



DORIS DUKE CHARITABLE FOUNDATION

EXECUTIVE SUMMARY

ASSESSMENT OF ENDOWMENT
CHALLENGE STRATEGY

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1 The Brief

- 1.1 In October, 2006, the Doris Duke Charitable Foundation commissioned AEA Consulting to conduct a summary assessment of the impact of five funding initiatives undertaken by the Foundation between 1996 and 2006. The programs under review included: Leadership Presenting Institutions, Mid-sized Presenting Organizations, Leading National Theater Program (a partnership with the Andrew W. Mellon Foundation), JazzNet, and Talented Students in the Arts Initiative (a collaboration with the Surdna Foundation). In commissioning this analysis, the Foundation was interested in understanding the long-term impact of these capacity-building grants on the recipients, particularly the results of the endowment components that required a financial match.
- 1.2 AEA's work comprised five components:
- Review of program guidelines, grant agreements, previous program evaluations and related material;
 - Analysis of grantees' financial reports to DDCF;
 - A survey of grantees on-line using Zoomerang;
 - Interviews with select grant recipients;
 - Summary analysis and reporting.

2 Background

- 2.1 The Doris Duke Charitable Foundation's mission is to improve the quality of people's lives through grants supporting the performing arts, wildlife conservation, medical research and the prevention of child mistreatment, and through the preservation of the cultural and environmental legacy of Doris Duke's properties. The Foundation's focus in the arts is to support performing artists in the creation and public presentation of their work. Since 1997, the Arts Program has supported and strengthened exemplary performing arts institutions and national service organizations in the United States, which in turn have provided financial, technical, physical and human resources that artists need to create and perform their work. In addition, the foundation has supported a variety of special projects representing timely or catalytic opportunities in the performing arts field.
- 2.2 AEA reviewed the impact of five Foundation funding initiatives, all of which involved funding for artistic programs and incentives to build endowments that would support those programs over the long-term (see Appendix A for lists of grantees by program). These programs made grants to 78 different organizations, totaling \$72.3 million.¹ The grantees in each program were selected based on assessments as leading institutions or competitive application processes, and received multi-year grants

¹ Approved grants total \$77.3 million. The total projected payout, based on restructured grants and grants terminated due to incomplete matches, totals \$72.3 million. These figures do not include three Leading College and University Presenters Program grants awarded in 2006, totaling \$3 million.

ranging in size from \$375,000 to \$3.5 million. The majority of these grants involved two components: funding for ongoing artistic programs of the organization, and a challenge grant to build an endowment that would sustain these programs. A portion of each JazzNet grant supported administrative costs and JazzNet groups also received technical assistance for organizational development, provided by the Nonprofit Finance Fund.

- 2.3 The challenge component of each grant required the recipient to match DDCF's funding. Most of the programs required a 1-to-1 match. The JazzNet program required a 40:60 match, with the exception of two grants to individual organizations and one collaboration grant which were required to match the Foundation grant at the 1:1 ratio. (Three of the foundation's earliest grants did not include a match requirement.)

3 Key Findings

- 3.1 Fifty-two of the 78 grantees (66%) responded to the Zoomerang survey. (Survey protocol included in Appendix B.) The findings below are based on responses to the survey and comments from AEA's interviews with selected grantees. The impacts varied with the program initiative, and from grantee to grantee (more detail in the Full Report). Overall, however, the impacts were very positive, and aligned with the Foundation's goals for its programs.

- 3.2 The key findings from AEA's review are as follows:

Grant Dollars

- 78 grants totaling \$77.3 million were awarded
- Of the funds awarded, \$56.9 million (73%) was earmarked as challenge grants for endowments and 27% supported artistic programs and other costs
- 75 of the 78 grants had match requirements
- 61 organizations (81% of grantee cohort) have completed their endowment match
- 7 grants (9%) are still ongoing
- 7 grants (9%) were renegotiated or terminated without completion of the match
- Grant lengths ranged from 1 to 7 years in length; 55% were 3-year grants, 32% were five-year grants
- 24 grantees (32%) have exceeded their match requirement; 37 (49%) have met the match
- The combined total of Foundation grants and matching contributions (plus accumulated interest) now exceeds \$110.4 million (more than 2.1 times the value of the Foundation's investment)



Overall Impacts

The Duke Foundation endowment grants are perceived by grantees to have significantly strengthened their organizational capacity

- 84% of survey respondents reported that they are much stronger as a result of the Foundation endowment grant (16% reported they are about the same as when the grant started)
- 98% reported the grant had a positive impact on the organization's financial stability (2% reported that it had no impact; none reported a negative impact)
- 35% did not have any endowment prior to the grant from DDCF

The Duke grants fortified the artistic programs of grantees

- 100% reported that the grants had a positive impact on the artistic programs they were intended to support

The Foundation grants bolstered public perception of the organizations

- 98% reported the grant improved the public's perception of their organization (50% reported that it improved perceptions significantly, an additional 48% reported the grant improved perceptions somewhat)

Impacts on Boards

The DDCF grants motivated board members to make larger contributions

- 96% reported the endowment challenge increased board members' commitment to the organization
- 90% reported the endowment challenge had a positive impact on board members' overall giving to the organization
- 86% reported the endowment challenge was a spur to their board members to contribute to the endowment
- 80% reported the endowment challenge spurred board members to help with overall fundraising
- 34% reported the endowment challenge had helped them attract new board members

DDCF grants helped improve board skills

- 76% reported the board undertook a strategic plan prior to or during the DDCF grant period, which somewhat or significantly improved fundraising capacity in 86% of those organizations
- More than 50% reported their boards learned new skills, especially in fundraising (58%) and financial asset management (47%)



Impacts on Staff

DDCF grants motivated staff

- 96% reported the endowment challenge helped focus staff's energy and drive

DDCF grants enabled staff to improve their skills

- 74% reported the grant required them to learn new skills, including in the areas of fundraising (52%), financial asset management (59%), marketing (30%), and board development (34%)
- 20% reported the grant required them to add new staff or consultants; 46% retained those positions after the grant ended

Impacts on Program

DDCF endowment grants had the desired effects on programs

- 80% reported the endowments are allowing grant recipients to plan ahead better and further
- 78% reported the endowments are allowing them to improve support for artists or students
- 69% reported the endowments are allowing them to improve the quality of their programs
- 63% reported the endowments are allowing them to take more program risks

Income from DDCF endowments are offsetting program costs as planned

- 83% of the grantees that have completed their match are using income from the endowment to offset 1-15% of program costs
- 12% of the grantees that have completed their match are using income from the endowment to offset 16-30% of program costs
- 2% of the grantees that have completed their match are using income from the endowment to offset more than 30% of program costs

Impacts on Audiences

DDCF endowment campaigns had positive impacts on audiences

- 53% reported that the endowment campaign had positive impact on audiences, including:
 - Raising organizations' visibility, reputation and image
 - Strengthening artistic programs that attracted more and more diverse audiences
 - Expanding programs that reached more people, including young audiences and students



- Creating new programs with participatory components which engaged audiences
- Impacts on Fundraising

Impacts on Fundraising

DDCF endowment grants leveraged giving by individuals and foundations

- 84% reported the endowment challenge enabled them to attract new individual donors and 83% reported that it stimulated previous individual donors to contribute at higher levels
- 66% reported the endowment challenge enabled them to attract new foundation donors and 52% reported that it stimulated previous foundation donors to contribute at higher levels

The DDCF endowments were less motivating to corporate and government sources

- 26% reported the endowment challenge enabled them to attract new corporate donors and 24% reported that it stimulated previous corporate donors to contribute at higher levels
- 24% reported the endowment challenge enabled them to attract new government support and 18% reported that it stimulated previous government sources to contribute at higher levels

DDCF Staff Performance and Technical Assistance

Overall, grantees were very satisfied by the work of DDCF staff

- 96% of survey respondents reported that the goals of the DDCF endowment challenge program were clear
- 92% reported that they had an adequate amount of time to raise the match
- 86% reported that the restrictions on the grant were somewhat or very helpful
- 85% reported that they found DDCF staff helpful through the application process and term of the grant, and an additional 13% reported the staff was helpful most of the time
- Grantees commented favorably on the value of the annual meetings, which enhanced their ability to network and learn from others' experiences

Grantees found the reporting requirement cumbersome

- Several grantees noted that the financial reporting during the grant and post-grant requires substantial staff time



JazzNet grantees that received technical assistance support from the Nonprofit Finance Fund were mixed in their reviews of the value of these services

- 59% reported that NFF's services were somewhat or extremely helpful; 29% reported that the services were not helpful at all

Alternative Grant Strategies**The effort to raise the endowment match is perceived to have been a good deployment of organizational resources**

- 52% reported that the endowment campaign was an optimal use of resources
- 36% reported that it was a good use of resources
- 4% reported that it was not a good use of resources
- Several grantees noted that raising an endowment for general programming would have been preferable to focusing on one specific program

General operating support, program support and working capital reserves are also favored grant strategies

- 51% of grantees would have preferred general operating support
- 46% would have preferred program support
- 30% would have preferred support for working capital reserves

4 Key Variations by Type of Organization

The greatest impact on board contributions appears to have been experienced in larger organizations

- Leadership Presenting Institutions, Leading National Theaters and Training Institutions reported that the Foundation's grant had significant impact on board members' contributions to endowment, and overall giving to the organization
- Leading National Theaters and Talented Students in the Arts institutions reported the grant had significant impact on board members' willingness to help with overall fundraising
- Grantees in the JazzNet and Mid-sized Presenters program reported that the endowment grants motivated their Board members only somewhat

In general, those organizations that had endowments prior to the Foundation's grant or were already in an endowment campaign found it easier to meet (or exceed) the match in shorter periods of time

- All 24% of the groups that exceeded their match requirement were Leadership Presenting Institutions, Leading National Theaters or Talented Students in the Arts grantees, and most achieved their goals within three years



- Multiple interviewees noted that their fundraising for the Foundation endowment challenge was made much easier because they folded it into a larger campaign

Mid-sized presenters (those with budgets in the \$500,000 to \$3 million range) reported the most positive impacts on organizational stability and planning but experienced the greatest difficulty fulfilling the match requirement

- 100% of Mid-sized Presenters reported positive impacts on their financial stability and their ability to plan ahead (more than any other grant cohort)
- All 7 of the organizations whose grants were re-negotiated or terminated without completing the match were mid-sized organizations
- Mid-sized presenters also reported having to learn more new skills than their counterparts in other programs, particularly in the areas of fundraising, marketing, board development and financial asset management
- 20% of Mid-sized Presenters reported that the endowment effort was definitely not the most optimal deployment of their resources (all other grant groups reported either uncertainty about this issue or strong confidence that it was the optimal use of resources)

Grants that enhanced working capital reserves would have been preferred by many smaller groups

- 68% of JazzNet grantees and 40% of mid-sized presenters would have preferred a grant to support expansion of their working capital reserves

5 Conclusions and Suggestions

5.1 The Doris Duke Charitable Foundation hypothesized that by providing funding for artistic programs while also providing incentives to build endowment resources to support those programs over the long term, it could stimulate diverse performing arts institutions to strengthen their support for artists, sustain or grow audiences, and fortify their long-term financial health. The data collected by AEA suggests that the hypothesis was correct, and the Foundation's strategy has been a success.

5.2 As reported by the grantees in an online survey and phone interviews, the Foundation's five endowment challenge initiatives enabled a significant majority of grant recipients to sustain or improve the quality of their artistic programs and enhance their long-term financial resources. The grants raised Board members' awareness of the importance of endowment to organizational health, and in some cases substantially improved Board operations. The grants themselves stimulated planning, and the resulting endowments have enabled organizations to plan ahead with greater confidence. The aggregate sums now secured for program endowments (\$110 million) have the potential to generate \$5 million in support for artistic programs annually.



- 5.3 The national recognition offered by the Foundation's grants had a powerful impact on grantees' ability to raise funds, and enhanced the public's perception of these organizations. A majority were able to increase giving by individual donors and foundations, despite the downturn in the economy following 2001. The majority found the design of their program grants to be very helpful. "The core design – operating funds for core priorities combined with challenge grants for endowment – was brilliant. It is so hard to keep focused on endowment when one's daily financial pressures are so great. The endowment challenge and, frankly, the time limit helped us stay focused."
- 5.4 More generally, the thrust of the programs appears admirable in both intention and practice. Like all nonprofit organizations, presenters find it difficult to build and maintain their balance sheets. The underlying business model usually means that it is easier to secure grant income tied to specific program initiatives than it is to secure contributions to working capital, reserves or endowment. Over time the balance sheet deteriorates and it becomes increasingly difficult to take artistic risks without "betting the house," as organizations do not have the financial cushion required to absorb losses. This can force upon them a debilitating conservatism. The Foundation's approach offers an important remedy to this chronic condition. We have not examined the artistic vitality of the organizations, but if their managements are to be believed, artistry has been strengthened. However, in the longer term, the prescriptive element – donor designated endowment rather than reserves that can be used with a degree of discretion – may militate against empowered responsible asset management. We recommend:
- Continuing to make large, multi-year grants that have the potential to improve the basic capitalization of the selected recipients.
 - Consulting the class of targeted organizations about their preferences (and/or allowing them to make the case for the kind of investment they would prefer). For larger organizations (those with budgets over \$3 million), endowment grants may be appropriate; for smaller or less financially healthy organizations (those with budgets under \$3 million and those without capital reserves), endowment strategies may be appropriate but investments in working capital may be more valuable over the long term.
 - Continuing to require a match to grants for endowment or working capital; this requirement has, on the evidence, proved effective in providing leverage for organizations in securing contributions from third parties.
 - Providing technical assistance with grants, in keeping with the needs and sophistication of the individual organization.



6 Appendix A: List of Grantees by Program

Leadership Presenting Institutions

651 Arts

American Dance Festival
Appalshop
Brooklyn Academy of Music
Carver Community Cultural Center
Dance Theater Workshop
Jacob's Pillow Dance Festival
Jazz at Lincoln Center
John F. Kennedy Center for the Performing Arts
Joyce Theater Foundation
Lincoln Center for the Performing Arts
New Jersey Performing Arts Center
Ohio State University, Wexner Center for the Arts
San Francisco Performances
Spoleto Festival USA
University of California, Los Angeles
Yerba Buena Center for the Arts
Walker Art Center
Washington Performing Arts Society

Mid-sized Presenting Organizations

Asia Society
Japan Society
Performance Space 122
Portland Institute for Contemporary Art
St. Joseph's Historic Foundation, Hayti Heritage Center
Visual Arts Research and Resource Center Relating to the Caribbean, Caribbean Cultural Center

Leading National Theater Program

Actors Theater of Louisville
American Conservatory Theatre
American Repertory Theatre
Arena Stage
Berkeley Repertory Theatre
Center Stage
Center Theatre Group of Los Angeles
Connecticut Players
Goodman Theatre
Intiman Theatre
Lincoln Center Theater
McCarter Theatre Company
New York Theatre Workshop
Perseverance Theatre
Playwrights Horizons



The Public Theater
Roundabout Theatre Company
Shakespeare Theatre
South Coast Repertory
Spanish Theatre Repertory Company, Repertorio Espanol
Steppenwolf Theatre Company
Sundance Institute
Trinity Repertory Company

JazzNet

American Jazz Museum
Artists Collective
CityFolk
Contemporary Arts Center
Earshot Jazz
Flynn Center for the Performing Arts
Manchester Craftsmen's Guild
New Orleans Jazz and Heritage Foundation
Outpost Productions
San Francisco Jazz Organization
Thelonius Monk Institute
WBGO
Tri-C JazzFest
University Musical Society

Talented Students in the Arts Initiative

Alvin Ailey Dance Foundation
Ballet Hispanico of New York
Baltimore School for the Arts
California Institute of the Arts
Cleveland School of the Arts
Jacob's Pillow Dance Festival and School
The Juilliard School
LaGuardia High School
Los Angeles County High School for the Arts
Miami-Dade Community College, New World School for the Arts
Music Associates of Aspen, Aspen Music Festival and School
New World Symphony
North Carolina School of the Arts
Pacific Northwest Ballet
University of Rochester, Eastman School of Music



7 Appendix B: Survey Respondents by Program

Program	Recipients	Zoomerang Respondents	Percent Response
LPI	19	8	42%
MPO	6	5	83%
NLTP	23	20	87%
TSAI	15	11	73%
JazzNet	15	8	55%



8 Appendix C: Endowment Results by Program as of August 2006

Program	# of Grantees	Total DDCF Funds Awarded	Total Endowment Funds paid by DDCF to August 2006	Endowment Value (DDCF + Match)	Percent increase in value of DDCF endowment funds
LPI	19	\$31,775,000	\$19,531,668	\$42,382,132	2.2
MPO	6	\$5,025,000	\$1,640,000	\$3,085,348	1.9
LNTP	23	\$16,500,000	\$14,121,666	\$30,273,975	2.18
TSAI	15	\$11,375,000	\$11,375,000	\$24,104,547	2.1
JazzNet	15	\$7,580,126	\$4,580,126	\$10,833,843	2.3
TOTAL	78	\$72,255,126	\$52,248,460	\$110,440,985	2.11

