

1974

The BUSH FOUNDATION

The BUSH FOUNDATION 1974



A. G. BUSH



MRS. A. G. BUSH

THE
BUSH FOUNDATION

*Annual Report for the Fiscal Year
Ended November 30, 1974*

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The Bush Foundation

REPORT FOR THE FISCAL YEAR ENDING NOVEMBER 30, 1974

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GRANT PROGRAM ACTIVITY:

STANLEY SHEPARD, *Senior Program Associate*. EMILY GALUSHA, *Program Associate*.
JOHN ARCHABAL, *Program Associate*

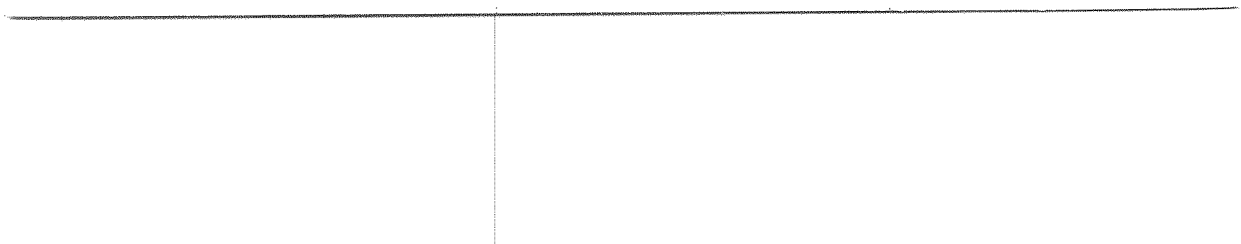
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HAROLD V. NEECE, *Business Manager*. AUDREY G. MARKOE, *Bookkeeper*

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Address: W-962 First National Bank Building, Saint Paul, Minnesota 55101. Telephone: 612-227-0891



THE BUSH FOUNDATION

The Bush Foundation, established by Mr. and Mrs. Archibald G. Bush of Saint Paul, Minnesota, was incorporated February 24, 1953, under the Minnesota Non-Profit Act, to encourage and promote charitable, scientific, literary and educational efforts. It is a tax-exempt organization under the laws of Minnesota and the United States.

The Foundation has concentrated activity in the areas of education, humanities and the arts, community and social welfare, and medicine. Geographically, the Foundation's grants have been principally in Minnesota, with several grants in Chicago and Florida.

The income available to the Foundation represents the investment yield from assets given the Foundation by Mr. and Mrs. Archibald G. Bush. The Foundation is the residuary legatee of the Estate of the late Archibald B. Bush, from which it has received several distributions of property and cash.

During the fiscal year ending November 30, 1974, The Bush Foundation granted financial assistance to seventy-six projects in the United States, continued to conduct the Bush Opportunity Grants Program in seventeen private colleges, and the Bush Leadership Fellows Program. The sections which follow the Report of the President summarize these activities, and describe the Foundation's grantmaking policies and procedures.

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REPORT OF THE PRESIDENT

In 1974 The Bush Foundation paid \$7,408,700 to grant recipients, an increase of 26 per cent over the previous year and a new high figure in the Foundation's history.

The amount of future grant commitments appropriated during 1974 was \$9,707,597. This also is a new high figure. The highest previous amount was voted in 1971, when a total of \$8,624,861 was approved for payment.

The tables and graphs on the next few pages summarize recent Bush Foundation grantmaking trends. These exhibits show a rising trend of actual payments to grant recipients, and a varying level of future commitments made in each year. The exhibits also illustrate in a general way the grant purposes which the Foundation has emphasized, and how this emphasis has changed during the past five years.

In September 1974, the Board of Directors met for a day and a half at the Spring Hill Conference Center in Wayzata, Minnesota, to review the Foundation's recent grantmaking patterns and to consider possible changes in policy for the near future. The principal elements of this policy discussion are summarized in the "Program Notes" section of this annual report. The Spring Hill meeting also led to the second revision of the Foundation's grantmaking guidelines since they were issued originally in 1971. The newly revised grantmaking guidelines appear in the section of this report entitled "Grantmaking Policies and Procedures".

During the summer of 1974 a widely reproduced article from the *New York Times* announced that one of the nation's largest foundations was seriously considering a 50 per cent cutback in its volume of grantmaking activity. The article suggested that the recent decline in the market value of this foundation's assets was a major reason for considering such a sharp immediate curtailment of its programs. In November, 1974, the Subcommittee on Foundations of the U. S. Senate Committee on Finance held hearings partly to determine the extent to which the adverse recent performance of financial markets was affecting U. S. foundations. Testimony from representatives of these foundations revealed that most of them soon will face the question of whether their future programs must be cut back.

The main reason for this reappraisal, however, is not primarily the sharp

two-year decline in stock market prices. More important is the possibility that the nation's economy has entered a period when high rates of inflation will persist and when the total yield from diversified investment in stocks and bonds will not rise correspondingly to protect against the effects of inflation. During such a period, most foundations cannot earn sufficient funds from their investments to adjust for the declining purchasing power of each dollar and maintain indefinitely the same real level of support to grant recipients.

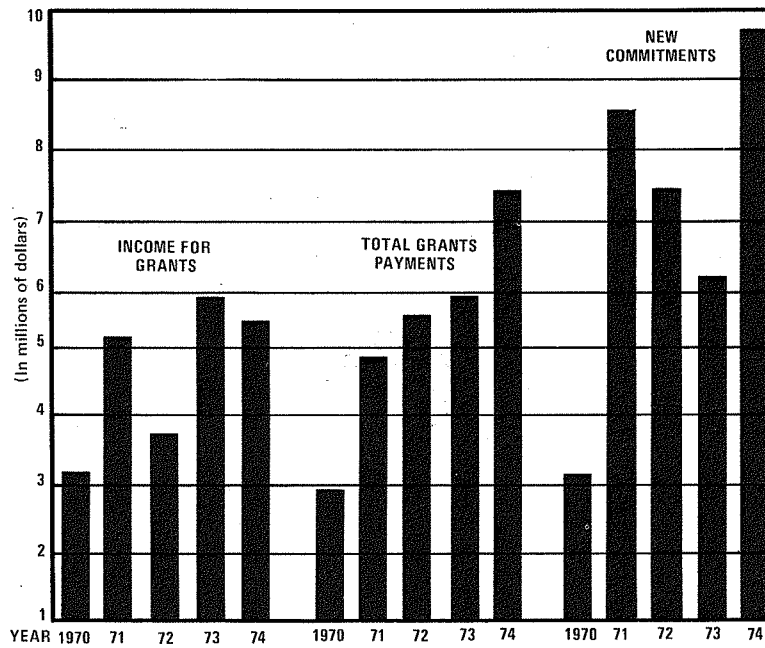
The Bush Foundation Directors in 1974 did not reach any final conclusions concerning future assumptions about the national economy, nor about what long-run program adjustments might be necessary for the Foundation. However, the Directors estimated that the amount of new grant commitments undertaken during 1975 should be significantly smaller than the amount of new commitments which was voted during 1974. If this view is followed, it would not reduce noticeably the Foundations level of actual payments to grantees until 1976. This is the result of decisions made in prior years. More than two thirds of the Foundation's anticipated payments for 1975 already were committed before the year began. No reduction is contemplated in any of these prior commitments.

In spite of these financial uncertainties for the future, The Bush Foundation during 1974 both improved the general quality of its performance and defined its interests more clearly. As in previous years, these gains depended upon the contributions of many people: the sustained hard work of the Foundation's Directors, the increased experience of its staff, the thoughtful advice given by many other individuals concerning grant proposals and program ideas, and, finally, the care with which grant recipients spent the funds entrusted to them.

REUEL D. HARMON
President

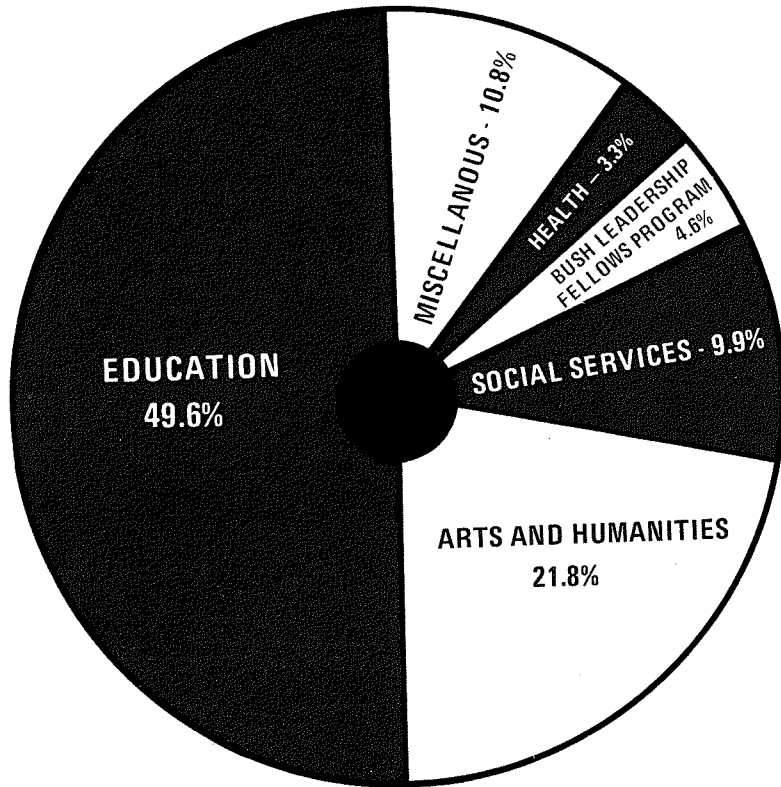
Year	Income for Grants	Total Grant Payments	New Commitments
1970	\$3,168,163	\$2,950,039	\$3,241,782
1971	5,254,204	4,888,403	8,624,861
1972	3,797,918	5,405,016	7,498,128
1973	5,919,163	5,882,972	6,097,495
1974	5,512,260	7,408,700	9,707,597

**INCOME FOR GRANTS* COMPARED WITH
GRANT PAYMENTS AND NEW COMMITMENTS
1970-1974**

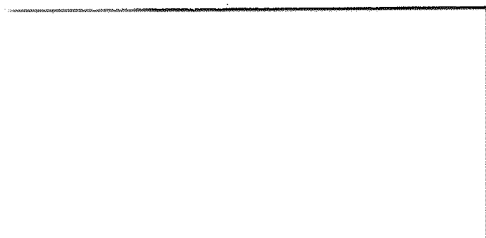


*Income for grants is the greater of net income or minimum investment return as defined by the Revenue Act of 1969, less excise taxes, administrative expenses, and investment expenses.

**DISTRIBUTION OF 1974 FOUNDATION GRANT APPROPRIATIONS
BY PROGRAM AREA**



PROGRAM NOTES



PROGRAM NOTES

GENERAL PROGRAM REVIEW

The Bush Foundation's programs during 1974 received their first comprehensive review since the Foundation Board was enlarged and reorganized in 1970. The Board of Directors, the Foundation staff, and selected outside consultants met on September 26 and 27, 1974 at the Spring Hill Conference Center to consider the total scope of the Foundation's grantmaking and to consider particular program areas in detail.

As a result of these discussions, and of others during the year, the Board voted that the Foundation continue to be predominantly a regional grantmaking foundation. The major emphasis of its activity in the arts and in education will be continued. The definition of its interests in health and in welfare and social services was reviewed and sharpened, but still requires clearer focus. The 1975 Bush Leadership Fellows Program and the Bush Summer Fellows Program were expanded to extend eligibility to candidates from North Dakota, South Dakota and those 26 counties of western Wisconsin which are part of the Ninth Federal Reserve District. North and South Dakota were added to the defined region of the Foundation's primary interest. A list of new program ideas was reviewed. Several potentially-promising areas for staff investigation were added to this list. Several possibilities were deleted which no longer appear as feasible as initially hoped. Finally, the Board determined that a similar process of comprehensive program review should occur at least every other year.

The Directors and staff members brought to the review process many different views about how the Foundation's purposes should be defined and how these aims can best be fulfilled. However, there appeared to be general agreement concerning the fundamental questions by which any plan for the Foundation's future ought to be tested. Are the selected program areas important ones? Are the funds available to the Foundation sufficient to permit worthwhile impact in those program areas if intelligently spent? Has the Foundation selected program areas which its Board and staff can know enough about so that they can make intelligent spending decisions? After reviewing these questions and their implications, the Board at

its September meeting approved general operating goals summarized below, which would apply for the following three years or until amended.

GENERAL PROGRAM GOALS

1. The Bush Foundation should remain a predominantly regional grantmaking foundation, attempting to be somewhat more selective than at present as to the number of problems it devotes major attention to at any one time. The need for added selectivity seems greatest within its medical and health grantmaking.
2. Limit expansion of geographic scope to selected nearby and sparsely populated regions, or to those instances where a separate out-of-area program is desired and is specified beforehand by the Board. Out-of-region proposals should be considered in the Foundation's overall program context.
3. Undertake additional program activity in North and South Dakota.
4. Continue to develop program activity in the arts, education, and in leadership development.
5. Attempt to improve the Foundation's information, perspective and quality of performance in the areas of health and of social services and welfare. Devote added attention to the questions of family stability, early childhood development and to factors which may cause or aggravate social problems.
6. Keep the duration of the Foundation's grants on a relatively short cycle to preserve flexibility.
7. Maintain a balance between predictable focus and uncommitted reserves in each of the subject areas selected for emphasis. Focus permits more efficient use of time, often tends to improve the quality and number of related applications, and makes the problem of information flow more manageable within the Foundation. However, maintaining some uncommitted funds will permit occasional unplanned choices, and freedom to experiment on a small scale with new possibilities which may or may not later grow into focused clusters of grants.
8. Attempt to discipline staff calendars and Board preferences during this period so that enough time is set aside to investigate areas which seem most promising.
9. Work to develop further exchanges of program and administrative information with staff and trustees of other foundations in our region.

In addition to reaching consensus about general program goals, the Board during 1974 approved a new definition of its interest in health, approved continued development of the Foundation's programs in the arts

and in education, reviewed its recent grants in social services and welfare, and voted to expand the scope of its leadership development programs. These highlights are summarized in the paragraphs which follow.

HEALTH

Early in 1974 The Bush Foundation asked a panel of medical specialists, representing backgrounds in medical practice, education, federal service, research, and foundation work, to review and criticize the Foundation's record of health grantmaking. The panel also was asked to identify key problems in medical education, research and health care delivery, and to suggest ways in which the Foundation might improve its performance within this broad field. The panel met two days in June in Denver, Colorado.*

The panel thought that the general strength of The Bush Foundation's applicant pool should be improved, and that a clearer declaration of specific interests by the Foundation is necessary. Without sharper definition, applicants for funds may find it hard to know what kinds of proposals stand a reasonable chance of being approved and also may be reluctant to spend enough planning time and talent to generate the best possible proposals. Also, if the attention of an unspecialized foundation staff is spread across many medical subfields, its investigative work will either take too much time or may be too shallow even if assisted periodically by consultants. The Denver panel particularly questioned the wisdom of the Foundation continuing to evaluate and support specific biomedical research projects unless it was also prepared to identify particular research areas, to make a sustained and significant investment in them, and to hire specialized staff or continuing consultant help.

The panel believed that the general problem area most worthy of attention by a medium-sized foundation may be the current lack of fit between the kind of personnel which training institutions produce and the needs of the health care delivery system. The panel thought that a predominantly regional approach to this question is appropriate. The panel believed that if The Bush Foundation agreed with this general approach, it should take further steps to define the major health care needs of its region and to identify the related gaps in training which regional schools, colleges, and universities might wish to try to fill more quickly.

*The panelists were Dr. Lloyd C. Elam, President, Meharry Medical College, Nashville, Tennessee; Dr. John R. Hogness, President, University of Washington, Seattle, Washington; Miss Margaret E. Mahoney, Vice President, The Robert Wood Johnson Foundation, Princeton, New Jersey; Dr. Samuel M. McCann, Professor of Physiology, University of Texas Health Science Center at Dallas, Texas; Dr. Stanley W. Olson, Provost, Northeastern Ohio University College of Medicine, Kent, Ohio; Dr. Edmund D. Pellegrino, Chancellor, University of Tennessee Medical Units, Memphis, Tennessee; and Dr. Vernon E. Wilson, Professor of Community Health and Medical Practice, University of Missouri, Columbia, Missouri.

Specific suggestions for possible program support included the training of workers for ambulatory, emergency and rural health care, development of academic leadership in those fields, development of minority-race professional competence, and development of managerial leadership.

The Foundation Board in September voted to cease granting funds for project research in the biomedical and health sciences. The Board also expressed strong interest in the general emphasis suggested by the Denver panel, and asked the Foundation staff to investigate further the panel's specific recommendations.

The precise program outcome of this initial review is not certain and probably will not be for at least another year. The direction of interest, however, seems clear enough to warrant its description here and to merit its inclusion in the January 1975 revision of the Foundation's grantmaking guidelines, which appear later in this annual report.

EDUCATION

Half of all the Foundation's new grant appropriations in 1974 were made to schools, colleges and groups concerned primarily with education. This represents a larger Foundation investment in education than has occurred in recent years. Part of the increase resulted from expansion of continuing Bush programs in Minnesota four-year private colleges, and part resulted from a new decision to grant major temporary assistance for graduate fellowships at the University of Minnesota.

Bush Foundation annual reports in 1972 and 1973 have described the Foundation's developing view of the problems facing Minnesota's strong network of private colleges. While it is difficult to generalize about such a diverse group of institutions, all are going through a period of unusual financial difficulty which began in the late 1960's and which shows little sign of easing in the near future. Probably no single source of funds can solve these financial problems. The Bush Foundation has concentrated upon them in those cases where a college's particular needs and the Foundation's programs seemed to fit together.

The specific purposes of these Bush programs are to help private colleges expand their pool of applicants, to help colleges improve the management of their resources, and to help them increase their access to unrestricted operating income.

In July the Foundation's Board approved expenditure of \$670,000 to continue the Bush Opportunity Grants Program. The new authorization provides scholarships for two additional entering classes of Minnesota Community and Junior College students who transfer to four-year Minnesota private colleges. The original vote in January, 1972 had provided \$1,224,000 for transfer classes in 1972, 1973 and 1974. The new vote provides

for the transfer classes entering in 1975 and 1976. As before, funds are also available to renew awards for a second year to students who maintain satisfactory standing and who continue to demonstrate financial need. These scholarships are awarded by the participating private colleges and are for amounts up to \$1,000 each.

Early results under the Bush Opportunity Grants Program indicate that it made possible a wider choice for Minnesota Community College graduates and helped stimulate larger numbers of these students to transfer to private colleges. The Program helped encourage closer contact between Community Colleges and private colleges, and also helped create significant change in the enrollment patterns of at least two of the private colleges, Augsburg College and Hamline University.

The Foundation made ten alumni challenge grants, ranging in size from \$25,000 to \$80,000, to individual private colleges seeking to increase the number of alumni who donate unrestricted funds each year, and to increase the amount of those receipts. The Foundation offers each participating college dollar-for-dollar matching for increased receipts in the alumni fund, up to an agreed-upon target level. The Foundation also offers separate incentives to enlarge the list of alumni donors. Using these common elements, college officials and the Foundation staff together agree beforehand on proposed annual targets, which may provide relatively large incentives if a college believes it can achieve significant gains in the coming year, or smaller incentives if the estimated increases are smaller. While the challenge grants are made for a single year, the Foundation expects that in most instances a series of grants will be awarded, so long as the process appears likely to produce significant improvement. Ordinarily the series will last for not less than two and not more than five years. Usually the largest gains can be achieved in the first year, and smaller increase goals are set and attained in the years following.

Seven colleges have completed at least one year of experience with this kind of alumni challenge grant, and two of these, Macalester College and the College of Saint Thomas, have completed two years. The two-year joint experience of Macalester and Saint Thomas has been an 87 per cent increase in alumni fund receipts and an 86 per cent increase in the number of alumni who give. The first-year experience of the seven colleges, taken together, is a 42 per cent increase in alumni fund receipts and a 40 per cent increase in the number of participating alumni. Under the first nine grants — seven initial grants and two renewals — The Bush Foundation paid a total of \$644,113 while the participating colleges added \$354,141 in receipts from alumni and also added 7,896 graduates to their lists of donors.

Perhaps most significant, although not measured in the Foundation's matching formula, is the increased number of alumni volunteer workers who have participated in annual fund-raising and who have organized their work more thoroughly. The early results they have achieved are extremely

encouraging. The hardest test of their work, and of the Foundation's success in this series of grants, will be whether most of the recent gains can be maintained after the Bush incentive grants cease.

In November the Foundation renewed for a third two-year period a grant of \$400,000 to the Minnesota Private College Fund. These funds are distributed to the 15 member colleges for projects which their presidents believe otherwise could not be undertaken. Three fifths of the funds are allocated equally among the colleges and two fifths are distributed in proportion to enrollment. During the 1973-74 academic year, six colleges used these Bush funds to improve management information systems, to improve long range planning, and to develop student recruitment. Three colleges used the funds to improve career or academic counseling. Other projects initiated or expanded curriculum development in Scandinavian studies, urban studies, minority cultural programs, art, physical education and physical therapy.

In April the Foundation approved a four-year grant totaling \$2 million dollars for fellowships in M.A. and Ph.D. programs in the Graduate School of the University of Minnesota. This was the largest single grant made to date by The Bush Foundation. The grant provides \$600,000 a year to the University during 1974-75 and 1975-76, and smaller amounts during the two following years. These fellowship funds will go both to first year graduate students and to students who are continuing their studies.

The grant is not designed to increase graduate enrollment generally, but rather to help the University strengthen particular programs and to help the Graduate School adjust to the extremely sharp recent cutback in federal support for graduate fellowships. In 1967-68 the federal government awarded 455 fellowships to students at the University of Minnesota Graduate School. By 1974-75 that number decreased to 21. Most of the Big 10 public universities, facing similar cutbacks, have been able to arrange state funding to offset a portion of the cutback and to provide 200 to 400 fellowships from this source. While the University of Minnesota has used state funds for graduate fellowships for the first time during 1974-75, only 47 such awards were available.

The University of Minnesota is the largest doctoral training institution in the Upper Midwest. The University's ability to attract excellent graduate students strongly influences its ability to recruit and retain excellent faculty, which in turn determines much of the general quality of the institution. This linkage is why it seemed important to make this unusually large grant. But in the long run, graduate student financial aid probably must be provided by the University from public funds if this aid is to be sustained and enlarged. Meanwhile, during a relatively short emergency period, the Foundation's funds may buy time at least to consider those future arrangements and to encourage the further strengthening of a few departmental programs which seem to merit it the most.

ARTS AND HUMANITIES

In 1969 The Bush Foundation began to provide substantial support to arts organizations, primarily in the Twin Cities. By 1974, new annual appropriations in the arts and humanities totaled \$2,110,152, and grant payments totaled \$1,558,790. Those figures represented 21 per cent of the Foundation's total grantmaking in 1974.

For a few of the major arts organizations in this community, the Foundation rapidly became the single largest local source of support, apart from earned income. To assess the scale of the arts economy of which the Foundation is a part, the Foundation has conducted two financial studies of local arts organizations. The first, completed three years ago, was a review of budget and other operating data from those organizations which had participated in the Ford Foundation's economic survey of the performing arts; the second, completed in December, 1973, was a study of five-year projections from eleven professional performing arts organizations and museums in the Twin Cities.

The survey of the financial history of several of the arts organizations from 1966 to 1970 showed that aggregate attendance and ticket income grew slowly and steadily at about 2 per cent per year, a rate which paralleled the growth of the metropolitan population. Between 1966 and 1970, contributed income from local foundations, individuals, and businesses tripled, but even this surge of local support did not prevent a sharp increase in deficits during the same period. Expenses grew about 10 per cent a year. When one extended that trend line into the future, it did not seem possible to identify sources of income that could rise rapidly enough to sustain such a rate of cost increase.

Faced with this unwelcome projected result, eleven of the professional arts organizations in the Twin Cities agreed to participate in a second study, which would include more recent historical data and also projections of financial and operating plans from 1972 through 1977.* These projections were based on the best available assumptions that could be made in 1972 about the future. The projections were speculations, not predictions nor firm operating plans.

The new study produced a more optimistic result than the first one, although this depended upon certain key estimates which may not prove to be correct. The aggregate results in the new study envision that total expenses of the performing arts organizations may grow about 8 per cent a year through 1977, instead of at the 10 per cent annual rate previously estimated. Meanwhile, earned income is projected to grow about one per cent per year faster than was estimated in the first study. This new projec-

*The organizations which participated in the 1972 study were: Minneapolis Institute of Arts; Minnesota Orchestra; Minnesota Opera; Children's Theater; Guthrie Theater; Walker Art Center; Science Museum of Minnesota; Chimera Theater; Schubert Club; St. Paul Chamber Orchestra; and the St. Paul Opera Association.

tion of earned income assumes a more rapid growth in the size of the total audience than occurred during 1966-70. Finally, the new study projects a 14 per cent growth in unearned income to be received from local foundations and from government sources. If all of these key estimates were to prove correct, then the aggregate operating budget of these arts organizations could come close to balancing. Unfortunately, it appears both that some of the main estimates may have been too optimistic, and that the sharply increased rates of inflation which have occurred since 1972 will, if they persist, act to increase costs more rapidly than income.

The projection study, not surprisingly, indicates that professional arts organizations somehow must either continue to generate more earned income and unearned income than in the past or else curtail their programs. Past audiences and donors must be retained while at the same time new and broader sources of both earned and unearned income are developed. The Bush Foundation is trying, when appropriate, to tailor its grantmaking to major arts organizations to help them generate more income of both kinds.

For example, in 1974 the Foundation made a grant of \$150,000 to the Saint Paul Chamber Orchestra: \$50,000 to match a Ford Foundation grant, and up to \$100,000 to provide an incentive to increase earned income. The Chamber Orchestra has a unique contract with its musicians which allows the Orchestra to provide a broad range of performance and education services. The Orchestra potentially can earn a substantial portion of its income from service fees as well as the usual ticket income from performances.

The Foundation continues to explore ways to help major Minnesota arts organizations to increase and broaden their sources of income. The Foundation also is investigating possible ways to balance its operating support to major organizations with support for arts education programs and for individual artists.

WELFARE AND SOCIAL SERVICES

In 1974 The Bush Foundation continued to work toward a more specific focus for its programs in welfare and social services. The Foundation staff consulted individuals with experience in public and private service agencies and in research organizations. The staff also visited several other foundations with clearly defined grantmaking patterns in this area. Thus far, it has been more difficult to establish a sharply focused set of program priorities here than in the Foundation's other program areas. Welfare and social service programs encompass an unusually broad range of activities whose outcomes are often hard to predict. These programs depend heavily on a pattern of public financing which has changed rapidly in recent years. At its September, 1974, meeting, the Board of The Bush Foundation voted to continue evaluating proposals for welfare and social service programs on

their individual merits and to continue its efforts to improve program definition.

Since 1971, The Bush Foundation has reviewed approximately fifty-five proposals each year for welfare and social service programs. In 1974, the Foundation appropriated \$962,500 for eighteen such programs. This amount represented 10 per cent of the Foundation's total dollar appropriations for that year. In 1973 the Foundation voted appropriations of \$991,481 for welfare and social service programs which represented 16 per cent of the total.

The Bush Foundation increasingly has concentrated its support on health and rehabilitation programs. In 1972, grants for these programs accounted for approximately 25 per cent of all dollars granted for welfare and social service programs; in 1973, this percentage increased to 45 per cent and in 1974 it was 54 per cent. Generally, in reviewing these particular proposals the Foundation has looked for indications of program need, strong local support, successful program management and a relatively high probability of adequate future operating support. When feasible, the Foundation has been interested in improving statewide services for a particular clientele rather than supporting individual local agencies. For example, in 1974 the Foundation granted \$200,000 to the Minnesota Society for Crippled Children and Adults to establish a loan fund which will be administered by a representative board from rehabilitation workshops throughout Minnesota. The fund will provide ready working capital for those agencies which need funds to purchase equipment for new industrial contracts.

THE BUSH LEADERSHIP FELLOWS PROGRAM

The Bush Leadership Fellows Program was started in 1965 at the wish of Archibald G. Bush. He envisioned a program which would locate individuals with strong leadership qualities in a variety of fields, and enable them to develop those qualities without the kind of financial hardship he encountered in his own business career. Recipients of these awards gain the opportunity for full-time study and internship anywhere within the United States for varying periods of time up to a maximum of eighteen months. Major criteria for selection have consistently included mental skills, integrity, personal characteristics, clear career goals, and demonstrated competence in past work experience. In 1973, a new program of Bush Summer Fellowships was added to the regular Bush Leadership Fellows Program. This new program offers summer study opportunities ranging from three to eight weeks in length, compared with four to eighteen months in the regular program.

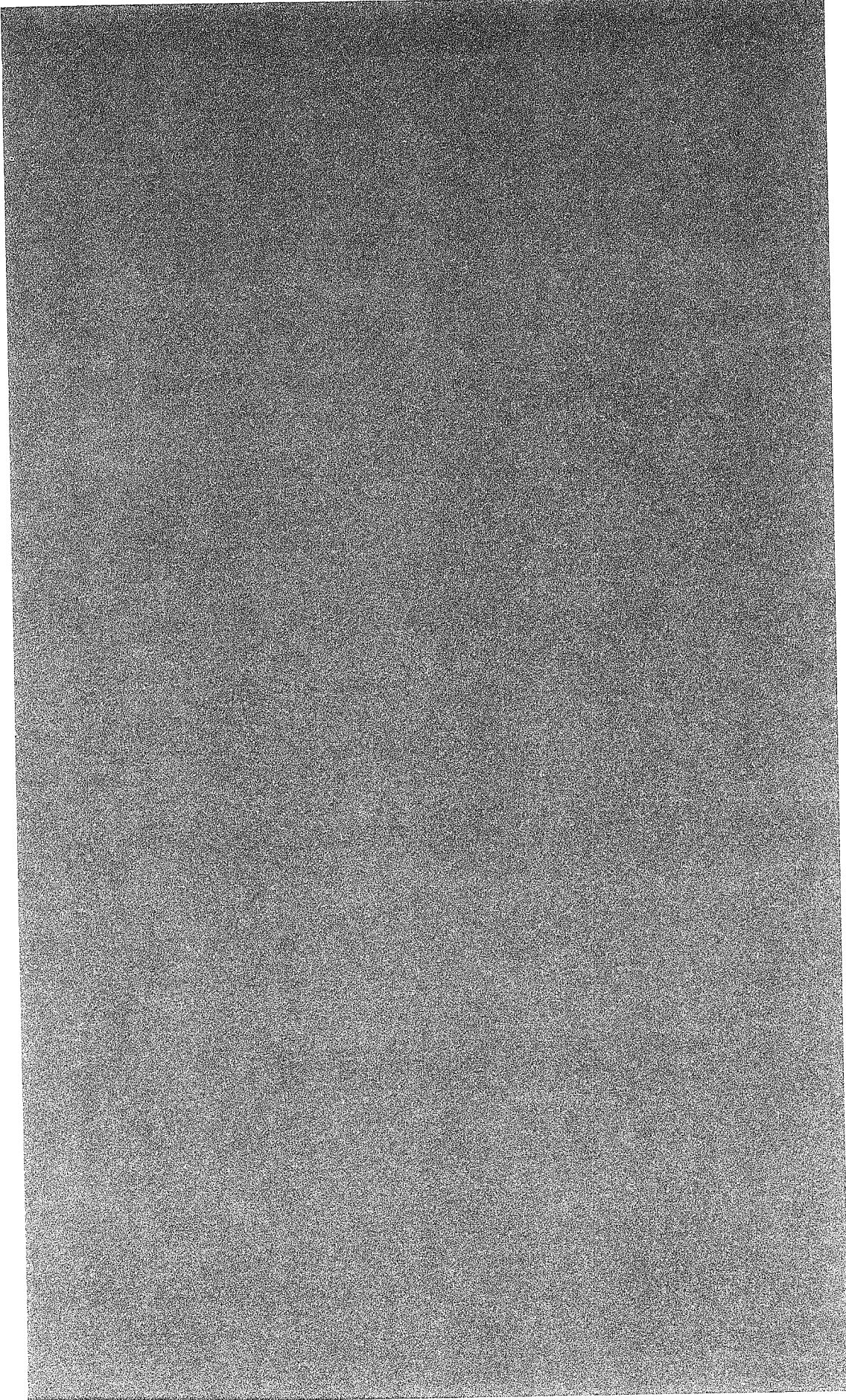
In the past, The Bush Leadership Fellows Program has been limited to candidates from Minnesota. However, in 1974 The Bush Foundation Board voted to expand the 1975 program to include candidates from North Dakota,

South Dakota and twenty-six counties in western Wisconsin.* At the same time the authorized number of regular Bush Leadership Fellows was increased from thirteen in 1974 to twenty in 1975, and the number of Summer Fellows from twenty-two in 1974 to thirty-six in 1975. The resulting authorization for stipends and fellows' expenses was increased from \$232,100 in 1974 to \$443,800 in 1975.

D. Donald Peddie, Program Director for The Bush Leadership Fellows Program, conducted a survey in 1974 of the prior fellowship recipients. The study did not include winners of the new summer awards. The Bush Leadership Fellows, and those who had observed their work both before and after their fellowship study, said that in most instances the experience had produced a significant and favorable difference in the Fellows' later careers. The average age of the recipients at the time of selection was 35 years. Fourteen of the seventy-four recipients were members of minority races. Approximately two-thirds of these recipients were residents of the Twin Cities, while about one-third came from other communities in Minnesota. Most but not all of the winners were college graduates at the time they were selected for a Bush Fellowship. Most winners chose to study at colleges and universities outside Minnesota, but then returned to continue their working careers in the state.

The Program appears to be unusual in design, and also appears to be producing worthwhile results. These conclusions led the Foundation's Board to expand the Program at this time.

*These counties in Wisconsin are: Ashland, Barron, Bayfield, Buffalo, Burnett, Chippewa, Douglas, Dunn, Eau Claire, Florence, Forest, Iron, La Crosse, Lincoln, Oneida, Pepin, Pierce, Polk, Price, Rusk, St. Croix, Sawyer, Taylor, Trempealeau, Vilas, and Washburn.



GRANTMAKING POLICIES AND PROCEDURES

GRANTMAKING POLICIES AND PROCEDURES

REVISED GRANTMAKING GUIDELINES

On January 13, 1975 The Bush Foundation Board of Directors adopted revised grantmaking guidelines. This was the second such revision in the four years since the original guidelines were approved. The new revisions reflect evolution, not sharp change. The major difference between the new guidelines and the previous ones are that North and South Dakota have been added to the geographic region of the Foundation's major interest, and that the Foundation does not in the near future expect to support individual projects in biomedical research.

MAJOR CURRENT INTERESTS

1. The Bush Foundation is predominantly a regional grantmaking foundation, with broad interests in education, social services, health, arts and humanities, and in the development of leadership.
2. The Foundation is interested in education at all levels, with major emphasis in higher education. A majority of its recent grants in education have been awarded to public and private colleges and universities. Two major purposes served by the Foundation's recent grants in public higher education are to improve quality and efficiency of administration and to help these institutions work with surrounding communities and regions on problems of mutual interest. Underlying the Foundation's support for private colleges is the view that long-run financial health is a crucial current and future need. Accordingly, the Foundation emphasizes efforts to open new student markets, to stimulate improved management, and to help colleges try to develop new sources of unrestricted income. The relatively smaller amounts granted to elementary and secondary schools are mainly for public school districts seeking to experiment with new learning programs and new approaches to teaching and administration. An undeveloped but potential area of the Foundation's interest is in possible new learning opportunities for pre-school children.

3. The foundation seeks to support projects which may help demonstrate and evaluate ways to lessen, prevent or resolve contemporary social problems. Those projects which involve the elements of relatively early intervention and reasonable cost are of particular interest.
4. The Foundation is interested in encouraging the delivery of good medical care — at reasonable cost to recipients and to society — particularly in areas which now are underserved. In the near future the Foundation hopes to concentrate on those education and training efforts which seem most likely to affect the distribution, quality and efficiency of medical care.
5. Within its geographic region of major interest, the Foundation accepts special responsibility in the arts and humanities, including support for music, theater, dance, visual arts and the general preservation of our cultural heritage.
6. The development of leadership potential was of particular interest to the founder of The Bush Foundation, and will continue to command its interest and resources.

RESTRICTIONS AND AREAS OF HIGH SELECTIVITY

1. The Foundation recently has concentrated its major interest on projects originating in, or of special value to Minnesota, with Chicago and central Florida as areas of secondary interest and others less so. In January 1975, North Dakota and South Dakota were added to the defined area of major interest. In 1975, also, the Bush Leadership Fellows Program was expanded to include coverage of North and South Dakota, and the counties of Western Wisconsin which are part of the Ninth Federal Reserve District.
Proposals for projects outside the United States ordinarily will not be approved.
2. The Bush Foundation ordinarily will not contribute to other private foundations, but this shall not preclude its joining with one or more foundations in a common effort of special interest.
3. The Foundation does not make direct grants to individuals except through established, defined programs such as the Bush Leadership Fellows Program. Ordinarily, the Foundation's grants are made only to non-profit, tax-exempt organizations.
4. Although the Foundation seeks to appraise each grant proposal on its merits, the following kinds of grant proposals face increasingly stringent selectivity:
 - a. Proposals for building construction, particularly in education and medicine — but in the Foundation's other areas of interest also.

- In addition to the appropriateness of the building plans themselves, the importance and quality of the program activity to be housed, and the impact of the proposed construction on this activity, also are significant in the consideration of these requests.
- b. Proposals requesting endowment funds.
 - c. Proposals requesting support to cover past operating deficits.
 - d. Proposals seeking general and continuing operating support.
5. The Foundation for some time has been reluctant to provide funds for basic scholarly research within established academic disciplines. In September, 1974 the Board of Directors voted to cease granting funds for project research in the biomedical and health sciences. While acknowledging the general importance of biomedical research, the Board reasoned that excellent foundation grantmaking performance in this area probably requires a larger continuing investment of funds, a surer sense as to which specific research areas would be significantly improved if more money were made available, and greater specialization of the Foundation's staff than seems possible or desirable for The Bush Foundation to attempt at this time.

GRANTMAKING PROCEDURES

Responsibility for Decisions. All commitments of grant funds are made by the Board of Directors. The Board meets at least quarterly, but rarely at intervals of less than two months. The Grants Committee, a five-man subcommittee of the Board, discusses all grants prior to final Board action, and makes recommendations of final action to the Board.

All grant proposals to be considered by the Grants Committee and the Board are first investigated by the Foundation's staff. The results of these investigations are made available to the Grants Committee and the Board.

Time Required for Decisions. Grant proposals should be submitted to the Executive Director of the Foundation at least two months prior to the Board meeting at which considerations of the proposal is desired. This normally is a minimum time needed to complete the steps required for consideration. But if the proposal is highly specialized, if it requires the review of outside consultants, or if additional information is needed before serious consideration is possible, the process of consideration usually takes longer. The average elapsed time between the receipt of a completed proposal and final Board action is approximately three months. Several proposals have required only two months, however, while others have required as long as eleven months.

Ordinarily one member of the Foundation's program staff is assigned to work on a specific proposal when it is received by the Foundation. This staff

member will suggest further discussion with the author of the proposal if it seems necessary, and may also seek other opinions and background information. This staff member will also be responsible for presenting the proposal, the results of the related investigation, and the staff's composite recommendation to the Grants Committee and to the Board.

Preliminary Inquiries. The Foundation staff welcomes brief preliminary letters inquiring about possible interest of the Foundation in providing funds for a particular project. The staff also is pleased to answer written or telephone inquiries concerning application procedures, desired documentation, timing problems, and so on.

In answering questions about the possible future Foundation action on a proposal idea, the staff replies will usually range from "possible" to "unlikely." These staff appraisals never signal quick, optimistic encouragement as to final outcome. At the same time, they rarely are so discouraging as to prohibit finally any further consideration. However, recent staff estimates suggesting that proposal ideas seemed "unlikely" to command Board interest and final approval have almost always proven correct, even though the estimates in no way commit or limit later Board action. During the past three years, the Foundation has had sufficient funds to grant only about one third of the completed requests submitted.

Exploration of Other Sources of Support. Grant applicants ordinarily should explore all other possible sources of support in addition to approaching The Bush Foundation. This exploration does not hurt the chances for a favorable decision by The Bush Foundation, but may improve the chances that the project will find support somewhere. In the event other sources do provide partial or full support, The Bush Foundation should be notified promptly, so that the staff may revise the amount requested in line with up-to-date and realistic needs.

GRANT PROPOSALS

Form of Presentation. There is no special form for applying for a grant. The proposals made to the Foundation vary widely as to purpose, and hence vary also as to the documentation needed for fair consideration. Plans which have been worked out thoughtfully and described concisely are always welcomed. Expensive brochures and extra efforts at slick packaging generally seem wasteful.

Desired Contents. A detailed list of "Application Requirements" is available at the Foundation office, and should be requested before drafting a final proposal. Following is a summary of the information which ordinarily should be provided in a completed proposal for a new project:

1. A clear description of the project, what it may be expected to achieve, and why it is important to undertake.

2. A detailed expense budget for the project, showing how the requested funds would be spent and during what time periods. The budget should make clear how the major elements of expense were estimated. Applicants should specify when the grant payment is desired, and in what amount; if more than one payment is requested under the grant, a suggested schedule of payments should be provided.
3. A statement of other possible sources of support, public or private, which have been or will be approached concerning the project, including a statement of funds which have been received or pledged.
4. If the project is to be continued after the period for which support has been requested, an explanation of how continuation of the project is to be financed.
5. The procedure and criteria by which effectiveness of the grant should be judged after the grant funds have been expended.
6. Information concerning the organization and the responsible officers who intend to carry out the project:
 - a. A brief description of the organization making the proposal.
 - b. The names and primary affiliations of the organization's directors or trustees.
 - c. The name(s) and qualifications of the person(s) who would administer the grant.
 - d. An audited balance sheet and income statement, if available, for the organization's previous fiscal year.
7. A copy of the organization's most recent tax-exempt ruling from the Internal Revenue Service, along with either a statement as to any revisions which may be pending, or a statement that there has been no change and none is pending.
8. If the request comes from a department or individual in an organization, the request should also be endorsed by the administrative head of the organization. If possible, the endorsement should also comment upon the relative priority of the request compared with other needs which The Bush Foundation may be asked to support.
9. For demonstration projects, research studies, and experiments, a description of similar work which has been carried out previously by other agencies would be helpful, along with an estimate of the significance of this prior work to the proposed project.
10. Proposals seeking funds for basic scholarly research should be written so that the project and its importance may be understood by non-specialists, and also so that the specific work plan may be understood and reviewed by consultants in the specific discipline involved. The Foundation has been extremely selective in approving grants for basic scholarly research of all kinds.

APPROVED GRANTS

Notification of Approval. The Bush Foundation will send written notice to applicants concerning all Board decisions to approve or deny grant proposals, usually within ten days following the Board meeting involved. During this period, also, the Foundation notifies Minnesota newspapers, and radio and television stations of grants which have been approved. The Foundation Center in New York City is also notified of approved grants so that its central data file may be kept current.

Reports to the Foundation. The Foundation will require progress reports at least annually stating what has been accomplished by expenditures of the grant funds, along with appropriate financial reports as to how the funds were spent. Grant funds may be spent only for the purposes granted. Uncommitted funds at the end of the grant period must be returned to the Foundation unless other arrangements have been proposed beforehand and approved formally by the Foundation's Board of Directors. Following the end of the period for which funds were granted, the grantee must provide the Foundation with a final financial accounting for the grant funds, and an evaluation and summary of the results obtained.

Foundation Self-Evaluation. In addition to receiving reports from grantee organizations concerning the impact of the funds granted, the Foundation asks both its own full-time staff and also outside evaluators to review the experience of the Foundation's past grants and to suggest improvements in the Foundation's grantmaking procedures. The principal purpose of the survey review activity is to ensure that the Foundation periodically evaluates its own performance, and not to appraise the worthiness of individual grant recipients for possible future grants. The thoughtful assistance which recipients of Bush grants since 1970 have given to this self-evaluation work for the Foundation has been invaluable. The Foundation expects that it will continue to need this kind of help from its grant recipients in the future.

Summary Statistics for 1974 Grants. The following tables summarize The Bush Foundation's recent grants, classified by the type of institution to which funds were granted, by size and duration of grants, and by the geographic location of the grantees.

**Summary of Grants Approved in Fiscal Years 1972, 1973, and 1974,
Classified by Type of Institution to Which Funds Were Granted**

Type of Institution	1972	1973	1974	3 Year Total
A. Humanities and Performing Arts	\$1,349,050 (12) 18.0%	\$ 998,902 (10) 16.4%	\$2,110,152 (13) 21.8%	\$ 4,458,104 (35) 19.1%
B. Education (including research in college and universities)	3,081,938 (20) 41.0%	2,662,661 (26) 43.7%	4,817,828 (30) 49.6%	10,562,427 (76) 45.3%
C. Health	859,702 (6) 11.4%	335,730 (6) 5.5%	323,446 (4) 3.3%	1,518,878 (16) 6.5%
D. Welfare and Social Services	1,201,653 (13) 16.0%	991,481 (22) 16.3%	962,500 (18) 9.9%	3,155,634 (53) 13.5%
E. Miscellaneous (including environment, corrections and law, communications, and others not included above)	832,685 (11) 11.1%	904,221 (11) 14.8%	1,047,521 (10) 10.8%	2,784,427 (32) 12.0%
F. Bush Leadership Fellows Stipends	191,100 (1) 2.5%	204,500 (1) 3.3%	446,150 (1) 4.6%	841,750 (3) 3.6%
TOTALS	\$7,516,128 (63) 100.0%	\$6,097,495 (76) 100.0%	\$9,707,597 (76) 100.0%	\$23,321,220 (215) 100.0%

NOTE: (1) In each cell, the dollar figure represents the total amount granted, the figure next below in parentheses shows the number of grants made, and the bottom figure shows the percentage of all grant dollars awarded during that fiscal year.

Summary of Grants Approved in Fiscal Year 1974, Classified by Size, Duration, and Geographic Location of Grantees

Classification of Grants	Number of Grants Approved	
I. Size	\$ 0-9,999	4
	10,000-24,999	13
	25,000-49,999	19
	50,000-99,999	25
	100,000-199,999	6
	200,000-499,999	5
	500,000-999,999	2
	1,000,000-2,000,000	2
TOTAL		76
II. Duration	1 Year	50
	2 Years	14
	3 Years	10
	4 Years	1
	5 Years	1
	6 Years	1
TOTAL		76
III. Geographic Location	Minnesota	68
	Illinois	5
	Florida	0
	Other	3
TOTAL		76

GRANTS FOR YEAR ENDED NOVEMBER 30, 1974

SCHEDULE OF GRANTS FOR YEAR ENDED NOVEMBER 30, 1974

Organization and Purpose	Initial Grant	Unpaid Balance 1973	Appro- priated 1974	Amount Paid 1974	Unpaid Balance 1974
A. PERFORMING ARTS AND HUMANITIES					
Museums					
Norwegian-American Museum, Decorah, Iowa					
Toward costs of renovating the Museum's buildings	\$ 50,000	\$	\$ 50,000	\$ 50,000	\$
Walker Art Center, Inc., Minneapolis					
To support Center-sponsored dance programs					
1972 grant	29,550	14,775	. . . .	14,775	. . . .
1974 grant	67,900	. . . .	67,900	. . . .	67,900
Toward the Center's exhibition program	200,000	200,000	. . . .	110,000	90,000
Music and Opera					
Lyric Opera of Chicago					
Toward operating expenses of the 1974 and 1975 seasons	50,000	. . . .	50,000	. . . .	50,000
Minnesota Opera Company, Minneapolis					
Toward operating expenses of the 1974-75 season	50,000	. . . .	50,000	50,000	. . . .
Minnesota Orchestral Association, Minneapolis					
To help build a new symphony hall in Minneapolis					
1972 grant	750,000	750,000	. . . .	200,000	550,000
1973 grant	250,000	250,000	. . . .	. . . .	250,000
Toward operating expenses of the 1974-75 season	300,000	100,000	. . . .	100,000	. . . .
The Orchestral Association, Chicago					
To assist establishment of an endowment fund to engage guest artists	150,000	50,000	. . . .	25,000	25,000
Saint Paul Civic Philharmonic Society, Inc.					
To match increased earned income and to support operating costs of the 1974-75 season	150,000	. . . .	150,000	50,000	100,000

Organization and Purpose	Initial Grant	Unpaid Balance 1973	Appropriated 1974	Amount Paid 1974	Unpaid Balance 1974
Theaters					
Guthrie Theater Foundation, Minneapolis					
Toward operating expenses for the 1974-75 season	82,000	.....	82,000	82,000	.....
Minnesota Ensemble Theater, Minneapolis					
To initiate training for humanities teachers in public schools in ensemble theater techniques	60,352	.....	60,352	32,848	27,504
Other					
The Minneapolis Society of Fine Arts					
To contribute to the \$32 million Heritage Fund Campaign for new buildings, endowment, and programs for the Society					
1971 grant	1,000,000	400,000	.....	400,000	.....
1974 grant	231,000	.....	231,000	.....	231,000
Minnesota Historical Society, Saint Paul					
For the purchase of rare books and works of art	45,000	.....	45,000	15,000	30,000
Toward costs of microfilming the Society's collection of Minnesota newspapers	83,900	.....	83,900	.....	83,900
Toward research and publication of a history of Minnesota ethnic groups and restoration of Society's map collections	32,500	16,250	.....	16,250	.....
Minnesota State Arts Council, Minneapolis					
To support a touring residency program of the Nancy Hauser Dance Company in rural Minnesota	64,401	38,834	.....	20,917	17,917
Newberry Library, Chicago					
Toward costs of completing an <i>Atlas of the American Revolutionary Period</i>	50,000	50,000	.....	50,000	.....
Ramsey County Historical Society, Inc., Saint Paul					
To help develop a program on the early history of Saint Paul	10,000	....	10,000	5,000	5,000
Saint Paul Council of Arts and Sciences					
To assist the 1973-74 Annual Fund Drive	212,000	137,000	....	137,000	....
To assist the 1974-75 Annual Fund Drive	230,000	....	230,000	165,000	65,000

Organization and Purpose	Initial Grant	Unpaid Balance 1973	Appropriated 1974	Amount Paid 1974	Unpaid Balance 1974
To support renovation of the Old Federal Courts Building and expansion of the Science Museum of Minnesota	1,000,000	....	1,000,000	....	1,000,000
Toward Poets-In-The-Schools Program	70,000	15,000	....	15,000	....
Spring Hill Conference Center, Wayzata, Minnesota					
To support the development of selected conference programs	60,000	20,000	....	20,000	....
TOTAL—ARTS		<u>\$2,041,859</u>	<u>\$2,110,152</u>	<u>\$1,558,790</u>	<u>\$2,593,221</u>
B. EDUCATION					
Private Elementary and Secondary Education					
American Field Service, Inc., New York					
To permit visiting foreign exchange students to become acquainted with additional families and regions of Minnesota	\$ 24,300	\$ 13,500	\$	\$ 6,838	\$ 6,662
Project Discovery, Saint Paul					
To support inner-city educational program in the Archdiocesan schools of Saint Paul	128,000	....	128,000	70,000	58,000
Saint Paul Academy and Summit School, Saint Paul					
To support a training program for teachers of gifted children throughout Minnesota	72,200	36,100	....	36,100	....
Public Elementary and Secondary Education					
Independent School District #911, Cambridge, Minnesota					
To support a regional physical therapy consultant	29,977	11,982	....	11,982	....
Independent School District #894, Granite Falls, Minnesota					
To support in-service training programs for teachers	4,000	4,000	....	4,000	....
Independent School District #1, Minneapolis					
To support the continuation of the Urban Arts Program, which provides exposure to different forms of professional arts activities for students in all grade levels	30,000	30,000	....	30,000	....
Independent School District #625, Saint Paul					
To help develop an alternative program for emotionally-disturbed secondary-school students	194,000	194,000	....	84,000	110,000

Organization and Purpose	Initial Grant	Unpaid Balance 1973	Appropriated 1974	Amount Paid 1974	Unpaid Balance 1974
Independent School District #793, Staples, Minnesota To encourage transfer of experimental programs into other rural school systems in Minnesota	109,750	70,000	....	35,000	35,000
Private Higher Education					
Alumni Challenge Grants					
To increase both unrestricted dollar receipts and the number of donors, through matching incentives, in the alumni and alumnae funds of of Minnesota private colleges					
Augsburg College, Minneapolis					
Initial grant, 1973-74	75,000	75,000	....	75,000	....
First Renewal, 1974-75	70,000	....	70,000	....	70,000
Carleton College, Northfield, Minnesota					
Initial Grant, 1973-74	100,000	100,000	....	100,000	....
First Renewal, 1974-75	80,000	....	80,000	....	80,000
College of Saint Benedict, Saint Joseph, Minnesota					
Initial Grant, 1974-75	46,000	....	46,000	....	46,000
College of Saint Catherine, Saint Paul					
Initial Grant, 1974-75	54,000	....	54,000	....	54,000
College of Saint Scholastica, Duluth, Minnesota					
Initial Grant, 1973-74	65,000	65,000	....	65,000	....
First Renewal, 1974-75	25,000	....	25,000	....	25,000
College of Saint Teresa, Winona, Minnesota					
Initial Grant, 1974-75	54,000	....	54,000	....	54,000
College of Saint Thomas, Saint Paul					
First Renewal, 1973-74	75,000	75,000	....	75,000	....
Hamline University, Saint Paul					
Initial Grant, 1973-74	65,000	65,000	(17,878)	47,122	....
First Renewal, 1974-75	42,000	....	42,000	....	42,000
Macalester College, Saint Paul					
First Renewal, 1973-74	75,000	75,000	....	75,000	....
Second Renewal, 1974-75	50,000	....	50,000	....	50,000
Saint John's University, Collegeville, Minnesota					
Initial Grant, 1973-74	77,000	77,000	....	77,000	....
First Renewal, 1974-75	70,500	....	70,500	....	70,500
Saint Mary's College, Winona, Minnesota					
Initial Grant, 1974-75	75,000	....	75,000	....	75,000
Bush Opportunity Grants					
To provide scholarships based on financial need but not exceeding \$1,000 each for graduates of Minnesota community and junior colleges who transfer to a four-year Minnesota private college					
1972 grant	1,224,000	916,415	....	....	585,262
1974 grant	670,000	....	670,000	....	670,000

Organization and Purpose	Initial Grant	Unpaid Balance 1973	Appropriated 1974	Amount Paid 1974	Unpaid Balance 1974
Augsburg College, Minneapolis				58,437.50	
Bethel College, Saint Paul				9,000.00	
Carleton College, Northfield, Minnesota				166.66	
College of Saint Benedict, Saint Joseph, Minnesota				7,475.00	
College of Saint Catherine, Saint Paul				16,300.00	
College of Saint Scholastica, Duluth, Minnesota				15,050.00	
College of Saint Tereasa, Winona, Minnesota				6,333.50	
College of Saint Thomas, Saint Paul				42,006.25	
Concordia College, Moorhead, Minnesota				24,712.50	
Concordia College, Saint Paul				5,622.50	
Gustavus Adolphus College, Saint Peter, Minnesota				13,500.00	
Hamline University, Saint Paul				88,300.00	
Macalester College, Saint Paul				15,275.00	
Minneapolis College of Art and Design, Minneapolis				8,000.00	
Saint John's University, Collegeville, Minnesota				14,475.00	
Saint Mary's College, Winona, Minnesota				1,500.00	
Saint Olaf College, Northfield, Minnesota				5,000.00	
College of Saint Scholastica, Duluth, Minnesota					
To support two additional American Indian instructors to develop a program in Indian Studies at the College and nearby Indian reservations	98,600	19,720	.....	19,720	.....
Concordia College, Moorhead, Minnesota					
To help develop a system of continuing curriculum review and evaluation	93,500	28,600	.....	28,600	.....
Erikson Institute for Early Education, Chicago					
To support the Institute's program of graduate-level training for teachers of pre-school children	100,000	100,000	.....	50,000	50,000
Gustavus Adolphus College, Saint Peter, Minnesota					
To strengthen scholarship support for low-income minority students	150,000	100,000	.....	50,000	50,000
Hamline University, Saint Paul					
To provide scholarships for students from Granite Falls, Minnesota					
January, 1974 grant	14,400	.....	14,400	14,400	.....
July, 1974 grant	11,000	.....	11,000	.....	.....

Organization and Purpose	Initial Grant	Unpaid Balance 1973	Appropriated 1974	Amount Paid 1974	Unpaid Balance 1974
To help build a new learning center	1,208,000	355,000	....	355,000	....
Higher Education Consortium for Urban Affairs, Inc., Saint Paul					
To expand urban studies programs among nine private colleges in Minnesota and the University of Minnesota	54,000	....	54,000	....	54,000
Minnesota Private College Fund, Minneapolis					
For support of programs selected by the individual college presidents at the fifteen member colleges					
1972 grant	400,000	200,000	....	200,000	....
1974 grant	400,000	....	400,000	....	400,000
Northland College, Ashland, Wisconsin					
To help support the Sigurd Olson Institute of Environmental Studies	60,000	20,000	....	20,000	....
Saint John's University, Collegeville, Minnesota					
To construct a new facility for the Monastic Manuscript Microfilm Library	540,000	....	540,000	....	540,000
Tulane University, New Orleans, Louisiana					
To help build patient care and teaching facilities at the Tulane Medical Center	500,000	400,000	....	100,000	300,000
The University of Chicago					
Continued operating support for the A. G. Bush Library at the University's Industrial Relations Center					
1973 grant	135,000	101,250	....	101,250	....
1974 grant	135,000	....	135,000	67,500	67,500
Westminster College, Salt Lake City, Utah					
To stimulate unrestricted annual contributions from selected community groups	50,000	....	50,000	....	50,000
Public Higher Education					
Tri-College University, Fargo, North Dakota					
To support the development of coordinated and computerized book acquisition procedures at North Dakota State, Moorhead State and Concordia Colleges	75,000	75,000	....	50,000	25,000

Organization and Purpose	Initial Grant	Unpaid Balance 1973	Appropriated 1974	Amount Paid 1974	Unpaid Balance 1974
University of Minnesota, Minneapolis					
Bush Theater Fellowships					
For support of graduate student fellowships at the University of Minnesota and the Guthrie Theater					
January, 1973 grant	63,040	63,040	....	63,040	....
June, 1973 grant	93,740	93,740	....	26,800	66,940
Center for Youth Development					
For operating and research costs	60,000	....	60,000	40,000	20,000
Diabetes Research					
To support investigation (Dr. Frederick C. Goetz) of whether kidney disease in diabetic patients is genetically determined or results from chemical changes in the body which are produced by diabetes	204,926	167,692	....	38,725	128,967
Duluth Medical School					
To help develop a program in allied health sciences at the University of Minnesota (Duluth), the College of Saint Scholastica (Duluth), and the University of Wisconsin at Superior	215,028	215,028	....	30,726	184,302
Graduate School Evaluation					
To support external evaluation of the University's Graduate School departments in conjunction with internal evaluations which the University is conducting	115,000	115,000	....	46,000	69,000
Graduate School Fellowships					
Fellowships for graduate students in M.A. and Ph.D. programs under the administration of the Graduate School	2,000,000	....	2,000,000	300,000	1,700,000
Program in Human Sexuality					
To help initiate a program to develop professional education, therapy and research in human sexuality	418,555	170,803	....	115,803	55,000
Peer Teaching Program					
To support program in mathematics and physical sciences in local public secondary schools	25,000	....	25,000	25,000	....
University of Minnesota Foundation, Minneapolis					
Leukemia Research Fund					
For support of leukemia research by the University's Leukemia Task Force	300,000	75,000	....	75,000	....

Organization and Purpose	Initial Grant	Unpaid Balance 1973	Appropriated 1974	Amount Paid 1974	Unpaid Balance 1974
Minnesota Messenia Expedition To support publication of the results of the Minnesota Messenia Archaeological Expedition to Nichoria, Greece	5,551	....	5,551	5,551	....
Other Education					
A Better Chance, Inc., Boston, Massachusetts To help start a residential program in Rochester, Minnesota for disadvantaged high school students	30,000	....	30,000	20,000	10,000
Center for Psychosocial Studies, Chicago For operating expenses and for two studies: "Prison Behavior and Recidivism" and "Child Abuse"	60,000	....	60,000	60,000	....
Childbirth Education Association of Greater Minneapolis-Saint Paul, Inc., Saint Paul To support prepared child-birth program for unwed mothers and clinic patients	24,500	....	24,500	....	24,500
Freshwater Biological Research Foundation, Orono, Minnesota To help support construction of a new building	100,000	100,000	....	100,000	....
Hadley School for the Blind, Winnetka, Illinois To develop and produce a new correspondence course in home maintenance for the blind	5,000	....	5,000	5,000	....
Minnesota Literacy Council, Saint Paul To support adult literacy course taught by volunteer tutors to individual students	11,755	....	11,755	3,545	8,210
Minnesota Outward Bound School, Ely, Minnesota To help expand wilderness education program into urban schools and court systems	25,000	....	25,000	15,000	10,000
Minnesota SPAN Association, Minneapolis To support a loan fund to help low-income college students study abroad	20,000	....	20,000	20,000	....
Minnesota State Council on Economic Education, Minneapolis To support evaluation of program to improve the teaching of economics in elementary and secondary schools in Minnesota	34,700	10,900	....	10,900	....
TOTAL—EDUCATION		<u>\$4,218,770</u>	<u>\$4,817,828</u>	<u>\$3,191,755</u>	<u>\$5,844,843</u>

Organization and Purpose	Initial Grant	Unpaid Balance 1973	Appropriated 1974	Amount Paid 1974	Unpaid Balance 1974
C. HEALTH					
Hospitals and Nursing Homes					
Mary Lee DePugh Nursing Home Association, Winter Park, Florida To help build an addition to its residence facility	100,000	100,000	....	....	100,000
Medical Education					
Mayo Foundation, Rochester, Minnesota To help develop and operate a new undergraduate medical school at the Mayo Clinic	1,000,000	700,000	....	200,000	500,000
Meharry Medical College, Nashville, Tennessee Scholarship support for low-income medical and dental students	150,000	75,000	....	50,000	25,000
Minnesota Health Careers Council, Minneapolis To help improve recruitment and retention of minority-race students in allied health sciences training programs in Minnesota	100,000	52,000	....	52,000	....
Rush-Presbyterian-Saint Luke's Medical Center, Chicago To help start a new College of Nursing and Allied Health Sciences	550,000	150,000	....	150,000	....
Other Health					
Indian Health Board of Minneapolis To support two additional doctors who will work at the Indian Health Clinic as part of their medical training	178,446	....	178,446	79,617	98,829
Metro Area Community Health, Minneapolis To help establish a consortium of nine community health clinics in the Twin Cities	20,000	20,000	....	20,000	....
Psychoanalytic Foundation of Minnesota, Inc., Minneapolis For program development	100,000	25,000	....	....	25,000
1971 grant	60,000	....	60,000	....	60,000
1974 grant					
Ramsey Action Programs—West Side Health Center, Saint Paul To support the new West Side Health Center, a locally-controlled clinic with medical supervision provided by Saint Paul-Ramsey Hospital	73,779	11,000	....	11,000	....

Organization and Purpose	Initial Grant	Unpaid Balance 1973	Appropriated 1974	Amount Paid 1974	Unpaid Balance 1974
The Constance Bultman Wilson Center for Education and Psychiatry, Faribault, Minnesota					
Toward operating expenses of a residential treatment center and school for emotionally-disturbed adolescents					
January, 1974 grant	40,000	....	40,000	40,000	....
November, 1974 grant	45,000	....	45,000	....	45,000
TOTAL—HEALTH		<u>\$1,133,000</u>	<u>\$ 323,446</u>	<u>\$ 602,617</u>	<u>\$ 853,829</u>

D. WELFARE AND SOCIAL SERVICES

Health and Rehabilitation	Initial Grant	Unpaid Balance 1973	Appropriated 1974	Amount Paid 1974	Unpaid Balance 1974
American Rehabilitation Foundation, Inc., Minneapolis					
To help construct a new building for Sister Kenny Institute to be connected to Northwestern Hospital	110,000	....	110,000	110,000	....
Community Work and Development Industries, Inc., Virginia, Minnesota					
To help construct new sheltered workshop for the handicapped	50,000	....	50,000	50,000	....
Granville House, Inc., Lake Elmo, Minnesota					
To help purchase a new residence in Washington County for the treatment of chemically-dependent women	50,000	....	50,000	50,000	....
Hazelden Foundation, Center City, Minnesota					
Toward the cost of training lay counselors in the treatment of alcoholism	36,000	24,000	....	12,000	12,000
Jamestown, Stillwater, Minnesota					
Capital improvements to residential treatment center for chemically-dependent adolescents	25,000	....	25,000	25,000	....
Juel Fairbanks Aftercare Residence, Saint Paul					
For operating expenses of a residential facility for convalescent Indian alcoholics	20,000	....	20,000	....	20,000
Minnesota Society for Crippled Children and Adults, Inc., Golden Valley, Minnesota					
To establish a revolving loan fund to help rehabilitation workshops in Minnesota prepare for new manufacturing contracts	200,000	....	200,000	100,000	100,000

Organization and Purpose	Initial Grant	Unpaid Balance 1973	Appropriated 1974	Amount Paid 1974	Unpaid Balance 1974
Toward construction of a new building Northern Minnesota Therapeutic Camp, Inc., Brainerd, Minnesota	150,000	100,000	....	50,000	50,000
To develop outdoor camping programs for the mentally-retarded Occupational Training Center, Saint Paul	12,360	12,360	....	12,360	....
To develop a mid-management training and job-placement program for academically and economically disadvantaged persons Rehabilitation Institute of Chicago, Inc.	83,762	17,030	....	17,030	....
To help construct a new rehabilitation facility Saint Paul American Indian Center, Inc.	105,000	70,000	....	35,000	35,000
To support an alcohol counseling program for Indian offenders in the Saint Paul courts Saint Paul Drug Rehabilitation Center, Inc.	12,158	....	12,158	12,158	....
To support a methadone maintenance program for chemically-dependent persons Saint Paul-Ramsey County Area Program Board	27,048	27,048	....	20,286	6,762
To support an organizational study of the Area Program Board and County Mental Health Center Union Gospel Mission Association, Saint Paul	7,000	....	7,000	7,000	....
To assist the proposed move of the Mission's adult facilities to a new site To support a student scholarship program at Minnehaha Academy for students referred by Ramsey County Juvenile Court	500,000	400,000	....	....	400,000
United Cerebral Palsy of Greater Minneapolis, Inc.	38,000	15,000	....	15,000	....
For capital improvements to its sheltered workshop for the handicapped Willing Hands, Inc., Ghent, Minnesota	25,000	....	25,000	25,000	....
Start-up operating support for sheltered workshop for the handicapped 1973 grant	46,160	14,900	....	14,900	....
1974 grant	21,500	....	21,500	21,500	....

Organization and Purpose	Initial Grant	Unpaid Balance 1973	Appropriated 1974	Amount Paid 1974	Unpaid Balance 1974
United Funds					
United Appeal of Orange County, Inc., Orlando, Florida To help support the 1974 Campaign	10,000	10,000	....	10,000	....
United Way of Greater Duluth, Inc. A matching grant toward construction of a new Bethany Lutheran Home	100,000	50,000	....	50,000	....
United Way of the Saint Paul Area, Inc. For the 1974 Annual Campaign	150,000	150,000	.....	150,000	....
For the 1975 Annual Campaign	165,000	....	165,000	....	165,000
Youth and Family Services					
Boys Clubs of America, Minneapolis To help establish Boys Clubs in Saint Cloud and Mankato, Minnesota	20,000	20,000	....	10,000	10,000
Boy Scouts of America — Indianhead Council, Inc., Saint Paul Toward cost of expanding the Council's scouting program	60,000	15,000	....	15,000	....
Central Baptist Children's Home, Lake Villa, Illinois To help construct a new residential facility for emotionally-disturbed children	120,000	120,000	....	120,000	....
Chicago Boys Clubs To support a summer camping program for inner-city youth	36,000	....	36,000	36,000	....
Directions for Youth, Inc., Saint Paul To help start a residential counseling program for emotionally-disturbed minority youth	41,385	....	41,385	1,500	39,885
Enablers, Inc., Minneapolis To support central information clearing house for youth service programs in the Twin Cities metropolitan area	30,000	30,000	....	15,000	15,000
Greater Saint Paul Council for Coordinated Child Care, Inc. To establish resource center for educational materials for use by Ramsey County day-care centers and homes	20,053	5,500	....	5,500	....

Organization and Purpose	Initial Grant	Unpaid Balance 1973	Appropriated 1974	Amount Paid 1974	Unpaid Balance 1974
Migrants In Action, Inc., Saint Paul To support a resettlement program for Mexican-American migrants	23,000	20,000	....	20,000	....
Minnesota Sheriffs Boys' Ranch, Austin, Minnesota To support improvements on a new facility in Isanti, Minnesota for emotionally-disturbed boys	24,507	....	24,507	....	24,507
Quality Child Care, Inc., Mound, Minnesota To start a program of improved family day care services in underserved counties in Minnesota	7,050	7,050	....	7,050	....
Other Welfare and Social Services					
Community Design Center of Minnesota, Minneapolis To support free design and planning services for low-income individuals and non-profit organizations	45,000	10,000	....	10,000	....
1971 grant	25,000	....	25,000	....	25,000
1974 grant					
Community Development Corporation of Greater Saint Paul Toward operation of the Community Housing Corporation to rehabilitate sub-standard housing	66,000	33,000	....	....	33,000
Minnesota Department of Public Welfare, Saint Paul To support experimental treatment program for sex offenders in the Minnesota Security Hospital at Saint Peter, Minnesota	39,950	....	39,950	39,950	....
Secretary of the Interior of the United States—Bureau of Indian Affairs, Minneapolis A grant to the Mdewakanton Sioux Community, Shakopee, Minnesota, to construct a community hall for tribal members	50,000	....	50,000	25,000	25,000
Washburn Child Guidance Center, Minneapolis For operating expenses	150,000	50,000	....	50,000	....
Women's Advocates, Saint Paul Toward operating and capital expenses of a program providing emergency housing and other services for women	60,000	....	60,000	35,000	25,000
TOTAL—WELFARE AND SOCIAL SERVICES		<u>\$1,200,888</u>	<u>\$ 962,500</u>	<u>\$1,177,234</u>	<u>\$ 986,154</u>

Organization and Purpose	Initial Grant	Unpaid Balance 1973	Appropriated 1974	Amount Paid 1974	Unpaid Balance 1974
E. OTHER					
Communications					
Minnesota Educational Radio, Inc., Saint Paul To match funds provided by the Corporation for Public Broadcasting and by local foundations for a news and public affairs production center, and to strengthen community financial support for this statewide network of public radio stations	110,000	30,000	....	30,000	....
Three Prong Television Productions, Inc., Chicago To support Prime Time School Television project which informs teachers about particularly worthwhile educational television programs scheduled for commercial stations	170,000	170,000	(12,000)	138,000	20,000
Twin City Area Educational Television Corporation, Saint Paul To help underwrite the addition of broadcast time on Saturday night and to increase membership income	102,045	17,008	....	17,008	....
Environment					
The Conservation Foundation, Washington, D.C. To support the Metropolitan Open Space Information Project in the Twin Cities	7,500	....	7,500	7,500	....
Fort Snelling State Park Association, Saint Paul To acquire a parcel of undeveloped land for addition to the park	25,000	....	25,000	25,000	....
Minnesota Environmental Sciences Foundation, Inc., Golden Valley, Minnesota To support development of elementary and secondary school curriculum materials in environmental education	75,000	25,000	....	13,500	11,500
Minnesota Geographic Society, Minneapolis To support publication of <i>The Minnesota Earth Journal</i> and other Society programs	46,750	46,750	....	17,800	28,950
Minnesota Parks Foundation, Red Wing, Minnesota To purchase thirty acres of undeveloped land along the Mississippi River bluff across from Saint Paul for inclusion in Lilydale Park	130,000	130,000	....	3,000	127,000

Organization and Purpose	Initial Grant	Unpaid Balance 1973	Appropriated 1974	Amount Paid 1974	Unpaid Balance 1974
The Nature Conservancy, Arlington, Virginia To preserve four tracts of virgin prairie in western Minnesota					
1973 grant	161,300	23,883	....	23,883	....
1974 grant	53,648	....	53,648	53,648	....
Law and Corrections					
Amicus, Inc., Minneapolis To support a volunteer pro- gram which assists prison in- mates and ex-offenders	70,000	20,000	....	20,000	....
Correctional Service of Minnesota, Minneapolis A planning grant for an experi- ment to test whether the inci- dence of crime among parolees and probationers could be reduced by paying cash bonuses to parole and probation officers	20,300	....	20,300	20,300	....
Minnesota Department of Corrections, Saint Paul To assist in facilities planning for future correctional insti- tutions in Minnesota	40,000	....	40,000	40,000	....
Neighborhood Justice Center, Saint Paul Toward operating expenses of public defender program	15,000	....	15,000	15,000	....
National Conference of Com- missioners on Uniform State Laws, Chicago To support the development of a Uniform Probate Code	20,000	5,000	....	5,000	....
State of Minnesota — Department of Corrections, Saint Paul Toward initial operating ex- penses for the office of Ombudsman for Corrections	135,421	67,700	....	67,700	....
Miscellaneous					
Commission on Private Philanthropy and Public Needs, Washington, D.C. For studies of philanthropy and public policy in the United States	10,000	....	10,000	....	10,000
Council on Foundations, New York Toward the cost of the Council's Public Affairs and Education programs	75,000	45,000	....	15,000	30,000

Organization and Purpose	Initial Grant	Unpaid Balance 1973	Appropriated 1974	Amount Paid 1974	Unpaid Balance 1974
Foundation Center, Inc., New York					
For operating expenses for library and foundation resource center	60,000	40,000	....	20,000	20,000
Metropolitan Economic Development Association, Minneapolis					
To help provide management and financial services for minority businesses	75,000	....	75,000	25,000	50,000
Minnesota Zoological Garden, Saint Paul					
For development of a state zoo	785,000	....	785,000	....	785,000
Planned Parenthood of Minnesota, Saint Paul					
To establish a library and information center in Saint Paul	100,000	20,000	....	20,000	....
Upper Midwest Council, Minneapolis					
To help support an experimental program working with government and private organizations to expand choices available to government for providing public services	75,000	75,000	....	50,000	25,000
Urban Concerns Workshop, Minneapolis					
To help develop an educational television series on practical politics	28,073	....	28,073	28,073	....
TOTAL—OTHER		<u>\$ 715,341</u>	<u>\$1,047,521</u>	<u>\$ 655,412</u>	<u>\$1,107,450</u>

F. FELLOWSHIP PROGRAMS

Bush Leadership Fellows and Summer Fellows Program					
To provide mid-career study and internship opportunities for selected Minnesota residents (1974) and, beginning in 1975, for residents of North Dakota, South Dakota, and Western Wisconsin					
1970 Program	\$ 90,500	\$ 13,000	\$ (13,000)	\$	\$
1971 Program	98,000	19,250	(12,250)	1,000	6,000
1972 Program	139,000	29,506	....	17,133	12,372
1973 Program	191,100	107,804	....	80,942	26,863
1974 Program	232,100	204,500	27,600	123,817	108,283
1975 Program	443,800	....	443,800	....	443,800
TOTAL—BUSH LEADERSHIP FELLOWS PROGRAM		<u>\$ 374,060</u>	<u>\$ 446,150</u>	<u>\$ 222,892</u>	<u>\$ 597,318</u>
TOTAL		<u>\$9,683,918</u>	<u>\$9,707,597</u>	<u>\$7,408,700</u>	<u>\$11,982,815</u>

REPORT OF THE TREASURER



REPORT OF THE TREASURER

The fiscal year ended November 30, 1974, like the previous year, was very poor for investment performance. Broadly based common stock indices declined more than 30 per cent. Total return on Foundation investments was -19 per cent. Total return on equities was -28 per cent compared with -33 per cent for the S & P 500 stocks and -20 per cent for the Dow Industrials. Fixed income investments had a total return of -½ per cent while Moody's Corporate Bond Average for the same period was -8 per cent. The return on cash equivalent investments was 10¼ per cent for the year which compares favorably with an average of 9.9 per cent on 4-6 month commercial paper and 7.9 per cent on 3 month Treasury Bills.

Market value of the Foundation's assets was \$113,048,166 on November 30, 1974; \$34,128,895 less than at the end of the previous year. The decrease was due to the depressed market value of investments.

Brown Brothers Harriman & Co., New York, The Northern Trust Company, Chicago, and The United States Trust Company, New York are investment advisors to the Board of Directors. The advisors meet regularly with the Board for review and evaluation of investment performance and a discussion of investment policy.

Investment income was \$6,303,554 for the year, an increase of 12.5 per cent over 1972-73. Investment expenses were \$220,366 compared to \$249,917 in the previous year.

Contained in the Last Will and Testament of A. G. Bush is a provision naming The Bush Foundation as the residuary legatee of the Estate of A. G. Bush. The Foundation received no distributions from the Estate in the years ending November 30, 1973 and November 30, 1974. On November 30, 1974, the current market value of the assets remaining in the hands of the Executors of the Estate was \$56,625,875 and included 1,000,000 shares of common stock of Minnesota Mining and Manufacturing Company. The Estate's appraised value of these remaining assets was \$38,704,000.

New grants totaling \$9,707,597 were approved during the year. On November 30, 1974 grant commitments for future disbursements totaled \$11,982,815.

Administrative Expenses were \$327,928 in 1973-74 and \$282,452 in

1972-73. The Federal Excise Tax, 4 per cent of net investment income, was \$243,000 for 1973-74 versus \$226,000 for 1972-73.

The Bush Foundation is subject to provisions of the Tax Reform Act of 1969 which pertain to private foundations. A provision of the Act requires the Foundation to distribute for 1973-74 the greater of adjusted net investment income or $4\frac{3}{8}$ per cent of the average market value of the Foundation's assets. The distribution must be made by the end of the 1974-75 fiscal year. For fiscal 1974-75 the distribution requirement will be $5\frac{1}{2}$ per cent of average market value of total assets.

FRANKLIN O. BRIESE
Treasurer

ARTHUR ANDERSEN & CO.
SAINT PAUL, MINNESOTA

To the Board of Directors of
The Bush Foundation:

We have examined the balance sheets of THE BUSH FOUNDATION (a Minnesota corporation, not for profit) as of November 30, 1974, and November 30, 1973, and the related statements of principal fund, income fund and changes in cash balances for the years then ended, and the supplementary statement (Exhibit 1). Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of The Bush Foundation as of November 30, 1974, and November 30, 1973, and the changes in principal fund, income fund and cash balances for the years then ended, and the supplementary statement presents fairly the information set forth therein, all in conformity with generally accepted accounting principles consistently applied during the years.

Arthur Andersen & Co.

Saint Paul, Minnesota,
January 16, 1975.

BALANCE SHEET — NOVEMBER 30, 1974 AND 1973

ASSETS	1974	1973
CASH, including \$75,327 in 1974 and \$1,355,548 in 1973 held by fiscal agents for investment (Note 4)	\$ 248,807	\$ 1,392,645
INVESTMENTS, at quoted market value or at cost which approximates market value (Exhibit 1 and Note 4):		
U.S. Treasury Bills, certificates of deposit and commercial paper	\$ 12,506,667	\$ 15,377,193
Corporate and Government Agency bonds and notes, amortized cost of \$35,185,057 in 1974 and \$26,231,379 in 1973	32,998,365	26,511,633
Common stocks, cost of \$90,170,926 in 1974 and \$101,948,254 in 1973	65,465,070	102,229,410
Notes and mortgages receivable, at amortized cost	415,782	618,391
Total investments	\$111,385,884	\$144,736,627
DIVIDENDS AND INTEREST RECEIVABLE	1,375,120	1,005,504
FURNITURE, FIXTURES AND OTHER ASSETS, NET	38,355	42,285
	\$113,048,166	\$147,177,061

LIABILITIES AND FUND BALANCES

	1974	1973
ACCOUNTS PAYABLE, including \$1,773,282 in 1974 and \$855,776 in 1973, payable by fiscal agent for securities with settlement pending	\$ 1,824,033	\$ 900,205
ACCRUED FEDERAL EXCISE TAXES (Note 3)	<u>245,000</u>	<u>215,000</u>
UNPAID GRANTS SCHEDULED FOR PAYMENT IN FISCAL YEAR:		
1974	\$	\$ 6,170,422
1975	6,841,929	1,911,059
1976	3,136,111	893,795
1977	1,543,109	708,642
1978 and thereafter	461,666	.....
	<u>\$ 11,982,815</u>	<u>\$ 9,683,918</u>
FUND BALANCES (Notes 2 and 5):		
Principal fund	\$109,458,136	\$142,644,419
Income fund (deficit)	(10,461,818)	(6,266,481)
Total fund balances	<u>\$ 98,996,318</u>	<u>\$136,377,938</u>
	<u>\$113,048,166</u>	<u>\$147,177,061</u>

The accompanying notes to financial statements are an integral part of these balance sheets

**STATEMENT OF PRINCIPAL FUND FOR THE YEARS ENDED
NOVEMBER 30, 1974 AND 1973**

	1974	1973
<hr/>		
Stated value of assets received, principally from Estate of A. G. Bush —		
Balance, beginning of year	\$100,530,563	\$100,608,715
Legal fees	(79,095)	(78,152)
Balance, end of year	<u>\$100,451,468</u>	<u>\$100,530,563</u>
Unrealized decline in market value of investments (Exhibit 1 and Note 3) —		
Balance, beginning of year	\$ (419,402)	\$ 20,791,447
Net decline in market value of investments	(33,107,188)	(22,225,526)
Net loss realized on security transactions during the year	<u>6,634,041</u>	<u>1,014,677</u>
Balance, end of year	<u>\$ (26,892,549)</u>	<u>\$ (419,402)</u>
Reinvested gains on security transactions —		
Balance, beginning of year	\$ 42,533,258	\$ 43,547,935
Net loss realized on security transactions during the year	<u>(6,634,041)</u>	<u>(1,014,677)</u>
Balance, end of year	<u>\$ 35,899,217</u>	<u>\$ 42,533,258</u>
 Total principal fund balance	 <u>\$109,458,136</u>	 <u>\$142,644,419</u>

The accompanying notes to financial statements are an integral part of this statement

**STATEMENT OF INCOME FUND FOR THE YEARS ENDED
NOVEMBER 30, 1974 AND 1973**

	1974	1973
INVESTMENT INCOME:		
Dividends	\$ 2,614,568	\$ 2,362,832
Interest	3,686,907	3,237,315
Other	<u>2,079</u>	<u>443</u>
Total investment income	\$ 6,303,554	\$ 5,600,590
Less investment expenses	<u>220,366</u>	<u>249,917</u>
Income before provision for Federal excise tax	\$ 6,083,188	\$ 5,350,673
Provision for Federal excise tax (Note 3)	<u>243,000</u>	<u>226,000</u>
Net investment income	<u>\$ 5,840,188</u>	<u>\$ 5,124,673</u>
ADMINISTRATIVE EXPENSES:		
Salaries and staff benefits	\$ 206,071	\$ 142,736
Investment management	119,578	146,965
Program management	52,343	34,773
Consulting fees	20,361	18,412
Other administrative expenses	149,941	189,483
Less allocation to investments	<u>(220,366)</u>	<u>(249,917)</u>
Net administrative expenses	<u>\$ 327,928</u>	<u>\$ 282,452</u>
INCOME AVAILABLE FOR GRANT APPROPRIATION	\$ 5,512,260	\$ 4,842,221
DEDUCT — Grants appropriated during year	<u>(9,707,597)</u>	<u>(6,097,495)</u>
Net (deductions) from income fund	\$ (4,195,337)	\$ (1,255,274)
BALANCE, beginning of year (deficit)	<u>(6,266,481)</u>	<u>(5,011,207)</u>
BALANCE, end of year (deficit), representing grants payable in future periods in excess of accumulated income presently available	<u>\$(10,461,818)</u>	<u>\$ (6,266,481)</u>

The accompanying notes to financial statements are an integral part of this statement

**STATEMENT OF CHANGES IN CASH BALANCES FOR
THE YEARS ENDED NOVEMBER 30, 1974 AND 1973**

	1974	1973
CASH BALANCE, beginning of year	\$ 1,392,645	\$ 124,715
Income and grant transactions:		
Source —		
Receipts from dividends, interest and other	\$ 5,933,939	\$ 5,520,540
Less disbursements for investment and administrative expenses, Federal excise taxes, and other expenditures	(830,136)	(892,240)
Cash available for grants	\$ 5,103,803	\$ 4,628,300
Application — Grants paid	(7,408,700)	(5,882,972)
Decrease in cash from income and grant transactions	\$(2,304,897)	\$(1,254,672)
Net proceeds from investment transactions	\$ 1,161,059	\$ 2,522,602
CASH BALANCE, end of year	\$ 248,807	\$ 1,392,645

The accompanying notes to financial statements are an integral part of this statement

NOTES TO FINANCIAL STATEMENTS

(1) Accounting Policies —

The financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles. The more significant accounting policies are as follows:

Description of Funds —

The principal fund represents assets which are invested in income-producing investments and the fund is not available for distribution. Legal fees incurred for the protection of principal are charged to the principal fund balance.

The income fund principally represents income earned on invested principal which is available for distribution as grants. In this connection the Board of Directors has approved and directed that all funds received from the Estate of A. G. Bush after July 31, 1969, representing income earned by the Estate, be transferred from the principal fund to the income fund of the Foundation for grant appropriation. There were no such transfers in fiscal years ending November 30, 1974 and 1973.

Investments —

The investments in the accompanying financial statements have been reflected at quoted market value or at cost which approximates market value. Realized and unrealized gains and losses on investment transactions are accounted for in the principal fund.

(2) Estate of A. G. Bush —

The Bush Foundation is the residuary legatee of the Estate of A. G. Bush. The values assigned by the Estate to the undistributed assets it still holds aggregated approximately \$38,704,000 as of November 30, 1974. This amount represents principal assets of the Estate plus income earned on those assets and is subject to claims of approximately \$1,700,000 for administrative expenses and additional executors', fiscal agents' and attorneys' fees which the Estate was ordered to pay by the Probate Court. This ruling was subsequently affirmed by the Ramsey County District Court. The Foundation filed an appeal therefrom with the Minnesota State Supreme Court.

(3) Federal Excise Taxes and Distribution Requirements —

Federal Excise Taxes:

Under the Tax Reform Act of 1969 (the Act), the Foundation is subject to a four percent excise tax on its taxable investment income. Taxable investment income principally includes income from investments plus net capital gains (net capital losses, however, are not deductible). Accordingly, a provision for Federal excise taxes of \$243,000 and \$226,000 has been provided for the years ended November 30, 1974 and 1973, respectively.

Due to the unrealized decline in market value of investments, no reserve for deferred Federal excise taxes was necessary at either November 30, 1974 or November 30, 1973.

Distribution Requirements:

Under the Act for the two fiscal years ended November 30, 1971 and 1972, the Foundation was required to distribute to qualified recipients an amount equal to adjusted net income, as defined. In fiscal years 1973 and 1974, the Foundation has been subject to the minimum investment return distribution requirement of the Act. Accordingly, it must distribute an amount which is the higher of adjusted net income, as defined, or 4- $\frac{1}{8}$ % in 1973 and 4- $\frac{3}{8}$ % in 1974 of the fair market value of its assets. The Foundation has complied with these distribution requirements and as of November 30, 1974 has distributed approximately \$3,200,000 in excess of the required amount. This excess can be applied to future distribution requirements for a period of up to five years.

Based on the most recent available information from the Internal Revenue Service, the percentage used to determine the minimum investment return distribution requirement will increase to 5- $\frac{1}{2}$ % in fiscal year 1975. However, this percentage is subject to fluctuation in later years based on changes in the relationship of current investment yields to the investment yields in the statutory base year (1969).

(4) Restricted Assets —

During 1973, certain real estate held by the Foundation was sold. As a condition to the release of a federal estate tax lien on this property, the Internal Revenue Service has required that the net proceeds from this sale be held as a fund subject to the liens and claims of the United States. At November 30, 1974 and 1973, the balance sheet includes the following items subject to this restriction:

Notes to Financial Statements (Continued)

	<u>1974</u>	<u>1973</u>
Cash	\$ 31,912	\$ 10,943
Investments	424,150	441,088
Fund balances	<u>\$456,062</u>	<u>\$452,031</u>

(5) *Pending Litigation* —

Renunciation of Will:

The guardians of the Estate of Edyth D. Bush filed a renunciation of the Will of A. G. Bush claiming her statutory share (one-half) of the decedent's estate. This renunciation has been ruled not valid by the Ramsey County Probate Court. That decision was later upheld by the Ramsey County District Court and in 1974 by the Supreme Court of Minnesota.

The Bush Foundation was named a codefendant in a \$100,000,000 lawsuit filed in behalf of Mrs. Edyth D. Bush by the guardians of her estate. Among other things, the suit seeks to rescind the August 27, 1966 agreement in which Mrs. Edyth D. Bush consented to the Will of A. G. Bush, and to void the April 10, 1970 judgment of the District Court of Ramsey County, Minnesota, entered pursuant to a September 17, 1969 stipulation which, among other things, established the present Board of Directors. The case was dismissed by the United States District Court, and the dismissal was affirmed on different grounds by the Court of Appeals for the Eighth Circuit. The representatives of the Estate of Edyth Bush filed a petition for review by the Supreme Court of the United States, but that petition was denied on January 13, 1975.

In 1975, the guardians of the Estate of Edyth D. Bush petitioned the Supreme Court of the United States to review the decision of the Supreme Court of Minnesota in the State Court renunciation proceedings and asked the Court also to reconsider its decision not to review the \$100,000,000 case. It is the opinion of counsel that there is no substantial risk that these petitions will be successful.

Board of Directors' Litigation:

Certain directors of the Foundation were named in a lawsuit, initiated by two directors of the Foundation, seeking damages totaling \$71,965,000 as well as certain injunctive relief, on behalf of the Foundation for alleged stock manipulations and conflicts of interest. It is the opinion of counsel that this suit has no substantial effect on the financial condition of the Foundation and, if successful, it would add to the assets of the Foundation.

The defendant directors have filed a denial to these allegations and a counterclaim requesting the removal of the plaintiff directors from the Board of Directors of the Foundation and enjoining the plaintiff directors from further litigation affecting the Foundation or its officers or directors. The Foundation is contingently liable for payment of legal fees in connection with the Board of Directors' litigation.

INVESTMENTS HELD AT NOVEMBER 30, 1974

Description	Number of Shares or Principal Amount	Cost or Stated Value	Market Value
Treasury Bills, Commercial Paper and Certificates of Deposit:			
U.S. Treasury Bills, 9.283%, due February 27, 1975	\$ 1,670,000	\$ 1,639,347	\$ 1,639,347
Allstate Financial Corp., Promissory Note U/A, dated July 3, 1968, due on demand	337,000	337,000	337,000
American Express Credit Corp., Promissory Notes A & B U/A, dated December 1, 1973, due on demand	124,000	124,000	124,000
Bankers Trust Co., Certificate of Deposit, 11%, due December 19, 1974	1,500,000	1,500,000	1,500,000
Bankers Trust Co., Certificate of Deposit, 12.20%, due December 3, 1974	1,000,000	1,000,000	1,000,000
First National City Bank, Certificate of Deposit, 9.05%, due February 21, 1975	1,000,000	1,000,000	1,000,000
Ford Motor Credit Corp., Commercial Paper Note, 8.877%	68,000	68,000	68,000
Ford Motor Credit Corp., 9.01% Note, due December 6, 1974	425,000	425,000	425,000
General Electric Co., Promissory Note U/A, dated December 1, 1969, due on demand	1,224,000	1,224,000	1,224,000
General Electric Credit Corp., 8.76% Note, due December 2, 1974	1,000,000	1,000,000	1,000,000
General Electric Credit Corp., 8.77% Note, due December 6, 1974	1,000,000	915,000	915,000
General Motors Acceptance Corp., Commercial Paper Note, Number 1, 8.877%	440,000	440,000	440,000
General Motors Acceptance Corp., 9.0% Commercial Paper Note, due December 11, 1974	1,305,000	1,295,539	1,295,539
Montgomery Ward Credit Corp., 9% Commercial Paper Note, due December 6, 1974	743,000	737,427	737,427
Sears Roebuck Acceptance Corp., Promissory Note U/A, dated December 6, 1966, due on demand, Part-A	305,000	305,000	305,000
Sears Roebuck Acceptance Corp., 8.75% Com- mercial Paper Note, due December 18, 1974	500,000	496,354	496,354
Total Treasury Bills, commercial paper and certificates of deposit	<u>\$ 12,641,000</u>	<u>\$ 12,506,667</u>	<u>\$ 12,506,667</u>
Corporate and Government Agency Bonds and Notes:			
Abbott Laboratories, 9.200% Registered Debentures, due October 15, 1999	\$ 500,000	\$ 500,000	\$ 516,250

EXHIBIT 1

Description	Number of Shares or Principal Amount	Cost or Stated Value	Market Value
American Brands Inc., 9.625% Registered Note, due September 1, 1979	\$ 500,000	\$ 501,195	\$ 523,750
American Telephone & Telegraph Co., 3.250% Debenture, due September 15, 1984	1,000,000	717,906	668,750
Bank America Corporation, 6.625% Registered Note, due February 1, 1980	1,000,000	996,975	902,500
Burroughs Corp., 9.000% Note, due May 1, 1975	1,000,000	1,004,118	1,000,000
Caterpillar Tractor Co., 8.600% Registered Debenture, due May 1, 1999	500,000	500,000	499,375
Chemical New York Corp., 6.625% Note, due April 15, 1980	500,000	489,141	437,500
Commonwealth Edison Co., Registered First Mortgage, 9.000% Series 28 Bond, due June 15, 1979	1,000,000	1,007,936	1,023,750
Commonwealth Edison Co., Registered First Mortgage, 6.750% Series 15 Bond, due July 1, 1998	500,000	452,609	389,375
John Deere Credit Co., 8.750% Note, due October 31, 1982	1,000,000	997,503	997,500
Dow Chemical Company, 8.900% Registered Debenture, due November 1, 2000	500,000	535,547	485,000
Farmers Home Administration, 7.875% Registered Insured Note, due June 30, 1981	501,988	501,989	483,802
Federal Home Loan Banks, 8.75%, Consolidated, due February 25, 1976	500,000	500,382	505,000
Federal Home Loan Banks, 9.10%, Consolidated, due November 27, 1978	500,000	500,000	520,000
Federated Department Stores, 8.375% Sinking Fund Debenture, due September 15, 1995	500,000	535,337	482,500
First Chicago Corp., 6.750% Note, due November 1, 1980	500,000	500,000	446,250
Florida Power Corp., 8.000% Registered First Mortgage, due December 1, 2003	500,000	500,000	401,875
Florida Power & Light Co., Registered First Mortgage, 7.625% Bond, due January 1, 2001	250,000	250,000	193,750
Florida Power & Light Co., Registered First Mortgage, 8.125% Bond, due August 1, 1980	500,000	502,589	475,000
Ford Motor Co., 7.250% Registered Note, due July 15, 1977	2,000,000	2,035,295	1,940,000
General Electric Credit Corp., 8.60% Registered Notes, due April 1, 1985	500,000	500,000	500,000
General Motors Acceptance Corporation, 8.875% Registered Debenture, due June 1, 1999	1,000,000	1,000,000	981,250
Gulf States Utilities Co., 8.625% Registered First Mortgage, due March 1, 2004	500,000	500,000	475,625
Halliburton Co., 8.250% Note, due November 15, 1981	1,000,000	1,001,243	997,500
International Harvester Co., 9.000% Sinking Fund Debenture, due June 15, 2004	1,000,000	991,387	970,000
International Paper Company, Convertible Subordinated Debenture, 4.25%, due November 1, 1996	500,000	551,480	300,625
Kresge, S. S. & Co., 6.000% Subordinated Convertible Debenture, due July 15, 1999	1,000,000	1,000,000	890,000

EXHIBIT 1

Description	Number of Shares or Principal Amount	Cost or Stated Value	Market Value
Minneapolis Gas Co., 7.875% Sinking Fund Debenture, due December 1, 1996	\$ 350,000	\$ 350,000	\$ 259,875
Mountain States Telephone & Telegraph, 7.750% Registered Debenture, due June 1, 2013	500,000	500,000	440,000
National Steel Corp., 8.000% Registered First Mortgage, due December 1, 1995	250,000	256,541	226,563
Northern Indiana Public Service, 8.125% First Mortgage Series U, Registered, due July 15, 2003	500,000	499,761	446,250
Ohio Bell Telephone Co., 7.875% Registered Debenture, due October 1, 2013	500,000	495,625	443,125
Ohio Edison Co., 8.125% Registered First Mortgage, due September 1, 2003	500,000	506,635	455,000
Pacific Gas & Electric, 9.850% Registered First Mortgage, Series 74B, Sinking Fund, due June 1, 1982	1,000,000	1,000,000	1,040,000
Pacific Gas & Electric, 7.750% Registered First Mortgage, due June 1, 2005	500,000	496,416	430,625
Pennzoil Co., 8.375% Debenture, due March 1, 1996	248,000	248,577	214,140
Pittson Co., 4.000% Convertible Subordinated Sinking Fund Debenture, due July 1, 1997	500,000	500,000	260,000
Public Service of Indiana, 9.625% Registered First Mortgage, Series V, due August 1, 1981	1,000,000	997,607	1,045,000
Sears Roebuck Acceptance Corporation, 4.625% Debenture, due May 1, 1977	150,000	141,902	137,625
Singer Credit Corp., 7.125% Senior Note, due February 15, 1979	500,000	500,000	430,625
Southern California Edison, 3.625% First Mortgage and Refunding Bond, Series E, due August 15, 1978	365,000	325,173	286,525
Southern Pacific Transportation Co., 7.750% Southern Natural Gas Company, 7.700% Sinking Fund Debenture, due April 1, 1991	250,000	250,000	193,750
Southern Pacific Transportation Co., 7.750% Series #62 Equipment Trust, due October 15, 1986	500,000	500,000	468,750
Southwestern Bell Telephone, 8.25% Registered Debentures, due March 1, 2014	500,000	488,331	467,500
Texas Eastern Transmission Corp., 8.700% First Mortgage Pipe Line, due October 1, 1989	194,000	196,818	171,205
Texaco, Inc., 7.750% Registered Debenture, due June 1, 2001	500,000	500,000	450,625
Twelve Federal Land Banks, 9.15%, Consolidated, due July 20, 1978	500,000	499,157	521,875
Union Oil of California, 8.375% Registered Debenture, due December 1, 1982	500,000	500,000	500,000
Union Oil of California, 8.250% Registered Debenture, due June 30, 1976	1,000,000	1,003,474	1,008,750
U.S. Treasury Notes, 7.750% Series B, due August 15, 1977	1,000,000	989,952	1,006,880
U.S. Treasury Notes, 8.750% Series C, due August 15, 1978	500,000	500,000	520,000

EXHIBIT 1

Description	Number of Shares or Principal Amount	Cost or Stated Value	Market Value
Washington Metropolitan Area Transit Authority, 7.350% Series B Sinking Fund Bond, due July 1, 2012	\$ 1,000,000	\$ 961,442	\$ 885,000
Western Electric, 8.375% Registered Sinking Fund Debenture, due October 1, 1995	500,000	538,247	475,000
Western Union Telegraph Co., 8.450% Sinking Fund Debenture, due March 15, 1996	350,000	353,245	203,000
Weyerhaeuser Company, 8.125% Registered Note, due October 1, 1976	1,000,000	1,005,403	1,000,000
Weyerhaeuser Company, 8.900% Debenture, due November 15, 2004	500,000	508,119	502,500
Xerox Corp., 8.200% Note, due November 1, 1982	500,000	500,000	501,250
Total corporate and Government Agency bonds and notes	\$ 35,408,988	\$ 35,185,057	\$ 32,998,365
Common Stocks:			
Air Products & Chemicals, Inc.	23,219	\$ 634,601	\$ 986,807
American Air Filter Company, Inc.	20,000	626,240	160,000
American Express Company	15,600	596,025	421,200
American Home Products Corporation	17,000	458,808	607,750
American Hospital Supply Corporation	23,500	1,002,039	608,063
American Reserve Corporation	25,000	898,444	68,750
American Telephone & Telegraph Company	25,000	1,136,655	1,081,250
Anheuser Busch, Inc.	12,000	315,300	331,500
Armstrong Cork	50,000	1,208,023	1,012,500
Atlantic Richfield Company	10,200	993,581	938,400
Baxter Laboratories, Inc.	12,500	508,125	423,439
Becton Dickinson & Company	18,000	841,475	524,250
Bendix Corporation	30,000	1,285,230	630,000
Betz Laboratories	22,000	516,175	671,000
Burroughs Corporation	20,200	1,261,243	1,656,400
Caldor, Inc.	28,940	935,853	144,700
Capital Holding Corporation	38,400	835,707	883,200
Carrier Corporation	32,000	820,127	208,000
Caterpillar Tractor Company	28,300	1,381,502	1,460,988
Citicorp	27,400	546,525	835,700
Clark Equipment Company	14,600	846,780	299,300
A. T. Cross & Company — Class A	16,000	920,035	348,000
Dart Industries, Inc.	16,328	615,599	226,551
Deere & Company	25,000	563,128	1,028,125
Delta Air Lines	18,000	727,767	632,250
Dow Chemical Company	18,000	791,971	1,039,500
Dun & Bradstreet Companies	35,000	872,166	542,500
Dupont (E. I.) De Nemours & Company	11,000	1,641,209	995,500
Eastman Kodak Company	30,000	2,977,024	1,938,750
Emerson Electric Company	26,000	955,528	689,000
Engelhard Minerals & Chemicals Corporation	30,000	887,403	528,750
Exxon Corporation	23,000	2,083,632	1,443,250
Fedders Corporation	20,700	867,927	67,275
Federated Department Stores, Inc.	24,000	1,116,404	606,000
First Bank System, Inc.	21,000	885,262	624,750
Fischbach & Moore, Inc.	20,000	929,472	392,500
Freepport Minerals Company	25,000	668,830	643,750

EXHIBIT 1

Description	Number of Shares or Principal Amount	Cost or Stated Value	Market Value
General Electric Company	20,000	\$ 1,303,386	\$ 742,500
General Motors Corporation	18,000	1,473,195	549,000
W. W. Grainger, Inc.	32,000	522,649	512,000
Halliburton Company	5,500	376,968	759,000
Honeywell, Inc.	7,000	719,786	142,625
Houston Natural Gas Corporation	40,000	869,111	1,185,000
International Business Machines Corporation	19,313	5,386,710	3,423,229
International Telephone & Telegraph Corporation	26,000	1,203,548	380,250
Jonathan Logan, Inc.	10,700	621,068	52,162
Kellogg Company	60,000	895,902	795,000
Lubrizol, Inc.	18,000	830,594	717,750
Marcor, Inc.	9,628	315,372	150,437
Marlennan Corporation	33,000	1,889,378	1,431,375
Maryland National Corporation	10,000	307,500	142,500
May Department Stores Company	28,700	1,115,948	577,587
Maytag Company	25,000	850,785	459,375
Minnesota Mining & Manufacturing Company	68,370	2,374,810	3,606,518
J. P. Morgan & Company	40,000	1,933,564	2,160,000
Nalco Chemical Company	27,000	755,670	459,000
Norton Simon, Inc.	35,788	929,476	393,667
Pennsylvania Life Company	40,000	1,009,375	45,000
Pennzoil Company	40,000	1,081,862	750,000
Perkin Elmer Corporation	20,000	574,677	380,000
Pfizer, Inc.	25,000	1,011,991	803,125
Phillips Petroleum Company	45,000	1,830,299	2,064,375
Pillsbury Company	16,000	757,947	564,000
Pinkertons, Inc. — Class B	20,000	1,118,025	455,000
Proctor & Gamble Company	10,000	989,999	827,500
Pullman, Inc.	12,000	842,981	531,000
Quaker Oats Company	23,700	830,118	328,837
Revco, D. S., Inc.	17,000	813,179	255,000
R. J. Reynolds Industries, Inc.	20,000	924,053	1,050,000
Rorer-Anchem, Inc.	30,000	977,196	551,250
Schlumberger Ltd.	10,200	396,243	1,092,675
Sears Roebuck & Company	14,000	1,237,313	661,500
Seven Up Company	25,000	763,000	400,000
Southern Company	80,000	1,538,009	780,000
Southern Natural Resources, Inc.	20,000	1,021,772	797,500
Standard Oil Company of California	45,000	1,309,557	950,625
Standard Oil Company of Ohio	16,000	643,380	966,000
Sterling Drug, Inc.	55,000	1,502,643	1,168,750
Tampax, Inc.	10,000	940,000	287,500
Texas Instruments, Inc.	8,000	563,652	596,000
Trane Company	18,000	1,033,528	222,750
Union Camp Corporation	12,000	704,833	504,000
Union Oil Company of California	25,000	928,251	821,875
Upjohn Company	15,000	1,083,135	718,125
Utah International, Inc.	15,000	742,734	588,750
Weyerhaeuser Company	25,000	880,447	718,750
Winter Park Telephone Company	17,760	131,350	106,560
Xerox Corporation	19,000	2,162,142	1,140,000
Total common stocks		\$ 90,170,926	\$ 65,465,070

EXHIBIT 1

Description	Number of Shares or Principal Amount	Cost or Stated Value	Market Value
Notes and Mortgages Receivable:			
Hi-Acres, Inc., 8½% Note, due May 1, 1975	\$ 160,714	\$ 160,714	\$ 160,714
Park Properties, Inc., 7% Promissory Note	252,568	252,568	252,568
Warren Sullivan Note, noninterest bearing	1,250	1,250	1,250
Kenneth Sullivan Note, noninterest bearing	1,250	1,250	1,250
Total notes and mortgages receivable	<u>\$ 415,782</u>	<u>\$ 415,782</u>	<u>\$ 415,782</u>
Total investments held at November 30, 1974		<u>\$138,278,432</u>	<u>\$111,385,884</u>