

The William and Flora Hewlett Foundation 1966-1976

**The William and Flora
Hewlett Foundation**

1966-1976

2 Palo Alto Square, Palo Alto, California 94304
(415) 493-3665

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Chairman's Introduction

This booklet is intended to inform those who wish to know of the Hewlett Foundation's activities from its incorporation in 1966 until its election of a full-time president who assumed office in 1977. An attempt has been made to include relevant information, including trustees, officers, grants, and assets. Hereafter, the Foundation will publish an Annual Report which will be designed to provide prospective grantees, or anyone else with an interest in the Foundation, with appropriate information about the year's activities in some detail. We will endeavor to make the Report available to all those to whom it might be of interest.

As the Foundation moves into its second decade, it is anticipated that assets will increase substantially, resulting in a sharply increased pay-out for philanthropic purposes. To meet these responsibilities, the President will employ additional staff, and we expect to refine in the near future a statement of the Foundation's primary interests, and to supply guidelines for making application for grants. Grants made in past years should not be taken to indicate the Foundation's interests in the future.

It is our intention that the Foundation be a national foundation, unlimited by geography in its scope. At the same time, we plan to have a program of local grant-making to which a modest proportion of disburseable funds will be allocated. In all probability, this local granting activity will be concentrated largely in the San Francisco Bay Area.

For the Trustees,
William R. Hewlett

President's Comments

This report describes the first ten years of activity of the Foundation. Its broad and ambitious purpose is stated in the articles of incorporation:

"This corporation is organized and shall be operated exclusively as a charitable, religious, scientific, literary or educational foundation for the purpose of promoting the well being of mankind by directly participating in activities which qualify as charitable, religious, scientific, literary or educational (within the meaning of Section 501(c) (3) of the Internal Revenue Code of 1954), or by aiding or contributing to the support of organizations which are directly engaged in activities which do so qualify in such sums or in such proportions as shall be determined from time to time by the directors of this corporation."

Among the many conditions that affect the well being of mankind, the Foundation has elected to concentrate its resources on the support of activities in the arts and humanities, education, the environment and population.

In support of activities in the arts and humanities, the Foundation affirms its belief that a vigorous artistic intellectual life is essential to the full development of human potential. In electing to make grants in the field of education, the Foundation asserts its conviction that a strong educational system is basic to the health of the republic. The emphasis on the environment reflects our belief that the intelligent management of man's natural environment in the interest of all of man's needs and purposes is vitally related to human welfare. The decision to support research and policy development in the field of population springs from the conviction that current population trends constitute one of the major threats to human happiness and fulfillment.

In addition to these broad areas of effort, the Foundation has from its inception recognized its responsibilities as a member of the philanthropic community in its geographical area. It has supported the social service needs and aspirations of its neighbors. This, too, will continue to be a part of the Foundation's future.

Implicit in these propositions is the belief that increasing the effectiveness of our democratic society is basic to human welfare, not only in the United States but also in the rest of the world. Accordingly, the Foundation will be especially sensitive to opportunities to improve the effectiveness of the institutions of our society, to assist in discovering solutions to problems that make the society less rewarding to its members.

In many of the areas affecting the well being of the members of our society, the government has become an overwhelming force. There are, nevertheless, many ways in which the Foundation can be useful. The Foundation can do things that are inappropriate or impossible for government to do for political or bureaucratic reasons.

John Sawyer has observed that foundations stand between individual philanthropy and the government and as a consequence they have unique responsibilities and unique opportunities. With judgment that is admittedly fallible, the Foundation must anticipate important problems and provide the sustained support that is required if the problems are to be understood. It should identify fragile ideas that have promise, and be prepared to run counter to the current fads and trends in government and private support when it appears that activities that are important are being threatened.

One of America's unique characteristics is the number and vitality of its private associations and organizations. Americans from the earliest history have formed private organizations to pursue their interests or meet their needs in the arts, humanities, education, social services, religion and science.

Private organizations, societies and associations are a vigorous and important element in our collective life. Since their health is important to the nation, the Foundation has a general responsibility to do what it can within its resources to improve their effectiveness. It has, however, a special responsibility to those associations and institutions of the highest accomplishment and constructive influence.

Foundations have the freedom and responsibility to support innovations, experiments, pilot projects and social inventions that show promise of being in the public interest. This foundation will, therefore, be receptive to proposals and projects where the probabilities of success may be low but the benefits of success are substantial. The Foundation does not, however, equate innovation with new organizations and established and safe processes with old ones. The reverse may, on occasion, be true.

This brief essay states the Foundation's purposes and the broad programs in which the Foundation is interested. During the next year the Foundation will publish more detailed program statements for the guidance of the grantees as they are developed.

Roger W. Heyns
November 1977

The First Ten Years

Late in 1966, William Redington Hewlett and Flora Lamson Hewlett, with one of their three sons, incorporated a charity, known then and for the ensuing ten years as The W. R. Hewlett Foundation. Mr. and Mrs. Hewlett gave the new foundation stock in Hewlett-Packard Company from time to time and pursued a program of charitable giving which reflected the family's interest in education, the environment, religion, and other areas.

On December 9, 1972 the three original directors voted to expand the board and elected the other two Hewlett sons as directors. It was not until toward the end of 1975 that two non-family directors, Robert Minge Brown and Lyle M. Nelson, were added to the board. In the meantime, James S. Hewlett had resigned his directorship, leaving a membership of six at the end of 1975.

Meetings were infrequent and informal. By 1975, disbursements were in the neighborhood of three million dollars annually.

In July 1974, the Foundation employed part-time staff, as the load of requests for financial support was beyond the capacity of a volunteer board to cope with unaided. John R. May, formerly executive director of The San Francisco Foundation, became Executive Director, and Alice DePalma served as secretary as well as helping with some program assignments. With the employment of staff, it was necessary to have at least minimal office space. Small quarters were found at 1801 Page Mill Road, Palo Alto. With increased responsibilities—and staff to discharge them—it became clear that larger quarters would be necessary soon. In July, 1977, the Foundation moved to pleasant offices at Two Palo Alto Square.

In 1975, work began on sharpening a definition of the Foundation's fields of interest. A draft statement was developed, outlining those preferences and making suggestions as to procedure for submitting proposals; it has been in use up to the present time, but will soon be substantially revised. The statement is included in this booklet, but will be replaced in the near future by a more definitive guide to the Foundation's goals and interests.

On June 1, 1977, a new President assumed full-time responsibility for direction of the Foundation's affairs, Mr. Hewlett moving to the newly created post of Chairman of the Board. With the new President came a Secretary/Administrative Assistant. Additional program staff will be sought in the near future. Business and financial matters are handled for the Foundation by the officer who serves the Henry J. Kaiser Family Foundation in a similar capacity; the two Foundations now have adjacent offices, with certain shared facilities.

Mrs. Hewlett died in 1977, whereupon the Foundation's name was changed to The William and Flora Hewlett Foundation, recognizing Mrs. Hewlett's perceptive and helpful role in the Foundation's work.

Grants 1967-76

1967

Education

California Institute of Technology		75,000
General support.		
Stanford University		25,000
Summer Festival for 1968.	\$15,000	
General support.	10,000	

Population

Planned Parenthood Federation of America, Inc.		50,000
General support.		
Planned Parenthood Association of San Francisco, Inc.		5,000
General support.		

Arts & Humanities

San Francisco Symphony Association		50,000
Contribution toward matching Ford Foundation \$3 million gift.		
KQED, San Francisco		20,000
General support.		
	Total	\$225,000

1968

Education

Stanford University		25,000
J. E. Wallace Sterling Professorship.		
Stanford University		25,000
For the Hewlett Room, named for Dr. Albion Walter Hewlett, at the Stanford Medical School.		
San Francisco Conservatory of Music		1,000
Scholarship program for minority students.		

Population

Planned Parenthood Federation of America, Inc.		25,000
General support.		
Planned Parenthood Association of San Francisco, Inc.		5,000
General support.		

Arts & Humanities

California Theater Foundation		5,000
American Conservatory Theater fund drive.		
San Francisco Symphony Association		5,000
General support.		
	Total	\$91,000

(In 1968 an additional grant was made, to the Palo Alto Medical Research Foundation for the purchase of land for a proposed community hospital. The hospital was not built, and the entire amount was returned to the Foundation.)

1969**Education**

University of California, Berkeley	10,000
Chancellor's Discretionary Fund.	
League of Women Voters Education Fund	5,000
General support.	
Stanford University	24,375
General support.	
Mills College	103,000
For The Walter A. Haas Pavilion.	

Population

Planned Parenthood Association of San Francisco	8,000
General support.	

Environment

Sempervirens Fund	1,000
General support.	

Arts & Humanities

California Theater Foundation	5,000
American Conservatory Theater.	
San Francisco Symphony Association	10,000
General support.	

Health

Miramonte Mental Health Services	5,150
General support.	

Science

California Academy of Sciences	2,575
General support.	

Other

Overseas Development Council	5,000
General support.	

Total \$179,100

1970**Education**

Stanford University	15,000
Minority Opportunity Program.	
University of California, Berkeley	5,000
Chancellor's Discretionary Fund.	

Population

Planned Parenthood Federation of America, Inc.	110,000
General support.	
Planned Parenthood/World Population of Alameda - San Francisco	5,000
General support.	

1970 continued

Arts & Humanities

San Francisco Symphony Association 10,000
General support; to match grant from
National Endowment for the Arts.

Health

Miramonte Mental Health Services 5,000
General support.

Other

Overseas Development Council 5,000
General support.

Total **\$155,000**

1971

Education

Massachusetts Institute of Technology 50,000
Electrical engineering and electronics program.

Stanford University 50,000
President's Discretionary Fund.

Population

Planned Parenthood Federation of America, Inc. 20,000
General support.

**Planned Parenthood Association of
Santa Clara County, Inc.** 5,000
General support.

Environment

California Tomorrow, San Francisco 10,000
General support.

The Nature Conservancy 100,000
Support for work in California.

Save-the-Redwoods League 50,000
General support.

Arts & Humanities

The Wolf Trap Foundation 5,000
General support.

San Francisco Symphony Association 10,000
General support; to match grant from
the National Endowment for the Arts.

Health

Miramonte Mental Health Services 5,000
General support.

Other

Overseas Development Council 5,000
General support.

Total **\$310,000**

1972**Education**

Stanford University		1,131,250
Establishment of western branch of National Bureau of Economic Research.	\$125,000	
"The Bridge" project, related to drug abuse.	5,000	
Drug addiction lab in Stanford Medical School.	50,000	
President's Discretionary Fund.	20,000	
Challenge to Annual Fund Drive.	931,250	
San Francisco Theological Seminary		250,000
Endowment of a Chair of Sacred Music.		
Massachusetts Institute of Technology		31,675
Electrical engineering and electronics program.		

Population

Planned Parenthood Federation of America, Inc.		11,310
General support.		
Planned Parenthood Association of Santa Clara County		5,000
General support.		

Environment

The Nature Conservancy		31,675
General support.		
Save-the-Redwoods League		56,565
General support.		
California Tomorrow		5,655
General support.		

Arts & Humanities

San Francisco Symphony Association		10,000
General support; to match grant from the National Endowment for the Arts.		
	Total	\$1,533,130

1973**Education**

University of California, Berkeley		40,000
Bancroft Library.		
Massachusetts Institute of Technology		50,000
Electrical engineering and electronics program.		
Stanford University		311,340
Terman Engineering Building.		

Population

Planned Parenthood Federation of America, Inc.		50,000
General support.		
Planned Parenthood Association of Santa Clara County, Inc.		5,000
General support.		

1973 continued

Environment

California Tomorrow 10,000
General support.

Arts & Humanities

American Academy of Arts & Sciences 15,000
Western Center.

San Francisco Symphony Association 10,000
General support; to match grant from
the National Endowment for the Arts.

Health

Miramonte Mental Health Services 5,000
General support.

Palo Alto Medical Research Foundation 5,000
General support.

Other

World Affairs Council of Northern California 25,000
Endowment program.

Total \$526,340

1974

Education

Stanford University 2,426,621
Terman Engineering Building. 2,000,000
John Steinbeck Collection. 20,405
Matching grants for general support. 406,216

Massachusetts Institute of Technology 100,000
Electrical engineering and electronics program.

Spelman College 50,000
Endowment Fund.

Graduate Theological Union 250,000
Common Library Fund.

University of California, Berkeley 37,500
Bancroft Library.

Population

Planned Parenthood Federation of America, Inc. 50,000
General support.

Environment

Sempervirens Fund 100,000
Land purchase for preservation.

California Tomorrow 10,000
General support.

1974 continued

Arts & Humanities

San Francisco Symphony Association	10,000
General support; to match grant from the National Endowment for the Arts.	
American Academy of Arts & Sciences Western Center.	15,000

Health

Miramonte Mental Health Services	10,000
General support.	
Centro de Cambio	24,000
Drug abuse prevention.	
Alum Rock Counseling Center, Inc.	5,000
Program for emotionally disturbed children.	

Social Services

San Francisco Development Fund	50,000
Nonpartisan housing study for California.	
NAACP Legal Defense and Educational Fund, Inc.	25,000
Legal intern for East Palo Alto.	

Total \$3,163,121

1975

Education

Berkeley Unified School District	15,200
"Poetry in the Schools" program in elementary schools.	
Graduate Theological Union	250,000
Common Library Fund.	
Regents of the University of California	4,000
Berkeley Summer Music Program for gifted, low income secondary students in the East Bay.	
The Charles Armstrong School	12,000
A new high school program for children with learning disabilities.	
Stanford University	292,196
Professorships, fellowships and the library.	41,408
	4,690,625

Population

Planned Parenthood Association of Santa Clara County	5,000
General support.	
Planned Parenthood/San Mateo County	5,000
General support.	

1975 continued

Environment

Save-the-Redwoods League	50,000
General support.	
Sierra Club Foundation	20,000
Toward purchase and preservation of open space on Mt. Diablo.	
The Nature Conservancy	35,000
Toward purchase and preservation of a part of Elkhorn Slough at Moss Landing, California.	
California Tomorrow	30,000
A matching grant for general support.	

Arts & Humanities

American Academy of Arts and Sciences	15,000
Western Center.	
Palace of Arts & Science Foundation	50,000
For support of The Exploratorium.	
Community Music Center of San Francisco	11,083
To provide for the formation of a community orchestra in San Francisco.	
California Music Center	10,000
General support for summer music program for gifted high school and college students from the Bay Area.	

Health

Centro de Cambio	16,000
Drug abuse prevention.	
Bucklew Farms	25,000
Toward purchase of a residential facility to be used in carrying out a program for young people with severe mental problems.	
Institute for Medical Research of Santa Clara County	13,500
Purchase of equipment for the Bone Transplant Program.	
National Academy of Sciences, Institute of Medicine	100,000
Joint funding (with the Kaiser Family Foundation) of "A Study of Alternatives to the Judicial System of Medical Malpractice Compensation."	

Social Services

Mid-Peninsula Coalition Housing Project	7,500
To open the Alan S. Maremont Child Care Center.	
Santa Clara County Senior Adult Forum	10,000
Support for a paid staff for a previously volunteer organization serving senior citizens.	
Community Housing, Inc.	20,000
General support for a low-income housing project for senior citizens in Palo Alto.	
Resource Center for Women	2,000
A center for employment opportunity for women.	

1975 continued

Human Investment Project of the Peninsula, Inc.	10,000
Initial support of a parental stress program, including a telephone "hot line" as first stage.	
United Way of Santa Clara County	5,000
General support.	
International Institute of San Francisco	10,440
Partial funding of a worker to serve the "coastside" centered in Pescadero and Half Moon Bay.	
Service League of San Mateo County	30,000
Partial funding of a three-year project in the field of County Corrections.	
San Francisco Foundation	250
Contribution to publishing costs of a Guide to California Foundations.	
Community Trust of Santa Clara County	10,000
A matching grant to be used toward costs of staff and organization.	
Total	\$5,796,202

1976

Education

Harvard University	1,000,000
Endowment of a chair in public service administration in the John Fitzgerald Kennedy School of Government.	
Regents of the University of California	2,000
Berkeley Summer Music Program for gifted, low income secondary students in the East Bay.	
University of California, Berkeley, Foundation	5,000
Assistance to deserving graduate students at U.C. Berkeley, preparing for careers in wildlife or fisheries conservation and management.	
Westminster Choir College	10,000
A short session in church music held on the campus of the San Francisco Theological Seminary.	
Stanford University	1,687,500
Professorships, fellowships and the library.	

Population

Family Planning Alternatives	10,000
Toward cost of remodeling the existing clinic.	
International Planned Parenthood Federation	50,000
For support of activities in Latin America.	
The Population Council	50,000
General support.	

1976 continued

Environment

Point Reyes Bird Observatory 5,000
Support of study and protection work
in the Farallon Islands.

The Wilderness Society 4,000
Partial support of a field representative in California.

Coyote Point Museum 10,000
Toward cost of a permanent museum exhibit
which will interpret human interaction with
the natural environment of San Mateo County.

Arts & Humanities

California Music Center 5,000
General support for summer music program for gifted
high school and college students from the Bay Area.

Community Music Center of San Francisco 8,822
For a community orchestra in San Francisco.

Palace of Arts and Science Foundation 50,000
For support of The Exploratorium.

San Francisco Conservatory of Music 50,000
General support.

San Francisco Symphony Association 20,000
General support for the years 1975 and 1976.

To help offset unanticipated financial reverses. 15,000

Westboro Music Festival 5,000
Toward faculty and staff costs for a three-week
summer festival in Woodside, California.

Berkeley Promenade Orchestra 1,500
General support.

Berkeley Repertory Theatre 2,000
General support.

Health

Centro de Cambio 8,000
Drug abuse prevention.

Memorial University of Newfoundland 50,000
Research in control of the black fly.

Northern California Cancer Program 20,000
Funding with the San Francisco and Kaiser Family
Foundations of a program to coordinate efforts
in cancer research, diagnosis and treatment taking
place in Northern California and Northwestern Nevada.

Visiting Nursing Association of San Mateo County 15,000
For a new county-wide In-Home Care Program.

1976 continued

Social Services

Community Trust of Santa Clara County A matching grant to be used toward costs of staff and organization.	10,000
Mental Health Association of San Mateo County Support for a program designed to prevent child abuse.	10,000
Optacon Fund, Inc. Toward cost of a statewide job development and evaluation program for blind persons equipped with sensory aids.	10,000
Pinon Co-op Federal Credit Union A program-related investment, for providing loans to members of the Navajo community.	40,000
Santa Clara County Senior Adult Forum, Inc. Support for a paid staff for a previously volunteer organization serving senior citizens.	6,000
Senior Coordinating Council of the Palo Alto Area, Inc. To help inaugurate a new day care program for elderly people in the Palo Alto area.	20,000
Stanford Mid-Peninsula Urban Coalition To help establish a residential treatment facility for girls who are in stressful family situations.	6,000
Suicide Prevention Center of San Mateo County Support of a program to train workers with children to be on the alert for suicidal tendencies among adolescents.	18,750
Girls' Club of the Midpeninsula General support.	2,500
New Ways to Work General support.	2,000
Resource Center for Women General support.	2,000
Northern Rockies Foundation Toward administrative costs of a new organization.	25,000

Other

World Affairs Council of Northern California To help establish a World Affairs Council International Center in San Francisco.	100,000
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Total **\$3,336,072**

Preferred Fields of Interest and Guidelines for Submitting Proposals

At this time the Foundation's future fields of interest, and procedures for receiving and processing grant requests, are under examination. The following should be understood to be subject to change.

The Hewlett Foundation is, within the meaning of the Tax Reform Act of 1969, a "private foundation." It is subject to the restrictions imposed upon "private foundations" by that Act, including the payment of an excise tax of 4% on its income. Its disbursements are currently in the neighborhood of \$3 million per annum.

The Foundation reviews all requests for support which are received. It has, however, preferred fields of interest. It does not respond to routine fund-raising appeals.

The Foundation's primary interests include: education, with some tendency to emphasize the college-university level; the arts and humanities; population problems and preservation of the environment. The Foundation is also interested in religious education, and has a commitment to equality of opportunity, especially certain programs related to professional education.

There is no geographic limit imposed on the Foundation by its charter, but some preference is given to activities in the Western part of the country. Grants in support of activities with only local impact are not made, except in the San Francisco Bay Area, where a program of aid to various charitable activities reflects the founding family's interests and concerns. Beyond this area, the Foundation makes grants in support of programs with wider geographic (regional or national) importance, within the Foundation's chosen fields of interest.

Among the activities which will generally not be considered for support by the Hewlett Foundation are: grants or loans to individuals; grants to organizations which have not been certified by the IRS as charitable; and contributions to fund drives (United Funds, health associations, building funds, etc.). In no event will the Foundation make any grant intended directly or indirectly for support of candidates for political office or attempts to influence legislation.

Grants may be made for a period of several years, or may be repeated, but the Foundation will not assume responsibility for permanent support of any activity. The operations of Hewlett-Packard Company have no bearing on the granting activities of the Foundation.

The Board of Directors of the Foundation meets quarterly. Meeting dates are available upon request. All requests, including those which are clearly outside the Foundation's declared interests, as well as those declined at the staff level, are reported to the Board. Our staff attempts to notify without delay those applicants whose proposals are outside the Foundation's scope of interest.

Inquiries and applications for grants should be addressed to the President at the Palo Alto headquarters. A preliminary inquiry is advisable and should comprise a brief statement of the applicant's need for funds, and enough factual information to enable the Foundation to determine whether or not the application falls within the Foundation's preferred areas of interest. A full proposal should include: a concise statement of the purpose of the request and the results sought; a budget for the project and an indication of the sponsoring organization's total budget and financial position; the identity and qualifications of key personnel to be involved; a list of members of the governing body; a statement as to any other funding sources to which the proposal is submitted and the amount requested of each; and, of course, evidence of the applicant's tax status (ordinarily the Foundation will consider grants only to organizations certified by the IRS as public charities, not "private foundations"). We usually expect a statement to the effect that the proposal has been reviewed by the applicant's governing body, and specifically approved for submission to The William and Flora Hewlett Foundation for consideration.

Office of The Foundation
2 Palo Alto Square
Palo Alto, California 94304
(415) 493-3665

Report on Examinations

Years Ended December 31, 1976 and 1975

The Board of Directors
The W. R. Hewlett Foundation

We have examined the balance sheet of The W. R. Hewlett Foundation as of December 31, 1976 and 1975 and the related statements of income and expenses and changes in fund balances for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of The W. R. Hewlett Foundation at December 31, 1976 and 1975 and its income and expenses and changes in fund balance for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Main Lafrentz & Co.

San Francisco, California
February 15, 1977 (except as to
Note 2 which is as of March 29, 1977)

Balance Sheet

December 31, 1976 and 1975

Assets	1976	1975
Investments (Note 2)		
Hewlett-Packard Company stock	\$24,245,175	\$22,555,509
Other securities	20,850	20,850
Cash		
Commercial account	1,826	44,595
Time and certificates of deposit	3,026,462	4,273,263
Office equipment and leasehold improvements, net of accumulated depreciation and amortization of \$1,838 and \$913	6,553	6,447
Interest receivable	—	104,336
	<u>\$27,300,866</u>	<u>\$27,005,000</u>
 Liabilities and Fund Balance		
Grants payable (Note 3)	\$ 1,326,047	\$ 193,446
Accrued federal excise tax on net investment income	19,878	13,729
Payroll taxes	1,327	779
Fund balance	<u>25,953,614</u>	<u>26,797,046</u>
	<u>\$27,300,866</u>	<u>\$27,005,000</u>

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

Statement of Income and Expenses

Years ended December 31, 1976 and 1975

	1976	1975
Income		
Interest	\$ 240,652	\$ 351,969
Dividends	119,089	104,248
	<u>359,741</u>	<u>456,217</u>
Expenses		
Salaries	36,711	27,410
Rent	4,554	6,000
Professional services	5,108	3,575
Consulting fees	21,515	799
Payroll and other taxes	2,363	1,731
Depreciation and amortization	925	738
Travel	2,234	2,265
Other	18,332	12,230
	<u>91,742</u>	<u>54,748</u>
Income before taxes	267,999	401,469
Federal excise tax on net investment income (Note 3)	19,878	13,729
Net income	<u>\$ 248,121</u>	<u>\$ 387,740</u>

Statement of Changes in Fund Balance

Years ended December 31, 1976 and 1975

	1976	1975
Balance at beginning of year	\$26,797,046	\$29,554,369
Net income	248,121	387,740
Contributions received	2,797,000	—
Contributions paid or payable	<u>(3,888,553)</u>	<u>(3,145,063)</u>
Balance at end of year	<u>\$25,953,614</u>	<u>\$26,797,046</u>

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

Notes to Financial Statements

December 31, 1976 and 1975

1. Accounting Policies

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

2. Investments

Investments are reflected at the market value on the date of their receipt by the Foundation or at cost if purchased. The market values at December 31, were as follows:

	1976	1975
Hewlett-Packard Company stock (408,155 and 396,155 shares)	\$35,611,524	\$37,436,648
Hexcel Corp. stock (467 and 374 shares)	<u>7,239</u>	<u>4,769</u>
	<u>\$35,618,763</u>	<u>\$37,441,417</u>

Subsequent to December 31, 1976, there was a significant reduction in the market value of the Foundation's major investment. The market value of the Hewlett-Packard Company stock as of March 29, 1977 was \$31,019,780.

3. Grants Payable and Federal Excise Tax

Grants authorized by the Board of Directors but unpaid as of December 31 are accrued.

The Foundation ordinarily makes its grants to public charities which are organizations qualifying under the Internal Revenue Code. When distributions are made to non-qualifying organizations, the Foundation assumes the responsibility for ultimate public charity use. No distributions of this nature were made during 1976 or 1975. The Code requires that the greater of net income or 5% of the average monthly investment balance at market value less the excise tax of 4% be distributed within one year to avoid tax. At December 31, 1976 and 1975, no additional distributions were required.

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

4. Subsequent Event

Flora L. Hewlett, wife of W. R. Hewlett, died on February 9, 1977. The W. R. Hewlett Foundation will be the beneficiary of a significant bequest upon the determination of the value of her estate.