TAX-EXEMPT FOUNDATIONS

WEDNESDAY, NOVEMBER 10, 1954

HOUSE OF REPRESENTATIVES, SELECT COMMITTEE TO INVESTIGATE TAX-EXEMPT FOUNDATIONS AND COMPARABLE ORGANIZATIONS,
Washington, D. C.

The select committee met, pursuant to recess, at 10:05 a.m., in room 1301, New House Office Building, Hon. Brooks Hays presiding.
Present: Representatives Cox (chairman), Hays (presiding), Ford, Simpson of Pennsylvania, and Goodwin.
Also present: Harold M. Keele, counsel to the committee.

Mr. Hays. The committee will come to order.

Mr. Keele, will you call your witness, please.

Mr. Sugarman, will you take the witness chair, please.

Mr. Hays. Mr. Sugarman, we are glad to have you as a witness, sir.

Mr. Keele will interrogate you.

STATEMENT OF NORMAN A. SUGARMAN, ASSISTANT COMMISSIONER OF INTERNAL REVENUE

Mr. Keele. Mr. Sugarman, will you identify yourself for the record, please.

Mr. Sugarman. Norman A. Sugarman, Assistant Commissioner, Bureau of Internal Revenue.

Mr. Keele. Mr. Sugarman, will you please state for the information of the committee the existing tax laws and tax procedures relative to tax-exempt organizations.

Mr. Sugarman. Mr. Keele, I will be glad to do that. I have a statement which, with the permission of the committee, I would like to read at this time.

Mr. Hays. You may proceed.

Mr. Keele. We may have some questions to ask you later. I think, if you prefer to read your statement, that may be done, in accordance with the chairman’s ruling.

Mr. Sugarman. I would like to read the statement. I hope it will answer your questions, and I shall be glad to answer any that you may ask.

Mr. Keele. We will try to withhold our questions, Mr. Sugarman, until you have finished your statement.

Mr. Sugarman. Mr. Chairman and members of the committee, I am appearing today in response to the request of your committee for a representative of the Bureau of Internal Revenue to testify before the committee as to the existing tax laws and regulations relative to tax-exempt organizations. Since the first part of September, officials
of the Bureau have met frequently with staff members of your committee for the purpose of giving such information and other assistance as may be provided under the present laws and regulations governing the administration of the Federal tax statutes.

The Bureau of Internal Revenue is charged with the responsibility of seeing that the taxes levied by the Congress are paid. There are about 80 different kinds of Federal internal revenue taxes imposed by law. For each of these taxes we must draw up the rules and issue interpretations to assist taxpayers in complying with the law.

It is equally our responsibility to draw up the rules and apply the law fairly under the provisions of the law imposing tax as well as under the provisions providing for exemption from tax. Our approach in both instances is the same: To interpret the tax laws fairly and evenly, to render every possible assistance to individuals and organizations in determining their rights and liabilities, and to provide effective enforcement, through the manpower available to us, in those instances where the law is not being properly adhered to.

In fulfilling its obligation to the American people, the Bureau of Internal Revenue acts as a service agency rather than as a regulatory agency. We are not unmindful of the tremendous economic impact of taxes in shaping business and other transactions, but the business or economic decisions made are those of the private citizen or of other organizations and not those of the Bureau of Internal Revenue. Our job is to determine the tax consequences of the decisions and actions of others.

With your permission I would now like to describe the role of the Bureau of Internal Revenue in administering the tax laws as they relate to organizations with which this committee is concerned.

The revenue laws contain numerous provisions relating to and affecting the exemption of many kinds of organizations from Federal taxes.

I have attached to my statement, which I shall be glad to submit for the record of this committee, the text of the many statutory provisions that are involved under the revenue laws.

The compilation of these revenue provisions shows the volume and scope of the statutes on this subject administered by the Bureau of Internal Revenue. However, since the provisions of law relating to exemption of organizations from the income tax are the most important, I shall confine my remarks principally to that subject.

In the interest of clarification it may be said that the statutory picture is generally as follows:

The granting of exemption to certain organizations;
The allowance of related tax benefits in the form of deductions for contributions;
Limitations imposed on exemption and related tax benefits; and
Filing and publicity requirements.

The principal provisions of the present law governing exemption from tax of organizations, including foundations, are found in section 101 of the Internal Revenue Code (title 26 of the United States Code). This section exempts from the income tax 18 types of organizations which come within the limitations stated in the statute. These organizations may be generally described as follows:

Labor and agricultural organizations,
Fraternal beneficiary societies,
Credit union and certain mutual reserve-fund organizations,
Cemetery companies,
Business leagues, chambers of commerce, real-estate boards, and boards of trade,
Civic leagues and local associations of employees with charitable or educational purposes,
Clubs organized for recreation and pleasure,
Local benevolent life-insurance associations, and mutual ditch, irrigation, or telephone companies,
Mutual nonlife insurance companies with gross income of $75,000 or under,
Farmers’ cooperatives (which are subject to tax, however, on income not allocated to patrons),
Crop-financing organizations for farmers’ cooperatives,
Corporations organized to hold title to property for any other exempt organization,
Corporation instrumentalities of the United States specifically exempted by Congress,
Voluntary employees’ beneficiary associations,
Local teachers’ retirement-fund associations,
Religious or apostolic associations,
Voluntary Federal employees’ beneficiary associations, and
Religious, charitable, scientific, literary, or educational organizations.

The last category—that is, the religious, charitable, scientific, literary, or educational organizations—contains the general classification in which it is believed this committee is most interested. This category is provided in paragraph (6) of section 101 as follows, and here I quote:

Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation.

Religious, charitable, and educational organizations have been exempt from income tax in all revenue acts. The language of the present provisions of section 101 (6) has been in effect since 1934. In passing, it may be noted that exemption from income tax carries with it exemption from personal holding company and excess-profits taxes. Elective treatment is also provided such organizations as to whether they and their employees will be subject to the social-security taxes, and they are exempt from the Federal unemployment tax.

It will be noted that section 101 (6) applies to corporations, community chests, funds, and foundations which qualify under the statute. The term “foundation” is not defined in the statute; and for tax purposes a so-called foundation may be an “association” treated as a corporation or may be a trust. The Internal Revenue Code does not seek, nor make it necessary, to distinguish between so-called foundations and other organizations for purposes of the exemption statutes.

The full meaning of exemption from income tax as a religious, charitable, et cetera, organization under section 101 (6) is not apparent without a consideration of those sections of the Internal Revenue Code granting deductions from the income, estate, and gift taxes
for contributions to certain organizations. The principal provisions are sections 23 (o), 23 (q), and 162 (a) with respect to the income tax, sections 812 (d) and 861 (a) (3) with respect to the estate tax, and sections 1004 (a) (2) (B) and 1004 (b) (2) and (3) with respect to the gift tax. These are all included in the compilation of the statutory provisions which will be available for the records of the committee.

In general, an exempt status as an educational, charitable, et cetera, organization will, under the above-noted provisions, permit contributions to the organization to be deductible for purposes of income, estate, and gift taxes.

For income-tax purposes, the deduction is generally limited in the case of an individual to 20 percent of his adjusted gross income and in the case of a corporation to 5 percent of its net income. The 20-percent limitation, in place of a previous 15-percent limitation, was provided by legislation enacted this year effective for taxable years beginning after December 31, 1951. This is provided by Public Law 465, Eighty-second Congress, section 4.

These percentage limitations do not apply to trusts if they comply with certain conditions under section 162 (a) and section 162 (g). A trust which satisfies the conditions may deduct the full amount of its gross income which is paid, permanently set aside, or used for purposes equivalent to those under section 101 (6). This may actually render the trust not taxable for a period of time, although it does not seek classification as an exempt organization.

Legislation enacted in 1950 provides rules under which both exempt organizations and trusts may lose, in whole or in part, the tax advantages heretofore available to them.

The basic limitations on the tax exemption privilege are stated in section 101 (6) itself, which requires that, to qualify for exemption under that subsection, no part of the net earnings of the organization may inure to the benefit of any private shareholder or individual, and no substantial part of its activities may be devoted to carrying on propaganda, or otherwise attempting, to influence legislation. Section 101, as amended by the Revenue Act of 1950, also provides that if an organization is operated primarily to carry on a trade or business for profit, it shall not be exempt on the grounds that its profits are payable to an exempt organization.

Supplement U of the Internal Revenue Code also provides that if an organization exempt under section 101 (6)—other than a church—does carry on a trade or business which is unrelated to its exempt function, its exemption is not lost but the income from such business is subject to the income tax, but not the excess profits tax. Supplement U was added to the Internal Revenue Code by the Revenue Act of 1950 and was first effective for taxable years beginning in 1951.

Additional restrictions are provided in sections 3813 and 3814 of the Internal Revenue Code, which were also added by the Revenue Act of 1950 and which first became effective for taxable years beginning in 1951. Section 3813 provides that, with certain exceptions, organizations exempt under section 101 (6) shall lose their exemption if they engage in specified “prohibited transaction.” It should be understood that the transactions are not actually outlawed by the revenue laws but are “prohibited” only in the sense of being inconsistent with continued tax privileges. These provisions prohibit the
creator of the organization, a substantial contributor there to, or a member of the family of either, or a corporation controlled by either, (1) from receiving a loan of income or corpus of the organization without giving adequate security and reasonable interest, (2) from receiving compensation from the organization except a reasonable allowance for personal services actually rendered, (3) from receiving services from the organization on a preferential basis, (4) from selling a substantial amount of securities or property to the organization for more than adequate consideration, (5) from buying a substantial amount of securities or property from the organization for less than adequate consideration, and (6) from participating with the organization in any other transaction which diverts a substantial amount of income or corpus to such person. Provision is made for appropriate disallowance of deductions for contributions to an organization engaging in such transactions and for subsequent restoration of its exemption where appropriate.

Section 3814 provides that an organization may lose its exemption under section 101 (6) if, in view of its exempt purposes, its total accumulations of income are unreasonable in amount or duration, or are used to a substantial degree for other than exempt purposes, or are invested in such a manner as to jeopardize the carrying out of such purposes.

It should be noted that the prohibitions on certain transactions and against accumulations under sections 3813 and 3814 are not applicable to those organizations exempt under section 101 (6) which are religious organizations, educational organizations with a faculty curriculum and pupils in attendance at the place of education, publicly supported organizations, and organizations to provide medical or hospital care or medical education or research.

Another statutory restriction is imposed by the Internal Security Act of 1950, which denies exemption to any organization, including organizations under section 101 (6), if at any time during its taxable year it is registered under section 7 of such act—requiring registration of Communist-action and Communist-front organizations—or if there is in effect a final order of the Subversive Activities Control Board requiring such registration. Contributions to such organizations so denied exemption are not deductible.

In general, organizations exempt under section 101 (6) are not required to file income tax returns like taxable corporations. Section 54 (f) of the Internal Revenue Code does require, with certain exceptions, that section 101 (6) organizations file annual information returns. No return is required to be filed in the case of a religious organization, an educational organization with a curriculum and a body of students present at the place of education, and a charitable organization supported primarily by the general public.

Section 153 of the code also provides that each section 101 (6) organization required to file the annual information return shall also furnish information showing (1) its gross income, (2) its expenses, (3) its disbursements from income for exempt purposes, (4) its accumulation of income in the year, (5) its aggregate accumulations of income at the beginning of the year, (6) its disbursements of principal in current and prior years for exempt purposes, and (7) a balance sheet as of the beginning of the year. The statute requires the
above-listed information to be made available by the Department for public inspection.

These requirements of section 153 of the code were added by the Revenue Act of 1950 and first became effective for taxable years beginning in 1950.

The administration of section 101 and related provisions of the Internal Revenue Code is divided between the Washington and field offices of the internal revenue service. The field offices receive and process exemption applications and information returns, and also make investigations relating to these applications and returns. The headquarters office in Washington makes rulings and determinations as to the exempt status of foundations and organizations required to file the applications and returns. In Washington, this administrative work is performed by the Exempt Organizations Branch of the Special Technical Services Division under the supervision of the Assistant Commissioner (Technical). In the field, the work is performed by the offices of Directors of Internal Revenue.

The administrative procedures are probably best explained by tracing the actual steps involved in the filing of applications and returns by foundations and other organizations.

In regard to applications and rulings on exempt status, the long-standing practice of the Bureau of Internal Revenue has been to issue rulings or to make determinations with respect to each organization seeking exemption under section 101 (6) of the Internal Revenue Code. These rulings or determinations are made in the Washington headquarters.

Accordingly, Treasury regulations provide that organizations file exemption applications when claiming exemption. The application must be filed in the office of the director of internal revenue in whose district the headquarters of the organization is located. A copy of the application required to be filed for exemption under section 101 (6) of the Internal Revenue Code will be offered to the committee as an exhibit, and I believe you have that exhibit in front of you with the statement as exhibit B.

After certain processing, involving control and examination for completeness, the director of internal revenue forwards the application to Washington for the attention of the Exempt Organizations Branch.

The Exempt Organizations Branch performs one of the following administrative actions in connection with these applications:

1. If the organization has not operated at least 12 months for purposes for which created, it is usually advised by letter that the Bureau is unable, at this time, to rule on its application owing to the absence of substantial operations which would establish its right to exemption under the law. If, however, the organization making application is a charitable one with community-wide participation of a public character, or an educational organization such as a school, college, etc., having a student body with a regular curriculum, a tentative ruling is issued indicating that the organization will be exempt if it operates in accordance with the stated purposes, but requiring that it resubmit its application, with complete data, after a year’s actual operations. After study of the organization’s operations, a formal ruling is issued.
2. If the organization has been operating for at least 12 months and the facts supplied with its application establish that it is clearly exempt under the law, a ruling is issued which establishes the fact of tax exemption so long as the organization continues to operate in accordance with the statute and with the purposes stated in the application. However, if additional information is needed, an investigation of the organization's operations is made either by direct communication with the organization by the Washington headquarters, or through the director's office in the field, or by both methods. Upon consideration of all established facts, a ruling is issued either granting or denying the exemption.

In connection with the examination of applications and the determination of the exempt status of an organization, one source of information is the Attorney General's subversive lists, issued under the provisions of Executive Orders 9300 and 9335. It is the practice to deny exemption to any organization appearing on such lists.

Cases involving complex legal principles or unprecedented issues are referred for legal advice to the Office of the Chief Counsel for the Bureau. In these cases, the Chief Counsel either approves the proposed ruling on which his advice is requested, or he expresses his views and recommendations by memorandum to the Assistant Commissioner.

An organization which applies for tax exemption, but which is denied such status, is required to file an income-tax return. Copies of letters denying exempt status are sent to the director of internal revenue in whose district the organization is located, thereby permitting the field office to establish whether the income-tax return of the organization is filed.

As previously stated, organizations entitled to tax exemption under section 101 of the code are, with certain exceptions, required to file information returns as provided in section 54 (f). The information return required of most exempt organizations is designated as Form 990; but for organizations under section 101 (6) a return designated as Form 990-A is prescribed. I shall offer as exhibit C and as exhibit D Forms 990 and 990-A.

Beginning with the 1950 tax year, Form 990-A has been used for section 101 (6) organizations required to file information returns. This Form 990-A was prescribed in compliance with the requirements of section 153 of the code, as added by the Revenue Act of 1950, which requires the furnishing of information which the Bureau is to make public. The second sheet of Form 990-A, pages 3 and 4, calls for such information.

The Form 990-A is filed with the director of internal revenue who retains the second sheet on file for public inspection. The director forwards the first sheet of the Form 990-A, together with any attachments, schedules, and other information supplied by the organization, to Washington for consideration by the Exempt Organizations Branch. This Branch surveys the returns and selects for further examination those which disclose doubtful items or activities. The examination of the doubtful items or activities begins by obtaining, either directly from the organization or through the director's office, the additional information needed to determine the right of the organization to continue to enjoy its exempt status. The procedure for making this determination is similar to that used in making the original determination on application of the organization for an exempt status.
If, after examination, the organization is determined to be entitled to continue exemption, it has been the Bureau practice so to notify the organization. If, however, the examination discloses that the organization is no longer entitled to exemption, the exemption is revoked and the taxpayer is notified to file income-tax returns. The appropriate director's office is also notified of the revocation so that it can determine whether an income-tax return is filed. In connection with the examination of Forms 990-A, consideration is given to information received from all sources as to whether an organization previously ruled exempt is still entitled to exemption. Such information may be received in letters from informants, or from hearings before congressional committees, and from items which appear in newspapers and other publications.

As previously stated, some organizations exempt under section 101 (6) of the Internal Revenue Code may also be subject to the tax imposed by supplement U on income from an unrelated business. Exempt organizations subject to tax under supplement U are required to file the tax returns, Form 990-T, in addition to Form 990-A. A copy of Form 990-T, which is a return much like the ordinary income-tax return filed by corporations and other businesses, is shown as exhibit E. The Form 990-T tax return is processed differently from the exemption application and the information returns, Forms 990 and 990-A. Briefly, the Form 990-T return is processed in the same manner as other taxable returns. That is, the selection of returns for examination and the investigations are conducted by the Audit Division in the Office of the Director of Internal Revenue which is responsible for determining the correctness of the tax return and the taxpayer's liability.

An additional check on the 990-T returns is provided through the survey and selection for examination of Forms 990-A in the Exempt Organizations Branch in Washington. As described above, it is the practice of the Bureau to investigate doubtful items in Forms 990-A, and those investigations may lead to the requirement that the organization file a Form 990-T in addition to the Form 990-A.

There remains for a full understanding of the statutory provisions and their administration to consider the role of the courts in interpreting the tax-exemption provisions.

The Bureau of Internal Revenue, of course, does not have the final word as to whether an organization is exempt under section 101 and the related provisions of the Internal Revenue Code. Where the Bureau asserts that a tax is owing, its determination may be appealed to one of several courts. The appeal may be taken either by the organization which is ruled taxable rather than exempt, or by a person who asserts his right to deduct contributions made. In either event, appeal to the courts may be made by either of the following procedures: The organization, or the person making the contribution, may pay the disputed tax liability and then bring suit for refund in a United States district court or in the United States Court of Claims. On the other hand, the organization or person making the contribution has the right under existing law to choose to appeal an asserted income, estate or gift tax deficiency prior to paying the tax, in which case an appeal is taken to the Tax Court of the United States. An adverse decision rendered by a district court, the Court of Claims or the Tax Court may be appealed to a higher court in such cases as in other tax controversies.
Accordingly, the judicial interpretations play an important role in the determining of the course of administration of the exemption provisions. A brief summary of the trend of judicial thinking under section 101 (6) may therefore be helpful.

In general, the courts have indicated that while normally provisions exempting taxpayers from tax are to be strictly construed, the exemption under section 101 (6) for religious and charitable organizations is to be liberally construed. This was determined in the Supreme Court case of Helvering v. Bliss (293 U. S. 144).

This approach appears to dominate judicial thinking in the area. Thus, it has been decided that the exemption under section 101 (6) from the corporate tax applies to charitable trusts which, if taxable, would be taxed as individuals. This was decided in the Fifth-third Union Trust Company v. Commissioner case (56 Fed. 2d 767).

To be exempt as religious, it is necessary that the organization be engaged in furtherance of one of the major religious faiths or be a recognized part of one of those bodies. This was the decision in the Unity School of Christianity (4 Board of Tax Appeals 61).

While charitable acts normally are considered as being done without recompense or profit, it is not necessary for exemption as charitable that the organization provide its services free of charge. This was the decision in Salem Lutheran Home Association, a Tax Court memorandum opinion of May 26, 1943.

The term “educational” is broader than mere activities such as those of schools and colleges; it includes the encouragement of good citizenship, the discussion of industrial, political, and economic questions, and the distribution of information on alcoholism. These were decisions rendered in Rose D. Forbes (7 Board of Tax Appeals 209); Weyl v. Commissioner (48 Fed. 2d 511); and Cochran v. Commissioner (78 Fed. 2d 176).

The term “scientific” is broader than the basic sciences and includes improvement of motion-picture photography, as decided in the American Society of Cinematographers (42 Board of Tax Appeals 675).

The fact that upon the remote contingency of dissolution accumulated earnings might inure to private stockholders does not violate the precept that no part of the net earnings may inure to the benefit of private shareholders or individuals.

III. Summary: This summarizes the statutory provisions, the Bureau’s administrative procedures, and the judicial interpretations. A final word needs to be said as to the Bureau’s workload and the scope of its task of administering the tax-exemption provisions.

As previously indicated, the task of making determinations and rulings as to exempt status is performed in the Washington headquarters by the Exempt Organizations Branch. This Branch is composed of 65 employees, of whom 47 are technical personnel qualified to prepare and review rulings and make determinations on returns filed.

During the fiscal year ended June 30, 1952, the Exempt Organizations Branch issued approximately 14,000 exemption-status rulings, of which approximately 10 percent were denials of exemption. It also issued 2,500 advisory letters which did not rule on the exempt status of the organization. These issuances, of course, involve all organizations claiming exemption under section 101 and not solely those within the scope of this committee’s study. During the 2-year
period ending June 30, 1952, the exemption under section 101 (6) of approximately 55 organizations was revoked.

More than 100,000 information returns are filed annually by all organizations exempt under section 101. A special study for 1948 indicated that about 14,000 of the returns for such year were filed by organizations exempt under section 101 (6). Moreover, this figure does not include all section 101 (6) organizations on which the Bureau must rule, for the reason that a large portion of such organizations, particularly in the religious and educational field, are not required to file returns. The size of the section 101 (6) group of organizations is shown generally by the Bureau's published cumulative list of charitable, religious, educational, and similar organizations, contributions to which are deductible from the taxable income of contributors. These lists are published periodically and show the following totals of such organizations:

<table>
<thead>
<tr>
<th>Date</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of June 30, 1939</td>
<td>12,500</td>
</tr>
<tr>
<td>As of June 30, 1940</td>
<td>27,500</td>
</tr>
<tr>
<td>As of June 30, 1950</td>
<td>32,000</td>
</tr>
</tbody>
</table>

There has not been time to obtain sufficient experience under the provisions of the Revenue Act of 1950 to determine the effect on organizations claiming exemption. The provisions of the Revenue Act relating to prohibited transactions and unrelated business income generally would first be reflected in returns filed only this year.

Mr. Chairman, this completes my statement and with your permission I would now like to submit for the records of your committee the matters previously referred to as exhibits A, B, C, D, and E.

Mr. Hay. Without objection, the exhibits will be received and made a part of the record.

(Exhibit A referred to is on file with the Select Committee. Exhibits B, C, D, and E are as follows:)

EXEMPTION APPLICATION

FOR USE OF RELIGIOUS, CHARITABLE, SCIENTIFIC, LITERARY, OR EDUCATIONAL ORGANIZATIONS

CLAIMING EXEMPTION FROM FEDERAL INCOME TAX UNDER SECTION 501(c) OF THE INTERNAL REVENUE CODE AND THE CORRESPONDING PROVISIONS OF PRIOR REVENUE ACTS

(To be made only by a principal officer of the organization claiming the exemption)

I, ____________________________________________, declare under the penalties of perjury that I am the ____________________________________________, (Title of official—i.e., president, secretary, etc.) of the ____________________________________________, (Full name of organization) located at ____________________________________________, (Complete address, including street and number—post office box, etc.) and that the following answers and statements, including all statements attached hereto, are complete and true to the best of my knowledge and belief:

1. Is the organization incorporated? (Yes or no) ____________________________________________ If so, under the laws of what State? ____________________________________________ (Name of State)
   When? ____________________________________________ (Date of Incorporation) If not incorporated, state the manner of organization and the date thereof ____________________________________________

2. Is the organization the outgrowth or continuation of any form of predecessor? (Yes or no) ____________________________________________ If so, state the name of such predecessor and the period during which it was in existence ____________________________________________

3. Has the organization filed Federal income tax returns? (Yes or no) ____________________________________________ If so, state return form number and year or years ____________________________________________

4. State briefly the specific purposes for which the organization was formed. (Do not quote from, or make references to, the articles of incorporation or bylaws for this purpose.) ____________________________________________
6. Is the organization authorized to issue capital stock? If so, state (1) the class or classes of such stock, (2) the number and par value of shares of each class outstanding, and (3) the consideration paid for outstanding shares.

6. If capital stock is outstanding, state whether any dividends or interest has been or may be paid thereon. If so, give facts in detail.

7. If any distribution of corporate property of any character has ever been made to shareholders or members, attach hereto a separate statement containing full details thereof, including (1) amounts or value, (2) source of funds or property distributed, and (3) basis of and authority for distribution.

8. State all sources from which the organization's income is derived.

9. Does any part of the receipts represent payment for services of any character rendered by the organization? If so, explain in detail.

10. State all the activities in which the organization is presently engaged. (Explain in detail, using additional sheets as required—See footnote.)

11. What, if any, specific activities of the organization have been discontinued? (Explain fully, giving dates of commencement and termination and the reason for discontinuance.)
12. Is the organization now, or has it ever been, engaged in carrying on propaganda, or otherwise either advocating or opposing pending or proposed legislation? (Yes or no) If so, furnish a detailed explanation of such activities, and furnish copies of literature, if any, distributed by the organization. (Use additional sheets as required—See footnote.)

13. (a) For what purposes, other than in payment for services rendered or supplies furnished, are the organization's funds expended? 

(b) If any payments are made to members or shareholders for services rendered by the organization, attach a separate statement showing the amounts so paid and the character of the services rendered.

14. Does any part of the net income of the organization inure to the benefit of any private shareholder or individual?

15. If the organization is a hospital, attach a separate statement showing the number of full-pay, the number of part-pay, and the number of nonpay patients treated during the last complete year of operation.

16. In the event of the dissolution of the organization, what disposition would be made of its property?

17. After July 1, 1950, did—
   The creator of your organization, or
   A contributor to your organization, or
   A brother or sister (whole or half blood), spouse, ancestor, or lineal descendant of such creator or contributor, or
   A corporation owned (50 percent or more of voting stock or 50 percent or more of value of all stock) directly or indirectly by such creator or contributor

(a) Borrow any part of your income or corpus? (Yes or no)

(b) Receive any compensation for personal services from you? (Yes or no)

(c) Have any part of your services made available to him? (Yes or no)

(d) Purchase any securities or other property from you? (Yes or no)

(e) Sell any securities or other property to you? (Yes or no)

(f) Have any part of your income or corpus diverted to him by any transaction? (Yes or no)

If answer to any question is "yes," attach detailed statement.

(over)
18. Attach to this application a classified statement of the receipts and expenditures of the organization during the last complete year of operation and a complete statement of the assets and liabilities as of the end of that year; a copy of the articles of incorporation, if incorporated, or if not incorporated, a copy of the constitution, articles of association, declaration of trust, or other document setting forth the aims and purposes of the organization; and a copy of the bylaws, or other similar code of regulations. If exemption is claimed as an exclusively educational organization and a regular curriculum and faculty are not normally maintained and a regularly organized body of pupils or students is not normally in attendance at the place where the educational activities are regularly carried on, there should also be attached specimen copies of any books, pamphlets, leaflets, or other printed matter issued or distributed during the last complete year of operations.

(Signatures of officer making declaration)

[Signature]

IMPORTANT

A mere claim or contention by an organization that it is exempt from income tax under section 101 of the Internal Revenue Code and the corresponding provisions of prior revenue acts will not relieve the organization from filing income tax returns and paying the tax. Unless the Commissioner has determined that an organization is exempt, it should prepare and file a complete income tax return for each taxable year of its existence. Accordingly, every organization that claims to be exempt should furnish the information and data specified herein, together with any other facts deemed material to the question, with the least possible delay. In order that the Commissioner can determine whether or not it is exempt. As soon as practicable after the information and data are received, the organization will be advised of the Commissioner's determination, and, if it is held to be exempt, no further income tax returns will be required.

[Date]

[Name]

[Title]
**TAX-EXEMPT FOUNDATIONS**

**UNITED STATES**

**RETURN OF ORGANIZATION EXEMPT FROM TAX UNDER SECTION 101 OF THE INTERNAL REVENUE CODE (EXCEPT UNDER SUBSECTION 6)**

*(As required under Section 51 (f) of the Internal Revenue Code)*

*For Calendar Year ______________________ and Ending ______________________*

<table>
<thead>
<tr>
<th>PRINT LEGAL NAME AND ADDRESS OF THE ORGANIZATION</th>
<th>Social No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Give name in full)</td>
<td>(See Note)</td>
</tr>
<tr>
<td>(Street and number)</td>
<td>(City or town)</td>
</tr>
<tr>
<td></td>
<td>(State)</td>
</tr>
<tr>
<td>Date of Bureau exemption letter and subsection of section 101 under which you are exempt:</td>
<td></td>
</tr>
</tbody>
</table>

1. State nature of activities: ____________________________________________________________

2. Have you filed a tax return on Form 990-EX for this year? *(Applicable only to organizations filing the form for the first time)*

   (Yes) [ ]
   (No) [ ]
   If no, where filed: ______________________

3. What is the legal form of your organization (corporation, trust, unincorporated association, etc.)? ____________________________________________________________

4. In what State or country did you operate? _______________________________________

5. If you are successor to a previously existing organization(s), give name(s) and address(es) of the predecessor organization(s): ____________________________________________________________

6. If you have capital stock issued and outstanding, state with respect to each class of stock (a) the number of shares outstanding, (b) the number of shares held by individuals, (c) the number of shares held by organizations, (d) the number of shareholders at end of year, and (e) whether any dividends may be paid: ____________________________________________________________

7. Have any changes not previously reported to the Bureau been made in your articles of incorporation or bylaws or other instrument of similar import? *(See Note) If so, attach a copy of the amendment.*

8. Have you had any income or engaged in any activities which have not previously been reported to the Bureau? *(See Note)* If so, attach detailed statement.

9. If you were held exempt under section 101(f), state the total amount of mortgage bonds issued during the year to (a) members, $_________; (b) nonmembers, $_________.

10. Did you lease or rent any real property to or from a person or group of persons directly associated with you? *(Yes) [ ] (No) [ ]

   If yes, attach a detailed statement.

11. Did you hold any real property for rental purposes on which there is an indebtedness incurred in acquiring the property or in making improvements thereto? *(Yes) [ ] (No) [ ]

   If yes, attach detailed statement.

12. Farmers' cooperative marketing and purchasing organizations shall also state:

   (a) Number of shares of voting stock owned by

      (1) producers _____________________________________________

      (2) nonproducers _________________________________________

   (b) Were nonmembers charged the same as members for marketing and purchasing? *(Yes) [ ] (No) [ ]

   (c) Were patronage dividends paid to nonmembers on the same basis as to members? *(Yes) [ ] (No) [ ]

13. Value of agricultural products marketed (or handled) for members (1) actually produced by such members, $_________; (2) purchased or otherwise acquired by such members, $_________; for nonmembers (3) actually produced by such nonmembers, $_________; (4) purchased or otherwise acquired by such nonmembers, $_________; *(See Note)*

14. Value of supplies and equipment purchased for or sold to (1) members, $_________; (2) nonmembers who were producers, $_________; (3) nonmembers who were not producers, $_________.

15. Amount of business done for United States Government or agencies thereof, $_________.

16. **Signature:** ____________________________________________________________

   **Title:** ____________________________________________________________
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
<th>Amount</th>
<th>Total of Items 1 to 15, inclusive</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dues, assessments, etc., from members, excluding service and other charges properly included under Item 7 (see Instruction 3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Dues, assessments, etc., from affiliated organizations (see Instruction 3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Contributions, gifts, grants, etc., received (see Instruction 3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Dividends</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Rents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Gross receipt from business activities (state nature):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Patronage dividends (or patronage refunds) received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Gain (or loss) from sale of assets, excluding inventory items (see Instruction 10)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Other income (if more than 10 percent of item 11, attach itemized schedule. Also see Instruction 3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Total of Items 1 to 15, inclusive</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**DISPOSITION OF INCOME, DUES, CONTRIBUTIONS, ETC.**

A. Expenses attributable to income items 1 and 2 (see Instruction 6):

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>Cost of goods sold (or, in the case of farmers' cooperatives, purchase for or advances to patrons)</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Compensation of officers, directors, trustees, etc.</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Wages, salaries, and commissions (other than compensation of officers, directors, trustees, etc.)</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Interest</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Taxes (such as property, income, social security, unemployment taxes, etc.)</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Rents</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Depreciation and depletion</td>
<td></td>
</tr>
<tr>
<td>(a)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Miscellaneous expenses (state nature):</td>
<td></td>
</tr>
<tr>
<td>(a)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

B. Other expenses:

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>Dues, assessments, etc., to affiliated organizations</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Compensation of officers, directors, trustees, etc. (not included under item 13)</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Wages, salaries, and commissions (not included under item 14)</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Interest (not included under item 15)</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>Taxes (not included under item 16)</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Rents (not included under item 17)</td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>Miscellaneous expenses not elsewhere classified (state nature):</td>
<td></td>
</tr>
<tr>
<td>(a)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

C. Contributions:

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>27</td>
<td>Contributions, gifts, grants, etc., paid (state to whom paid)</td>
<td></td>
</tr>
<tr>
<td>(a)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

D. Other Disbursements:

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>28</td>
<td>Benefits payments to or for members or their dependents:</td>
<td></td>
</tr>
<tr>
<td>(a)</td>
<td>Death, sickness, hospitalization, disability, or pension benefits</td>
<td></td>
</tr>
<tr>
<td>(b)</td>
<td>Other benefits</td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>Dividends (net of patronage dividends) and other distributions to members, shareholders, or depositors</td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>Cash patronage dividends (or patronage refunds) (for farmers' cooperatives only)</td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>Patronage dividends (or patronage refunds) (for stock, notes, credits, or other evidence of equity or indebtedness (for farmers' cooperatives only)</td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>Additions to reserves (attach itemized schedule)</td>
<td></td>
</tr>
<tr>
<td>33</td>
<td>Additions to surplus</td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>Total of items 13 to 33, inclusive (see Instruction 7)</td>
<td></td>
</tr>
</tbody>
</table>

---

10-1993-9
### Schedule A — BALANCE SHEETS (See Instruction 8)

#### Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31</th>
<th>Total</th>
<th>June 30</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Notes and accounts receivable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Reserve for bad debts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Inventories</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Investments in governmental obligations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Investments in non-governmental bonds, etc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Investments in corporate stocks (see Instruction 9)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Other investments (if any)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Capital assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Depreciable (and depletable) assets (attach schedule)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: Reserve for depreciation (and depletion)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Land</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Other assets (if any)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31</th>
<th>Total</th>
<th>June 30</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>11. Accounts payable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Bonds, notes, and mortgages payable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) With original maturity of less than 1 year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) With original maturity of 1 year or more</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Other liabilities (if any)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Net Worth

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31</th>
<th>Total</th>
<th>June 30</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>15. Capital Stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Preferred stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Common stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16. Membership certificates</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17. Paid-in or capital surplus or donated capital, if trust</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18. Surplus reserve (if any)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Net Worth</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Corporate Officers' Declaration

We, the undersigned, president (or vice president, or other principal officer) and treasurer (or assistant treasurer, or chief accounting officer) of the organization for or by which this return is made, each for himself declares under the penalties of perjury that this return has been examined by him and is to the best of his knowledge and belief a true, correct, and complete return.

**President or other principal officer:** [Signature]  Date: [Date]

**Treasurer or Chief Accounting Officer:** [Signature]  Date: [Date]

The following additional declaration shall be made by the person other than an officer or employee of the organization actually preparing this return:

I, [Name of firm or employee], declare under the penalties of perjury that I prepared this return for the organization(s) named herein and that this return is to the best of my knowledge and belief a true, correct, and complete return.

**Name of firm or employee:** [Signature]  Date: [Date]
GENERAL INSTRUCTIONS

1. An annual statement of gross income, receipts, disbursements, etc., on this form, is required by law of every organization which is exempt from tax under the provisions of section 101 of the Internal Revenue Code, excepting only a (1) fraternal benevolent society, order, or association solely exempt under section 101 (3); (2) organization exempt under section 101 (4) (see Form 990-A); (3) religious or apostolic organization exempt under section 101 (14) (required to file Form 1060); or (4) corporation exempt under section 101 (15), if wholly owned by the United States or any agency or instrumentality thereof, or a wholly-owned subsidiary of such corporation.

2. This form shall be prepared in accordance with the method of accounting regularly employed in keeping the books of your organization.

3. Fill in the items on pages 2 and 3 of this form to the extent that they apply to your organization.

4. A group return on this form may be filed by a central, parent, or like organization for two or more of its chartered, affiliated, or associated local organizations which (a) are subject to general supervision and examination, (b) are exempt from tax under the same provision of revenue law as the central organization, (c) have authorized it in writing to include them in such return, and (d) have filed with it statements, verified under oath or affirmation, of the information required to be included in this return. Such group return shall be in addition to the separate returns of the central organization, but in lieu of separate returns by the local organizations included in the group return. There shall be attached to each group return a schedule showing separately (a) the total number, names, and addresses of the local organizations included, and (b) the same information for those not included therein.

5. In all cases where item 1, 2, 3, or 10 includes money or property amounting to $5,000 or more, which was received directly or indirectly from one person, in one or more transactions during the year, itemized schedules showing the total amount received from and the name and address of each such person shall be attached to this return. (The term "person"

includes individuals, fiduciaries, partnerships, corporations, associations, and other organizations.) Receipts by a "central" organization from organizations included in a group return need not be included in the "central" organization's separate return.

6. If the total of income items 6 and 7 is not more than $5,000, amounts includible in item 13 through item 18 may be omitted under item 21 through item 24 under the appropriate headings. Where sections "A" and "B" must both be completed, items of expense may be divided between those sections on the basis of accounting records, or, if such records do not provide for this division, any items of expense which fail wholly under either of those sections may be divided on any reasonable basis, such as an approximation of the use of a facility or the time spent by an individual.

7. If item 34 does not equal item 11, attach a schedule accounting for the difference.

8. The balance sheet, Schedule A, should agree with the books of account or any differences should be reconciled. All organizations reporting to any governing board, company, municipal, or other public officer may submit, in lieu of Schedule A, copies of their balance sheets prepared by any such authority as of the beginning and end of the taxable year.

9. In all cases where line 6, Schedule A, included 10 percent or more of any class of stock of any corporation, attach a list showing the name of the corporation, the number of shares of each type of stock owned (including information indicating whether the stock is voting or nonvoting), and the book value of the stock included in line 6.

10. Attach a detailed statement showing with respect to each piece of property sold: (a) Date acquired and manner of acquisition; (b) Gross sales price; (c) Cost or other basis (value at time of acquisition, if donated); (d) Expenses of sale and cost of improvements subsequent to acquisition; (e) Depreciation since acquisition; and (f) Gain or loss—(b) plus (c) minus (d).

11. For further information see regulations under sections 64 (5) and 101 of the Internal Revenue Code.

Form 990-T—The Revenue Act of 1960 imposes a tax, with respect to taxable years beginning on or after December 31, 1963, on the income of certain organizations exempt from tax under section 101 (1), (3), (7), and (14) of the Internal Revenue Code or income derived (a) from operations of a business enterprise which is unrelated to the purpose for which such organization received an exemption or (b) from certain rents from property leased to others on a long-term basis. Such income is to be reported on Form 990-T, copies of which may be obtained from the Collector of Internal Revenue.
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Gross sales or receipts from business activities</td>
<td>$</td>
</tr>
<tr>
<td>2.</td>
<td>Less: Cost of goods sold or of operations (attach detailed statement)</td>
<td>$</td>
</tr>
<tr>
<td>3.</td>
<td>Gross profit from business activities</td>
<td>$</td>
</tr>
<tr>
<td>4.</td>
<td>Interest</td>
<td>$</td>
</tr>
<tr>
<td>5.</td>
<td>Dividends</td>
<td>$</td>
</tr>
<tr>
<td>6.</td>
<td>State and royalties</td>
<td>$</td>
</tr>
<tr>
<td>7.</td>
<td>Gain or loss from sale of assets, excluding inventory items (see instruction 2)</td>
<td>$</td>
</tr>
<tr>
<td>8.</td>
<td>Other income (attach detailed statement)</td>
<td>$</td>
</tr>
<tr>
<td>9.</td>
<td>Total gross income (items 1 to 8, included)</td>
<td>$</td>
</tr>
</tbody>
</table>

**INCURRED EXPENSES ATTRIBUTABLE TO GROSS INCOME**

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.</td>
<td>Compensation of officers, directors, trustees, etc.</td>
<td>$</td>
</tr>
<tr>
<td>11.</td>
<td>Salaries and wages (other than amounts shown in item 10)</td>
<td>$</td>
</tr>
<tr>
<td>12.</td>
<td>Interest</td>
<td>$</td>
</tr>
<tr>
<td>13.</td>
<td>Tax</td>
<td>$</td>
</tr>
<tr>
<td>14.</td>
<td>Rent</td>
<td>$</td>
</tr>
<tr>
<td>15.</td>
<td>Depreciation</td>
<td>$</td>
</tr>
<tr>
<td>16.</td>
<td>Miscellaneous expenses (attach detailed statement)</td>
<td>$</td>
</tr>
<tr>
<td>17.</td>
<td>Total expenses (items 10 to 16, included)</td>
<td>$</td>
</tr>
</tbody>
</table>

**DISBURSEMENTS MADE WITHIN THE YEAR OUT OF CURRENT OR ACCUMULATED INCOME FOR PURPOSES FOR WHICH EXEMPT, AND ACCUMULATION OF INCOME**

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>18.</td>
<td>Administrative and operating expenses (not included above)</td>
<td>$</td>
</tr>
<tr>
<td>19.</td>
<td>Contributions, gifts, grants, etc. (List each class of activity for which disbursements were made and show separate total for each. Also attach list showing when paid):</td>
<td>$</td>
</tr>
<tr>
<td>20.</td>
<td>Accumulation of income within the year (Item 2 less item 9) and (Item 21 less item 20)</td>
<td>$</td>
</tr>
<tr>
<td>21.</td>
<td>Aggregates accumulation of income at beginning of the year (computed for prior years as under item 20)</td>
<td>$</td>
</tr>
<tr>
<td>22.</td>
<td>Accumulation of income at end of the year (Item 10 plus items 21)</td>
<td>$</td>
</tr>
</tbody>
</table>

**DISBURSEMENTS MADE OUT OF PRINCIPAL FOR PURPOSES FOR WHICH EXEMPT**

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>23.</td>
<td>Administrative and operating expenses</td>
<td>$</td>
</tr>
<tr>
<td>24.</td>
<td>Contributions, gifts, grants, etc.</td>
<td>$</td>
</tr>
<tr>
<td>(a)</td>
<td>Paid out in prior years</td>
<td>$</td>
</tr>
<tr>
<td>(b)</td>
<td>Paid out during the year / List each class of activity for which disbursements were made and show separate total for each. Also attach list showing when paid:</td>
<td>$</td>
</tr>
</tbody>
</table>

**RECEIPTS NOT REPORTED ELSEWHERE ON THIS FORM**

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>25.</td>
<td>Contributions, gifts, grants, etc., received</td>
<td>$</td>
</tr>
</tbody>
</table>

**DECLARATION**

We, the undersigned, president (or vice president), or other principal officer) and treasurer (or assistant treasurer) or chief accounting officer of the organization for or by which this return is made, each for himself, declare under the penalties of perjury that this return (including any accompanying schedules and statements) has been executed by him and is to the best of his knowledge and belief a true, correct, and complete return.

[Signature]

The following additional declaration shall be executed by the person other than an officer or employee of the organization actually preparing this return:

I declare under the penalties of perjury that I prepared this return for the organization named herein and that this return (including any accompanying schedules and statements) is to the best of my knowledge and belief a true, correct, and complete return.

[Signature]

(Place of firm or residence, if any)

(Monitor of persons preparing this return)
### TAX-EXEMPT FOUNDATIONS

#### Balance Sheet as of the Beginning of the Year

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Cash</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Accounts Receivable</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Investments</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Loans</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Other Current Assets</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Total Current Assets</td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Total Liabilities</td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Net Worth</td>
<td></td>
</tr>
</tbody>
</table>

#### Notes

- [Note 1]: Details on cash and cash equivalents.
- [Note 2]: Breakdown of accounts receivable by type.
- [Note 3]: Analysis of investments by asset class.
- [Note 4]: Loans and their terms.
- [Note 5]: Other current assets and their components.
- [Note 6]: Total current assets consolidation.
- [Note 7]: Liabilities breakdown.
- [Note 8]: Calculation of net worth.
**TAX-EXEMPT FOUNDATIONS**

**UNITED STATES**

**RETURN OF ORGANIZATION EXEMPT FROM TAX UNDER SECTION 501(c) OF INTERNAL REVENUE CODE**

(To be made available to the public as required by section 139 (c) of the Code)

FOR CALENDAR YEAR

or Fiscal Year Beginning ________________, and Ending ________________

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Gross sales or receipts from business activities</td>
<td>$</td>
</tr>
<tr>
<td>2.</td>
<td>Less: Cost of goods sold or of operations</td>
<td>$</td>
</tr>
<tr>
<td>3.</td>
<td>Gross profit from business activities</td>
<td>$</td>
</tr>
<tr>
<td>4.</td>
<td>Interest</td>
<td>$</td>
</tr>
<tr>
<td>5.</td>
<td>Dividends</td>
<td>$</td>
</tr>
<tr>
<td>6.</td>
<td>Rent and royalties</td>
<td>$</td>
</tr>
<tr>
<td>7.</td>
<td>Gain (or loss) from sale of assets, excluding inventory items</td>
<td>$</td>
</tr>
<tr>
<td>8.</td>
<td>Other income</td>
<td>$</td>
</tr>
<tr>
<td>9.</td>
<td>Total gross income (Items 1 to 8, incl.)</td>
<td>$</td>
</tr>
</tbody>
</table>

**INCURRED EXPENSES ATTRIBUTABLE TO GROSS INCOME**

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.</td>
<td>Compensation of officers, directors, trustees, etc.</td>
<td>$</td>
</tr>
<tr>
<td>10.</td>
<td>Salaries and wages (other than amounts shown in Item 9)</td>
<td>$</td>
</tr>
<tr>
<td>11.</td>
<td>Travel</td>
<td>$</td>
</tr>
<tr>
<td>12.</td>
<td>Telephone</td>
<td>$</td>
</tr>
<tr>
<td>13.</td>
<td>Postage</td>
<td>$</td>
</tr>
<tr>
<td>14.</td>
<td>Insurance</td>
<td>$</td>
</tr>
<tr>
<td>15.</td>
<td>Depreciation</td>
<td>$</td>
</tr>
<tr>
<td>16.</td>
<td>Miscellaneous expenses</td>
<td>$</td>
</tr>
<tr>
<td>17.</td>
<td>Total expenses (Items 9 to 16, incl.)</td>
<td>$</td>
</tr>
</tbody>
</table>

**EXHIBITIONS MADE WITHIN THE YEAR OUT OF CURRENT OR ACCUMULATED INCOME FOR PURPOSES FOR WHICH EXEMPT, AND ACCUMULATION OF INCOME**

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>18.</td>
<td>Accumulation of income within the year (Item 9 less the sum of Items 17, 18, and 19)</td>
<td>$</td>
</tr>
<tr>
<td>19.</td>
<td>Aggregate accumulated income at beginning of the year (unappropriated for prior years as under Item 20)</td>
<td>$</td>
</tr>
<tr>
<td>20.</td>
<td>Accumulation of income at end of the year (Item 18 plus Item 19)</td>
<td>$</td>
</tr>
</tbody>
</table>

**EXHIBITIONS MADE OUT OF PRINCIPAL FOR PURPOSES FOR WHICH EXEMPT**

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>21.</td>
<td>Contributions, gifts, grants, etc.</td>
<td>$</td>
</tr>
<tr>
<td>22.</td>
<td>(a) Paid out in prior years</td>
<td>$</td>
</tr>
<tr>
<td>23.</td>
<td>(b) Paid out within the year (List each class of activity for which disbursements were made and show separate total for each)</td>
<td>$</td>
</tr>
</tbody>
</table>
## Schedule A—Balance Sheet As of the Beginning of the Year

### Assets

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cash</td>
<td>$1,000</td>
</tr>
<tr>
<td>2. Notes and accounts receivable</td>
<td>$2,000</td>
</tr>
<tr>
<td>3. Inventories</td>
<td>$500</td>
</tr>
<tr>
<td>4. Investments in governmental obligations</td>
<td>$1,500</td>
</tr>
<tr>
<td>5. Investments in non-governmental bonds, etc.</td>
<td>$1,000</td>
</tr>
<tr>
<td>6. Investments in corporate stocks</td>
<td>$1,200</td>
</tr>
<tr>
<td>7. Other investments (federal)</td>
<td>$200</td>
</tr>
<tr>
<td>8. Capital assets:</td>
<td>$2,500</td>
</tr>
<tr>
<td>(a) Depreciable (or depreciable) assets (attach detailed schedule)</td>
<td>$1,000</td>
</tr>
<tr>
<td>(b) Real</td>
<td>$500</td>
</tr>
<tr>
<td>8. Other assets (itemize)</td>
<td>$1,000</td>
</tr>
<tr>
<td>9. Total assets</td>
<td>$9,200</td>
</tr>
</tbody>
</table>

### Liabilities

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>12. Accounts payable</td>
<td>$2,500</td>
</tr>
<tr>
<td>13. Bonds, notes, and mortgage payables:</td>
<td>$3,000</td>
</tr>
<tr>
<td>(a) With original maturity of less than 1 year</td>
<td>$1,500</td>
</tr>
<tr>
<td>(b) With original maturity of 1 year or more</td>
<td>$1,500</td>
</tr>
<tr>
<td>15. Other liabilities (itemize)</td>
<td>$500</td>
</tr>
<tr>
<td>16. Total liabilities</td>
<td>$8,000</td>
</tr>
</tbody>
</table>

### Net Worth

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>18. Earned surplus and undivided profits</td>
<td>$1,200</td>
</tr>
<tr>
<td>19. Total net worth</td>
<td>$1,200</td>
</tr>
</tbody>
</table>

### General Instructions

1. An annual statement of gross income, receipts, disbursements, etc., on this form, is required by law of every organization which is exempt from taxation under section 501(c)(3) of the Internal Revenue Code, excepting only (1) a State, (2) a political subdivision of a State, (3) an educational organization if it primarily maintains a regular faculty and curriculum and normally has a regular enrollment of pupils or students in grades, (4) a hospital organization if it primarily maintains a regular hospital staff and curricula and normally has a regular enrollment of pupils or students in grades, (5) a charitable organization, or an organization maintained by or in connection with a religious organization, if it primarily maintains a regular faculty and curriculum and normally has a regular enrollment of pupils or students in grades, (6) an organization operated, supervised, or controlled by or in connection with a religious organization, except under section 501(c)(4). The law also requires that every such organization furnish the information called for in pages 2 and 4 and that such information be made available to the public in the manner prescribed by law.

2. No attachment shall be made for the purpose of furnishing the information called for in this form.

3. Itemize all real and personal property, including buildings, structures, fixtures, equipment, and similar property, except personalty described in item 9. Depreciation calculations are not required.

4. The balance sheet, Schedule A, should be used to disclose any assets held under the authority of any endowment, including information indicating whether the assets are held in trust or as a separate endowment.

5. In all cases where the words "in general" or "in most cases" are used in Schedule A, the information shall be attached to the return, together with a narrative explanation, and shall be supported by the records of the organization.

6. For further information see regulations under sections 512, 513, and 514 of the Internal Revenue Code.

**Form 990-T**—The Revenue Act of 1969 imposes a tax, with respect to taxable years beginning after December 31, 1968, in the case of certain organizations exempt from tax under section 501(c)(3) of the Internal Revenue Code, on the net income from unrelated trade or business. In the event a schedule is to be attached to the return, it will be attached to the return in the case of each organization which is required to file a return for the year.
### FORM 990-T

#### UNITED STATES

**EXEMPT ORGANIZATION BUSINESS INCOME TAX RETURN**

**E x a m p l e**

(For Calendar Year 1951)

**For fiscal year beginning**, 1951, and ending, 1952

**Print name and address of organization or trust**

**Name and address of organization or trust**

**Type of entity, name, and number**

**Name of trade or business activity**

**Date of return complete and signed under section 6161 under which you are exempt**

---

### SUPPLEMENT 15 INCOME COMPUTATION

1. **Unrelated trade or business gross income**
   - Gross income from unrelated activities
   - **Less**: Return and
   - in unrelated business facts
   - **Less**: Return and
   - in unrelated business facts

2. **Less**: Cost of goods sold.
   - (From Schedule A)

3. **Costs of expenses**
   - (From Schedule B)

4. **Gross profit from unrelated activities**
   - (From Schedule C)

5. **Less**: Net capital gains and losses.
   - (Include statement)

6. **Net income from unrelated activities**
   - (Include statement)

---

### DEDUCTIONS

1. Compensation of officers or trustees.
   - (From Schedule D)

2. Salaries and wages (not deducted elsewhere).

3. Travel.


5. Rent.

6. Insurance.

7. Interest.

8. Depreciation.

9. Depreciation of business air and gas systems, vehicles, etc.
   - (Include schedule)

10. Accumulation of emergency funds.
    - (Include schedule)

11. Advertising.

12. Amounts included in gross income, net income, and total income.

13. Other deductions excepted by law.

14. Total deductions in Items 11 to 22, inclusive.

15. Undistributed business net income before deductions on account of net operating loss carry-over from 1950 to 1951.

16. Less: Operating losses from operations not subject to Section 116.

17. Undistributed business net income.

18. Less: Return and
   - in unrelated business facts

19. **Less**: Supplemental tax net income.

---

### TAX COMPUTATION FORM 990-T (FOURTH INCOME TAX COMPUTATION)

1. Combined annual tax and credits.

2. If amount in Item 20 to:
   - Exceed $50,000, enter 30% of plus $100.

3. From $50,000 to $200,000, enter 30% of plus $100.

4. From $200,000 to $500,000, enter 30% of plus $100.

5. Less: Federal income tax paid to a foreign country or United States possessions against a domestic corporation.


---

### TRUSTS TAXABLE AT INDIVIDUAL RATES

7. If amount in Item 20 to:

8. If amount in Item 20 to:

9. Less: Net income tax paid to a foreign country or United States possessions against a domestic corporation.


---

### DECLARATION

I (we), the undersigned, a director of this trust or a partner or principal officer of an organization, or an officer or employee of the organization, hereby declare that I (we) have read and understood the statements in this return and that this return is true, complete, and accurate.

**Date**

---

*Note: This form is a template and specific fields and calculations may vary depending on the organization's具体情况.*
### Schedule A — COST OF GOODS SOLD

*Note: See instructions for details.*

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory at beginning of year</td>
<td>$1,234</td>
</tr>
<tr>
<td>Materials or merchandise bought for manufacture or sale</td>
<td>$5,678</td>
</tr>
<tr>
<td>Labor and wages</td>
<td>$3,456</td>
</tr>
<tr>
<td>Other costs per book (attach detailed schedule)</td>
<td>$987</td>
</tr>
<tr>
<td>Total</td>
<td>$9,295</td>
</tr>
<tr>
<td>Less: Inventory at end of year</td>
<td>$1,234</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>$8,061</td>
</tr>
</tbody>
</table>

### Schedule B — COST OF OPERATIONS

*Note: See instructions for details.*

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and wages</td>
<td>$3,456</td>
</tr>
<tr>
<td>Other costs (as detailed)</td>
<td>$1,234</td>
</tr>
<tr>
<td>Total</td>
<td>$4,690</td>
</tr>
</tbody>
</table>

### Schedule C — INCOME FROM PARTNERSHIPS

*Note: Attach if relevant.*

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from partnerships</td>
<td>$1,234</td>
</tr>
</tbody>
</table>

### Schedule D — SUPPLEMENT TO LEASE RENTS

*Note: See instructions for details.*

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description of leased property</td>
<td>$1,234</td>
</tr>
<tr>
<td>Real estate taxes</td>
<td>$567</td>
</tr>
<tr>
<td>Rent and other revenue</td>
<td>$345</td>
</tr>
<tr>
<td>Interest</td>
<td>$123</td>
</tr>
</tbody>
</table>

### Schedule E — COMPTION OF OFFICERS

*Note: See instructions for details.*

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name and address of officer</td>
<td>$1,234</td>
</tr>
<tr>
<td>Signature</td>
<td>$567</td>
</tr>
</tbody>
</table>

### Schedule F — BAD DEBTS

*Note: See instructions for details.*

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description of debt</td>
<td>$1,234</td>
</tr>
<tr>
<td>Date of last payment</td>
<td>$567</td>
</tr>
</tbody>
</table>

### Schedule G — CASH RECEIPTS

*Note: See instructions for details.*

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash receipts</td>
<td>$1,234</td>
</tr>
</tbody>
</table>

### Schedule H — CONTRIBUTIONS OR COSTS PAID

*Note: See instructions for details.*

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions or costs paid</td>
<td>$1,234</td>
</tr>
</tbody>
</table>

### Schedule I — DEPRECIATION

*Note: See instructions for details.*

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation of property or equipment</td>
<td>$1,234</td>
</tr>
</tbody>
</table>

### Schedule J — OTHER DEDUCTIONS

*Note: See instructions for details.*

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other deductions</td>
<td>$1,234</td>
</tr>
</tbody>
</table>
Mr. Forand. May I ask a question, Mr. Chairman?
Mr. Hays. Mr. Forand.
Mr. Forand. Mr. Sugarman, who many of these reports did you say are filed now?
Mr. Sugarman. We have a total number of returns, forms 990 and 990-A.
Mr. Forand. How many of those are there?
Mr. Sugarman. Slightly in excess of 100,000 per year.
Mr. Forand. How many of those are examined? Are they all examined or do you make a spot check like they do with the income-tax returns?
Mr. Sugarman. We tend to make a spot check. We have a regular procedure for surveying and examining them, and under our procedure we are able to reach about a third of them each year.
Now, that means the spot check survey, checking examination of the returns—we go into a more intensive examination, which will include a field examination where there are doubtful items shown by this initial survey.
Mr. Forand. Is it the idea of the Bureau to expand this operation so that there will be more returns examined, just like the process that is now developing regarding the income tax returns?
Mr. Sugarman. We have been making studies on that whole subject, partly in connection with the reorganization of the Bureau that is going on now, and partly as a result of the 1950 legislation which, of course, has introduced new elements that we must administer.
We are studying it from the standpoint of additional sampling techniques, and also from the standpoint of possibly decentralizing further aspects of the work, to provide an examination closer at the home of the organization.
I might say, of course, and I am sure you will realize, that we probably can never and probably should never, get to the point of examining every one of these returns because we do not have the manpower, and it probably is not necessary from the standpoint of the economy to look into every one of them, but we are developing scientific sampling techniques with a view to getting around to an audit of all the questionable returns, and to hit each one of these over a certain period of time.
Mr. Forand. Thank you; that is all.
Mr. Hays. Mr. Simpson?
Mr. Simpson. Well, you have a sentence in here which says, "During the 2-year period ending June 30, 1952, the exemptions under 101 (c) of approximately 55 organizations were revoked."
Mr. Sugarman. Yes, sir.
Mr. Simpson. That is 55 out of two times 14,000 would it be?
Mr. Sugarman. No, sir. It would be 55 out of the total 101 (c) category. Now, that is based upon a total of—well, your statement, I am sorry, your statement is approximately correct. It is 32,000, the figure I am referring to.
I might say that that figure is based upon the events since the last cumulative report, which was 2 years ago.
Mr. Simpson. Yes; plus a very low figure per centagewise, is it not?
Mr. Sugarman. Percentagewise it is, yes, sir. You understand, of course, that the 32,000 include all of the organizations under 101 (c), all of those that are described actually in section 28 (o) and 28 (q)
of the Internal Revenue Code, which has, as you know, slightly different provisions.

Mr. Simpson. I just want to say, Mr. Chairman, this is a very fine summary; it is very helpful to the committee.

Mr. Hays. Thank you.

Mr. Goodwin?

Mr. Goodwin. No questions.

Mr. Hays. Mr. Keele?

Mr. Simpson. I am curious on one other aspect. Under that section is that the law now denying exemption where the group are on the Attorney General's list and are Communists, and so so, I am curious to know how frequently you have occasion to use that provision of law. In other words, will a group come in and admit that they are aiding the Communists?

Mr. Sugarman. I might say in regard to that, Mr. Simpson, that that law was enacted in 1950, of course, and is under the administration of the Department of Justice, and we have been following that very closely, and the present situation appears to be this: that the Department of Justice has instituted its first attempt to enforce it through, as I understand it, the Communist Party, and they have gotten into a legal wrangle on that.

As a result there have been actually no lists issued by the Attorney General under that statute. In other words, we have no information from that source, as yet, and I do not know when that will be, but apparently when they get the legal aspects of it clarified then we will be able to get our information.

I might add, however, separate from that which is under the Internal Security Act, we have available the lists which have been issued by the Attorney General under the loyalty program, and those have been issued under Executive orders, and certified to the Civil Service Commission.

Our procedure is to watch that very carefully and, of course, we do not have any organizations granted exemption which are on that list.

Mr. Simpson. Are there foundations which do not claim exemption which are for charitable purposes?

Mr. Sugarman. As I indicated earlier, there may be a number of trusts which will contribute a large part of their income to charitable purposes. They have an unlimited deduction, assuming they qualify under the statute, so they may be wholly or partly for charitable purposes but do not claim the exemption.

Mr. Simpson. Yes.

Mr. Sugarman. They are subject basically to the same rules, however, under the 1950 legislation. They are required to fill out a form, 1040 A, which has the same publicity requirements; that is also on file in the directors' offices.

Mr. Simpson. But is it possible that there would be a true foundation which does not claim the exemption, and may be using its money for Communist purposes?

Mr. Sugarman. Well, of course, I suppose that is always possible. The only answer I can give is that to the best of our knowledge, based on investigations, none of them are exempt at this time.

Mr. Simpson. You would not know about it, even about the existence of the foundation, unless it claimed the exemption, would you?
Mr. Sugarman. No: I would have to disagree on that, sir, for this reason: Through our directors' offices or the former offices of collectors and special agents and revenue agents-in-charge, we are, of course, attempting to keep aware of any items which will come to our attention.

The directors' offices also have the obligation to canvass for delinquent or failure to file returns, so that we have, based on our regular procedures, either an exemption return form 990 or 990-A, individual or also individual or corporate trust returns, from these organizations.

I might say, Mr. Simpson, if I can add one thought, of course, we are not able to have a policeman at every corner to dig out all of these organizations, but we have the sampling investigative techniques in which we attempt to obtain that information.

Mr. Simpson. I understand that.

Mr. Keele. Mr. Sugarman, among those to whom questionnaires were sent was the Robert Marshall Foundation. We were advised by the foundation that they did not fall within the purview of the investigation because of the fact that their tax-exempt status had been revoked.

On investigation we found that to be the fact, and it would appear, therefore, that we have no jurisdiction over that foundation.

Do you recall that incident or the circumstances surrounding the revoking of the exemption of the Robert Marshall Foundation?

Mr. Sugarman. I personally do not. I was not in charge of that work at that time.

Mr. Keele. Do you know of it from your work or experience?

Mr. Sugarman. I do know the exemption has been revoked. We will be glad to supply for the record the number of the committee the date or the year that exemption was revoked.

Mr. Keele. Do you know the grounds on which it was revoked?

Mr. Sugarman. Our files will show that, Mr. Keele.

I was checking a release which we issued a number of years ago to see whether or not that name appeared on it. It did not.

I can say this, generally, that as to that organization, the denial of the exemption was, of course, based upon the fact that it was not operating in accordance with the exempt purposes. Now that, of course, is a matter of the section 101 (6) operations where it has to be charitable or educational.

Mr. Keele. You do not know beyond that as to what it was doing? You say it was not doing that which it was required to do under the exemption. Do you know what it was doing or what the charges were that were brought against it as to its activities?

Mr. Sugarman. Mr. Keele, I have not reviewed that file, and I could not at this time describe that. I did not attempt to do that before these hearings.

Mr. Keele. You were not asked to do that, I don't believe, and were not told that the question had arisen.

Do you have knowledge of any of the other cases where the 55 instances were instances where exemptions have been revoked, as to the circumstances surrounding those?

Mr. Sugarman. They would all be revoked on the same general ground of operating contrary to the provisions of section 101 (6).

Of course, that depends upon a detailed factual analysis of just what the organizations have been doing, and those are taken up as individual cases.
I wish to make it clear that in each of these instances where we revoke or deny exemption, it is a matter of determining the facts which we obtain from the organization or from our field investigation, and it is a case-by-case analysis.

Mr. Keele. Mr. Sugarman, would you be in a position to express an opinion as to whether or not the Bureau is presently equipped from the point of view of workload and manpower to investigate with any degree of thoroughness those organizations which are or may be engaged in subversive activities?

Mr. Sugarman. I would have to answer your question this way and it, perhaps, is a typical answer: That we do not have enough people to do the job we would like to do. I am not sure we will ever be able to reach that point. The Revenue Act of 1950, of course, has added to the job we have to do in the sense of providing additional specific provisions as to the nature of activities of organizations which are to be granted exemption or denied exemption, including the related deduction provisions.

I will say this, however, that as I indicated, in answer to a previous question, we are studying this matter now with the view of providing a more effective enforcement through field offices. Now we are in the position, of course, of having the major responsibility for collecting taxes. Each of our front-line enforcement officers is, on the average, able to produce $88,000 of additional tax revenue.

Every time we take one of those men off the job of examining taxable returns, and putting him into other fields of activities, we have a serious question of the proper use of our manpower.

We recognize the importance of this field, however, and that is the reason we are making this study at the present time of additional means we may use to give effect to the provisions of the Revenue Act of 1950. Those studies have not yet been completed, and for that reason I am unable to tell you at this time of the precise measures we will take, but I do wish to express that we do recognize the importance of it.

Mr. Hays. Mr. Sugarman, we thank you very much, sir, for a very fine presentation.

Mr. Sugarman. Thank you very much.

Mr. Hays. We appreciate the work you have done on this, and the members of the Ways and Means Committee are particularly interested in what you have submitted. It has been very helpful.

Mr. Sugarman. Thank you.

Mr. Keele. I think it should be added, and I would like to say to the committee at this time, that they have been very helpful in conferences that we have held, numerous conferences we have held, with numbers of their staff, and they have been most helpful in supplying us with information and advice.

Mr. Sugarman. Thank you.

Mr. Hays. Thank you.

Do you want to call Dr. Andrews back, Mr. Keele?

Mr. Keele. Yes; if Dr. Andrews will take the stand.
Mr. Keele. Dr. Andrews, you testified yesterday, I believe, and one or two questions have occurred to the committee, or to the staff members since you left the stand.

One point that Dr. Hollis made is that, in response to a question from me, the foundations or their prototypes have from earliest times enjoyed tax exemption.

Is it not a fact that when the Rockefeller and Carnegie philanthropes were first instituted around the turn of the century, and in the first decade of this century there were no income-tax laws from which they could gain exemption? Is that correct?

Mr. Andrews. That is a fact which, I think, certainly ought to be emphasized. The personal income tax, I believe, began in 1914, so that most of the early large foundations were established by persons who received no exemption on their income as a result of their gifts to those foundations.

Mr. Keele. The point is then that, as regards those early philanthropies, there was no question of tax benefits, or the tax incidents were not considered as a factor in the setting up of those foundations; is that not correct?

Mr. Andrews. Personally, that is a fact in regard to their personal taxes.

Mr. Keele. Of course, that has changed with the advent of the income tax, and with the change of the tax structure.

Mr. Andrews. It might be said, too, that the corporation tax was at very low levels until 1936.

Mr. Keele. Has your attention been directed in the course of your work to the activities of organizations which are taking advantage of the tax structure relative to tax-exempt philanthropies and charitable organizations, such as the Textron Corp., and that group of organizations with which Mr. Royal Little is concerned? Have you had occasion to look into their activities at all?

Mr. Andrews. We are, of course, with Mr. Royal Little’s five foundations. We have seen the hearings that Senator Tobey presided over in the Senate, and I have some correspondence, although I have never personally talked to Mr. Little.

Mr. Keele. Have you any views or suggestions or comments to make with reference to that group of organizations or organizations of that type, and as to the effect that their operations may have on the general feeling, the public view, shall we say, that is held with regard to foundations?

Mr. Andrews. I think Mr. Little’s foundations are one example—and there are others—of foundations which were set up from quite mixed motives.

Mr. Little, I think, is thoroughly sincere in believing that he is a crusader in the field of getting income for business. He believes that present tax laws limit the amount of capital a business can accumulate so that it cannot expand as rapidly as private enterprise ought to expand, and he has, therefore, used the device of the foundation with the tax exemption that the foundation acquires, and with a charitable beneficiary, as one means of building up large sums of
capital which, at various times, have been borrowed for business enterprises.

He tells us that he does pay his trustees. I believe the trustees of the Rhode Island Charities Trust receive 1 percent of the corpus per year, and that is based upon the corpus, according to Mr. Little, so that they, too, shall have an interest in increasing that corpus as rapidly as possible. They are relieved from the restrictions on many trustees as to relatively safe investments.

They are supposed to use their money as venture capital in the business sense, to build up as large a corpus as quickly as possible, and they have done that, as you know. I think a $100 original investment was kited to something like $5 million in the case of one of these trusts.

Mr. Forand. May I say right there, isn’t that the Rayon Corp., of which Bayard Ewing is the sole trustee?

Mr. Andrews. I have been called here without previous warning, and I do not have the actual data in hand, and I cannot positively answer that.

Mr. Forand. I am quite sure that is the one.

Now, so far as the Textron Foundation, or whatever it is called, is concerned, there has been a great deal of disturbance among the people in my home State of Rhode Island, because the money that was supposed to have been borrowed from the several foundations organized by Mr. Little was used to purchase textile plants that were in operation. Then he would liquidate these plants, sell the machinery, retain the trade-mark of the goods that were then manufactured, and close the plants down.

In fact, just within the last 6 months Textron took over the Lonsdale Co., closed down the Berkeley mill, which is in the very village in which I live, and in addition he is now working toward the closing of the Blackstone mill, formerly of the Lonsdale Co.

It is looked upon as a real abuse of the foundation in that case, in cases such as the one Mr. Little has developed, and we think it is mighty unfair to other foundations who are organized for real purposes of helping people rather than throwing people out of work and moving the capital from our State of Rhode Island to other parts of the country and to Puerto Rico, and I would like to have all the information that you possibly could give the committee on that type of corporation to see if the committee can do anything to correct such a thing.

Mr. Andrews. I do not quite see that legal means as yet—speaking personally, now, I have never been happy about foundations organized primarily for purposes other than public welfare. Legally, obviously, that can be done and, presumably, the charitable organizations will eventually benefit. But whenever a business purpose and a charitable purpose are combined in one organization, one always fears that the charitable purposes may come out at the short end.

Mr. Forand. That is what is happening. It appears now that what has been done with the money of this foundation is that very little of it is going into these charitable organizations at the present moment. They are building up the corpus and using that corpus on loan to Textron and other similar organizations for strictly commercial purposes. So if you have an opportunity to give that some
thought or make some recommendations to the committee, I am sure the committee would appreciate it very much.

Mr. Andrews. I will consider it further.

Mr. Forand. Thank you.

Mr. Keele. Mr. Andrews, you spoke yesterday at the end of your testimony relative to public accountability or the requirement of, the possible requirement, of having foundations make full reporting of their activities. You are familiar with the forms now required to be filed by tax-exempt foundations?

Mr. Andrews. Yes, sir.

Mr. Keele. Under the 1950 act, are you not?

Mr. Andrews. Yes, sir.

Mr. Keele. Does the information cover—do the information returns cover—the ground that you had in mind when you spoke yesterday and read the answer of the Russell Sage Foundation, the answer to our questionnaire, relative to reporting?

Mr. Andrews. No, sir. I think more is needed. Those are primarily financial reports. It is true that in addition to the financial statistics they do require a listing of the persons receiving grants, but I should like to see in a report a much more complete report of activities, that is, the nature of the activities, what it is planned to accomplish, and probably personnel. None of those things are required in 200-A.

Mr. Keele. That is all I have.

Mr. Hays. Thank you very much, Mr. Andrews.

Mr. Andrews. Yes, sir.

Mr. Keele. General Simmons, will you take the stand. Be seated, please.

STATEMENT OF JAMES STEVENS SIMMONS, DEAN, HARVARD SCHOOL OF PUBLIC HEALTH

Mr. Keele. Will you tell the committee your name and your position at the present time.

Mr. Simmons. James S. Simmons, Brigadier General, United States Army, retired, and I am dean of the Harvard School of Public Health at the present time.

Mr. Keele. All right.

We have asked you to come down here today, General Simmons, to discuss with us and to tell the committee what, from your work and experience, you know of the impact of the foundations and their work in the field of medicine and public health on our society today.

I wish you would proceed in your own way to discuss that subject with the committee.

Mr. Simmons. Mr. Keele, I have a prepared statement, and with the permission of the Chairman, I would like to read that.

Mr. Hays. All right.

Mr. Simmons. I believe it will give you my views.

Mr. Hays. We will be very glad to hear it, General.

Mr. Keele. Very well.

Mr. Simmons. Mr. Chairman and members of the committee, I appreciate the honor of being invited to come here and give you my concept of the contribution which the philanthropic foundations have made to medicine and public health. I am glad to comply, but
first I must make it clear that I am not an expert on foundations. I am a physician and 30 years of my life were spent in the Medical Corps of the Regular Army, where I was engaged in teaching, research, and administration in the special fields of bacteriology and military preventive medicine. Since retirement from the Army 6 years ago, I have continued to work for both military and civilian health—as consultant to the Armed Forces and as dean of the Harvard School of Public Health. Therefore, I will have to talk with you not as a foundation expert, but as one whose life has been spent working for better military and civilian health.

Naturally, my work has brought me into contact with many foundations and I am keenly aware of the constructive job many of them have done in helping to finance education, research, and direct field service both in medicine and public health. I have served on the scientific advisory boards of several foundations, including the Gorgas Memorial Institute, the Leonard Wood Memorial for the control of leprosy, the National Foundation for Infantile Paralysis, the American Foundation for Tropical Medicine, and others. Also, I have worked in close contact with still others, including the Rockefeller Foundation, during my Army service and in my present position at Harvard, as dean of the School of Public Health.

There are, of course, many other foundations with which my personal experience has been limited, or with which I had no contact at all. This is obvious when we realize that in his book, entitled "American Foundations and Their Fields," Mr. Raymond Rich in 1940 listed 71 foundations that were spending money in the fields of medicine and public health.

I believe I can best give you my concept of the importance of the contribution which has been made by these philanthropic agencies by dividing this statement into four parts: First, I should like to mention certain advantages of nongovernmental financial support in the field of medicine and public health; second, I shall briefly indicate the rapid progress which has been made in the health sciences during the last generation; third, I shall give examples of the way in which at least one great foundation has contributed practically to this achievement; and, fourth, I should like to raise the question as to their future role in America's emergency health program.

Now for the advantages of foundation financing:

The money of a foundation can be considered as "risk" capital. It can be spent for the benefit of the public in many ways which are not permissible with public funds. Foundation money can be risked on exploratory activities, either in a basic effort to find the solution to unanswered questions or in the field trial of suggested methods, the usefulness of which has not yet been proven. In the field of my primary interest much foundation money has gone into education and into the investigation of basic problems. It has been used to train specialists, to search for the causes of disease, to discover methods for their prevention, and to find links in the chain of transmission that might be easily broken. Foundation money has also gone into the application of new knowledge and the use of the available information to secure practical results in the most direct and efficient manner possible through the administration of public health methods.
An index of the effectiveness of such pioneering work is the extent to which it has led to the subsequent general application of originally experimental methods on a broad scale with the support of public funds. In many instances Government has taken over health functions which were once financed entirely or partly by foundations. For example, the present structure of our local health agencies in the United States has grown to a large extent from the pioneering work of the Rockefeller Foundation's Sanitary Commission and its successors in the field of hookworm control and local health development.

The great wartime research program financed by the Armed Forces and the Committee on Medical Research of OSRD and the current programs of the Armed Forces and the Public Health Service have all been modeled, at least in part, on the experience furnished by foundation projects. It might be added that the foundations likewise have extended the earlier basic researches made by our military pioneers, as, for example, the programs of hookworm eradication and the control of malaria and yellow fever.

In brief, one of the important functions of foundation money has been to expedite the application of new knowledge quickly and on a broad scale. A great advantage of the private foundation in such exploratory work is its flexibility. It can change programs rapidly, add or subtract funds easily, shift personnel on short notice, and with more freedom than is usually possible for Government-controlled projects, which of necessity must be subject to more rigid controls. The president of one great foundation is said to have remarked, facetiously, that "the function of a foundation is to make mistakes." I believe this is true, because any foundation which is unduly worried about the possible failure of its programs of investigation is in no position to make a great and lasting contribution to the advancement of knowledge.

Thus, as I see it, the great advantage of foundation financing is its "risk" money. Efficient safeguarding of Government money, on the other hand, usually calls for more caution and for careful investment in surer opportunities. The foundations have helped enormously to strengthen Government programs of research and education and to extend their application to the people of the world. Also, they have made a unique contribution to international good will, since they have been able to operate in many foreign areas where help from our Government might not have been accepted.

A century of progress in public health: Now, I should like to indicate briefly the unique progress that has been made in medicine and public health during the last century, in order that we may visualize more clearly the contribution of the foundations to this progress. The great American foundations are a product of our modern age of rapid economic and social development and scientific discovery. The outstanding example is afforded by the philanthropic organizations established by Mr. John D. Rockefeller. When one recalls the period during which he lived, it is not surprising that so much of his wealth, like the funds of subsequent foundations, was invested in the constructive fields of medicine and public health.

At the time of Mr. Rockefeller's birth in 1839, the great pioneer Louis Pasteur was only 17 years old; and no living creature on the face of the earth was aware of the microscopic causes of the numerous infectious diseases that had always afflicted the human race. During the
98 years which passed before Mr. Rockefeller's death in 1937, he had accumulated his great fortune. Also, he was privileged to watch the birth and the phenomenal growth of the entire structure of modern medicine and public health. It therefore seems natural that he and his family, with their deep sense of social responsibility, should have been attracted to this exciting new venture which held so much promise for mankind, and that as his fortune grew he should have invested so heavily in the prevention of disease.

The basic sciences from which modern medicine developed were not born until after the Civil War. As late as 1872 when the American Public Health Association was established, Pasteur had only recently announced his discoveries on fermentation, his work on silkworm disease in France and his revolutionary germ theory of disease, which was not generally accepted until much later. Lister had just started his so-called antiseptic surgery, Robert Koch had only begun his pioneer work in bacteriology and he had not then discovered the causes of anthrax, tuberculosis, or cholera. The whole science of microbiology was yet to be developed.

During the next three decades the basic medical sciences grew rapidly and the causes of many diseases were discovered. However, even at the turn of the century there was still an enormous lag in the development of epidemiology and in the application of all this new knowledge to the treatment and prevention of disease. In 1900 the death rate for the United States was still about 17 per thousand and the expectation of life at birth was about 47 years. The disease death rate among American troops in the Spanish-American War was around 25 per thousand per annum, and typhoid, as many of you know, was a serious cause of disability and death. The mosquito transmission of malaria had been announced 3 years earlier by Ross in England and by Grassi and his associates in Italy. But this information had not been applied for the control of the disease and Maj. Walter Reed had not yet completed his heroic experiments in Cuba on yellow fever.

Since 1900, truly remarkable progress has been made both in medicine and public health. Today our national death rate is less than 10 per thousand and the expected life span is more than 67 years. Many diseases are still too prevalent, but the mortality from childhood infections has been reduced about 97 percent. Likewise, the incidence and death rates for infections of the intestinal, respiratory, and insect-borne groups have been greatly decreased. In brief, our country's health now compares favorably with that of the other leading nations of the world.

Another good yardstick with which to measure this progress is afforded by the increasing effectiveness of military medicine and surgery, and especially the great advances made in military preventive medicine. These advances are indicated by the decreasing death rates from disease in the last three wars, and the Army rates are representative of the Armed Forces as a whole. These rates were as follows: Spanish-American War, 25 per thousand per annum; World War I, 16 per thousand; and World War II, 0.6 per thousand.

This brief review indicates that great progress has been made, and I am sure you will agree that the medical profession and all its allied professions can be proud of their accomplishment. Many charitable foundations have helped in the performance of this job, and I wish
it were possible to mention them all. Instead, however, I shall use the Rockefeller Foundation as an example of the type of contribution that has been made by these foundations.

**Rockefeller contributions:** It would be difficult to estimate the total professional contribution made by Mr. Rockefeller and his family to this great century of progress in public health. The expenditures of the various Rockefeller boards and agencies have approached $1 billion and a large portion of this has been invested in human health. The Rockefeller Institute for Medical Research was formed in 1901; and the General Education Board, which was established in 1902, has spent large amounts for the support of our medical schools.

**Hookworm control and local health development:** Later, the Rockefeller Foundation’s sanitary commission was formed, and in 1910 it began a campaign against hookworm in 11 Southern States. This program had a far-reaching effect on the evolution of American public health which is exemplified by the experience of my home State of North Carolina. In 1910, the year the campaign started, the total annual appropriation for the North Carolina State Health Department was only $2,500. The sanitary commission put on an intensive campaign—going into every county and every township of the State. They found many cases of hookworm disease in the eastern section of the State. All of these people were treated, and a program of environmental sanitation was carried out. However, the most important result of this campaign was not the eradication of several thousand cases of hookworm, but the fact that it aroused the citizens of North Carolina and made them aware of the advantages of good health. They realized for the first time that they did not have to put up with preventable diseases and this spurred them on to work and vote for more effective public action in the protection of our people. As a result, my State rapidly expanded its health facilities and activities; and 11 years later it was spending approximately three quarters of a million dollars a year on public health. Today, North Carolina’s annual health budget is over $4½ million, and they have an excellent health department.

During this health campaign, another Rockefeller agency, the General Education Board, conducted an active program designed to teach the farmers and housewives of North Carolina better methods of farming and living. Farm agents demonstrated modern methods of cultivation and showed people how to improve the yield of their crops. Home-demonstration agents went into the homes and taught the people how to improve their living conditions—how to sew, how to can and preserve their food, and how to prepare healthful, nutritious, balanced meals for their families.

The combined influence of these two grass-roots Rockefeller programs did much to stimulate better health and the rapid economic development of North Carolina. Within 11 years the State had not only improved its health, but had increased enormously its agricultural productivity; and it is significant that most of this agricultural development took place largely in the eastern part of the State where hookworm disease had formerly been most prevalent.

**The Rockefeller International Health Board:** The next important Rockefeller contribution was begun in 1913 when members of the sanitary commission had completed their initial work in the South and were included in the new International Health Board as a part of
the Rockefeller Foundation. The latter board, under the direction of Mr. Wyckliffe Rose, began its work at a significant period in the evolution of American public health.

Postgraduate education in public health: The year 1913 represents an important milestone in American health. It marks the beginning of organized postgraduate education for civilian public-health workers in this country. The Army Medical School here in Washington had been available for training military preventive medicine since 1893. Some of the universities had provided advanced training for a few civilian health specialists, as for example, at the Harvard Medical School, which had organized a department of preventive medicine in 1909 under Dr. Milton J. Rosenau. However, prior to 1913 none of our present 10 schools of public health had been established and there was an urgent need for experts trained in this field. Many of the health officers of that time held political appointments and had little competence in this special field. Thus, the bottleneck to further progress in public health was the need to recruit and train adequate numbers of first-class health leaders and administrators.

This need for personnel, which is a perennial one, stimulated three great health educators to take action; and on July 30, 1913 Professors Rosenau and Whipple of Harvard University with Professor Sedgwick of the Massachusetts Institute of Technology organized in Boston the first postgraduate school of public health in the United States. This pioneer institution was first named the Harvard-MIT School for Health Officers, and, later, the Harvard-MIT School of Public Health. It was operated jointly until 1922 when it was taken over completely by Harvard and became the Harvard School of Public Health, of which I am now dean. During its 8 years of operation the Harvard-MIT School had a distinguished faculty and trained a total of 294 health specialists, including some of the most eminent leaders of our profession. It also stimulated the development of similar training centers in other parts of the country. According to Dr. Lewis Hackett, Rockefeller officials, including Rose and Flexner, came to Boston in 1913 to discuss with Rosenau and his staff the policies of the new International Health Board and to recruit personnel for it. At that time Dr. Hackett, who was Rosenau's first assistant, decided to join the foundation, and subsequently other distinguished Harvard graduates were added, including Dr. Mark J. Boyd, Dr. George K. Strode and Dr. Paul F. Russell.

Five years later, the foundation made available the second American training center for public health by endowing the Johns Hopkins School of Hygiene and Public Health, which opened its doors in Baltimore in 1918. Since that time, both the Harvard and Hopkins schools have received generous support from the foundation, as have many other public health schools and institutes in this country and abroad. In the period from 1913 to 1950 the total Rockefeller expenditures for this type of education amounted to more than $21 million. This has been supplemented by an extensive fellowship program designed to recruit health specialists in all parts of the world and finance their training in world centers of medicine and public health. This fellowship program has operated for over 35 years at an added cost of about $25 million.

As I look back on the total contributions of the Rockefeller Foundation and other American foundations to the education of health spe-
cialists, I am grateful; for, without their help, our Government could not, and probably would not, have done the job so well.

Special campaigns against disease: I shall not enumerate all the other contributions of the Rockefeller Foundation to public health. The total expenditures in this field are estimated at about $100 million. Instead I will indicate how they have assisted our own and other governments through cooperation and the extension of existing knowledge concerning the control of certain diseases of international importance. The total amount spent for specific disease control has been about $20 million, and this has been used for research and for the field investigations of many diseases. However, because of my interest in military preventive medicine, I shall only talk about three of these programs; namely, the campaigns against hookworm disease, malaria, and yellow fever—all of which extend the discoveries and field observations made by early military scientists.

To orient my story, I will start with George M. Sternberg—an early medical scientist of our Regular Army who served through the Civil War, and who, with Pasteur and Koch, was a pioneer in the development of the young science of bacteriology. General Sternberg published the first text on bacteriology in this country; and Robert Koch referred to him as “The father of American bacteriology.” We were fortunate in having him as Surgeon General of the Army from 1893 to 1902 and his first act was to establish the Army Medical School for postgraduate training with special emphasis on military preventive medicine and research. Walter Reed was the first professor of bacteriology at this school, which has produced a succession of distinguished early leaders in preventive medicine, including Carroll, Craig, Vedder, Darnell, Russell, Nichols, Siler, Whitmore, and others. Following the Spanish-American War, General Sternberg organized special Army research boards in Cuba, the Philippines, and Puerto Rico to study the diseases of these newly acquired possessions.

The Cuban board, under Maj. Walter Reed, furnished proof of the unconfirmed work of Carlos Finlay and showed that yellow fever is transmitted by Aedes mosquitoes. It also proved that the disease is caused by a filterable virus. This information was immediately applied by Gen. William C. Gorgas for the eradication of yellow fever in Habana, and later in the Panama Canal Zone. It provided a sound basis for the subsequent defense of the United States against the disease, and we have not had an invasion since 1905. Also, it led directly to the world-wide Rockefeller campaign against yellow fever. In fact, while he was Surgeon General, Gorgas was selected as Director of the Rockefeller Yellow Fever Commission in 1915, and was responsible for its organization and plans. During the last 30 years this great campaign, carried forward at a cost of about $8 million, has uncovered much new information about yellow fever—its endemic jungle centers, its extensive rodent reservoirs, and its numerous mosquito vectors.

Naturally, some mistakes have been made, as for example the unfortunate claim of Noguchi that Leptospiira Icteroides was the etiologic agent, but the total contribution has been of enormous benefit to mankind. Since the discovery of jungle yellow fever, we know that General Gorgas’ dream of early world eradication is still far from a reality; but we are now armed with more knowledge about the epidemiology and control of the disease and we now have an effective
vaccine produced by the Rockefeller Foundation with which to prevent it. Early in World War II, the Army began the use of this vaccine to protect troops sent through the endemic areas of South America or Africa, and it is still an important part of our military and civil defenses against yellow fever.

Next I will take up the Rockefeller hookworm campaign, already mentioned, in North Carolina, which likewise followed the earlier work of an Army scientist, Col. Bailey K. Ashford, who went to Puerto Rico after the Spanish-American War. Ashford, formerly a pupil of the helminthologist, Prof. Charles Waddell Stiles, discovered that a disease known as malignant Puerto Rican anemia or tropical chlorosis was in reality massive hookworm infection. The extensive treatment program which he began in 1899, improved the health of Puerto Ricans, and afforded a pattern for the later campaign of the Rockefeller Commission in the southern United States, and for the extended work of the Foundation in other parts of the world. In 1950 it was estimated that the Foundation had spent a total of almost $4 million on its various hookworm programs.

A third great Rockefeller program has been its campaign for the investigation and control of malaria. Here again initiation of the program was influenced by various Army scientists. When General Gorgas started his attack on yellow-fever mosquitoes in Habana the English and Italian scientists had only recently discovered that malaria is transmitted by Anopheles mosquitoes. Therefore, he broadened his control methods in Cuba and later in Panama, to include both diseases. In the meantime, Col. Richard Pearson Strong, Col. Charles F. Craig, and their successors, working with the Army’s Research Board in Manila and elsewhere, were adding to our knowledge of the military control of malaria; and officers of the United States Public Health Service were extending the control of malaria in our Southern States. Malaria had long been recognized as the most serious affliction of man in tropical and subtropical countries all around the world, and it was logical that the Rockefeller Foundation should decide to attack this world scourge. This program included both laboratory and field research on control. It was carried on by many distinguished malariologists, including Lewis W. Hackett, Samuel T. Darling, Mark E. Boyd, Paul F. Russell, Fred L. Soper, and others, and the results represent another triumph for public health.

Wartime cooperation with the United States Army: As an Army officer, I am of course keenly interested in these disease campaigns and in the close integration of the Army’s program of preventive medicine and the health programs of the Rockefeller Foundation. Also, I am proud of the fact that Army scientists have helped in the development of the Foundation’s health policies. I have already mentioned the fact that in 1915 Surgeon General Gorgas retired to direct the Rockefeller Yellow Fever Commission. In 1923, another Army scientist, Gen. Frederick F. Russell, was selected as director of the Rockefeller International Health Board. General Russell had taught bacteriology at the Army Medical School and had developed the effective triple-typhoid vaccine which has been used to protect American fighting men in two World Wars. During World War I, he directed the Army’s preventive medicine program as Chief of the Division of Laboratories and Infectious Diseases in the Surgeon General’s office. Under his dynamic direction the Rockefeller international
health program underwent a great expansion with increasing effectiveness. Since his retirement from the Board, his distinguished successors, Dr. Wilbur Sawyer, Dr. George K. Strode, and Dr. Andrew J. Warren, have ably continued and extended further the programs which he started.

This traditional relationship of the Rockefeller Foundation and the Army is further pointed up by the assistance afforded by the foundation to our armed services during World War II. As wartime Chief of the Preventive Medicine Service in the Office of the Surgeon General of the Army, I was privileged to act in the planning for the Army's program of prevention, and on the many occasions when we called on the foundation for help, it was always given freely and effectively. Various members of the foundation served as special consultants to our Preventive Medicine Service, including the present Director, Dr. Andrew J. Warren, who became a member of the Army Epidemiological Board, Dr. Wilbur Sawyer and his assistants, who helped in the manufacture of yellow-fever vaccine for American troops, Dr. Fred L. Soper and others who worked closely with our U.S.A. Typhus Commission in north Africa and Italy, and Dr. Paul F. Russell, who was commissioned as a colonel and joined my staff as Chief of our Malaria Control Division.

Some of the scientific discoveries of the war have helped to increase the effectiveness of the health work of the foundation. As you know, the great wartime program of medical research initiated by the Armed Forces through the National Research Council and the Committee on Medical Research (OSRD) and conducted by various governmental agencies and civilian institutions between 1940 and 1946, provided many new weapons with which to cure and prevent disease. Certain of these weapons, for example the new chemotherapeutic and chemoprophylactic drugs—especially the antibiotics—are now being used extensively for the improvement of public health all over the world. Even more important, the new insecticides developed through the Army-initiated research program—especially DDT—have been used for the more economic control of such age-long scourges as typhus fever, bubonic plague and malaria.

The discovery of DDT has revolutionized malaria control. With this new weapon the United States Public Health Service has continued and extended the gigantic Army-initiated wartime program of military and extra-military mosquito control in the United States; and malaria is becoming a rare disease in this country. Likewise, the Rockefeller Foundation and other international agencies are using these new wartime agents in various parts of the world. As a result, the people of many malarious countries are being freed for the first time in history from the shackles of this disease.

Now that cheap and effective methods for the control of malaria and other insect-borne diseases are available, the major problem of the countries where these infections still exist is to apply these methods. This will require wise planning, adequate funds, expert personnel, and hard work.

The Rockefeller Foundation is still helping in this work, although they are gradually cutting down their emphasis on malaria because of the new discoveries.
The need for trained health personnel, however, goes much further than the international control of malaria. It is a basic requirement for future progress, both in this country and abroad. More trained research workers are needed to investigate the still unsolved problems of public health, and more trained health specialists are needed to translate this knowledge into action.

Public health as a weapon against communism: In presenting this statement about the contribution of the philanthropic foundations to medicine and public health, it is realized that I have not covered the broad field implied by the title. I have not even covered all the activities of the one foundation selected for discussion. However, the examples cited from the experience of this one great charitable organization are typical of the objectives of many of the 70 or more charitable agencies which have donated funds and helped so much in the development and support of American medicine and public health. This experience should be kept clearly in mind as we plan for better health in the future.

We now stand braced on the brink of a third world war. The decision as to whether this war will come is not ours; it will depend on the whim of our enemy. The whole world is again becoming an armed camp. Already there is bitter fighting in Korea and other places where communism has dared to take the risk. Russia, our former ally, has refused to help in the building of a peaceful world. Instead, she has enslaved her neighbor nations and is working frantically to strengthen her mighty military forces. There never was a time when our country needed so desperately to increase and conserve every ounce of its physical, mental, and moral health.

America’s great strength is based on just one thing—the health of her men, women, and children. Therefore, as we mobilize our national resources to meet the present world crisis we must do everything possible to strengthen our national health program. This is necessary in order to safeguard the health of America’s leaders, her workers, and her fighting men. We should also assist our allies in the better protection of their health and manpower. In fact, such assistance is just as important as sending them armaments for the simple reason that disease-ridden nations, like sickly individuals, are unable to plan wisely, work effectively, or win wars.

In order to build the strongest possible emergency health program for the Nation, we should ask ourselves two questions: First, what are the health hazards which we now face? Second, what action should be taken to protect the American people against these hazards?

The answer to the first question is afforded by the current records of death and disability caused by disease and accidents. Last year more than 2 million infections were reported by physicians in the United States. The preventable intestinal, insect-borne, and venereal diseases still occur. Millions of Americans are killed and injured annually by accidents, and our people are still handicapped by an enormous load of mental diseases, cancer, and the afflictions of advanced age. In brief, many of our peacetime health problems are still unsolved. Moreover, if global atomic war came tomorrow, it would bring with it new and unprecedented health problems which could easily overwhelm our present health defenses.
The answer to the second question is afforded by the lessons of the recent past. Further progress in public health calls for two things: the first is research—to discover new ways to prevent disease and maintain good health. The second is to take whatever action may be required to apply this knowledge. Those two things are the basic foundation for all of our progress in the last hundred years.

Another lesson pointed up by past experience is the fact that curative and preventive medicine are both important, but that the greatest health advances have come through preventive measures designed to keep large numbers of well people well. These are the lessons of the past and they are the principles which should guide us in meeting the future.

Before closing my statement I should like to mention certain things which I consider important to the present problem of strengthening the Nation’s health program. The first of these is the need for united leadership by the profession of medicine and its new specialty, the profession of public health. Since V-J day much valuable time has been lost in heated controversies between members of both professions about the side issues, such as socialized medicine and Federal health insurance, neither of which has any direct bearing on the prevention of disease. This conflict has confused our citizens and our lawmakers as to the true meaning of public health. Consequently, the Nation’s health has become a political football, thus delaying sound national planning for an effective program of prevention. Fortunately, these political issues are now dead. I agree heartily with my distinguished friend and colleague, Maj. Gen. George F. Lull (U. S. Army, retired), secretary and general manager of the American Medical Association, in his postelection comment that “* * * doctors can now devote their full time and energy to a sound, constructive, and unselfish program of better medical care for the people—a program completely divorced from politics.” I am sure that General Lull will also share my feeling that for the total health program of the country we need the same type of united action, not only for medical care but for preventive medicine and public health.

Another important drawback has been the lack of sufficient numbers of trained health specialists to plan, organize, and operate the preventive services required by the Nation. At present, only about 65 percent of our population is served by local health units, and only about one-half of our counties are served by trained, full-time health officers. A recent survey showed that the 10 accredited postgraduate schools of public health in this country are training only about one-fifth of the health specialists needed under peacetime conditions and this did not include the requirements of the Armed Forces for experts in military preventive medicine, which is the military opposite number of civilian public health.

This points up graphically the present need to recruit and to provide additional facilities for training of health specialists.

Another need is for more research aimed directly at the early solution of the unsolved problems in preventive medicine and public health. The research programs of our Government agencies and of the foundations are helping to meet this need but there should be more top-level planning by men of imagination and broad vision, who can help to stimulate research in productive channels and put into action the new information as it becomes available.
It is also important that we adopt the preventive attitude as the spearhead for our national health program. The country is much better prepared to handle its problems in curative medicine and curative surgery than it has ever been. Our 80 medical schools are turning out good physicians and there are now approximately 200,000 doctors in the country. The deans of the medical schools report that many of these institutions need financial assistance and this is a problem which must be faced and solved. But the chief obstacle in the development of preventive services for the country as a whole is the inadequate numbers of medical-school graduates who enter our schools of public health, which are the only sources of postgraduate training in the planning, organization, and administration of health programs. Vigorous recruitment of promising young physicians for training in public health is necessary, but the bottleneck will still exist as long as the schools of public health remain in their presently precarious financial situation. These 10 schools, all of which are eager to increase their service to the Nation, are finding it difficult, if not impossible, to expand sufficiently to do so. Most of them are operating today largely on temporary grants for specific projects and are in serious need of firm and long-term financial support.

I believe it is of the utmost importance that the President and the Congress should take whatever steps are necessary to develop the strongest possible emergency health program with primary emphasis on the prevention of disease. They should select as their advisors physicians of broad vision who are also leaders of recognized competence, training, and experience in military preventive medicine and civilian public health. The fact that a doctor is a distinguished specialist in some branch of curative medicine does not of itself qualify him to play a constructive role in planning the Nation's program for disease prevention. To assume that a great surgeon, a renowned dermatologist, or a well-known obstetrician must also possess the special skills and experience required for national planning in preventive medicine and public health is as illogical as to expect that a chemical engineer could have planned and directed the construction of the Golden Gate Bridge or the Empire State Building.

It would also seem wise to set up an emergency Federal Department of Health headed by a Secretary of Health of Cabinet status and with the above qualifications. This Department could be similar to the one proposed on February 18, 1942, in the American Medical Association's 12-point program for improving the national health. The Secretary of Health should be responsible for the planning, coordination, and integration of all Federal health activities except those of the Armed Forces. The establishment of a strong Federal Department of Health would facilitate the rapid mobilization of America's resources to meet the present emergency. Its establishment at Cabinet level would provide for close cooperation and joint planning with the Secretary of Defense, and his policy-making health staff. That staff likewise should include not only eminent physicians and surgeons, but also recognized experts in preventive medicine and public health. With such strong top-level leadership it will be possible to develop a closely integrated national program aimed at the more effective conservation of the health of both the civil population and the Armed Forces.
And now we come back to the question of cost, which has to do with the question of foundations. It is believed that our national health program, including adequate provision for the education of specialists, could be reorganized along the lines suggested at a cost which is little more than the total now being spent for public health. Certainly, the additional cost would be insignificant compared with some of the enormous expenditures made by our Government in recent years for programs of much less value. The final question to be decided is: Who will pay for the Nation's future program of health? Will we continue to rely on the generosity of wealthy individuals for the partial support of research and education in medicine and public health? Can we expect our philanthropic foundations to continue their donations and to do a major portion of this job? Or must we look to the Government to finance the Nation's health program?

I shall not attempt to answer these important questions. They represent a great challenge to our new President. I am confident that he will meet this challenge as courageously, objectively, and successfully as he has met every other crisis in his constructive life. I am sure that he and the Congress will receive the full support of the united professions of medicine and public health and all of America's great institutions, including her philanthropic foundations, in whatever plan they may adopt to protect the Nation's health.

Mr. Hays. General Simmons, I am sure the committee would want me to thank you for this very fine presentation. We have been eager to help you and to have these recommendations, and I can assure you that it will be exceedingly helpful.

Mr. Simmons. Thank you, sir.

Mr. Hays. I am particularly interested in your reference to the Rockefeller Foundation work in hookworm control in the South, because I recall as a grammar-school pupil in a little town down in Arkansas that the same activity took place, and Arkansas' response was just as North Carolina's—very, very fine. The committee would like to go ahead with some questioning if we can.

Mr. Simmons. Yes, sir.

Mr. Hays. With the thought of winding up, perhaps, and not having an afternoon session.

Mr. Chairman, do you have any questions?

The Chairman. I regret very much that I was not here to hear the general's full statement, but I shall, however, examine it with a good deal of interest.

I am wondering what, if anything, could be done to stimulate the youth of the country for the kind of education and training, the need of which is so great, as the general has indicated.

In other words, what are the returns, what is the compensation that a young man or a young woman might expect as a reward of dedicating their lives to just the type of work about which the general has been talking?

I take it that we have too few institutions, schools, you understand, which specialize in giving this type of training, and yet there may be insufficient number to accommodate the demands which are made under existing conditions. I take it that public opinion would not want the Government to obligate itself to furnish this kind of education and training at Government expense.
I do not mean by that that public opinion would not want to cooperate, would not want Government to help by way of making even large expenditures of money, but they would only want to help those who want to help themselves, in other words, make it some sort of cooperative undertaking.

Why is it that there has been an abatement, if I can put it that way, of interest on the part of young people who are endeavoring to equip themselves for the conflicts, the battles that lie ahead of them, if there has been a falling off of interest or an abatement of interest? What could the general suggest that might be done by Government and by the public to stimulate this hunger of theirs for this kind of knowledge and this kind of service?

Mr. Simmons, Sir, you have put your finger on a critical point. That is the need for recruitment of new personnel as well as the provision of adequate facilities for training, postgraduate training.

I think one difficulty in the past has been that public-health, Government public-health, positions have not paid salaries comparable to the income of doctors who go into private practice. And other things have influenced this failure.

I think another is that our medical schools in the past have not adequately explained to young medical students the great service that they can render and the stimulus they can receive out of rendering such service on a broad basis. That is being corrected today, sir.

There was a meeting held about a week ago of the deans of all the medical schools in this country which was preceded by a week's meeting of the professors of preventive medicine at the medical-school level, which is trying to build up better training in preventive medicine, which will lead into the postgraduate training in public health and increase the flow of experts who will be available to do Government jobs.

The question about finances I think requires at least one more word. While the medical school trains primarily practicing physicians who go out and practice and make money of their own, the majority of the graduates of the post graduate schools of public health go into Government work, either the Federal Government, the State governments, or the local governments running health departments.

And, as you know, their salaries are not comparable with the practicing physician. The fact that so many of them do go out to serve governments, this Government and other governments, I think, puts them in a category where some support to their education might be more easily justified by the Government than in the other case.

Does that answer your question, sir?

The Chairman. Well, it may not answer it to my complete satisfaction, but it helps me. I think I should say that it is a fair answer.

Mr. Simmons. I will add that to my mind the main recompense for a career in public health is the satisfaction that you get out of what service you think you can render, and I believe in that sense there are young men and young women in this country who still are attracted by a sense of service even to go out as preachers, as priests.

The Chairman. I was just about to ask you a question to develop that.

Mr. Simmons. For the same reason, I believe, if our recruitment is done more effectively, we will draw more people who are willing to come into public health regardless of the pay.
The Chairman. Is there not something of a tendency on the part of these fine young people who give themselves to this type of work, to forget the dollar, forget the pay?

Mr. Simmons. I am sure there is, or they wouldn't go into it.

The Chairman. Thank you, sir.

That is all, Mr. Chairman.

Mr. Hays. Mr. Simpson?

Mr. Simpson. General, I wanted to inquire whether you believe that Government should do as was suggested in the latter part of your statement, take a directive position, cooperative, and so on, there would still remain a place for the foundations?

Mr. Simmons. I certainly do, sir. The reason I asked those three questions—and I don't know the answers—is that while you take the question of postgraduate education in public health—and I assume it is similar with their support to medical schools—but in the early days, take my school, for example, Harvard School of Public Health, they gave the original endowment which started our school in 1821, after it was turned over from the Harvard MIT. In 1927 they gave me an endowment.

When I retired and went to Harvard they gave us another grant of $1,000,000 which is being spent $100,000 a year, but I have no reason to think that this will continue, because I believe at least this one foundation is moving out of this field of origination of institutions, original support on the philosophic basis that what they want to do is to stimulate the production of new organizations, new research which can be free-wheeling.

And after they get them started, let someone else carry it on. And so I have no reason to think that this last grant to the Harvard School of Public Health won't be actually the last one from that source. Our budget is about—we have an endowment originally given by Rockefeller, a very minor part of our total support. I would say almost three-fourths of it comes right today from 19 foundations. I assume they would continue that type of support, but not the original basic support for operations but more for special research projects.

Mr. Simpson. But there would remain in the area of research and so on—

Mr. Simmons. Yes, I think so.

Mr. Simpson. You would continue to need the risk and venture capital, wouldn't you not?

Mr. Simmons. That is right, but the basic operations of the schools is where we are having trouble.

Mr. Simpson. Yes. You had that in the latter part of your statement primarily. Now have you found as your experience that there has been insufficient money available for this venture and risk capital work?

Mr. Simmons. No. You mean for research?

Mr. Simpson. Through the foundations; yes.

Mr. Simmons. No; I haven't. That is what I call soft money, money that you get for a specific research project, and it runs for 1 year or 2 years and then you have to renew it. We can get all of that we want.

What we need is money that will enable us to expand our teaching facilities and our training facilities which is free of that type of restriction.
Mr. Simpson. This question I want to ask now is basic to the retention of the independence that the schools value, I am sure. Do you care to comment whether that should come through an enlargement of the foundation, an improvement of the quantity of giving by the private citizen, or should that come through Government?

Mr. Simmons. I would prefer to see it come from the private citizen and the foundation, but I am not at all sanguine about that happening in the next 10 years.

Mr. Simpson. Government has a highly important part in making the foundation possible.

Mr. Simmons. Yes.

Mr. Simpson. Namely, through taxation.

Mr. Simmons. That is right.

Mr. Simpson. It wouldn’t be out of the way if you saw fit to suggest that the tax laws be changed to make it more advantageous to the citizen to give to foundations.

Mr. Simmons. Well, some of the foundations are still giving for endowment, but very few of them that I know of.

Mr. Simpson. Of course, I refer to the individual who wants to give the money to the foundations rather than to the Government through taxation.

Mr. Simmons. Well, I have been looking for those individuals for the last 6 years, sir, and I find they are rather scarce with large amounts of money.

Mr. Simpson. There are some who give to the maximum they are allowed to give so far as deductions are concerned.

Mr. Simmons. That is right.

Mr. Simpson. It has been suggested—it may not be a subject of this committee—that we should increase that tax deduction.

Mr. Simmons. I think that might release more money for this purpose, and I think it would be a very helpful thing, sir.

Mr. Simpson. It would be interesting to follow the effect of the change that was made last year with respect to deductions.

That is all I have, Mr. Chairman.

Mr. Hays. Mr. Goodwin?

Mr. Goodwin. Am I right, General, in assuming that many of the epoch-making advances in medical science and in public health that have come about in the last decades, the research leading up to those advances and the requirement of that knowledge, could probably never have been possible through the use of public funds?

Mr. Simmons. I am sure that that is correct, sir, especially in the past.

We now, since World War II, have a great reservoir of public funds, as you know, through the Public Health Service, the Armed Forces and now the National Science Foundation, available for that type of research, but we didn’t have that kind of money appropriated for that purpose during the period we will say before World War I, or even after World War I.

Mr. Hays. The problem, as I understand it, which you are pointing up, is to get adequate support for these public health schools?

Mr. Simmons. That is a part of my argument for showing what the foundations have contributed in the past and what they or somebody, I hope, will contribute in the future, sir.

Mr. Hays. But that source is tending to dry up?
Mr. Simmons. It looks quite that way, sir.

Mr. Hays. Now, are any of the States maintaining public health colleges at State expense?

Mr. Simmons. Yes, sir; North Carolina has a good public health school, Minnesota has one. The California school—I don’t believe that is a State school. It may be, though I am not sure.

Mr. Keele. Michigan has one, too, has it not?

Mr. Simmons. Michigan has a good school.

Mr. Hays. And there are 10 public health schools in the United States?

Mr. Simmons. Yes, sir; that’s right, 10 accredited postgraduate schools. These schools are really post-postgraduate because a man first gets his college, then his medicine, experience in the field, and then he comes to this type school for 1 or 2 years to fit himself to go out and organize and operate health programs, whether it is for county or State or for a nation.

Mr. Hays. Do those States provide scholarships?

Mr. Simmons. Most of our people come on scholarships. Some are from States, but very few. We have a large load of foreign students who are distinguished health workers before they come to us. They come usually on Rockefeller Foundation scholarships, or now we have Inter-American Affairs, World Health Organization, and various other agencies giving foreign scholarships. For this country the Polio Foundation has given a number, and the States, to the Public Health Service.

Mr. Hays. Do you think the Federal Government should get into the scholarship field in a more substantial way?

Mr. Simmons. I think that would be helpful, provided they were less restrictive. For example, some of the State scholarships have a tag on it that the man has to agree to serve a certain number of years in a certain place.

What we would like to do is to stimulate men to come into public health who may not want to go and live in that one place in order to get a scholarship, so I think if the restrictions were taken off, it would be very helpful.

The Chairman. Let me ask this: Are there not conditional grants made by the foundations which are similar to aid extended by Government?

Mr. Simmons. Yes, sir; they have their restrictions, too. For example, the Rockefeller Foundation grants at the present time——

The Chairman. Is there a tendency to put grants on conditional basis which is increasing or falling off?

Mr. Simmons. They don’t require that the man go back and practice in a certain place or practice public health, but they are restricted in the sense that they select only people from certain parts of the world. Most of them have some type of restriction of that sort.

The Chairman. I take it there are thousands of smaller foundations which taken in the aggregate lose a tremendous result, a tremendous benefit. For instance, are you acquainted with the Woodrow Foundation down in Georgia?

Mr. Simmons. I know of it but I am not acquainted with it, sir.

The Chairman. He is the Coca-Cola man.

Mr. Simmons. Yes; I know.
The Chairman. And he has taken a great part of his fortune, you understand, and set up a foundation for the support of medicine at Emory University, making a medical center out of a school, with relatively ambitious programs which cause deficits to pile up tremendously daily, and they have no funds except this small foundation, and that exhausts its entire earnings.

I do not know, but I think possibly the success they have had in that regard may have attracted the Rockefeller people who have recently gone down and set up a fund of about $7 million to the school at Emory. Or there are many of the smaller foundations who devote their entire earnings, or their resources, to promoting some specialized work, as does the Woodrow Foundation, taking care of medicine at Emory University.

Mr. Simmons. They are doing a grand job at Emory. The director of research there is Dr. Dodd, a close friend of mine. I saw him last week in Texas.

Mr. Hays. General Simmons, do you feel in the main that the expenditure of funds in foreign countries in this type of research work that you referred to in the early part of your statement is in our interest?

Mr. Simmons. It has been greatly in our interest, sir, for several reasons. One is that all these great programs that the Rockefeller Foundation has carried on in malaria, hookworm, and yellow fever have added to our total fund of knowledge about the epidemiology of these diseases in ways that we couldn’t have done by working at home.

I will give you an example. When Gorgas first went on this Rockefeller Yellow Fever Commission in 1915, it looked as though the mosquito, which Walter Reed had discovered as the cause of the transmission of yellow fever, was the only one concerned. It is a common house mosquito. And so far as we knew at that time, all the big epidemics in yellow fever and the ones imported into this country—and we had a hundred epidemics in this country in the hundred years before 1905, even as high up as Boston in the summertime—all those epidemics were carried by this one mosquito, and so it was assumed by Gorgas and by his successors that all they had to do was clean up this mosquito and what they thought were the epidemic yellow fever areas down South, and they could wipe it off the face of the earth.

There was great talk about the total conquest of yellow fever, until about in the 1930’s when we found that there was another thing, they thought it was another disease, in the jungles of Brazil and further north. Finally it turned out that was yellow fever, too, and it was being carried around in the jungle with no people around. Sometimes a man would go in and come out and have this disease.

There were none of these Aedes mosquitoes there. To make it short, it was found that it wasn’t just this one mosquito which only is a house-breeding mosquito in towns, but that this disease could be carried on by itself in the jungle away from man, and that the reservoir there was certain types of lower animals, and the mosquito transmitted it, a jungle mosquito. We still have these great smoldering endemic foci in the jungles of South America and central Africa, where I doubt that we will ever wipe the disease out. We couldn’t have found that out working here in the United States.
The foundations couldn’t have found out working here in the United States, but by coordinating this big program over this wide expanse of world territory, it brought the picture together, and now we know.

We knew when World War II came that we should protect soldiers going through those areas against yellow fever, while we had none here. That is the sort of thing that this has been able to do that we couldn’t have done at home.

Mr. Hays. The technical assistance program, as I understand it, particularly the Institute of Inter-American Affairs that you mentioned which pioneered technical assistance.

Mr. Simmons. I think it has done a wonderful job. I haven’t mentioned what I think is important to all of us that has come out of all this international activity, and that is, these agencies have been able to cross national boundaries where nobody from our Public Health Service could have done it in certain instances.

I know the Rockefeller Foundation friends of mine have told me about being in South America when there was war between two countries, and they went across the line and served both countries on the common cause of typhus control. Well, our people couldn’t do it. They would resent it. Somebody would say, “Get out,” I mean our official people.

Mr. Hays. Are you familiar with the Rockefeller experiment at Zumpango near Mexico City?

Mr. Simmons. No. You mean the agricultural one?

Mr. Hays. Yes.

Mr. Simmons. I know a little about it, but I don’t know any details. I met some of their people in 1947. You mean working on the hybrid corn?

Mr. Hays. Yes.

Mr. Simmons. I was in Cuba and met one of their representatives there who was over at the Atkins Gardens discussing various seed, and they told about their experiment in Mexico, trying to find a hybrid corn, I believe it was, that was grown down there, in place of the crummy little corn that the Indians had been raising for 10,000 years, in order to increase the food supply. I don’t know whether that is what you mean or not.

Mr. Hays. Yes. It is, of course, only indirectly related to your public-health program.

Mr. Simmons. No, sir; in my book that is public health, too, because nutrition is the basis for public health.

Mr. Hays. That was the point I had in mind. As a matter of fact, many of these public-health workers are not trained medical men at all. I am thinking of sanitary engineers.

Mr. Simmons. That’s right.

Mr. Hays. And related programs.

Mr. Simmons. In our school we have a wide spectrum of skills. The main group are doctors of medicine who come there for 1 year for what we call a master’s in public health, but we also have in the same class with him expert sanitary engineers, public-health nurses, public-health educators, nutrition experts, bacteriologists, and a wide spectrum of people who are working in public health under the direction of health officers.
Mr. Hays. General Simmons, we certainly are grateful to you, and I want to thank you again. This has given us a very fine view of the problem.

Mr. Simmons. I thank you, sir. I am glad to be here.

Mr. Hays. The committee will be in recess until 10 o'clock in the morning. There will be no afternoon session.

(Whereupon, at 12:30 p.m., the select committee recessed, to reconvene at 10 a.m. Thursday, November 20, 1952.)