas of operation. In fact, this pattern of private research on the work of public agencies is now found in many states.

A working partnership between a foundation and a unit of government is not uncommon. Community child guidance clinics are often established by a combination of funds from government sources, foundation grants, United Funds, and individual gifts.

Private research institutes established as foundations have received government grants to study particular problems, just as universities are given such funds. On the other hand, government agencies themselves have been supported by foundation money to carry on work for which no tax support has been provided. The national study of juvenile delinquency conducted by the Children's Bureau was largely financed by a foundation grant to this governmental agency.

IN SUMMARY

FOUNDATIONS, like people, want to preserve their own identities and the control of their own funds. Any and all of the cooperative arrangements described above are freely made and generally temporary in nature. The individual foundation retains the mastery of its own soul and purse while benefiting from the help of others. The broad charters of the foundations allow flexibility of operation, but the watchful eye of the Internal Revenue Department also assures the public that private funds will be used for their intended purposes within the tax-free framework of non-political, scientific, and humanitarian objectives. Congressional investigating committees also watch foundation action to be sure that the public is being served in ways provided for by the charter and in keeping with the law of the land. Foundations themselves have grown in maturity and in public responsibility by issuing their own annual reports and opening their financial books for review.

The foundation pattern of philanthropy was born in Great Britain but has developed distinctive characteristics in the United States and has grown in scope to become a major institution in American life.

