



D O R I S D U K E
C H A R I T A B L E F O U N D A T I O N

Arts Program • June 2009

PROVIDING FLEXIBLE AND RESPONSIVE SUPPORT FOR THE PERFORMING ARTS:

Approaches for Adding Core Operating Support and Restructuring Endowments for Contemporary Dance, Jazz, Theatre and Presenting Organizations

The Doris Duke Charitable Foundation, established in 1996, awards grants to support the performing arts, environmental conservation, medical research and the prevention of child maltreatment, as well as preservation of the cultural and environmental legacy of Doris Duke's properties. The DDCF Arts Program's grant-making strategy was revised in 2006 to continue its support for the creation of new work in contemporary dance, jazz and theatre while also helping performing arts organizations address the long-term issues of audience development, leadership transition and adaptation in the face of emerging technologies. The long-term viability of the arts is dependent on the fields' ability to overcome these challenges, which have intensified rather than abated during the economic downturn. In today's climate, even the most thoughtful organization's ability to plan for the long term is seriously compromised if its ability to survive in the short term is in question. In 2009, the Doris Duke Charitable Foundation implemented the two approaches described below to help performing arts organizations sustain their work in the short term so they can continue exploring long-term transformation.

Providing Core Operating Support on a National Scale with No Administrative Strings Attached

The DDCF Arts Program typically awards large initiative grants to intermediary nonprofit organizations, which in turn distribute "re-grants" to individual artists and arts organizations through competitive, peer-reviewed selection processes. The re-granting programs supported by DDCF are designed to support those artists and organizations capable of producing the best new work and the organizations most likely to devise solutions to a field's long-term challenges. In May 2009, DDCF approved funds totaling \$2.5 million to augment project support with unrestricted operating support for performing arts organizations that are awarded DDCF-funded re-grants through select initiatives in 2009, 2010 and 2011.

The funds will increase DDCF's total re-grant dollars by 31%. Re-grant recipients will automatically receive the unrestricted operating support without any additional application or reporting requirements. In addition to the core operating support for re-grants awarded in 2009-

11, DDCF also will allow organizations to use up to one-third of DDCF-funded re-grants awarded before 2009 for core operational needs if desired.

This approach enables DDCF to deepen its commitment to groups identified as leaders without adding to their administrative burden. It also recognizes and builds on the value of intermediaries and existing peer-review processes in identifying the optimal partners for creating new work and/or adopting innovative organizational change.

Core operating support for DDCF-funded projects will be offered through the following re-granting programs, which are supported in part or in full by DDCF:

- *Creative Campus Innovations Grant Program* at Association of Performing Arts Presenters (for re-grants awarded in 2010);
- *Presenting and Residency programs for jazz* at Chamber Music America (for re-grants awarded in 2009, 2010 and 2011);
- *Multi-Arts Production Fund* at Creative Capital Foundation (for re-grants awarded in 2009 and 2010);
- *Engaging Dance Audiences* initiative at Dance/USA (for re-grants awarded in 2009 and 2010);
- *Innovation Lab for the Performing Arts* at EmcArts (for re-grants awarded in 2009);
- *Jazz.NEXT program* at Mid Atlantic Arts Foundation (for implementation re-grants awarded in 2009 and 2010);
- *National Dance Project* at New England Foundation for the Arts (for production re-grants awarded in 2009);
- *New Generations Program* at Theatre Communications Group (for re-grants awarded in 2009, 2010 and 2011).

Restructuring Endowments to Help Grantees Respond to a New Reality and Advance a Revised Plan for the Future

Through six separate initiatives between 1998 and 2006, DDCF awarded 81 grants to establish endowments restricted to artistic programming at leading contemporary dance, jazz, presenting and theatre organizations. By structuring the DDCF funds as challenge grants requiring a minimum 1:1 match from other sources, DDCF leveraged additional funding to improve the financial strength of grantees, address long-term capitalization challenges, broaden and deepen grantee donor bases, and provide ongoing revenue streams to support artistic programming at each organization after DDCF funding concluded.

However, in today's financial climate, arts organizations—including those with endowments—have seen reserves, special initiative funds and investments dwindle and sometimes disappear. Even previously stable organizations are being challenged to meet basic ongoing liquidity needs and lack sufficient capital to undertake significant new activities that could promote their longer term viability and health. Because many endowment grants are restricted in perpetuity for specific purposes, grantees facing financial difficulties are not allowed to use interest or principal funds from those endowments for other purposes, including borrowing against the endowments to secure outside loans or lines of credit. Modifying or eliminating permanent restrictions on DDCF-funded endowments allows the foundation to provide a critical life-line to important

organizations by granting them more flexible access to existing resources. It is important to note that DDCF has based this approach on the needs and opportunities specific to the organizations it supports in the contemporary dance, jazz, theatre and presenting fields, and that other arts fields such as museums, orchestras and symphonies may have different considerations where endowments are concerned.

Amending Endowment Expenditure Requirements

In February 2009, the DDCF Board of Trustees delegated authority to the DDCF President to make administrative amendments to existing DDCF endowment grants, such as relaxing annual payout requirements or harmonizing endowment payout schedules with an organization's investment policies. DDCF requires grantees to submit a letter detailing the request that is co-signed by the organization's executive director and board president. To date, three grantees have requested and been approved for such an amendment.

Repurposing Endowments

Grantees that have contacted DDCF about repurposing their endowments are facing issues that range from investment losses that have compromised an organization's ability to meet bond requirements for unrestricted assets, to overwhelming debt associated with a new building, to the need for working capital to help an organization re-size its operations. DDCF developed a standard set of criteria and process for considering such requests, described further below. To date, DDCF has approved four requests in 2009 to repurpose artistic programming endowments for uses that include reallocation to Board-designated unrestricted endowments to meet bond liquidity requirements; debt retirement; and working capital. (Prior to 2009, DDCF also approved six restructuring requests that were made before the grantees had completed their endowment drives.)

Criteria: For DDCF to consider an endowment repurposing request, a grantee must demonstrate:

- a thorough understanding of its financial situation;
- the impact that repurposing its endowment will have on the organization's financial health;
- that repurposing the endowment is part of a multi-prong financial strategy (i.e., it's not just a "silver bullet" solution);
- support of the organization's staff and board for repurposing the endowment;
- capacity to secure permission to release endowment restrictions from all other donors to the endowment;
- ongoing artistic significance of the organization.

Process: To proceed with a request to repurpose a DDCF-funded artistic programming endowment, an organization must meet formally with a team of DDCF staff that includes DDCF's Chief Financial & Administrative Officer, Manager of Grants Administration, Program Director for the Arts, and Program Officer for the Arts. Organizations must be represented at the meeting by their executive directors, chief financial officers and board leaders (either the president or treasurer). Prior to the meeting, the DDCF team collectively reviews the organization's financial statements for the last three completed fiscal years, together with projections for the current year and at least two years going forward. Projections must show the impact that the proposed repurposing of endowment funds would have on the organization's longer term fiscal health. Once an organization proves that it meets the criteria above, the request is presented to the DDCF Board of Trustees for consideration on a case-by-case basis. To secure the final approval of a repurposed endowment, grantee organizations must obtain the consent of all the donors that provided matches to the DDCF endowment grant.