EXECUTIVE SUMMARY

EVALUATION OF THE DORIS DUKE CHARITABLE FOUNDATION'S LEADERSHIP PRESENTING INSTITUTIONS PROGRAM

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History and Evolution of the Program

The Doris Duke Charitable Foundation's Arts Program awarded its first four grants in 1997, including a mixture of programming, building and endowment support. In 1998, the program director was hired and charged with developing a guiding mission and overarching strategies for the program.

Two funding strategies were initiated. Direct funding support is provided to leading performing arts institutions under the following programs: Leadership Presenting Institutions (LPI), Mid-sized Presenting Organizations (MPO), the Leading National Theatres Program (in collaboration with the Andrew W. Mellon Foundation) and the Talented Students in the Arts Initiative (in collaboration with the Surdna Foundation). The LPI program, first developed by DDCF and comprising most of its arts grantmaking, is considered the cornerstone of the Arts Program. Through the second strategy, DDCF provides grants to National Service Organizations, which then re-grant on the foundation's behalf. In this manner, DDCF is able to provide funding to a larger number of individual artists and artists' companies than is possible through direct grants.

DDCF has awarded just over $47 million for program and/or endowment funds to 26 of the leading presenting organizations in America between 1997 and 2001. This evaluation assessed seventeen of these organizations. Of the nine we did not examine for this evaluation, four organizations – American Dance Festival, Jacob's Pillow, Jazz at Lincoln Center and the Joyce Theater – were funded in 1997 with no endowment match requirement because that element of the LPI program was not yet operational. A fifth, New 42nd Street, received only funds to cover building costs. Additionally, four organizations were funded in early 2001 and were thought to be too new to the program to warrant inclusion in this evaluation.

With the recognition that the country's leading presenting institutions are endowed at levels well below those of leading museums, operas and symphonies, DDCF chose to help presenting institutions create program-restricted endowments. These are designed to provide ongoing revenue streams for artistic endeavors. Although arts organizations also need general endowment to support administrative, technical and capital needs, this has not been the goal of the LPI program. As this evaluation shows, this focused, yet perhaps overly rigid goal has succeeded well with most LPI's, but may be short-sighted when dealing with mid-sized and culturally specific organizations.

Scope of Work and Preliminary Findings

Focusing on the grantees that received endowment awards between 1997 and 2000, this evaluation analyzed a total of seventeen organizations: fourteen Leadership Presenting Institutions (LPI's) and three Mid-Sized Presenting Organizations (MPO's). For purposes of convenience in this report, we have referred to the entire group as the "LPI organizations," when speaking of them as a group.

While organizations included in this sample constitute the top tier in terms of artistic merit and budget of performing arts presenters in this country, and have considerable standing within their respective spheres of influence, the range within this set of organizations is dramatic (individual case studies were developed for the 17 organizations participating in the evaluation). Each organization in the DDCF portfolio occupies a distinctive niche in the American presenting scene.

This report offers an assessment of one component of this DDCF grant-making strategy—namely, the endowment support offered to these institutions. Since the program has only been in place for four years, and grants are generally three to five years long, this is an interim assessment of the progress made by these institutions in meeting the requirements of their grants: in most cases, raising a match to the DDCF investment. The core of this review, therefore, centers on the following questions:

1. What have we learned about the progress made toward making the match: the effort it took, strategies employed, costs incurred, and capacity needed to manage the endowment funds after raising them?

2. What institutional challenges do organizations face in meeting an endowment match? What constitutes institutional readiness, when considering endowment grants in the future?

3. How might the current program be improved? Can the program be transferred to a greater number of Mid-sized Presenting Organizations?

4. Overall, is this program likely to deliver value to grantees?

By nearly any standard, the Leadership Presenting Institutions program should be deemed a success. Consider the program goal to build endowments at the nation's most important presenting institutions: of the 16 organizations with match requirements, eight have fully met the match and two others are very close. Five other institutions just recently received their grants in 2000. Only one organization funded prior to 2000, and one funded during 2000, are encountering serious difficulties in meeting this requirement.

While this is a small sample, a core message can be drawn from experiences of all the organizations in this program: when raising endowment funds, an organization must look to its board and non-board individual major donors for the majority of the funds. The smaller organizations of color will not likely have this capacity. In some cases, national foundations have provided one-time funding. Local and national corporations, as well as local foundations, are not a significant source of endowment funds.

Nearly every organization can point to specific instances where the Duke challenge directly leveraged other important monies. The Ford Foundation has stepped in to assist two institutions, in large part, because of the DDCF match requirement. The DDCF grant also performed the valuable service of helping one grantee match an endowment grant from the National Endowment for the Humanities, thereby building a bridge to an important institution.

Fifteen of the seventeen organizations that received the DDCF grants are also engaged in larger capital campaigns. These organizations' leaders all offered anecdotes chronicling the *substantial* role DDCF has played in their efforts to establish or significantly increase their endowments in the context of their larger campaigns. For some of these organizations, the DDCF grant was awarded on a timely basis coinciding with the commencement of a larger campaign and had a significant influence on the board's willingness to undertake a larger campaign.

The projected costs for these campaigns are surprisingly low, particularly in light of the large financial goals of many organizations. For most organizations, the projected costs of the campaigns are under 1% of the overall goal amount. In each campaign, a set of unique components drives the specific cost. For example, a large amount of one campaign represents city funding for renovations. There are no costs associated with raising these funds. Another institution will raise the majority of funds used to match the DDCF endowment grant at a low cost from board members, many of whom are family members. On the other hand, a smaller organization (by LPI standards) has relied heavily on costly outside consultants to assist with its campaign. Organizations targeting individual donors will also incur relatively high costs.

We have learned that while the primary intent of the endowment strategy was to yield a predictable source of programmatic income, program specific results will be *certain but not evidenced in the short term.* The financial dynamics of raising, investing and ultimately spending endowment resources are such that time will have to tell the programmatic story. We have every confidence, however, that the endowment will ultimately yield more stable program planning and, in many cases, expanded program offerings in the areas of interest to the foundation.

In the shorter run, this strategy is fundamentally an institution-building device that will have enduring effects for every participating organization. Some of these will be apparent in the short term and directly. For example, the DDCF grant was instrumental in saving a LPI institution's performing arts program. The LPI program also solidified and energized a partnership to establish a joint artist residency program between urban institutions. Some of the effects are more indirect. More concrete choices for board appointments, serious attempts to build staff capacity, and marketing and fundraising strategy have all been credited to the Duke grantmaking in this area.

Most of the organizations have strong investment management structures. Regardless of the level of endowment, most organizations have an investment committee on the board with strong representation of individuals with investment backgrounds.

All but three organizations have comprehensive investment policies in place. These policies articulate oversight for investment activities, asset allocation parameters, spending rule formulas, benchmarks for measuring performance, and authority for the changing investment managers.

In addition, we have learned that the strategy of providing concurrent endowment and program funds at the outset was particularly useful in forging the connection between long-term endowment income and specific programs. Program grants serve as an "endowment line of credit," which can be used to apply to increases in programming as soon as the grant is received. The organization does not need to wait until all endowment-matching funds are raised and invested to use this money; these grants have an immediate, positive programmatic effect on the organization during the fundraising process. Artistic programs supported through the DDCF program grant can be used as opportunities to fundraise for the endowment match. Furthermore, program grants provide immediate financial support to artists, which is consistent with the benefactor's objectives.

While none of the organizations in this cohort of grantees is capable of supporting all its programmatic activity through endowment funds, the program restriction on the endowment grant can yield significant income when weighed against the program costs of the artistic activities the foundation wishes to see strengthened and expanded.

The Management of the LPI Grantmaking Program

This grantmaking program is recognized as a pacesetter in the arts and philanthropic worlds, linking artistic advancement with building the fundamentals of good institutions. Olga Garay, as the program's leader, is recognized nationally as a leading arts professional and an expert in the field able to understand arts institutions from the inside out. Her staff is seen by grantee organizations as responsive and concerned. Over the course of our evaluation, we personally found the staff highly knowledgeable about the details of the organizations, but also found that there is still room to improve grantee reporting requirements. In addition, grantees feel that more communication and contact with staff would be desirable.

The annual meeting of LPI grantees is a centrally important part of this program. It is one of the few times grantees can network with each other. There are numerous cross-institutional learning opportunities, and the unstructured time is crucial for this to occur. We suggest that a second meeting be scheduled during the year for specific clusters of grantees around key issues. The organizations have much to learn from each other, but some conversations need to be directly facilitated, a role for the foundation. Additionally, building meetings around existing performing arts festivals or programs provides grantees with an opportunity to see a concentrated amount of work that often leads to future tours or commissioning opportunities made possible with LPI program support.

Our sense is that the LPI program needs some further reflection, which foundation leadership recognize and are willing to initiate. This is an appropriate time in this program's evolution to pause and think about next steps. We have included in this report a number of recommendations on strengthening the program.

Key Challenges

This report identifies some key concerns regarding the LPI program. According to DDCF Arts Program staff, it is important to note that some organizations among the first to receive LPI support are really more in line with the characteristics found in MPO's (e.g., budgets hovering around $1 million, boards with no history of significant giving). Yet staff strongly feel that it was important to telegraph a code of inclusiveness in the early stages of the program and that leadership is not *solely* a matter of budget size. As such, a small number of LPI organizations are experiencing some of the difficulties we predict in the MPO program.

- Organizations with the mission to serve and present the work of artists of color have a difficult time raising the match. Many of these organizations are under-resourced in terms of human and financial capital. Their boards often do not contain necessary high net worth individuals, and their annual fundraising from individuals is low to nonexistent. Consequently, these organizations often face instability.

- Mid-size organizations, while representing some opportunity for endowment grants, must be approached cautiously. More immediate demands to build their artistic agenda, fundraising staff and board infrastructure should be addressed before endowment grantmaking. They will also need longer matching periods and more "hand-holding" from DDCF staff and/or consultants. There are also many MPO's that may never be ready for endowment funds. DDCF should explore ways to support these organizations outside of endowment grants without abandoning the main principles of the program (e.g., grants to enhance staff capacity or to increase individual giving coupled with artistic programming support.)

- Arts organizations need general endowment to support administrative, technical and capital needs in addition to artistic needs. This kind of support has not been a goal of the LPI program. This rigid focus may be incompatible with the needs of MPO's. The support of cash reserve funds is an issue of concern in this vein. Cash flow issues are germane to all presenting organizations because, by their nature, they make forward commitments to artists and performing groups well in advance of subscription or grant revenue to cover those commitments. We heard numerous tales of arts organizations of considerable standing having difficulty securing short-term loans from banks at reasonable rates. We believe that DDCF should consider providing support for cash reserves, which are used to fund interim program production cash flow requirements, as part of a comprehensive grant package.

- Finally, DDCF has more to do to make this program an unqualified and lasting success. A number of the organizations could use more expertise in fundraising and planning. The foundation can respond to the needs in the field around building knowledge about endowment and fundraising. We have detailed our suggestions in the Recommendations section.

Conclusion
While the DDCF grants have not yet directly resulted in increased annual support for programs, they have achieved the following:

- The grants provide the first of any endowment funds for certain institutions. For those institutions with prior endowments, these funds often provided the first endowment funds for specific programming in the areas supported by DDCF.

- For those institutions that were in the planning stages or private phase of a major campaign, the grant funds leveraged direct support through the match requirement, and indirectly leveraged other funds through a "confidence factor." A number of organizations noted that the DDCF grant provided a seal of approval from a national foundation, which, in a relatively short period, has become well known. The funding gave boards a tremendous boost in confidence that they could achieve a challenging and seemingly lofty fundraising goal. Additionally, staff and board members reported that the DDCF matching requirement legitimized the campaign for potential external donors: individuals, corporations and other foundations.

- Finally, DDCF's experience in making these grants, and the learning from this experience, can contribute to "building the field" in the area of structured endowment grants. Few foundations have made sizeable investments in endowment grants for cultural institutions, and this approach has made DDCF stand out in the philanthropic field in a mere four years of activity. These significant investments merit close examination to yield learning for those interested in strengthening institutions through this approach to grantmaking.

In conclusion, we concur with the thoughts of the Director of Programming for the Washington Performing Arts Society that

> *these [endowment] grants provide the organization with the only vehicle they have to look into the future, to identify an opportunity to sponsor a particular artist or group, and to contract with that group, with the knowledge, well ahead of time, that they will have the resources to cover that*

> *commitment. The capacity for better planning and the ability to exploit specific artist relationships in the context of an organization's artistic vision and plans can only be enhanced by the amount of endowment funds that are restricted to that particular array of programmatic activities.*

From a programmatic view, this capacity will not be realized until somewhat into the future. We believe it will eventually come to fruition. From an institutional view, we believe that DDCF, through this grantmaking, can lay the groundwork for future excellence.

The Foundation must assume risk and take on a spirit of optimism when considering its role in endowment grantmaking. Making a two-year program grant is one thing; making an endowment grant involves the foundation in the organization's operations well beyond the artistic program.