

WALLACE READER'S DIGEST FUNDS
ANNUAL REPORT 2001



The Wallace-Reader's Digest Funds seek to create opportunities for people to enrich themselves through better schools, enhanced community activities, and participation in the arts.

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A Valedictory

IN JUNE 2002, I WILL RETIRE AS chairman of the Wallace Funds. As I look back over my 17-year tenure, I am proud of the institution we have created—and I believe the Wallaces would be, too.

I knew DeWitt and Lila Wallace. I worked for Reader's Digest when Wally, as everyone called him, was Editor-in-Chief of the pioneering periodical he and his wife first published in February 1922. DeWitt and Lila had a strong desire to turn their talents, and their business success, to making the world a better place. Their philanthropic activities began in the mid-1950s with the establishment of their first private foundation. Over the next thirty years, they created several other philanthropies, supporting projects in a wide variety of areas that reflected their interests and passions: the arts and culture, education, zoology and animal welfare, historical restoration, environment and conservation, youth employment and youth leadership, horticulture and beautification, health and medicine, social welfare, and government and public policy.

Following the deaths of the Wallaces—DeWitt in 1981, and Lila in 1984—I became chairman of the Funds, a position I've held continuously ever since. We began our metamorphosis from a small family foun-

datation to a larger, more national one. We hired a professional staff, reconstituted our Board of Directors, and focused our work in a few select areas that were of interest to our founders. From our beginnings as a national foundation to the present, it's been my privilege to be part of a voyage of discovery: to see if we could—through carefully targeted, strategic investments and objective measurement of the results of these investments—create genuine, large scale benefits befitting the bold and generous vision of our founders.

Our capacity to do so has been enormously enhanced by the steady growth in our organizational strength. Our assets have increased from \$320 million in 1985 to \$1.3 billion at the end of 2001. During this time we also contributed more than \$800 million to support organizations working in our focus areas of education, communities, and arts. And, we have provided a firm foundation for the future by following a gradual and responsible process of diversification of the assets that were bequeathed to the Funds by the Wallaces. In 1985, virtually all of these assets were represented by stock in Reader's Digest, then a private company. By 1990, we had created and implemented a plan to take the Company public so as to provide the Funds with a way to

realize some of the market appreciation that had built up in the Reader's Digest stock and to begin diversifying the Funds' asset base. The natural conclusion of this process occurred in April, 2002 when we announced an agreement to sell, at a premium, our voting control of Reader's Digest in a reorganization of the Company's capital structure. This plan provides the Funds not only with immediate liquidity but also with a clear path to continue to diversify responsibly over time the 14% of the Company the Funds will continue to own. It represents an important landmark in our long-term goal of increasing our flexibility to diversify our investments so that our ability to pursue our social mission remains secure.

More important than how much you have, or how much you give, is what you achieve. As I look back over past annual reports and the myriad publications that make up the body of our work, I believe we have contributed tangibly to improving the quality of life in communities across America. Through our support, teaching, learning and leadership in our schools have improved. Community institutions such as libraries, youth organizations, and parks are providing more people with better quality programs that promote learning. And leading arts

and cultural institutions of all kinds are taking a more active role in enriching communities and encouraging people to make art a part of everyday life. I feel privileged to have played a role in this growing record of accomplishment.

I am pleased to say that Walter V. Shipley, retired chairman and chief executive officer of The Chase Manhattan Bank, will succeed me as chairman of the board of the Wallace Funds. Walter's corporate, cultural and philanthropic affiliations are exceptional. He is chairman of Goodwill Industries of Greater New York Inc., serves on the boards of Lincoln Center for the Performing Arts Inc. and the American Museum of Natural History, and is a member of The Business Council. He is also a director of Exxon Mobil Corporation, Verizon Communications Inc., and Wyeth. Walter has been a director of the Funds since 1991 and brings a strong sense of history and vision. He will lead a talented and committed group of directors and staff. I have every faith that the best is yet to come.



George V. Grune, Chairman

PHOTO: KEN LEVINSON



PHOTO: DAVID OMER



In Austin, TX, school leaders are working more closely than ever with teachers to improve classroom instruction and student performance. (story on page 17)



PRESIDENT'S ESSAY

Changing Lives

ONE OF THE MORE HAUNTING comments I've heard since the terrorist attacks of September 11 was this: "War brings out the best in people; too bad peace doesn't."

For more than a decade, the Wallace Funds have sought to strengthen communities and to create learning opportunities for people of all ages and circumstances. We've pursued those goals by supporting and sharing ideas for improving schools. By fortifying community institutions like libraries, parks and youth organizations. By developing ways to make art part of everyday life.

We thought this was important before September 11th. We believe it's even more so in its wake. An educated citizenry, and strong communities that bring diverse people together, are pillars upon which our country is built. Our goal, our responsibility as a national foundation, is to help those values continue and grow.

To realize that objective, we've concentrated for the past decade on

strengthening three of the major systems that affect people's lives: schools, cultural institutions, and community organizations that people use and enjoy every day. In all three, our aim is to help make these institutions more effective, more customer-focused, and more interconnected.

Pebbles in The Pond...

We are never satisfied if the only result of our direct investments is that they achieve their individual goals. We are aiming for a collective return from our efforts that delivers social benefits many times greater and more far-reaching than the value of our investment in any single organization.

One way to think about this is to picture the ripple effect of a pebble tossed in a pond. In our work, the "pebble" is the sum of our direct investments in our program areas. The first hoped-for effect, the first "ripple," is the influence on the vast majority of organizations who will not get grants from us but who nevertheless will be keenly interested in applying the practical lessons captured, and communicated, from our direct investments. The ultimate effect—the last ripple, if you will—is the large-scale social benefit which our work, and the knowledge we harvest, achieves.



PHOTO: DES MOINES ART CENTER

Our success in creating that most important ripple depends on how well we do four things:

- Improve professional practice in our three focus areas;
- Create new knowledge and insights that are seen as valuable contributions in the fields in which we are working;
- Promote awareness of the issues we are trying to solve and encourage involvement in finding solutions through smart communications strategies; and
- Collaborate with other foundations, government agencies, elected officials and others working toward the same goals.

And to be successful, we need to do all these things well, and at the same time.

WORK IN PROGRESS

I'm pleased to report that in the year 2001 we made important progress toward our goals:

- In **education**, our LEADERS Count initiative is helping put the cause of improved school leadership on the reform map by gathering practical evidence from the field and supporting innovative methods aimed at improving leadership to support student learning.
- In the **arts**, our support to leading arts organizations and state arts agencies, and our knowledge-building activities, are creating a national groundswell for better participation-building practices among cultural institutions, and public and private arts funders.
- Our **communities** team, building on a legacy of Funds support for after-school programs, urban parks, adult literacy and library programs, is crafting comprehensive strategies to strengthen and unite these disparate community institutions in ways that will open new learning opportunities for youth and families, especially in high-need areas.



EDUCATION: **Leadership for Learning**

For more than a decade, the Wallace Funds have pressed the cause of better schools on a number of fronts: reforming school counseling so that it focuses more on academics; converting large numbers of school libraries into state-of-the-art educational centers; and above all, improving teacher quality.

Building on that record, we have shifted our focus to a long-neglected yet crucial corner of reform: strengthening education leadership, particularly the principalship and superintendency. Our LEADERS Count initiative, now in its second year, is bringing together many of the nation's best educational minds and most innovative states and districts to find better ways to: increase the pool of quality candidates for leadership; strengthen the abilities of superintendents and principals to improve student learning; and create more supportive conditions for these leaders to succeed.

States are central players in setting policies and creating conditions necessary for successful leadership, yet very few have comprehensive plans for improving district and school-level leadership. Similarly, school districts represent the front lines of teaching and learning, yet many are finding it increasingly difficult to hire and retain highly-qualified, well prepared superintendents and principals capable of boosting student achievement.

In 2001, we launched two efforts that together will make up the centerpiece of LEADERS Count: the State

Action for Educational Leadership Project (SAELP), and Leadership for Excellence and Achievement in Districts (LEAD). Following an exceptionally rigorous selection process, 15 states have been named to be part of SAELP, and 12 districts within those states were chosen to receive LEAD grants. In 2000, New York State's Education Department received major support to develop and model new practices to improve the recruitment, training and retention of school leaders.

We have shifted our focus to a long-neglected yet crucial corner of reform: strengthening education leadership, particularly the principalship and superintendency.

To buttress this work, we provided major funding to design and implement a new leadership program for superintendents at the Center for Public Leadership, John F. Kennedy School of Government, Harvard University. All LEAD superintendents will participate and, in the long-run, we hope that this will serve as a model for future superintendent leadership programs.

Our efforts to develop new knowledge and build public awareness of the importance of leadership continued on several other fronts this past year. Last August, the Funds hosted our second annual LEADERS Count conference in Manitou Springs, CO, bringing together nearly 100 national authorities and practitioners in school leadership. A Funds-sponsored national survey by Public Agenda offered a first-ever comprehensive portrait of the professional attitudes of superintendents and principals, and received wide press attention. Extensive field-based work to develop new models for preparing and supporting superintendents and principals continues at the Institute for Learning at the University of Pittsburgh; the Southern Regional Education Board in Atlanta; and The Big Picture Company's Aspiring Principals Program in Providence, RI.

We also created Ventures in Leadership, an online grant program that provides a relatively quick way to help schools, districts, colleges and other nonprofit organizations test innovative ideas to improve educational leadership. Through its first year, we provided more than 60 such grants to organizations in 28 states and the District of Columbia. We were frankly astonished at the outpouring of grassroots interest and creativity.

Through these combined efforts, we are beginning to learn just what quality school leadership is, and how states and districts across America can put into practice the lessons we're learning in attracting, keeping and supporting leaders capable of improving student performance.



PHOTO: DES MOINES ART CENTER



ARTS: The Power of Participation

The Wallace Funds have embarked on an expanded, multifaceted effort to revolutionize participation-building practices among interested arts organizations and their funding partners. Building on an extensive record of accomplishment and knowledge accumulation over the past decade, our single focus is to have the arts become essential resources for individual learning, personal enrichment and community health nationwide. To promote that goal, our work employs four broad strategies:

- Propel the development of cultural organizations that are effectively increasing participation in their communities through our program, Leadership and Excellence in Arts Participation (LEAP).
- Foster partnerships with states (and other public and private funders) to increase participation in, and support for, the arts.
- Create a national movement of effective arts participation organized around the theme of Arts4AllPeople.
- Develop new research-based knowledge and tools that foster the adoption of new standards for arts participation among organizations, funders and community leaders.

Our single focus is to have the arts become essential resources for individual learning, personal enrichment and community health nationwide.

Through LEAP, the Funds have provided multi-year support to arts and cultural groups that best exemplify how to build participation in their communities and that, as a result, provide knowledge and leadership for others. Through 2001, we had invested nearly \$25 million in LEAP grants to 26 organizations throughout the country. In 2002, we are adding 13 more exemplary organizations to the list. Because this effort to build participation cuts across disciplines, LEAP has been singled out by leading news organizations as representing an industry “trend.”

In 2001, we began a new program, State Arts Partnerships for Cultural Participation (START), focusing on helping exemplary state arts agencies adopt new, more effective guidelines, programs and funding practices aimed at encouraging broader public participation in the arts. Nationwide state arts agencies grant more than \$450 million annually to about 25,000 arts organizations, making them by far the largest source of government funding in the arts. Their mission is complex, and they would be helped by having more and better ways to use data and to share successful statewide participation-building strategies. Thirteen agencies were awarded multi-year grants totaling nearly \$10 million to support those efforts.

In 2001, we also launched Arts4AllPeople, a multifaceted strategy to create and share among arts organizations the growing body of

knowledge about successful ways to build participation. We created a new website, www.arts4allpeople.org, designed as a “virtual community” for practitioners and funders, to disseminate research and success stories and provide a place to share ideas and experiences. As part of this effort to build a learning network about participation, the Funds also sponsored two national meetings of leading arts and cultural organizations in the fall of 2001 in Houston and Chicago.

Finally, with our support, Rand Corporation published a landmark book, *A New Framework for Building Participation in the Arts*. The study shatters the conventional wisdom that income, education, and other demographic factors beyond the control of cultural institutions are the most important determinants of people’s decisions to participate in the arts. In fact, the decision to participate or not is based on a range of factors and choices that can be strongly influenced by the practices of arts groups. For the first time, the report equips arts organizations of all kinds with a systematic framework for understanding and building arts participation, placing them in a far better position to spend resources more effectively to strengthen their organizations and better serve the public. The Rand report has become a “best-seller” almost overnight in the arts field. Looking ahead to 2002, several other publications are planned that will shed even more light on the challenges and the best practices in participation building.



Des Moines’ leading arts institution is broadening and diversifying participation through a greater variety of offerings and community partnerships. (story on page 23)



COMMUNITIES: Enhanced Learning Opportunities for Families and Children

Lifelong learning and strong literacy skills are essential for success and self-sufficiency in the 21st century. But we also know that schools alone can't carry the burden of meeting these increasing learning demands without the help of a wide range of community institutions.

In cities around the country, leaders are looking for ways to upgrade and coordinate fragmented services that will result in better learning outcomes for children, youth and families. In the last decade, the Funds have invested in many successful programs at local institutions to increase learning.

For example, our work in library-based adult literacy programs in eight states produced crucial, practical lessons in meeting the difficult challenge of learner persistence. Since 1996, dozens of leading public libraries have improved their youth development and literacy services with Funds' support. And our support of after-school programs in low-income sites across the country led to publications that offer fresh insights and lessons

on how to start and operate these programs. Our handbook, "Getting Started with Extended Service Schools," has been especially useful for participants in the greatly-expanded federal "21st Century Community Learning Centers" program.

Building on that legacy, our Communities team began a process in 2001 to develop effective program and knowledge-building strategies that will strengthen and coordinate the work of a variety of institutions to maximize learning opportunities for children, youth and families and thereby enrich community life.

An early milestone in that process was reached in December with the launch of "Parents & Communities for Kids" (PACK). Grants went to community organizations in New Haven, Detroit, St. Paul and Boston, with the goal of improving learning outcomes for children between the ages of six and 10 through activities that take place outside of the traditional school day. In 2002, the Funds will convene the teams from each PACK site to begin the exchange of knowledge, experience and information.

Using a combination of program, research and communications activities, the Funds are working with these community groups to:

- Improve the supply of quality out-of-school learning opportunities for children and families.
- Increase the demand for and participation in such opportunities.
- Use this participation to help children learn and prepare for successful adulthood.

Our planning process will produce further work to strengthen the capacity of community organizations to provide learning opportunities for children and families, and to capture the lessons so that many other organizations can benefit. To realize that vision on a broad scale, program investments will build on the lessons of past work. Knowledge-building investments will create a strong baseline of information and create new lessons for the future that apply beyond the scope of our direct investments. Together, families, institutions and communities will be strengthened.

Lifelong learning and strong literacy skills are essential for success and self-sufficiency in the 21st century.

Changing Lives

All of these efforts in our three focus areas aim at the same objective: large-scale social benefits that extend far beyond the reach of our investments. Still, we never forget that these benefits have their clearest expressions in the impact on people—residents of a retirement home in Des Moines, IA, who are helped by a museum to rediscover the deeper meanings in their lives, and tell their stories to others, through art. A 29-year-old Jamaican mother of three who is

discovering for the first time the life-altering possibilities of reading at a Queens, NY, library literacy center. School leaders in Austin, TX, who are finding ways to help students become better learners by becoming better professional learners themselves.

In the pages ahead, we offer three such stories that illustrate how some of our partner organizations in education, arts and communities are changing lives.

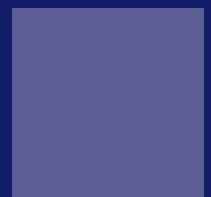
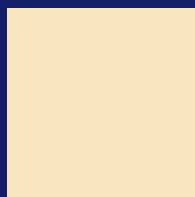
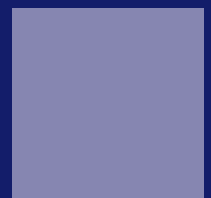
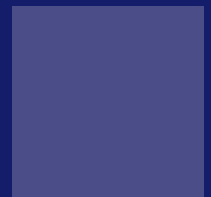
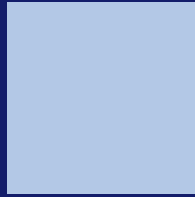


M. Christine DeVita, President

PHOTO: KEN LEVINSON



A Queens, NY, library adult learning center is opening the doors to lifelong literacy. (story on page 29)



Education

CHANGING LIVES...

Arts

Communities

Principal Barbara "Bobbie" Gideon with students at Crockett High in Austin, TX.

PHOTO: DAVID OMER





Education

Making Leaders and Learning Count

UNTIL RECENTLY, GLENN NOLLY, one of five “area superintendents” in the Austin, Texas Independent School District, was the person principals called if computers broke down, if supplies didn’t arrive, or if buses were off schedule. To earn his promotion to district-level leadership, Nolly had previously spent 15 years as a master teacher and charismatic high school principal. Suddenly, as one of this central Texas district’s putative “education leaders,” Nolly found himself mired in everything but the core business of schooling: teaching and learning.

“It was consuming me,” Nolly says. “That’s not what I went to school to do.”

Nolly’s story goes deeper than one man’s frustration. In virtually every state, school standards and expectations have never been higher. President Bush raised the stakes even further with the passage this year of the “No Child Left Behind” Act. For the first time in this country’s history, the act puts federal muscle behind the goal of having 100 percent of children achieving at high standards. Against

that background, education leadership counts as never before. If high standards are to be universally achieved, superintendents and principals need to have the time, and the preparation, to make learning the core value throughout their systems, and to ensure that expectations and goals are understood and realized in every single school and classroom.

Yet until recently, district leaders like Nolly in Austin, as in many other districts, were more preoccupied with the routines of schooling than its core purpose of improving learning. Principals like Barbara Gideon of Crockett High, a 2,400-student school serving mainly blue-collar families, functioned primarily as manager and peacekeeper, not instructional leader. This lack of focus on learning by Austin’s education leaders reached down to classroom life. Teachers had few organized opportunities to be reflective, continuous learners—to think deeply about classroom methods and to share successes and disappointments with peers.

For Austin's 78,000 students, the disconnection between leadership and learning meant that learning criteria and expectations were not routinely spelled out in clear, step-by-step language so that any student could understand and apply them. Instead, a "good" essay, or poem, was simply whatever a teacher decided was worth an "A" or "B." In that setting, the educational experience was likely to be a passive, Pavlovian ritual, not an active, effort-based engagement in which students must take ownership and responsibility to succeed.

Signs are now emerging, however, that Austin is beginning to break the cycle of self-reinforcing mediocrity. An energetic district superintendent, Pascal D. "Pat" Forgione, has been creating a climate that puts learning first systemwide, including reorganizing central office roles so that district leaders like Nolly are largely free of the administrative distractions that prevented them from being leaders of learning. Instead of managing bus schedules, Nolly now meets regularly with planning teams of district principals to focus on cutting-edge research on topics like improving math instruction.

The shift to learning as a core value in Austin is getting crucial support from the Institute for Learning at the University of Pittsburgh, directed by the nationally-renowned educational thinker, Lauren B. Resnick. With the help of a \$3.9 million grant from the Wallace Funds, teams from the Institute are working directly with school leaders in Austin and 11 other mostly urban districts to provide new strategies and clear, simple language to help put the fruits of decades of proven but often neglected educational research into practice.

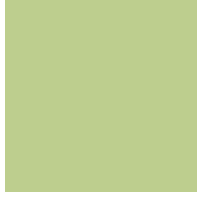
Taken together, the goal is to unite entire school systems into what Resnick calls "nested learning communities"—where there are no "throwaway" kids or teachers, where standards are rigorous, clear, and universally expected, where effort, not inherent aptitude, is considered the main wellspring of successful learning, where everyone is accountable for being both a learner and a model learner for others, where no one is isolated, and where everyone from the superintendent on down is responsible for contributing continuously to everyone else's learning.

"When I came here in August 1999," says Forgione, "we had a shared vision, but what we didn't have was a vocabulary, and shared tools, to make it happen." Now, with the Institute's principles and its techniques to put them into practice, the district has both.

Mary Price leads a "hands-on" lesson at Crockett High.



PHOTO: DAVID OMER



Darlene Westbrook



Pascal D. Forgione



PHOTOS: DAVID OMER

We had a shared vision, but what we didn't have was a vocabulary, and shared tools, to make it happen. Now, with the Institute's principles and its techniques to put them into practice, the district has both.

"We're optimistic that this will work, and here's why," says Darlene Westbrook, Austin's deputy superintendent for curriculum and instruction. "Other models for reform start with the teachers. This one starts with the administrators: the superintendent, the area superintendents, and the principals. The model puts expectations on us as learners, to create and reinforce those expectations systemwide."

One of the techniques developed by the Institute for Learning to help school leaders is called the "Learning Walk." Several times a month, principals like Gideon guide small groups on carefully prepared classroom visits. Participants, who routinely include other teachers, or principals from other schools, parents, ministers, school board members, or even the superintendent, prepare for the walks by reading an article on a particular topic, such as writing persuasive essays.

The spirit of these learning walks is scrupulously constructive. "It's not a 'gotcha' thing" to embarrass teachers in their own classrooms, but a tool of professional development, Gideon emphasizes. Still, the questions and the observations are pointed, and directed always at students, not the teacher.

Are students eager and comfortable in explaining their work? Do they understand what good work looks like? Do they know the steps to follow to reach learning objectives? Are the learning tasks rigorous? In short, is learning taking place, connected to clear expectations? At the end of the walk, participants typically ask the teacher questions aimed at prompting ideas about how a particular lesson could be improved, or any patterns within the entire school.

Student (left), with Principal Barbara Gideon and Scott Malcolm, assistant principal at Crockett High.



PHOTO: DAVID OMER

Now you have leadership that remembers the classrooms, and is in the classrooms. Literally and figuratively, we are opening the classroom doors.

The learning walks “put me on my mettle as a teacher,” says Mary E. Price, a 24-year veteran English teacher who, like others on the staff, admits initial skepticism about the learning walks but is now a strong convert who credits her principal for the school’s turnaround. “Bobbie really seems to get it. Before her, I never had a principal who cared much about curriculum. Now you have leadership that remembers the classrooms, and is in the classrooms.”

“Literally and figuratively,” says Gideon, “we are opening the classroom doors.”

Such efforts have already prompted visible changes in Austin’s classrooms. Student work is displayed everywhere in the school. “Criteria Charts” laying out for students the elements of successful work—Price’s classroom has a chart about what makes a good poem, for example—are now commonplace.

The emphasis on effort, clear expectations, and a pervasive learning culture throughout the district, seem to be paying off. The district can point to some remarkable recent gains in academic performance that are at least partly attributable to its partnership with the Institute for Learning:

- From 1996 to 2001, the number of Austin students passing the Texas state assessments is up by more than 9 percent in reading, and 19 percent in math. The sharpest gains were among African-American, Hispanic and economically disadvantaged students, and at schools most deeply engaged in the Principles of Learning initiative.
- From 2000 to 2001, the district reduced its number of state-designated “low-performing” schools from nine to five. Conversely, the number of state-designated “exemplary” or “recognized” schools where high percentages of students pass all state assessments, doubled in 2001 to 38 schools out of 103.

- Both the quality and diversity of Austin’s school leadership is improving. Of 30 new principals hired in the 2001–02 school year, 14 are Hispanic and four African-American. And unlike previous years, says Dr. Westbrook, some of the strongest candidates were assistant principals from Austin imbued with the spirit and knowledge of instructional leadership in schools that are becoming “nested learning communities.”



PHOTO: ERIC J. SALMON



Jane Molden shows off a collage to a young fan, created for an exhibit by elderly residents in a Des Moines Art Center program, "Preserve History and Enrich Lives Through Art."



Arts

Making Art Part of Des Moines' Daily Life

W

HEN SUSAN LUBOWSKY

Talbott became director and CEO of the Des Moines Art Center in 1998, she found an institution seen as both grand and aloof, perched on a hilltop several miles outside downtown. With gifts from local philanthropists, it had amassed a remarkable 19th- and 20th-Century collection including works by Edward Hopper, Jasper Johns, Constantin Brancusi, Georgia O’Keeffe, Robert Rauschenberg, Francis Bacon, Picasso, Matisse, and Miro. Each of the museum’s three wings was designed by an iconic architect: Eliel Saarinen, I.M. Pei and Richard Meier. Despite its world-class artistic assets, the Art Center faced a complex dilemma common to many of the nation’s 30,000 cultural institutions: how to keep artistic excellence at the core of its mission, and ensure its long-term vitality, while also

connecting more effectively to an increasingly multicultural community.

The museum’s rarefied local reputation was not deliberately cultivated. Since its founding in 1948, an education program was open to all. In the 1990s, the museum’s board and leaders made sincere efforts at “community outreach.” Still, the goal of attracting new participants, or deepening the experiences of existing ones, was never fully ingrained in its mission or its methods— from decisions about exhibits and acquisitions, to the length and clarity of labels describing art works, or above all, to actively courting partnerships with all segments of the community. A set of surveys a few years ago confirmed the obvious: the Art Center was widely regarded by less privileged city residents as elitist, not welcoming.



PHOTO: ERIC J. SALMON

Enter Ms. Talbott, a veteran administrator who had previously held leadership positions at the Whitney Museum in New York, the National Endowment for the Arts, and most recently, the Southeastern Center for Contemporary Art in Winston-Salem, NC. Her challenge in Des Moines, she quickly concluded, was to move participation-building strategies beyond outreach to ownership. That meant moving away from merely setting up pro forma “diversity committees,” or issuing invitations to estranged constituents, to truly listening to the needs of different constituents and acting on them in ways that would develop a mutual sense of belonging and enrichment between the museum and the entire community.

“I made it my mission to get rid of every last vestige of elitism. That’s still the number one priority, and it feeds into the artistic mission which has always been very strong.”

With the help of a four-year, \$1.25 million Wallace Funds “Leadership and Excellence In Arts Participation (LEAP) grant awarded in 2000, and a staff and board passionately committed to the twin goals of excellence and participation, the museum has been doing exactly that.

Visiting artists from as far away as New York and Japan have pursued their craft in the museum’s studios while working with local students and others to connect art to their lives. The museum has forged trusting

relationships with community organizations such as United Way, the local chapter of the National Conference for Community & Justice, as well as local artists. It has begun translating press releases and gallery guides for exhibitions in as many as six different languages. It has hired a consulting group to conduct ongoing visitor surveys.

A “Day of the Dead” celebration on November 2, 2001, attracted nearly 2,000 long-neglected constituents from the Latino community to the Art Center with a bilingual program including live music, family art workshops, storytelling, and a program honoring the lives of departed local Latino leaders. A four-month long exhibit exploring the role of *anime*, or Japanese animation, on contemporary art, featured three artists-in-residence, drew more than 34,000 visitors, and included materials translated into Bosnian, Japanese and Spanish. Along with its participation-building benefits, the exhibit’s artistic merits are evidenced by the fact that it is touring seven major cities, including New York and Chicago, through 2004.

Crucially, the museum now establishes advisory committees for nearly all of its exhibitions, consisting of diverse community leaders selected based on the theme of the exhibition and the goal of broadening and diversifying participation.

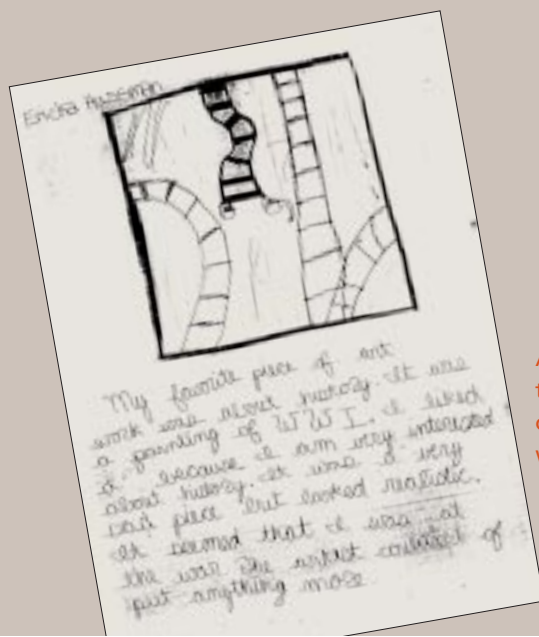
The progress and payoffs of the Art Center's recent participation efforts have been tangible.

- As of 2001, the museum had established programs and partnerships with 64 community groups, four times the number in 1999.
- Attendance at the Des Moines Arts Festival, a downtown event co-sponsored by the museum featuring a wide range of artistic and educational activities, is up 140 percent since 1998 to more than 180,000.
- Gifts from local funders have greatly increased, including the Iowa Arts Council, Fred Maytag Foundation, the Principal Financial Group, Inc., and the Polk County Community Betterment Program. Several, such as the Meier-Bernstein Foundation and the Bright Foundation, specifically cited the increased participation of diverse community groups and the absence of “elitism” once associated with the museum.
- A \$30 million endowment campaign launched in 2001 is already halfway to its goal, further evidence of the museum's stronger community ties. Eight years ago, a consultant told the museum's board that a fundraising campaign being considered at the time would likely struggle because of its then-elitist image and small community support base.
- Owing largely to successful outreach activities, coupled with a decision three years ago to move to free admission, attendance at both on- and off-site activities jumped 77 percent from 1998–2001, to more than 322,000.

“I made it my mission to get rid of every last vestige of elitism,” Talbott now says. “That's still the number one priority, and it feeds into the artistic mission which has always been very strong. I didn't want to change that. But I did want to push harder on participation.”

Some of the most important payoffs of participation can't be measured in dollars or attendance figures. Among the most remarkable of the Art Center's newly forged community connections have been with NBA Ramsey Home—a local senior citizens residence—and with a dozen offenders from the Iowa State Women's Residential Correctional Facility in Des Moines.

Visiting artist Ivan Fortushniak worked with a dozen elderly residents from Ramsey Home for nine weeks in a program titled, “Preserve History and Enrich Lives through Art,” during which participants were helped to create collages capturing aspects of their personal histories. The program culminated last June with exhibitions of their work and receptions at Ramsey Home and the Art Center.



A thank-you letter after a docent-led tour at the Art Center for public school children that included an Anselm Kiefer work referencing WW1.

(Right) NBA Ramsey Home resident Mary Ellen LaRue with collage about her years as a missionary in Japan.

(Below) Residents of the Iowa State Women's Correctional Facility at work on a print during Art Center-sponsored program "Discovery Through Art: Women and Visions."



PHOTO: ERIC J. SALMON



PHOTO: DES MOINES ART CENTER

Wing of the Des Moines Art Center designed by architect Richard Meier.



PHOTO: ERIC J. SALMON

“There’s a tendency to offend the elderly, to talk down to them. But this program helped legitimize old age.”

Ted Joplin, 96, depicted his love of baseball and the time he met Babe Ruth and Lou Gehrig. Jane Molden’s collage featured a bright sunset meant to capture her mix of emotions when, as a young African-American, she journeyed by train from her home in rural Nebraska to attend college in Cleveland. Mary Ellen LaRue, a retired minister who, like Molden, is largely confined to a wheelchair, created two collages portraying her admiration and empathy for Japan, where she spent years as an English teacher and missionary.

The artistic experience “opened things up here,” said Molden. “People weren’t just talking about pills or doctors or operations. They spoke about memories they hadn’t talked about for years because they’d thought, ‘Oh, nobody wants to hear about this.’

“There’s a tendency to offend the elderly, to talk down to them,” Molden continued. “But this program helped legitimize old age. We can brag in our own way. Ivan Fortushniak was particularly charming. He took time with some of the most difficult people.”

The experience of art as a tool of self-discovery was no less intense for Maria Koob, one of 12 from the women’s correctional facility who took part last December in an Art Center-sponsored program titled, “Discovery

Through Art: Women and Visions.” Using the contradictory, stereotypical images of women in art as a point of departure, the participants worked with the museum’s print curator, Amy Worthen, its education director, Jill Pihlaja, and visiting artist Fortushniak to express themselves through their own art. Koob, who had never attended the Art Center in her life but now hopes to perform her 75 hours of required community service there when she’s released from prison in 2002, titled her drawing, “Confusion.” “I think everyone should take part,” said Koob. “There was a feeling of comfort in the museum, not the least bit forbidding. It would help women a lot with their attitudes.”

Glenna Munson, director of the correctional facility, said she hopes the collaboration with the Art Center will continue. “When we first asked our population where the Art Center was, very few knew. It may sound trite, but if there are 50 more women like this who now know where the museum is, that’s a significant project. I’ve been in this business a long time, but this is the first time that I’ve seen a program like this elevate our population to an experience they’d never had.”



PHOTO: KEN LEVINSON



Maria Owens, a student associate at the Queens, NY, Library Adult Learning Center, patiently coaches a fellow learner.



Communities

Opening The Doors to Literacy

HILLSIDE AVENUE, JAMAICA Avenue, Merrick Boulevard, the streets leading to the Queens Library Central Adult Learning Center, throb with the energy of an immigrant community that speaks 120 different languages. On the elevator to the learning center, located in the Jamaica section of Queens, NY, a couple speaks Caribbean English, another French, another Arabic. Through the Center's glass doors is a cornucopia of dictionaries, novels, biographies, poetry, audio tapes and self-help books in Bengali, Hindi, Russian, Tamil, Urdu, Serbo-Croatian, Turkish, Chinese, Japanese, Spanish, French. And any evening, dozens of adults work in small groups at the Center's desks and computers—discovering, perhaps for the first time in their lives, the myriad doors that literacy can open.

For Esmerelda Williams, a Jamaican native, it's the dream of sharing the Bible with her grandchildren.

For Adassa Smith and Melita Miller, both home health aides, it's the hope of jobs with better pay and benefits. For Cromwell Nelson, currently unemployed, it's the ability to complete a job application unassisted. For Maria Owens, a self-assured, 29-year-old mother of three whose skills improved so much in her first year that the Center hired her to coach others, it means that "I can write my mother a letter, I got my driver's permit, I can go places on my own." For them and the approximately 200 others who eke out time from harried lives to be here, it's also about escaping the daily ignominies of illiteracy—the need to carry an envelope with your name and address on it in case you're lost or hurt, or the feeling of shame from having to tell your child you can't read a note from his or her teacher.



(Left) Owens and fellow student at work.



(Middle) Student and tutor reviewing a literacy lesson.



(Right) Kenneth Tabano, Assistant Manager, Central Adult Learning Center; Anita Citron, Manager; Bruce Carmel, Program Manager, Queens Adult Learner Program.

“Persistence”—finding ways to attract and keep learners in programs long enough to reach their literacy goals—is the oft-used byword and, too often, the great unmet challenge in the adult literacy field. But in exemplary programs such as this one in Queens—one of more than 20 around the country supported by the Wallace Funds since 1996 as part of its Literacy in Libraries Across America (LILAA) initiative—persistence is also seen as a two-way obligation, a compact between learner and library. For the adult learner, persistence means, first of all, arriving at realistic, attainable literacy goals, then committing the time and effort to succeed. Everyone arrives with dreams. The challenge is translating those dreams into a step-by-step learning process with realistic goals and ways to measure and celebrate tangible successes.

For Maria Owens, the dream is to surmount a childhood in her native Jamaica that left her unable to read or write. School was an occasional luxury

that took a back seat to work and family needs. “It was always, ‘bring the water, bring the goat, bring the chicken.’ You just gotta work.” Her early progress in reading at the adult learning center since she arrived two years ago now has her hoping for a GED, eventually college.

But for nearly all, such dreams are necessarily distant, and the challenge is to keep hope and optimism alive through a process that can take years. The learning process begins with a detailed, systematic orientation, during which reading and writing skills are assessed and individual goals discussed. “Along the way, people drop out,” says Anita Citron, manager of the Central Adult Learning Center, “So those who stay really want this. We talk about time management, about studying with other students, about calling us if they can’t come to a lesson, about bringing a pencil and paper. That it’s hard work. But our dropout rate, once they enroll, is very low.”

For libraries, persistence means, first of all, embracing adult literacy as part of their core mission, then acting on it. It means dedicating adequate, attractive physical space solely to adult literacy programming, as the Queens Center has. It means hiring full-time professional staff trained in adult literacy, not making it an added duty of an already-overworked librarian as many public libraries do. The six adult learning centers in the Queens Borough Public Library system employ 25 staff, and each center has a full-time manager whose professional background is adult literacy. It means an orientation process that is both welcoming and workable, providing each learner with a realistic, individualized plan of action including identifying potential barriers to success through initial testing. “If they tell us they can’t read, we say, ‘Congratulations! You came to the right place,’” says Citron.

It means providing curricula and reading materials appropriate to adult interests to teach basic reading skills, rather than using children’s books with irrelevant or infantile themes. It means supporting self-study by providing

computer-assisted learning and audio and video materials that learners can use by themselves. With Wallace Funds’ support, Maria Owens was hired in 2001 as a “student associate” by the Queens Center to help improve persistence by acting as a liaison between students and staff. It also means offering convenient hours for people juggling jobs and family obligations — the Queens centers are open 40–50 hours a week, including evenings — and working with learners to set goals, assess progress, and celebrate success. Recently, for example, the Queens centers started publishing a journal of student writing called *The Open Door*.

“I continue, even today, to run into library people who believe libraries are just warehouses for books,” says Gary Strong, director of the 63-branch Queens library system and a nationally-recognized advocate for library-based literacy programs. “I’ve always thought of libraries as empowering institutions that should be leaders in communities. That’s a very threatening idea to some, but so be it. They should feel threatened.”

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The Center’s participation in the LILAA initiative has helped it focus much more strategically on increasing learner persistence, says Bruce Carmel, Program Manager of the Queens Adult Learner Program. “Before, we took a band-aid approach to persistence,” he says. “It’s really much deeper than that. There are people who will stick no matter what. Then there are students who really aren’t ready: either they aren’t committed, or something happens in their lives. Most people who come here are somewhere in the middle.”

To address the challenge more effectively, the Center held a series of focus groups with students last year to delve into learners’ motivations, and the perceived strengths and weaknesses of the literacy program. Students gave the Center high marks as a welcoming place, but many also said that people who leave the program do so because of frustration, lack of time, work conflicts, or childcare needs.

A key emphasis at the Center is goal-setting, says Carmel. From orientation on, learners and tutors take written stock of individual reading and writing goals and accomplishments using highly-detailed forms. As rudimentary goals are met, such as writing the alphabet correctly, the learner might move on to more sophisticated

literacy tasks, such as using the dictionary to correct spelling or making an outline before writing.

“Students need clear goals,” says Carmel. “Not just a dream, like passing the GED, but something specific and incremental, that they can achieve today.”

The persistence lessons being learned at LILAA sites, including the Queens Center, are being documented in a major evaluation effort by Manpower Demonstration Research Corporation and the National Center for the Study of Adult Learning and Literacy so that others in the field can benefit. Two publications have already resulted from the evaluation: *So I Made Up My Mind: Introducing a Study of Adult Learner Persistence in Library Literacy Programs* [2000]; and *I Did It for Myself: Studying Efforts to Increase Adult Student Persistence in Library Literacy Programs* [2001]. Further reports will be published in the next two years.



Communities

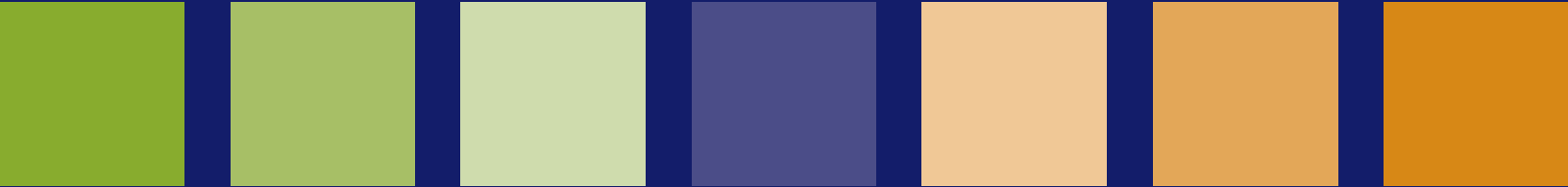
Education

Arts

Changing Lives

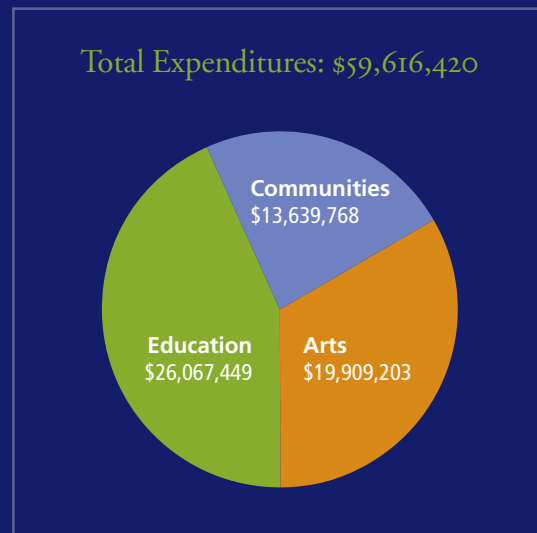
This mural, depicting long-time Des Moines community activist Evelyn Davis reading to an eager young girl, commemorates a program co-sponsored last summer by the Des Moines Art Center that provided children an enriching opportunity to combine exploration of art with the joys of reading.

Program Expenditures & Commitments



DEWITT WALLACE-READER'S DIGEST FUND

LILA WALLACE-READER'S DIGEST FUND



DEWITT WALLACE-READER'S DIGEST FUND

Education

LEADERS Count is our long-range education plan to increase the ability of principals and superintendents to improve student achievement. The three strategies below provide an organizing structure for our current investments in this work: a State-District Strategy; Capacity-Building Investments; and Experiments & Innovations.

Organization / IRS Name, if different (City & State)

1. STATE-DISTRICT STRATEGY: Two related initiatives, State Action for Educational Leadership Project (SAELP) and Leadership for Educational Achievement in Districts (LEAD), link regulatory reform at the state level with innovative, practical reform at the school district level for the purpose of improving student achievement by strengthening school leadership.

State Action for Educational Leadership Project (SAELP) – to identify and support states that plan to undertake major revisions in state policies and regulations influencing the recruitment and preparation of principals and superintendents as well as the conditions that affect their performance.

Council of Chief State School Officers, Inc. (Washington, DC)

To lead a national consortium that will work with SAELP states to create and implement new state legislative and administrative policies designed to strengthen leadership for the purpose of improving student performance, and to help these practices spread to all 50 states.

Leadership for Educational Achievement in Districts (LEAD) – to provide support to high-need school districts to produce new policies and practices that will enable superintendents and principals to improve student achievement. The following received LEAD grants:

Atlanta Public Schools / Board of Education – City of Atlanta (Atlanta, GA)

To provide leadership and professional development experiences for principals, central office staff, assistant principals, department chairs, aspiring principals, instructional supervisors and teachers.

Eugene School District 4J / Lane County School District 4J (Eugene, OR)

To ensure that new administrators are of the highest caliber and broadest representation, that current administrators have the skills to improve student learning, and to support structures and policies that strengthen successful leadership.

Fairfax County Public Schools (Fairfax, VA)

To develop educational leaders' mastery and balance in influencing the actions of others, their knowledge about research-based practices in curriculum, instruction, and assessment, and their skills in managing people and resources effectively.

Fort Wayne Community Schools (Fort Wayne, IN)

To recruit, prepare and support school leaders who are able to carry out instructional, public and organizational leadership in their school communities in order to close the achievement gap.

Hartford Public Schools / Hartford Board of Education (Hartford, CT)

To support educational leaders in mastering the skills and knowledge necessary for increased and accelerated student learning, and to implement their "Urban Schools/District Turnaround Strategic Plan."

	Approved 2001	Paid 2001	Future Payments
Council of Chief State School Officers, Inc. (Washington, DC)	\$ —	8,853,000	—
Atlanta Public Schools / Board of Education – City of Atlanta (Atlanta, GA)	527,000	527,000	—
Eugene School District 4J / Lane County School District 4J (Eugene, OR)	632,000	632,000	—
Fairfax County Public Schools (Fairfax, VA)	862,000	862,000	—
Fort Wayne Community Schools (Fort Wayne, IN)	1,000,000	1,000,000	—
Hartford Public Schools / Hartford Board of Education (Hartford, CT)	1,088,000	1,088,000	—

Organization / IRS Name, if different (City & State)

	Approved 2001	Paid 2001	Future Payments
John F. Kennedy School of Government at Harvard University/ President and Fellows of Harvard College (Cambridge, MA) To develop and implement a leadership program for superintendents that addresses the multiplicity of skills and capacities required of superintendents to successfully manage educational systems and facilitate meaningful reform.	1,581,000	—	1,581,000
Providence School Department (Providence, RI) To develop, implement and strengthen a model of distributive leadership that will increase student achievement districtwide.	1,338,000	—	1,338,000
Springfield Public Schools / Springfield School Volunteers, Inc. (Springfield, MA) To develop instructional leadership by focusing on improved recruitment, targeted professional development opportunities, and new organizational structures that support districtwide learning to improve student achievement.	1,085,000	1,085,000	—
Springfield School District 186 (Springfield, IL) To create a leadership development program that will promote ongoing adult learning, a focused approach to a standards-based curriculum, shared decision making and continuous improvement to increase student achievement.	700,000	—	700,000
St. Louis Public Schools (St. Louis, MO) To increase and improve the development opportunities for school leaders districtwide, and to promote and support both active engagement in learning and ongoing program development focused on improving student learning.	1,102,000	—	1,102,000
Trenton Public Schools / Trenton Board of Education (Trenton, NJ) To initiate an intense program of leadership development, using evidence-based inquiry and the Comprehensive School Reform Design models, to determine and to ensure continued student progress.	545,000	545,000	—
Other related expenses – meetings, consulting	176,491	176,491	—
2. CAPACITY-BUILDING INVESTMENTS: To reinforce the work of the state and district initiatives by building public awareness, developing a knowledge base and supporting promising new work to improve practice. The investments that fall under these three activities are as follows:			
<i>Raise Awareness through Public Engagement</i>			
Education Writers Association (Washington, DC) To increase the interest in and deepen the knowledge about educational leadership among education reporters.	—	143,000	—
The Public Agenda Foundation, Inc. (New York, NY) To conduct a multi-year study to examine the changing attitudes and experiences of public school principals and superintendents regarding school leadership issues.	612,000	612,000	—
Leaders Count Report A biannual newsletter to disseminate knowledge into the field.	32,640	32,640	—
National Conference on Education Leadership (Manitou Springs, CO)	145,859	145,859	—
Other related expenses – meetings, website revision	21,682	21,682	—
<i>Develop a Knowledge Base</i>			
American Association of School Administrators (Arlington, VA) To conduct case studies that provide policymakers and education leaders with documented knowledge about the leadership skills practiced by urban superintendents that lead to improved student achievement. The findings will be disseminated to the education community and general public through articles, a website, special reports and lectures.	1,200,000	1,200,000	—
Center for the Study of Teaching and Policy / University of Washington (Seattle, WA) Evaluation to develop a leadership-to-learning conceptual framework to describe the most promising pathways by which leadership influences learning, including key leverage points and barriers.	—	100,000	—
Other related expenses – meetings	8,537	8,537	—
<i>Support Promising Work to Improve Practice</i>			
The Big Picture Company (Providence, RI) To test and develop an innovative program for recruiting and preparing principals.	—	419,000	441,000

Organization / IRS Name, if different (City & State)	Approved 2001	Paid 2001	Future Payments
Southern Regional Education Board / Board of Control for Southern Regional Education (Atlanta, GA) To work with state academies, higher education institutions and local school districts to find more effective ways to prepare leaders and create conditions that support leadership for successful schools.	3,000,000	3,000,000	—
Other related expenses – meetings, publications, consulting	12,377	12,377	—
3. EXPERIMENTS & INNOVATIONS: To support creative, grassroots thinking and practices that connect leadership to improved learning. <i>Ventures in Leadership – supports innovative solutions to leadership problems by providing grants of up to \$50,000 to non-profit organizations through an online application and approval system.</i>			
Alabama State Department of Education (Montgomery, AL) To improve training for aspiring and current middle school principals, and to implement a media campaign to increase the pool of qualified candidates.	20,000	20,000	—
American Association of University Women Educational Foundation, Inc. (Washington, DC) To develop a seminar for female public school teachers and mid-career professionals in Washington, DC, that introduces them to public school administration.	50,000	50,000	—
Anchorage School District (Anchorage, AK) To train principals to evaluate the link between state standards and classroom curriculum, instruction and student assessment data.	30,000	—	30,000
The Board of Education of Worcester County (Newark, MD) To develop a customized database for administrators and teachers to track student assessment data.	46,000	46,000	—
Board of Higher Education – The City University of New York (New York, NY) To provide budget and management training to assistant principals in New York City.	50,000	50,000	—
The Boston Plan for Excellence in the Public Schools Foundation (Boston, MA) To form a professional network for Boston school principals recognized as strong leaders.	50,000	50,000	—
Business Education Roundtable, Inc. (Providence, RI) To promote strategic planning among school committees and city councils in four local communities and to develop a model that can be replicated statewide.	40,000	40,000	—
Capital Area Career Center (Springfield, IL) To train principals and superintendents in central Illinois in marketing a state-mandated School Improvement Plan.	29,000	29,000	—
The Center for Educational Leadership / Purdue University (Hammond, IN) To conduct an intensive study of 15 graduates of CEL who are now serving as principals in high poverty neighborhoods. Intended to identify those Interstate School Leaders Licensure Consortium (ISLLC) standards for school administrators that are most closely associated with improved student performance.	40,000	—	40,000
Center for Policy Studies (St. Paul, MN) To host a national meeting on teacher ownership, which shifts the role of the teacher from employee to owner of the profession.	25,000	25,000	—
Children’s Literacy Initiative (Philadelphia, PA) To host a working conference with researchers and practitioners on elementary school leadership and literacy instruction.	41,000	41,000	—
Cleveland Initiative for Education (Cleveland, OH) To enhance existing school leadership initiatives using a modified corporate model that measures and assesses performance on a wide range of indicators.	50,000	50,000	—
The DRAW Academy (Houston, TX) To develop a school leadership structure that distributes responsibilities of the principal into an administrative triad.	29,000	29,000	—
East Tennessee State University (Johnson City, TN) To develop and field test web-based training modules designed specifically for mentors of current and aspiring school principals.	44,000	44,000	—
Edmonds School District No. 15 (Lynnwood, WA) To establish the Edmonds School District’s Mentoring Program to support new principals as they undergo the transition from classroom to school leaders.	25,000	25,000	—

Organization / IRS Name, if different (City & State)	Approved 2001	Paid 2001	Future Payments
Educational Research Service (Arlington, VA) To design, develop and deliver a model training program, curricular materials and website about data-driven decision making for approximately 300 principals.	50,000	50,000	—
Educational Services and Staff Development Association of Central Kansas Educational Foundation (Hutchinson, KS) To create an administrative study group that will identify best practices of school leaders through regular meetings and online discussions.	17,000	17,000	—
Forward in the Fifth, Inc. (Berea, KY) To develop a leadership curriculum for school principals in Kentucky that focuses on school-family relations. Intended to enable principals to improve communication with parents, especially with those from low-income neighborhoods.	35,000	—	35,000
Garrison Union Free School District (Garrison, NY) To develop and launch an interactive, web-based program for administrators seeking resources and support as instructional leaders. Intended to create a forum for the exchange of ideas and information for administrators in this rural setting.	35,000	—	35,000
Hattiesburg Area Education Foundation Trust, Inc. (Hattiesburg, MS) To establish regular meetings between school leaders from six rural districts and local business leaders. Intended to create a structure for problem solving across districts, engage businesses in school improvement plans and disseminate lessons learned.	25,000	—	25,000
Hawaii Business Roundtable (Honolulu, HI) To train selected local business leaders as effective coaches and mentors for principals attending a Principal Leadership Academy. Intended to provide principals with management and leadership skills based on a corporate model.	50,000	50,000	—
Howard University (Washington, DC) To expand the work of the University's Center for Research on the Education of Students Placed at Risk by funding a principals' forum on curriculum instruction, alternative student assessment strategies and networking activities.	41,000	—	41,000
Livingston County Special Services Unit (Pontiac, IL) To develop ten presentations for school administrators in 13 cooperating school districts, recognized as Flexible Service Delivery Sites, that are committed to keeping at-risk students in general education classrooms.	30,000	30,000	—
Los Angeles County Office of Education (Downey, CA) To enable leadership teams in seven schools to develop standards-based instructional units to be taught and assessed at each school site.	50,000	50,000	—
Marin County Office of Education (San Rafael, CA) To conduct research into the high attrition rate of school administrators in Marin County.	15,000	15,000	—
Marshall University Research Corporation (Huntington, WV) To field test a sustained internship for pre-service principals similar to the student teaching experience.	46,000	46,000	—
Miami-Dade County Public Schools (Miami, FL) To fully implement the final phase of a six-part Performance Excellence Paradigm based on the Malcolm Baldrige National Quality Award business model.	49,000	49,000	—
Mon Valley Education Consortium (McKeesport, PA) To build the capacity of established design teams that address issues of school improvement and governance. Intended to provide activities including curriculum development, district-to-district mentoring, website enhancement, focus group meetings and partnerships with community organizations.	50,000	50,000	—
National Association of Elementary School Principals (Alexandria, VA) To create an online learning community of elementary and middle school principals. Intended to promote dissemination of best practices and inform policymakers of the complex working conditions of educational leaders.	35,000	—	35,000
National School Boards Foundation (Alexandria, VA) To support the first phase of a new Institute for Urban School Board Leadership designed to provide tools for school boards to lead creatively in their communities. Intended to identify best practices among superintendent/board leadership teams across the country and to convert those practices into case studies for use by future Institute participants.	50,000	50,000	—

Organization / IRS Name, if different (City & State)	Approved 2001	Paid 2001	Future Payments
New Jersey Institute for School Innovation (Newark, NJ) To co-sponsor a statewide summit on the crisis in school and district leadership with professional organizations and the New Jersey Department of Education.	30,000	30,000	—
New Mexico State University (Las Cruces, NM) To conduct a retreat for state and national leaders and administrators to plan an innovative field-based mentoring model for administrators aspiring to become superintendents.	50,000	50,000	—
Niagara Falls City School District (Niagara Falls, NY) To redistribute a portion of the principal's duties to leadership teams with distinct responsibilities and resources that are tailored to students' academic needs.	27,000	27,000	—
Parents for Public Schools, Inc. (Buffalo, NY) To support curriculum development and collaborative activities between parents, teachers and administrators in five local public schools.	30,000	30,000	—
Parkrose School District #3 (Portland, OR) To develop and institutionalize in-service training for district principals to improve their ability to supervise teacher instruction. Intended to help set a districtwide standard for teacher observation.	29,000	29,000	—
Paterson Education Foundation, Inc. (Paterson, NJ) To create a Leadership for Education Exploration Program to recruit mid-career professionals to school leadership positions, assess their readiness and help them choose the appropriate path to certification.	40,000	40,000	—
Plainfield Public School District (Plainfield, NJ) To implement a state-approved, comprehensive accountability system for the collection and analysis of student data. Intended to enable administrators to set policy and make decisions based on the specific needs of individual schools.	35,000	—	35,000
Platte County School District #1 (Wheatland, WY) To standardize the process by which principals are evaluated. Intended to assess more systematically principals' performance and hold them to more consistent measures for promoting student achievement.	35,000	—	35,000
Polk School District (Cedartown, GA) To restructure school administration into leadership teams consisting of the principal, assistant principal, teachers and departmental chairpersons. Intended to shift the focus of decision-making policy towards curriculum, instruction and student achievement.	35,000	—	35,000
Portland Schools Foundation (Portland, OR) To develop ten partnerships between business leaders and principals in high poverty schools. Intended to strengthen school-community relations and increase opportunities for strategic assistance to individual schools.	40,000	—	40,000
Public Education & Business Coalition (Denver, CO) To expand staff development activities, including study groups and on-site coaching, to principals working in over 100 local schools.	42,000	42,000	—
Raymond School District (Raymond, NH) To review and update all educational policies, procedures and job descriptions through collaborative efforts among school administrators, business leaders, school board members and parents.	31,000	31,000	—
Richland County School District Two (Columbia, SC) To launch the first phase of a three-tiered Leadership Development Plan for aspiring, new, assistant and experienced principals.	49,000	49,000	—
Rio Linda Union School District (Rio Linda, CA) To train new elementary school principals using walkthrough observations and reflective feedback. Intended to provide professional development activities and a mentoring program.	20,000	20,000	—
Rural School and Community Trust (Washington, DC) To create a working group of rural principals and superintendents in four southern states to identify common challenges related to school leadership, teacher quality and student learning, and to develop an action plan for school improvement.	50,000	50,000	—
School District 70 (Pueblo, CO) To develop a Leadership Academy for current and prospective members of the Board of Education.	27,000	27,000	—

Organization / IRS Name, if different (City & State)	Approved 2001	Paid 2001	Future Payments
The School District of the City of Independence / Independence, Missouri School District (Independence, MO) To build capacity of school district leaders to incorporate core concepts of Professional Learning Communities into their practice, and to establish criteria to assess the leadership potential of aspiring principals.	37,000	37,000	—
School District of Lancaster (Lancaster, PA) To develop and sustain training institutes, peer coaching and study groups for administrators and teacher leaders. Intended to shift the focus of school leadership from management to instruction and create a strong “bench” of future administrators.	35,000	—	35,000
School District of Superior (Superior, WI) To collaborate with a local university to increase out-of-school professional development programs for teachers and administrators, and to expand a cohort of instructional leaders who can sustain focus on the district’s long-range plans and academic goals.	50,000	50,000	—
School District of Ypsilanti (Ypsilanti, MI) To enable school administrators and teacher leaders to refine the assessment tools they use to determine whether students from diverse backgrounds are meeting state curriculum standards.	35,000	—	35,000
Silvio O. Conte Community School / Pittsfield Public School Department (Pittsfield, MA) To restructure the school into smaller learning communities, each supervised by a teacher leader who makes decisions jointly with the school principal. Intended to monitor more closely student achievement and groom teacher leaders to be future principals.	24,000	—	24,000
South Dakota State University (Brookings, SD) To provide professional support to inexperienced administrators in rural schools through on-site visits, workshops and distance learning. Intended to develop a system through which university personnel can effectively support new administrators.	40,000	—	40,000
St. Joseph School District (St. Joseph, MO) To recruit, develop and retain leadership for schools through a Leadership Academy designed for aspiring and new principals.	45,000	45,000	—
Texas Association of Secondary School Principals (Austin, TX) To provide start-up costs for an online leadership development course, “Web of Support,” for principals and administrators.	50,000	50,000	—
Trenton Public Schools / Trenton Board of Education (Trenton, NJ) To form a leadership development cohort comprised of a cross-section of stakeholders – ranging from the superintendent and school board members to teachers and paraprofessionals – charged with executing a multifaceted leadership development plan.	44,000	44,000	—
University Advancement Foundation (Fullerton, CA) To conduct research for the development of a distance certificate program for Site Operation Managers who supervise the non-instructional operations of a school site.	34,000	34,000	—
The University of Akron (Akron, OH) To conduct four case studies exploring the relationship between district governance and student achievement.	49,000	49,000	—
University of Rochester (Rochester, NY) To design and launch a doctoral program for school leaders in effective decision-making.	44,000	44,000	—
The University of Texas at Austin (Austin, TX) To examine the types of support that district leaders require to implement standards-based reforms in their schools.	40,000	—	40,000
University of Utah (Salt Lake City, UT) To expand the “Gateway to Learning” workshops on Latin American culture to principals and administrators in targeted schools in Salt Lake City.	50,000	50,000	—
University of Wisconsin – Madison (Madison, WI) To document the practices of four principals of schools in high poverty neighborhoods who have raised academic achievement in their schools. Multimedia case studies will be integrated into the leadership preparation program and disseminated to the field.	40,000	—	40,000
Urban Strategies Council (Oakland, CA) To provide leadership training to teams of principals, teachers, parents and community leaders who are responsible for site-based budgeting and policymaking in small, autonomous schools.	47,000	47,000	—

Organization / IRS Name, if different (City & State)	Approved 2001	Paid 2001	Future Payments
Vashon Island School District No. 402 (Vashon, WA) To establish a retreat for elected school board officials. Intended to analyze the impact of districtwide policies and practices surrounding the recruitment of principals, superintendents and other administrative leaders.	5,000	5,000	—
Warren Community Elementary School District – Quaboag Regional School District (West Warren, MA) To expand leadership opportunities for teachers to include action research projects, paid leadership internships and a mentoring program.	23,000	23,000	—
Western Michigan University (Kalamazoo, MI) To launch a leadership academy for prospective principals in conjunction with superintendents in local school districts.	50,000	—	50,000
Woodrow Wilson National Fellowship Foundation (Princeton, NJ) To convene a planning committee of superintendents, principals and university faculty across the country to discuss, construct and propose a series of summer seminars in the liberal arts for school principals.	41,000	41,000	—
Other related expenses – publications, website development	26,881	26,881	—
CONCLUDING INVESTMENTS			
<i>Pathways to Teaching Careers</i>			
Education Commission of the States (Denver, CO) To help governors and other key state education policymakers develop and enact legislation and policies that support programs to recruit and prepare teachers for hard-to-staff schools.	—	294,000	—
Urban Institute (Washington, DC) Evaluation of the Pathways to Teaching Careers program, which aims to increase, improve and diversify the pool of well-trained public school teachers in hard-to-staff districts. UI is documenting program implementation at participating universities as well as impacts and costs.	—	62,137	—
<i>School Counseling Reform</i>			
Center for Applied Research and Educational Improvement / University of Minnesota (Minneapolis, MN) Evaluation to document and assess how Funds-supported university-based programs transform their counselor preparation programs, and how partner school districts respond to the initiative and to new counselors.	—	310,000	—
<i>School Performance</i>			
Southern Regional Education Board / Board of Control for Southern Regional Education (Atlanta, GA) To prepare states to play a more active role in SREB's High Schools That Work initiative, while continuing to enlarge its network of high schools, especially those in large urban districts.	—	640,000	—
<i>Teacher Development</i>			
Policy Studies Associates (Washington, DC) Evaluation to gather lessons from the Funds' support to the Yale-New Haven Teachers Institute for adaptation of the Institute's National Demonstration Project, a professional development model for classroom teachers. Evaluators are assessing the experiences of participating teachers, the recruitment process, partnerships between universities and school districts, benefits and costs.	—	102,500	—
Stanford University (Stanford, CA) Evaluation to examine ways teacher development organizations participating in the Funds' Students at the Center Initiative promote student-centered teaching, learning and school organization.	—	36,356	—
University of California, Berkeley (Berkeley, CA) To publish an article highlighting the efforts of Funds' grantees to strengthen the practices of classroom teachers. The approaches examined by UC Berkeley include teachers' review of student work and peer discussions about ways to improve student learning.	—	61,000	—
Yale-New Haven Teachers Institute / Yale University (New Haven, CT) To establish Teachers Institutes in three cities, and provide them assistance and support.	—	437,726	—

Organization / IRS Name, if different (City & State)

Communities

Our current Communities investments seek to strengthen and coordinate the work of a variety of institutions to maximize learning opportunities for children, youth and families, and thereby enrich community life.

Parents & Communities for Kids (PACK) – an initiative to improve educational achievement for children between the ages of six and ten through activities that take place outside of the traditional school day. The 12 organizations listed below received PACK planning grants:

	Approved 2001	Paid 2001	Future Payments
Chicago Public Schools (Chicago, IL)	65,000	65,000	—
Community Foundation for Greater New Haven (New Haven, CT)	75,000	75,000	—
Community Foundation for Southeastern Michigan (Detroit, MI)	75,000	75,000	—
Community Foundation of Greater Greensboro, Inc. (Greensboro, NC)	72,000	72,000	—
Jacksonville Children’s Commission (Jacksonville, FL)	74,000	74,000	—
Missoula County Office of Planning and Grants (Missoula, MT)	66,000	66,000	—
Prospect Park Alliance, Inc. (Brooklyn, NY)	75,000	75,000	—
Safe & Sound Campaign, Inc. / Safe & Sound Baltimores Campaign for Children & Youth, Inc. (Baltimore, MD)	75,000	75,000	—
United Way of Central Indiana (Indianapolis, IN)	75,000	75,000	—
United Way of Massachusetts Bay (Boston, MA)	75,000	75,000	—
United Way of the Columbia-Willamette (Portland, OR)	63,000	63,000	—
University of Minnesota Board of Regents (Minneapolis, MN)	75,000	75,000	—

The following organization received a PACK development contract:

Aspen Institute Roundtable on Comprehensive Community Initiatives for Children and Families/ The Aspen Institute, Inc. (New York, NY) To study utilization of the “Theory of Change” planning process in communities that are developing PACK initiatives. The lessons drawn from this study will result in case studies, improved training and technical assistance tools, and a publication.	30,000	30,000	—
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The following organizations received PACK implementation grants:

Community Foundation for Greater New Haven (New Haven, CT) To improve learning for children and families in three neighborhoods in Greater New Haven and the surrounding region by building the capacity of families, organizations and the community to participate in and support family learning.	1,500,000	—	1,500,000
Community Foundation for Southeastern Michigan (Detroit, MI) To improve the educational and social performance of children in southeast Michigan by increasing the involvement of parents and other adults in the lives of these children.	1,500,000	—	1,500,000
United Way of Massachusetts Bay (Boston, MA) To energize and support black and Latino parents’ active involvement in achieving academic success for their children, through the “Engaging Parents in their Children’s Success” initiative.	1,450,000	—	1,450,000
University of Minnesota Board of Regents (Minneapolis, MN) To improve educational achievement for Hmong children and their families by creating a culture of learning on the West Side of St. Paul.	1,500,000	—	1,500,000
Other related expenses – meetings, consulting	104,320	104,320	—

CONCLUDING INVESTMENTS

Extended-Service Schools

Community College of Aurora Foundation (Aurora, CO) To develop a community-wide coalition that expands the Extended-Service Schools program from two to five schools. Coalition members include parents, representatives of the community college, school district, and community organizations.	—	150,000	—
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Organization / IRS Name, if different (City & State)	Approved 2001	Paid 2001	Future Payments
<p>Public/Private Ventures (Philadelphia, PA) Evaluation, in partnership with Manpower Demonstration Research Corporation, of the Extended-Service Schools initiative. Evaluators are considering what is necessary to plan and launch an ESS program on the community level; how high-quality services are designated; what attracts young people to programs and sustains their interest; and the costs and ways to finance programs.</p>	—	400,000	—
<p>Rose Community Foundation (Denver, CO) To strengthen program assessment, parent involvement and student retention at the three Beacon schools that form the nucleus of Denver's Extended-Service Schools network. A more formal citywide system for supporting training, technical assistance, information dissemination and increased funding will also be established.</p>	—	400,000	—
<p>United Way of Genesee County (Flint, MI) To develop a countywide system for Extended-Service Schools programs through technical assistance, training, marketing, service coordination and program improvement.</p>	—	400,000	—
<p>United Way of Greater Greensboro, Inc. (Greensboro, NC) To expand its Extended-Service Schools sites from five to twelve schools, implement a data collection system that documents student outcomes and create a community network that connects the ESS sites to other local initiatives promoting improved learning.</p>	—	250,000	—
<p>United Way of Missoula County (Missoula, MT) To create The Friends of Flagship, an administrative entity that will coordinate Extended-Service Schools programs at ten schools, strengthen the partnership with the school district and diversify its public and private funding base to support future program development.</p>	—	300,000	—
<p>United Way of Southeastern New England, Inc. (Providence, RI) To expand the number of Extended-Service Schools sites in Central Falls, RI, from three to seven schools and develop a statewide learning network that provides training and technical assistance and disseminates information. UW will also work with school and community leaders to develop state policy that generates funding for continued development of ESS programs.</p>	—	325,000	—
<p>Urban Strategies Council (Oakland, CA) To strengthen the quality and capacity of six Extended-Service Schools sites through technical assistance and the establishment of a citywide learning network that connects key leadership to the goal of high-quality, community-based learning opportunities for children and families.</p>	—	400,000	—
<p>YMCA of Greater Boston / Young Men's Christian Association Greater Boston YMCA (Boston, MA) To strengthen the Gardner Elementary Extended-Service Schools model and provide training and technical assistance to six new ESS schools in the Allston-Brighton community. The YMCA will also participate in a planning process begun by the mayor to expand ESS programs throughout Boston.</p>	—	200,000	—
<p>YMCA of Greater Long Beach / Young Men's Christian Association of Greater Long Beach (Long Beach, CA) To increase the involvement of African-American and Asian-American families; introduce parent training activities to promote children's learning at home; and increase academic programs that support student learning during school vacations.</p>	—	200,000	—
<p>YMCA of Metropolitan Minneapolis (Minneapolis, MN) To increase opportunities for youth involvement, develop new programs and expand program assessment capacity at five existing sites. The YMCA will also create a citywide network for Extended-Service Schools activity that strengthens partnerships.</p>	—	400,000	—
<p>Youth Futures Authority / Chatham-Savannah Youth Futures Authority (Savannah, GA) To double the amount of arts programming at three middle school sites, increase youth and family participation, and implement a database management system to document participation.</p>	—	400,000	—
<i>Public Libraries as Partners in Youth Development</i>			
<p>Brooklyn Public Library / Brooklyn Public Library Foundation, Inc. (Brooklyn, NY) To provide low-income teenagers after-school educational enrichment, job readiness, career planning and leadership development programs at five pilot sites.</p>	—	105,600	—
<p>Chapin Hall Center for Children / University of Chicago (Chicago, IL) Evaluation of after-school youth services provided by nine public library systems participating in the Funds' Public Libraries as Partners in Youth Development initiative. The study is examining the nature of services, the extent and intensity of participation, and costs related to the effort.</p>	—	295,000	—

Organization / IRS Name, if different (City & State)

	Approved 2001	Paid 2001	Future Payments
<p>Enoch Pratt Free Library of Baltimore City (Baltimore, MD) To provide opportunities for low-income youth to become skilled in library technology, group presentation and develop leadership skills while serving as ambassadors for the library throughout the system and community.</p>	—	130,900	—
<p>The Free Library of Philadelphia (Philadelphia, PA) To collaborate with key community partners to develop Young Library Leaders, an after-school and summer program for low-income children and youth.</p>	—	124,400	—
<p>Fort Bend County Libraries / Friends of the Fort Bend County Library System (Richmond, TX) To provide high-quality after-school educational enrichment and career development programs for low-income youth.</p>	—	123,500	—
<p>King County Library System / King County Library System Foundation (Issaquah, WA) To provide educational and employment opportunities for low-income teenagers at selected branches.</p>	—	182,200	—
<p>Oakland Public Library / Oakland Public Library Foundation (Oakland, CA) To expand and strengthen an educational enrichment program by involving additional branches, adding a teen homework component and providing year-round services.</p>	—	141,900	—
<p>Public Library of Charlotte and Mecklenburg County, Inc. (Charlotte, NC) To create Teens Succeed!, a youth development program that will nurture and develop leadership and life skills for low-income teenagers living in Charlotte's Westside neighborhood and will serve as a model program for replication in other branches.</p>	—	157,000	—
<p>Tucson-Pima Public Library, Inc. / Friends of the Tucson Public Library, Inc. (Tucson, AZ) To create four teen centers that provide educational enrichment and career development programs for Hispanic, African-American and Native American teenagers in low-income neighborhoods.</p>	—	126,600	—
<p>Urban Libraries Council (Evanston, IL) To provide technical assistance and coordination for the Public Libraries as Partners in Youth Development Initiative.</p>	—	270,100	—
<p>Washoe County Library System / Washoe Library Foundation (Reno, NV) To develop a corps of trainees called Teen Action Teams that will work with the Washoe County Library System to develop innovative programs for low-income teenagers.</p>	—	106,700	—
<i>Career Exploration and Preparation</i>			
<p>Commonwealth Corporation / Corporation for Business, Work and Learning (Boston, MA) To continue development of the Communities and Schools for Career Success program in Massachusetts and explore its implementation in two or more additional states.</p>	—	550,000	—
<p>Manpower Demonstration Research Corporation (New York, NY) To conduct the second phase of its Career Academies Evaluation which will provide guidance to policymakers and practitioners about the development and design of high school programs that improve the education and career prospects of young people.</p>	—	200,000	—
<p>National Youth Employment Coalition, Inc. (Washington, DC) To establish the New Leaders Academy to train current or emerging leaders of local youth employment programs.</p>	—	275,000	—
<i>Engaging Parents in Their Children's Education</i>			
<p>Interfaith Education Fund, Inc. (Austin, TX) To improve Texas public schools through extensive parent and community involvement and to replicate the Alliance Schools initiative in three additional southwestern states.</p>	—	200,000	—
<p>Right Question Project / Suffolk University (Cambridge, MA) To forge partnerships with key national organizations to train practitioners on its nationally-recognized methodology.</p>	—	174,400	—
<i>Making the Most of Out-of-School Time (MOST) Initiative</i>			
<p>Chapin Hall Center for Children / University of Chicago (Chicago, IL) A final evaluation report prepared by the Chapin Hall Center for Children.</p>	—	15,932	—

Organization / IRS Name, if different (City & State)	Approved 2001	Paid 2001	Future Payments
<i>School to College Transition</i>			
The Education Resources Institute, Inc. (Boston, MA) To create a national network of community-based information centers for encouraging low-income youth to pursue college education.	—	329,900	—
<i>Other</i>			
Brandeis University (Waltham, MA) To improve the quality of summer learning opportunities for low-income adolescents.	—	318,800	—
Community Funds, Inc. (New York, NY) To support the Wallace-Reader's Digest Education Fund.	142,883	142,883	—
Council on Foundations Inc. (Washington, DC) To support the national nonprofit member organization for grantmakers.	22,000	22,000	—
The Foundation Center (New York, NY) To support the national clearinghouse for information on private grantmaking.	25,000	25,000	—
Grantmakers for Children, Youth & Families (Washington, DC) To support this national membership organization of grantmaking foundations for children, youth and families.	20,000	20,000	—
Grantmakers for Education (San Diego, CA) To support this national membership organization of private, corporate, community and public foundations interested in programs in pre-collegiate, higher and adult education.	5,000	5,000	—
Independent Sector (Washington, DC) To support this nonprofit coalition of organizations for giving, volunteering and nonprofit initiatives.	10,500	10,500	—
National Community Building Network (Oakland, CA) To support this national membership organization that provides a forum for community practitioners, researchers, funders and others engaged in neighborhood transformation to share common interests, insights into barriers they encounter and field-tested strategies for rebuilding communities.	600	600	—
Neighborhood Funders Group, Inc. (Washington, DC) To strengthen the capacity of philanthropy to understand and support community-based efforts to organize and improve the economic and social fabric of low-income urban neighborhoods and rural communities.	1,000	1,000	—
New York Regional Association of Grantmakers, Inc. (New York, NY) To support this association of nonprofit organizations for advancing New York City's nonprofit sector.	10,000	10,000	—
New York University (New York, NY) To collaborate with Community School District #1 in Manhattan to plan the revision of its school counselor preparation program.	—	(4,439)	—
Nonprofit Coordinating Committee of New York, Inc. (New York, NY) To support this association of nonprofit social service, education, arts, health care and philanthropic organizations dedicated to advancing New York's nonprofit sector.	1,000	1,000	—
OMG Center for Collaborative Learning (Philadelphia, PA) To support Evaluation Roundtable II, a series of meetings of evaluation directors, program directors, and selected staff from large foundations that use evaluation.	20,700	20,700	—
Miscellaneous grants	25,319	25,319	—
TOTALS	\$ 25,429,789	33,216,001	11,762,000

LILA WALLACE-READER'S DIGEST FUND

Arts

Our current arts programs seek to create new standards for cultural organizations and funders to enhance participation. The main components of this work are: Leadership and Excellence in Arts Participation; State Arts Partnerships for Cultural Participation; and Arts4AllPeople.

Organization / IRS Name, if different (City & State)	Approved 2001	Paid 2001	Future Payments
<i>Leadership and Excellence in Arts Participation (LEAP) – provides strategic operating support for cultural organizations that best exemplify new standards of practice for building arts participation.</i>			
Alabama Shakespeare Festival, Inc. (Montgomery, AL) To commission and produce African-American plays, increase the number of African-American actors who perform on stage, expand marketing efforts and increase education programs. The theater will disseminate lessons of its work in print form and on the web for regional theaters and other arts organizations.	\$ —	144,077	—
Alliance Theatre Company / Robert W. Woodruff Arts Center, Inc. (Atlanta, GA) To increase the number of performances for families, offer staged readings and studio theater productions, and conduct audience research to guide expanded marketing and community relations efforts. The theater will disseminate the lessons of its work in print form and on the web.	—	172,000	—
American Ballet Theatre / Ballet Theatre Foundation, Inc. (New York, NY) To increase attendance at youth and family-oriented programs. ABT will commission one-act ballets for family audiences, create an affordable series of short performances, and expand the Make a Ballet educational program.	—	833,333	—
Arena Stage / The Washington Drama Society, Inc. (Washington, DC) To collaborate with local universities, museums and other arts organizations to conduct audience research, create new plays, boost marketing and expand programs that directly involve community members to attract a more diverse audience.	—	833,333	—
Armory Center for the Arts (Pasadena, CA) To develop partnerships with schools, universities, community organizations and museums to expand programs that will increase attendance at exhibitions and the level of participation in school-based programs.	—	833,333	—
The Asia Society – NY (New York, NY) To expand public programs in traditional and contemporary visual, performing and literary arts. Long-term audience development efforts will be strengthened through expanded audience research, strategic marketing and partnerships.	—	450,000	—
Center for Cultural Exchange (Portland, ME) To expand partnerships with social service organizations, community groups and churches to deepen connections with residents, especially new immigrants. CCE will develop a core group of active participants, hire community cultural specialists, develop a weekly radio program, a CD music label and programming for public television.	—	480,000	—

Organization / IRS Name, if different (City & State)	Approved 2001	Paid 2001	Future Payments
<p>Chicago Children's Choir (Chicago, IL) To create after-school, neighborhood choir programs in two underserved communities, based on research about the success of four similar choirs. In addition to providing music training to singers, CCC will offer high-quality concert programs at sites within many poor communities.</p>	—	342,000	—
<p>Chicago Symphony Orchestra (Chicago, IL) To increase access to music and music education for a broad and diverse population of students and adult audiences by expanding the Musicians Residency Program. Expansion includes establishing three new residency sites, creating an advanced study opportunity for serious choral students from all of Chicago's public high schools and presenting community orchestra concerts.</p>	—	833,333	—
<p>Des Moines Art Center / Edmundson Art Foundation, Inc. (Des Moines, IA) To build on recent, dramatic increases in attendance by expanding community engagement efforts mounted in connection with four new traveling exhibitions. The center will host more artists in residence, enhance teacher training, create multilingual educational materials and develop interactive content for its website.</p>	—	833,333	—
<p>Freedom Theatre / New Freedom Theater, Inc. (Philadelphia, PA) To target African-American women and crossover audiences, create four new mainstage productions and expand marketing efforts. Audience development efforts will be enhanced through expanded audience research and computerization of marketing and sales management systems. The theater will disseminate its audience development lessons through written materials, professional symposiums, and staff consultations with organizations affiliated with the African Grove Institute for the Arts, the Greater Philadelphia Cultural Alliance and the Black Theatre Network.</p>	—	50,000	—
<p>New Jersey Performing Arts Center (Newark, NJ) To attract and serve new and non-traditional audiences of all ages through partnerships with more than a dozen universities, libraries, churches and community-based organizations. Workshops, discussions and performances will connect audiences with a variety of featured artists.</p>	—	833,333	—
<p>Pittsburgh Ballet Theatre, Inc. (Pittsburgh, PA) To build on its recent audience development success and to present a series of new ballets that draw on themes that are important to Pittsburgh's heritage, including ballets inspired by jazz music and works by choreographers native to Pittsburgh.</p>	—	400,000	—
<p>Real Art Ways, Inc. (Hartford, CT) To conduct market research that will inform strategies for increasing the number and length of artist residencies, mount a major annual public art project, and expand marketing efforts to double annual attendance levels.</p>	—	268,000	—
<p>Repertorio Español / Spanish Theatre Repertory Co., Ltd. (New York, NY) To increase attendance among younger Hispanics who speak little or no Spanish and other nontraditional Hispanic audiences. The theater will produce new works and thematic festivals, expand education and outreach programs, increase marketing efforts and upgrade audience tracking systems.</p>	—	200,000	—
<p>Seattle Art Museum (Seattle, WA) To conduct audience research, organize major exhibitions, expand opportunities for involvement with the museum and heighten marketing efforts to diversify its audience so it more closely reflects local demographics.</p>	—	800,000	—
<p>Seattle Opera (Seattle, WA) To expand its Young Artists Program so that more elementary and high schools and communities throughout Washington state have greater opportunities to learn about opera through recitals, regional concerts and community performances.</p>	—	833,333	—
<p>University Musical Society / University of Michigan (Ann Arbor, MI) To collaborate with local organizations and University of Michigan departments to conduct annual residencies by major artists in modern dance, jazz and theater; and develop new marketing and fundraising strategies that more fully involve new audiences.</p>	—	833,333	—
<p>The Village of Arts and Humanities (Philadelphia, PA) To expand its arts education programs by offering workshops in partnership with at least three new schools and community groups each year, increasing the number of youth theater productions and visual arts exhibitions at outreach sites, and developing new community art parks.</p>	—	534,000	—

Organization / IRS Name, if different (City & State)	Approved 2001	Paid 2001	Future Payments
Walker Art Center, Inc. (Minneapolis, MN) To maintain the size of its audience and deepen people's engagement with the museum by increasing the number of artist residencies, launching a new weekly program of Free Thursdays, enhancing community programs offered through the Walker on Wheels mobile art lab, and expanding its award-winning interactive web programs.	—	833,333	—
Wing Luke Memorial Museum / Wing Luke Memorial Foundation, Inc. (Seattle, WA) To expand and refine community-based programs, outreach and exhibitions, performances, and educational programs. The museum will focus on young audiences and new Vietnamese and Cambodian immigrants.	—	332,175	—
Yerba Buena Center for the Arts (San Francisco, CA) To host four extended artist residencies annually, expand traditional and online marketing efforts, and collaborate with local schools and community organizations to enhance education and outreach efforts, which will help strengthen its relationships with current audiences.	—	833,333	—
Other related expenses – meetings <i>State Arts Partnerships for Cultural Participation (START) – helps exemplary state arts agencies adopt new, more effective guidelines, programs and funding practices aimed at encouraging broader public participation in the arts.</i>	2,000	2,000	—
Arizona Commission on the Arts (Phoenix, AZ)	500,000	166,000	334,000
California Arts Council (Sacramento, CA)	600,000	200,000	400,000
Connecticut Commission on the Arts (Hartford, CT)	500,000	167,000	333,000
Kentucky Arts Council / Kentucky State Treasurer (Frankfort, KY)	500,000	167,000	333,000
Massachusetts Cultural Council (Boston, MA)	900,000	300,000	600,000
Minnesota State Arts Board (St. Paul, MN)	1,100,000	366,000	734,000
Mississippi Arts Commission (Jackson, MS)	700,000	233,000	467,000
Montana Arts Council (Helena, MT)	500,000	167,000	333,000
New Jersey State Council on the Arts (Trenton, NJ)	900,000	300,000	600,000
North Carolina Arts Council (Raleigh, NC)	1,000,000	333,000	667,000
Ohio Arts Council (Columbus, OH)	1,100,000	367,000	733,000
South Carolina Arts Commission (Columbia, SC)	800,000	267,000	533,000
Washington State Arts Commission (Olympia, WA)	500,000	167,000	333,000
Other related expenses – meetings, consultants <i>Arts4AllPeople (A4AP) – a national campaign to promote new ideas and practices that help broaden participation in the arts. A4AP activities include a website (www.arts4allpeople.org)—a forum for arts leaders to share ideas, success stories, new research and resources on building participation in the arts—as well as regional conferences of arts groups and funders, trade journal articles and Funds-commissioned publications.</i>	17,680	17,680	—
Communications strategy and website development	87,273	87,273	—
Meetings in Houston and Chicago To provide leading arts organizations and funders an opportunity to share lessons on effective strategies for building arts participation.	78,950	78,950	—
Rand publication on arts participation Editing, printing and design costs for <i>A New Framework for Building Participation in the Arts</i> , a Funds-commissioned study by Rand that provides fresh insight on why people participate in the arts and offers arts institutions practical information on how to reach and engage audiences more effectively.	29,039	29,039	—
Other related expenses – meetings, consultants, publications	25,730	25,730	—

Organization / IRS Name, if different (City & State)

	Approved 2001	Paid 2001	Future Payments
CONCLUDING INVESTMENTS			
<i>Community Partnerships for Cultural Participation</i>			
Boston Foundation (Boston, MA) To increase arts participation through targeted grants and strategic partnerships that bring together cultural organizations, artists and community organizations through expanded performances, exhibitions and education classes.	—	301,650	—
Dade Community Foundation Inc. (Miami, FL) To enhance arts participation in area neighborhoods through targeted technical assistance, planning and implementation grants that create neighborhood collaborations and expanded public programs in the traditional and contemporary arts.	—	100,000	25,000
East Tennessee Foundation (Knoxville, TN) To support expanded cultural participation by providing arts organizations with technical assistance and training in program development, marketing and promotion.	—	163,110	—
Maine Community Foundation, Inc. (Ellsworth, ME) To enhance arts participation in three Maine communities through technical assistance and grant programs targeting young people, families and year-round residents.	—	45,081	—
New Hampshire Charitable Foundation / The New Hampshire Charitable Fund (Concord, NH) To enhance cultural participation in Portsmouth and Manchester through grantmaking, technical assistance and strategic partnerships targeting neighborhood audiences and young people.	—	100,000	—
San Francisco Foundation (San Francisco, CA) To increase community-based arts participation through grants and strategic partnerships that bring together cultural organizations, artists and community organizations.	—	160,000	320,000
Urban Institute (Washington, DC) To conduct an evaluation of the Funds' Community Partnerships for Cultural Participation initiative.	—	427,219	—
<i>Community Arts Partnerships (CAP)</i>			
California State University, Monterey Bay / Foundation of California State University, Monterey Bay (Seaside, CA) To form partnerships with four organizations to establish a Reciprocal University for the Arts, in which the community serves as a primary focus and resource for university curricula. Performances, exhibitions, projects and university curricula will be produced based on the premise that art and artists can play a transformative role in community life.	—	154,705	144,293
Columbia College Chicago / Columbia College (Chicago, IL) To increase connections between the college, community organizations and community youth. Program benefits will be leveraged to create institutional change within the college and collaborating community organizations.	—	131,825	90,475
Columbia College Chicago / Columbia College (Chicago, IL) To plan and implement the Institute for Community Arts Partnerships (ICAP) program to enhance the impact of the Funds' CAP initiative. ICAP will involve annual meetings of the grantees, peer-to-peer mentoring projects, targeted technical assistance, web-based listservs and teleconferences and publications of case studies and conference proceedings. ICAP's development will be guided by a committee comprised of Funds' CAP grantees, national leaders from the fields of higher education, service learning and community development, and Funds staff.	—	150,000	150,000
Cooper Union / Cooper Union for the Advancement of Science and Art (New York, NY) To collaborate with two organizations in metropolitan New York to provide high-quality studio arts education to ethnically diverse community youth. Customized to meet the needs of all three partners, the program will focus on photography, printmaking and pre-college/ pre-professional visual arts training.	—	145,000	119,090
Institute of American Indian Arts Foundation (Santa Fe, NM) To develop a Native American Youth Outreach Program through collaborations with community organizations in Albuquerque, NM and Denver, CO.	—	151,384	149,690
Maryland Institute, College of Art (Baltimore, MD) To expand access to the visual arts for several hundred Baltimore children at four community-based after-school programs. The college will offer art mentoring programs and a variety of special art projects that meet the children's, MICA's and the communities' interests, while laying the groundwork of ongoing arts programs in target communities.	—	137,500	112,500

Organization / IRS Name, if different (City & State)

Xavier University of Louisiana (New Orleans, LA)

To expand current visual arts instruction programs for low-income youth at two community-based centers. The university will collaborate with two New Orleans universities and link with the New Orleans Museum of Art, the Arts Council of New Orleans and Yellow Pocahontas Mardi Gras Indians. The program will enhance community service learning curricula at the three universities while establishing significant linkages between community organizations and more traditional arts organizations.

Community Arts Centers

AS 220 (Providence, RI)

To expand general audience of adults and young people through enhanced audience information systems, marketing, outreach and targeted public programs. Long-range audience development efforts will be strengthened through staff training in the areas of audience research, marketing and strategic planning.

Dell'Arte, Inc. (Blue Lake, CA)

To increase the audience for its five-week Mad River Festival and expand enrollment in its summer theater, dance, music and performance classes. The target audience, children and families, will be reached through enhanced year-round programs featuring folk and traditional arts.

Japanese American Cultural And Community Center (Los Angeles, CA)

To increase the participation of adults and senior citizens in Japanese-American traditional and contemporary performing and visual arts through increased performances, mini-festivals and educational programs.

Manchester Craftsmen's Guild (Pittsburgh, PA)

To increase the participation of young people, families and general audiences through expanded presentation of traditional and contemporary music and dance, and extended community residencies by leading visual and performing artists.

Mexican Fine Arts Center Museum / Mexican Fine Arts Center (Chicago, IL)

To expand participation by youth and young professionals through the creation of a youth museum and a radio station, enhanced audience research and increased outreach, volunteer and member activities.

Arts Partners Program

University Musical Society / University of Michigan (Ann Arbor, MI)

To collaborate with the University of Michigan School of Humanities and School of Music, Ann Arbor Public Schools and School for Performing Arts, and WUOM/Michigan Radio for a residency with the American String Quartet and pianist Ursula Oppens to develop chamber music audiences.

Leading Dance Centers

Dance Saint Louis (St. Louis, MO)

To support extended residencies in Missouri for four dance companies.

Leading Dance Companies

Bill T. Jones/Arnie Zane Dance Company / Foundation for Dance Promotion (New York, NY)

To increase and diversify audiences in New York City, Minneapolis/St. Paul, San Francisco and Riverside, CA, by planning and implementing a series of long-term residencies and innovative artistic programs.

Museums

The Baltimore Museum of Art (Baltimore, MD)

To use the combined strengths of the early American, African and modern art collections to increase participation and attendance by the city's African-American residents.

El Muséo del Barrio / Amigos del Muséo del Barrio (New York, NY)

To use the collections of fine art, archeology and folk arts to strengthen and expand connections with the multi-ethnic Latino neighborhoods of New York City and general audiences.

The Institute of Contemporary Art (Boston, MA)

To establish a permanent artists residency program in the Charlestown Navy Yard, linking resident artists with community groups and neighborhood schools to produce work that has meaning for local residents.

	Approved 2001	Paid 2001	Future Payments
Xavier University of Louisiana (New Orleans, LA)	—	79,526	80,745
AS 220 (Providence, RI)	—	77,000	—
Dell'Arte, Inc. (Blue Lake, CA)	—	70,510	—
Japanese American Cultural And Community Center (Los Angeles, CA)	—	56,006	—
Manchester Craftsmen's Guild (Pittsburgh, PA)	—	149,311	—
Mexican Fine Arts Center Museum / Mexican Fine Arts Center (Chicago, IL)	—	120,000	—
University Musical Society / University of Michigan (Ann Arbor, MI)	—	5,000	—
Dance Saint Louis (St. Louis, MO)	—	90,000	38,000
Bill T. Jones/Arnie Zane Dance Company / Foundation for Dance Promotion (New York, NY)	—	100,000	—
The Baltimore Museum of Art (Baltimore, MD)	—	193,107	—
El Muséo del Barrio / Amigos del Muséo del Barrio (New York, NY)	—	75,000	—
The Institute of Contemporary Art (Boston, MA)	—	50,000	—

Organization / IRS Name, if different (City & State)	Approved 2001	Paid 2001	Future Payments
<i>Nonprofit Literary Publishers</i>			
Arté Publico Press / University of Houston (Houston, TX) To expand annual sales and increase revenues by distributing books in English and Spanish through supermarkets and convenience stores in Houston, San Antonio and Dallas.	—	35,410	—
Boston Review / Boston Critic Inc. (Cambridge, MA) To increase readership among Internet users through a project that combines three strategies: a new editorial section on contemporary fiction; innovative approaches to cross-marketing between the radio and the Internet; and strategic alliance.	—	29,889	—
Coffee House Press (Minneapolis, MN) To develop the audience for African-American literature through development and promotion of a website, and online promotion of Coffee House titles.	—	55,333	—
Copper Canyon Press (Port Townsend, WA) To increase the audience for poetry among library book groups and increase the acquisition of its titles in public library collections. Sample books, reading guides and other promotional materials will be distributed to a network of 1,200 public libraries as well as library program coordinators knowledgeable about library purchasing systems.	—	42,366	—
Council of Literary Magazines and Presses (New York, NY) To increase the competitive strength of nonprofit literary publishing and disseminate critical information about building audiences for literature, CLMP will provide training, technical assistance and other professional development activities; hold annual institutes for grantees and other leaders in the fields to explore emerging market trends in audience development; and implement communications strategies that include publications and telecommunication activities to promote the spread of knowledge in the field.	—	131,000	—
Dalkey Archive Press / Review of Contemporary Fiction, Inc. (Normal, IL) To increase its audience of younger readers by strengthening its website; making strategic use of Internet resources; and publishing, in both print and electronic formats, a literary tabloid that features innovative writings.	—	60,007	—
Milkweed Editions (Minneapolis, MN) To increase its reading audience, especially among nature lovers and travel enthusiasts, by establishing an imprint for high-quality literary nonfiction.	—	37,200	—
The New Press / Fund for Independent Publishing (New York, NY) To increase the high school and college audience for its publications by working with targeted school systems and academic institutions to incorporate international literary fiction into curricula.	—	50,000	—
Ploughshares, Inc. (Boston, MA) To increase readership among Internet users by developing a full service website that gives readers complete access to the magazine's literary archives as well as opportunities to capture information about and converse with leading contemporary writers associated with the magazine. Ploughshares will also implement a marketing strategy that links the magazine to the leading literary sites on the Internet.	—	22,125	—
Sarabande Books, Inc. (Louisville, KY) To expand the audience for its publications among college students by focusing on three specific areas of college instruction: composition, contemporary American literature and creative writing.	—	19,589	—
Small Press Distribution, Inc. (Berkeley, CA) To develop an electronic data interchange to deliver books more efficiently to bookstores, create and disseminate specialized marketing materials to libraries, and develop a website and Internet marketing strategies to reach readers directly.	—	141,206	—
Theatre Communications Group, Inc. (New York, NY) To implement several targeted marketing and promotional strategies to expand its core audience of theater professionals and convert the market of theater-goers to book buyers.	—	40,000	—
<i>Leading Literary Centers</i>			
American Library Association (Chicago, IL) To develop and support a national network to build capacity and sustain public libraries in presenting innovative literary and cultural programs to diverse audiences.	—	200,000	—

Organization / IRS Name, if different (City & State)	Approved 2001	Paid 2001	Future Payments
<i>Writers' Awards</i>			
Brown, William Larry (Oxford, MS) To produce a series of authors' readings in association with the Lafayette County and Oxford Public Library.	—	35,000	—
Chavez, Denise E. (Las Cruces, NM) To conduct, in affiliation with PEN American Center, a community-based project to broaden the audience for literature.	—	35,000	35,000
Clifton, Lucille (Columbia, MD) To create, in association with St. Mary's College, an oral history project to document changes taking place in rural St. Mary's County as it becomes suburbanized.	—	35,000	—
Crawford, Stanley G. (Dixon, NM) To conduct, in affiliation with PEN American Center, a community-based project to broaden the audience for literature.	—	35,000	35,000
Dairy Barn Southeastern Ohio Cultural Arts Center (Athens, OH) To underwrite activities in association with Writers' Award recipient Mark Halliday.	—	10,000	—
Diaz, Junot (Syracuse, NY) To conduct, in affiliation with PEN American Center, a community-based project to broaden the audience for literature.	—	35,000	35,000
Di Piero, William Simone (San Francisco, CA) To organize, in affiliation with poet Jack Gilbert and the San Francisco Public Library, a series of readings and talks by Bay Area writers.	—	35,000	—
Doty, Mark Alan (New York, NY) To conduct, in affiliation with PEN American Center, a community-based project to broaden the audience for literature.	—	35,000	35,000
Gilbert, Jack (Northampton, MA) To organize, in affiliation with essayist and translator William Simone Di Piero and the San Francisco Public Library, a series of readings and talks by Bay Area writers.	—	—	70,000
Good News Home, Inc. (Flemington, NJ) To underwrite activities in association with Writers' Award recipient Ed Roberson.	—	10,000	—
Halliday, Mark (Athens, OH) To present, in affiliation with the Dairy Barn Southeastern Ohio Cultural Arts Center, a series of readings and talks by well known writers.	—	35,000	—
Jin, Ha (Lawrenceville, GA) To conduct, in affiliation with PEN American Center, a community-based project to broaden the audience for literature.	—	35,000	35,000
Kushner, Tony (New York, NY) To conduct, in affiliation with PEN American Center, a community-based project to broaden the audience for literature.	—	35,000	35,000
Lafayette County and Oxford Public Library / Elizabeth Entrikin Cooke Foundation (Oxford, MS) To underwrite activities in association with Writers' Award recipient William Larry Brown.	—	10,000	—
The Learning Tree / The Learning Tree Education Center, Inc. (Washington, DC) To underwrite activities in association with Writers' Award recipient John Edgar Wideman.	—	10,000	—
North Columbia Schoolhouse Cultural Center (Nevada City, CA) To underwrite activities in association with Writers' Award recipient Gary Snyder.	—	10,000	—
Powell, Patricia Esmie (Cambridge, MA) To conduct, in affiliation with PEN American Center, a community-based project to broaden the audience for literature.	—	35,000	35,000
The Providence Athenaeum (Providence, RI) To underwrite activities in association with Writers' Award recipient Rosmarie Waldrop.	—	10,000	—
Roberson, Ed (New Brunswick, NJ) To affiliate with the Good News Home for Women, a drug and alcohol rehabilitation facility whose clients will participate in creative writing workshops led by Roberson.	—	35,000	—

Organization / IRS Name, if different (City & State)	Approved 2001	Paid 2001	Future Payments
San Francisco Public Library / Friends of the San Francisco Public Library (San Francisco, CA) To underwrite activities in association with Writers' Award recipients Jack Gilbert, poet, and William Simone Di Piero, essayist and translator.	—	20,000	—
Snyder, Gary (Nevada City, CA) To produce a series of readings by well-known authors in association with the North Columbia Schoolhouse Cultural Center.	—	35,000	—
St. Mary's College of Maryland Foundation (St. Mary's City, MD) To underwrite activities in association with Writers' Award recipient Lucille Clifton.	—	12,000	—
Vermont Center for the Book (Chester, VT) To underwrite activities in association with Writers' Award recipient Ellen Voigt.	—	13,000	—
Voigt, Ellen Bryant (Marshfield, VT) To organize, in association with the Vermont Center for the Book, a series of visits by poets to high schools throughout the state.	—	35,000	—
Waldrop, Rosmarie (Providence, RI) To organize a series of readings by poets in association with The Providence Athenaeum.	—	35,000	—
Wideman, John Edgar (Amherst, MA) To conduct writing workshops for teachers working in inner-city public schools in association with The Learning Tree.	—	35,000	—
Williams, Terry Tempest (Castle Valley, UT) To conduct, in affiliation with PEN American Center, a community-based project to broaden the audience for literature.	—	35,000	35,000
<i>National Projects in the Folk and Traditional Arts</i>			
Vermont Folklife Center (Middlebury, VT) To document and present outstanding traditional storytellers in a series of public programs, radio presentations and exhibitions.	—	12,925	—
<h2>Communities</h2>			
CONCLUDING INVESTMENTS			
<i>Adult Literacy – The Funds are working with the following 15 libraries to improve their services to adult learners and to study the impact of those improvements on learner persistence:</i>			
Friends of Greensboro Public Library (Greensboro, NC)	—	89,466	—
The Friends of the Oakland Public Library (Oakland, CA)	—	—	92,050
Jacksonville Public Libraries Foundation, Inc. (Jacksonville, FL)	—	53,327	—
LeRoy Collins Leon County Library / Friends of the Leon County Public Library, Inc. (Tallahassee, FL)	—	60,543	—
Lexington Public Library (Lexington, KY)	—	57,866	—
New Orleans Public Library / Friends of the New Orleans Public Library (New Orleans, LA)	—	63,918	—
The New York Public Library / The New York Public Library Astor Lenox and Tilden Foundation (New York, NY)	—	48,690	—
Plymouth Public Library (Plymouth, MA)	—	59,926	—
Queens Library Foundation, Inc. (Jamaica, NY)	—	102,500	—
Redwood City Friends of Literacy (Redwood City, CA)	—	89,133	—
Robinson Public Library Endowment / Robinson Library Endowment (Robinson, IL)	—	62,908	—
San Jose Public Library / The San Jose Public Library Foundation (San Jose, CA)	—	70,828	—
Santa Clara County Library / Friends of the Reading Program (Milpitas, CA)	—	—	72,819
Springfield City Library / Springfield Library and Museums Association (Springfield, MA)	—	70,167	—

Organization / IRS Name, if different (City & State)	Approved 2001	Paid 2001	Future Payments
Waukegan Public Library Foundation (Waukegan, IL)	—	63,270	—
Illinois Literacy Resource Development Center (Champaign, IL) To serve as the coordinating agency for the Funds' library-based literacy initiative. By organizing conferences, facilitating peer learning, documenting and disseminating lessons learned, ILRDC will help participating programs improve practice and share results with the larger adult literacy field.	—	255,208	—
Literacy Partners, Inc. (New York, NY) To continue the work of the What Works Literacy Partnership (WWLP), a national network of 12 literacy programs that represent diverse learners, institutional bases, instructional purposes and geographic areas. WWLP will determine what factors make their programs more effective and apply that knowledge to improve instruction and services for adult learners in their programs.	—	225,000	—
Manpower Demonstration Research Corporation (New York, NY) Evaluation of the Funds' Adult Literacy program.	—	190,000	—
<i>Urban Parks</i>			
The American Planning Association (Chicago, IL) To develop and manage the City Parks Forum, in partnership with the Doris Duke Charitable Foundation. The institute will educate mayors, their principal park advisors and private sector partners about the value of parks.	—	375,000	—
Austin Parks Foundation (Austin, TX) To refine and expand its Adopt-A-Park program in conjunction with the City of Austin Parks and Recreation Department and promote greater community and business cooperation in restoring neighborhood parks. The Foundation will focus on four to six parks in diverse neighborhoods of the city, involving neighborhood residents in restoration and programming, training city parks workers in effective ways to sustain community involvement and raising ongoing funding for the program.	—	178,000	—
Boston Natural Areas Fund, Inc. (Boston, MA) To conduct programs to encourage community involvement in the creation of the Neponset River Greenway and the East Boston Greenway, two new parks serving diverse, underserved neighborhoods.	—	140,000	—
Buffalo Olmsted Parks Conservancy / Buffalo Friends of Olmsted Park, Inc. (Buffalo, NY) To enhance public use of three major parks designed by Frederick Law Olmsted. The Conservancy will create reforestation plans for each park, develop friends groups to help implement the reforestation plans and increase public use and stewardship.	—	175,000	150,000
City Parks Foundation (New York, NY) To build and sustain both neighborhood and citywide constituencies for parks through the Partnership for Parks program. Efforts will focus on five parks in underserved neighborhoods, mobilizing volunteers, increasing programming, raising funds and strengthening the capacity of local friends groups to sustain programming and maintenance. Partnerships for Parks will develop a citywide parks database, including a census of parks friends groups and lists of park volunteers and local businesses interested in neighborhood parks, and use it to promote park awareness and attract public and private funds for programming and restoration efforts.	—	500,000	—
Forest Park Forever, Inc. (St. Louis, MO) To make capital improvements, launch public programs for school children and community groups, and create an endowment to ensure sustainability of physical improvements and public programming.	—	250,000	50,000
Louisville Olmsted Parks Conservancy Inc. (Louisville, KY) To make physical improvements and expand public use of three major parks designed by Frederick Law Olmsted. New programs will be launched to involve volunteers in park restoration activities and expand participation in environmental education programs.	—	450,000	—
Parks & People Foundation / Parks & People Foundation for Baltimore Recreation and Parks (Baltimore, MD) To work with the Gwynns Falls Trail project partners to build the first 12 miles of the trail and plan, design and break ground on the second phase of the trail's restoration. Through this project, Parks & People will sustain community involvement in work on the trail, develop programming that will attract public use and, in cooperation with public sector partners, develop maintenance, management and programming plans for the trail's future.	—	105,000	—
Parkway Partners / Parkway Partners Program (New Orleans, LA) To implement improvements to three existing neighborhood parks and develop a new park on the Press Street Corridor in order to increase and enhance public use of parks.	—	250,000	250,000

Organization / IRS Name, if different (City & State)	Approved 2001	Paid 2001	Future Payments
ParkWorks Inc. (Cleveland, OH) To improve public parks and enhance public use by training city parks staff and volunteers in effective park development strategies, offering small grants to neighborhood projects designed to upgrade parks, engaging youth in nature and environmental education programs along the Cuyahoga River, and strengthening the organization's ability to raise funds to sustain park programming into the future.	—	120,000	—
The Pennsylvania Horticultural Society's Philadelphia Green Program / The Pennsylvania Horticultural Society (Philadelphia, PA) To work with the city's Department of Recreation and park friends groups in diverse neighborhoods to enhance the landscape and public programming in three parks.	—	550,000	—
Piedmont Park Conservancy, Inc. (Atlanta, GA) To work with strategic partners from across the city to make Piedmont Park a safer and more welcoming place, increase use by community neighbors and targeted non-users and strengthen the Conservancy's ability to sustain capital and program improvements.	—	400,000	—
Providence Plan (Providence, RI) To increase public access to and involvement in the Woonasquatucket River Greenway, including the restoration of two closed and one neglected park, reclamation of two brownfield sites for recreation and economic reinvestment.	—	155,000	—
<i>Other</i>			
Community Funds, Inc. (New York, NY) To support the Lila Acheson Wallace Theater Fund.	173,802	173,802	—
Council on Foundations Inc. (Washington, DC) To support the national nonprofit membership organization for grantmakers.	17,200	17,200	—
The Foundation Center (New York, NY) To support the national clearinghouse for information on private grantmaking.	25,000	25,000	—
Grantmakers in the Arts (Seattle, WA) To support this affinity group of the Council on Foundations which brings together staff and trustees of private and corporate foundations to discuss issues of mutual concern, share information and exchange ideas about programs in the arts and cultural field.	40,000	40,000	—
Independent Sector (Washington, DC) To support this nonprofit coalition of organizations for giving, volunteering and nonprofit initiatives.	10,500	10,500	—
New York Regional Association of Grantmakers, Inc. (New York, NY) To support this association of nonprofit organizations for advancing New York City's nonprofit sector.	10,000	10,000	—
Nonprofit Coordinating Committee of New York, Inc. (New York, NY) To support this association of nonprofit social service, education, arts, health care and philanthropic organizations dedicated to advancing New York's nonprofit sector.	1,000	1,000	—
OMG Center for Collaborative Learning (Philadelphia, PA) To support Evaluation Roundtable II, a series of meetings of evaluation directors, program directors, and selected staff from large foundations that use evaluation.	20,700	20,700	—
Miscellaneous grants	135,229	135,229	—
TOTALS	\$ 10,274,103	26,400,419	8,594,662

Financial Statements



DEWITT WALLACE-READER'S DIGEST FUND

INDEPENDENT AUDITORS' REPORT

The Board of Directors

DeWitt Wallace-Reader's Digest Fund, Inc.:

We have audited the accompanying balance sheets of DeWitt Wallace-Reader's Digest Fund, Inc. (the Fund) as of December 31, 2001 and 2000, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DeWitt Wallace-Reader's Digest Fund, Inc. as of December 31, 2001 and 2000, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

March 22, 2002

Except as to note 10, which is as of April 12, 2002

Balance Sheets

December 31, 2001 and 2000	2001	2000
Assets		
Cash equivalents and cash	\$ 5,478,809	8,287,750
Investments:		
The Reader's Digest Association, Inc. (note 3)	224,213,852	370,850,247
Other investments (note 4)	507,211,192	538,791,034
Receivables and prepaid expenses	341,162	424,474
Fixed assets, net of accumulated depreciation of \$574,324 in 2001 and \$635,361 in 2000	356,764	434,602
	\$ 737,601,779	918,788,107
Liabilities and Net Assets		
Liabilities:		
Accrued expenses and other payables	\$ 1,028,071	1,063,698
Grants payable (note 5)	11,762,000	13,281,000
Deferred Federal excise tax (note 6)	1,388,016	4,825,981
Total liabilities	14,178,087	19,170,679
Net assets -unrestricted	723,423,692	899,617,428
	\$ 737,601,779	918,788,107
<i>See accompanying notes to financial statements.</i>		

Statements of Activities

Years ended December 31, 2001 and 2000	2001	2000
Revenues:		
Investment income:		
Dividends	\$ 6,762,954	7,134,244
Interest	17,480,274	16,840,788
	24,243,228	23,975,032
Investment fees	(1,656,407)	(1,686,196)
Net investment income	22,586,821	22,288,836
Stock contributions received (note 3)	63,379	53,224
	22,650,200	22,342,060
Expenses:		
Grants and related activities	31,697,001	34,243,373
Operating expenses	4,357,643	4,279,686
Current Federal excise tax (note 6)	319,790	690,000
	36,374,434	39,213,059
Investment (losses) gains:		
(Decrease) increase in unrealized appreciation, net (note 6)	(168,460,264)	82,720,272
Realized gains	5,990,762	15,229,739
Net investment (losses) gains	(162,469,502)	97,950,011
(Decrease) increase in net assets	(176,193,736)	81,079,012
Net Assets:		
Beginning of year	899,617,428	818,538,416
End of year	\$ 723,423,692	899,617,428

See accompanying notes to financial statements.

Statements of Cash Flows

Years ended December 31, 2001 and 2000	2001	2000
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (176,193,736)	81,079,012
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
RDA common and preferred stock grants issued	142,883	46,956
RDA preferred stock received	(63,379)	(53,224)
Decrease (increase) in unrealized appreciation of investments	171,898,229	(84,408,442)
Realized gains on investments	(5,990,762)	(15,229,739)
Depreciation	96,705	105,914
Deferred Federal excise tax (benefit) provision	(3,437,965)	1,688,170
Change in assets and liabilities:		
Decrease (increase) in accrued investment income	1,678,134	(882,982)
Decrease (increase) in receivables and prepaid expenses	83,312	(334,322)
(Decrease) increase in grants payable	(1,519,000)	13,281,000
Decrease in accrued expenses and other payables	(35,627)	(582,086)
Net cash used in operating activities	(13,341,206)	(5,289,743)
Cash flows from investing activities:		
Sales of investments	1,047,806,195	1,791,363,600
Purchases of investments	(1,037,255,063)	(1,782,563,613)
Capital expenditures	(18,867)	(23,211)
Net cash provided by investing activities	10,532,265	8,776,776
Net (decrease) increase in cash equivalents and cash	(2,808,941)	3,487,033
Cash equivalents and cash at beginning of year	8,287,750	4,800,717
Cash equivalents and cash at end of year	\$ 5,478,809	8,287,750

See accompanying notes to financial statements.

Notes to Financial Statements

(1) Nature of Operations

DeWitt Wallace-Reader's Digest Fund, Inc. (the Fund) is an independent private foundation created and endowed by DeWitt Wallace, founder of The Reader's Digest Association, Inc. (RDA). The Fund's resources are allocated mostly to foundation-initiated grants that further the Fund's mission and have a national or regional impact.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accounts of the Fund are maintained on the accrual basis of accounting.

(b) Tax-Exempt Status

The Fund is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and is a private foundation as defined in Section 509(a) of the Code.

(c) Investments

Investments are stated at fair value. The valuation of investments is based upon quotations obtained from national securities exchanges; where securities are not listed on an exchange, quotations are obtained from other published sources. Dividend income is recorded on the ex-dividend date and interest income is recorded on an accrual basis.

(d) Fixed Assets

Fixed assets consist of furniture, fixtures, equipment, and leasehold improvements. All assets are depreciated on a straight-line basis over the estimated useful lives of the assets or the term of the lease, whichever is shorter.

(e) Grants

Grants are reported as an expense and liability of the Fund when approved by the Fund's Board of Directors unless conditions imposed on the grantee have not yet been fulfilled. Such conditional grants are recorded when the conditions have been satisfied.

(f) Cash Equivalents

Cash equivalents represent short-term investments with maturities of three months or less at the time of purchase, except for those short-term investments managed by the Fund's investment managers as part of their long-term investment strategies.

(g) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(3) The Reader's Digest Association, Inc.

At December 31, 2001, holdings of RDA consisted of the following:

	Cost	Fair value
Common stock	\$ 132,513,745	224,096,728
Preferred stock	116,603	117,124
	<u>\$ 132,630,348</u>	<u>224,213,852</u>

At December 31, 2000, holdings of RDA consisted of the following:

	Cost	Fair value
Common stock	\$ 132,515,552	370,681,994
Preferred stock	187,467	168,253
	<u>\$ 132,703,019</u>	<u>370,850,247</u>

The Fund received \$63,379 and \$53,224 of RDA preferred stock contributions as remainderman of charitable remainder annuity trusts in 2001 and 2000, respectively.

(4) Other Investments

At December 31, 2001, other investments consisted of the following:

	Cost	Fair value
Fixed income	\$ 251,399,344	250,042,434
Equities	267,935,946	247,110,485
Short-term investments	32,429,701	32,422,752
Accrued investment income	2,038,237	2,038,237
Payable for investments purchased, net	(24,409,394)	(24,402,716)
	<u>\$ 529,393,834</u>	<u>507,211,192</u>

At December 31, 2000, other investments consisted of the following:

	Cost	Fair value
Fixed income	\$ 292,215,962	295,862,658
Equities	279,621,974	278,526,606
Short-term investments	10,921,443	10,997,165
Accrued investment income	3,716,371	3,716,371
Payable for investments purchased, net	(50,836,579)	(50,311,766)
	<u>\$ 535,639,171</u>	<u>538,791,034</u>

Short-term investments include money market funds, commercial paper, and cash managed by the Fund's investment managers as part of their long-term investment strategies.

(5) Grants Payable

At December 31, 2001, grants scheduled to be paid in future years are as follows:

Year	Amount
2002	\$ 7,177,776
2003	1,598,836
2004	1,595,556
2005	1,389,832
	<u>\$ 11,762,000</u>

(6) Federal Excise Tax

As a private foundation, the Fund is normally subject to a Federal excise tax equal to 2% of its net investment income for tax purposes. However, under Section 4940(e) of the Code, this tax is reduced to 1% if certain conditions are met. The Fund's December 31, 2001 and 2000 current taxes are estimated at 1% and 2%, respectively, of net investment income, as defined.

The Fund has recorded a liability for deferred Federal excise tax at the 2% rate on the total unrealized appreciation in the fair value of investments. The Federal excise tax will be paid as realized gains are reported for tax purposes. The change in unrealized appreciation is reported net of the deferred Federal excise tax benefit of \$3,437,965 in 2001 and a tax expense of \$1,688,170 in 2000, in the statements of activities.

(7) Financial Instruments

Investments are stated at fair value. The carrying amount of cash equivalents and cash, receivables and prepaid expenses, grants payable, and accrued expenses and other payables approximates fair value because of the short maturities of these financial instruments.

The Fund permits several of its investment managers to invest, within prescribed limits, in financial futures (primarily U.S. Treasury futures) and options, and to sell securities not yet purchased for hedging purposes and for managing the asset allocation and duration of the fixed income portfolios. At December 31, 2001 and 2000, the Fund held U.S. Treasury and foreign currency futures contracts with notional amounts of approximately \$57 million and \$70 million, respectively. The contracts are valued daily using the mark-to-market method. Securities sold not yet purchased of \$22 million at December 31, 2000 are recorded net in the Fund's investment accounts. All of the securities sold not yet purchased were settled by February 2001.

The Fund's investments include options written for which premiums of approximately \$473,000 and \$59,000 were received in 2001 and 2000, respectively. The options expire through December 2002. The collateral on deposit with a third party to meet margin requirements for futures contracts and options, included in short-term investments, was approximately \$228,000 and \$367,000 at December 31, 2001 and 2000, respectively.

(8) Lease Commitments

The Fund, together with the Lila Wallace-Reader's Digest Fund, Inc., is a party to a lease agreement. The lease on the Fund's current office space expires in February 2006. The Fund's total contractual lease commitment is provided below. The Fund's share is anticipated to be 50% of these amounts.

Year	Amount
2002	\$ 653,000
2003	653,000
2004	653,000
2005	653,000
2006	109,000
	<u>\$ 2,721,000</u>

Total rent expense was \$345,236 and \$290,983 for the years ended December 31, 2001 and 2000, respectively.

(9) Pension Plans

The Fund, together with the Lila Wallace-Reader's Digest Fund, Inc., provides a defined-contribution, tax-deferred annuity retirement plan for all eligible employees, whereby the Fund contributes 15% of a participant's eligible earnings on an annual basis. In addition, the Fund provides a supplemental executive retirement plan for the benefit of certain eligible employees. Total pension expense for the years ended December 31, 2001 and 2000 was \$224,459 and \$228,922, respectively.

(10) Subsequent Event

The Fund, Lila Wallace-Reader's Digest Fund, Inc., and The Reader's Digest Association, Inc. (RDA) entered into a recapitalization agreement on April 12, 2002. The agreement, which is subject to shareholder approval, provides that RDA will repurchase 1,818,182 shares of the Fund's Class B voting common stock for \$50 million. The Fund's remaining shares of Class B voting common stock will be exchanged into new RDA voting common stock at a premium ratio of 1.24 shares of new RDA voting common stock for each share of Class B voting common stock. Each share of Class A nonvoting common stock owned by the Fund will be exchanged for one share of new RDA voting common stock. After this transaction, the Fund will own 8,292,519 shares or approximately 9% of the new RDA voting common stock.

Financial Statements



LILA WALLACE-READER'S DIGEST FUND

INDEPENDENT AUDITORS' REPORT

The Board of Directors

Lila Wallace-Reader's Digest Fund, Inc.:

We have audited the accompanying balance sheets of Lila Wallace-Reader's Digest Fund, Inc. (the Fund) as of December 31, 2001 and 2000, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lila Wallace-Reader's Digest Fund, Inc. as of December 31, 2001 and 2000, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

March 22, 2002

Except as to note 10, which is as of April 12, 2002

Balance Sheets

December 31, 2001 and 2000	2001	2000
Assets		
Cash equivalents and cash	\$ 3,969,009	8,690,319
Investments:		
The Reader's Digest Association, Inc. (note 3)	161,605,952	264,481,538
Other investments (note 4)	399,409,572	426,936,394
Receivables and prepaid expenses	335,284	13,250
Fixed assets, net of accumulated depreciation of \$574,324 in 2001 and \$635,361 in 2000	356,764	434,602
	\$ 565,676,581	700,556,103
Liabilities and Net Assets		
Liabilities:		
Accrued expenses and other payables	\$ 913,693	1,510,841
Grants payable (note 5)	6,807,050	11,317,330
Deferred Federal excise tax (note 6)	355,624	2,827,356
Total liabilities	8,076,367	15,655,527
Net assets - unrestricted	557,600,214	684,900,576
	\$ 565,676,581	700,556,103

See accompanying notes to financial statements.

Statements of Activities

Years ended December 31, 2001 and 2000	2001	2000
Revenues:		
Investment income		
Dividends	\$ 5,302,339	5,360,280
Interest	12,705,321	12,752,338
	18,007,660	18,112,618
Investment fees	(1,299,981)	(1,253,611)
Net investment income	16,707,679	16,859,007
Stock contributions received (note 3)	175,799	158,657
	16,883,478	17,017,664
Expenses:		
Grants and related activities	21,890,138	35,959,051
Operating expenses	4,259,375	4,263,470
Current Federal excise tax (note 6)	255,437	464,671
	26,404,950	40,687,192
Investment (losses) gains:		
(Decrease) increase in unrealized appreciation, net (note 6)	(121,114,906)	56,046,978
Realized gains	3,336,016	13,254,210
Net investment (losses) gains	(117,778,890)	69,301,188
(Decrease) increase in net assets	(127,300,362)	45,631,660
Net Assets:		
Beginning of year	684,900,576	639,268,916
End of year	\$ 557,600,214	684,900,576

See accompanying notes to financial statements.

Statements of Cash Flows

Years ended December 31, 2001 and 2000	2001	2000
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (127,300,362)	45,631,660
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
RDA common and preferred stock grants issued	173,801	116,657
RDA preferred stock received	(175,799)	(158,657)
Decrease (increase) in unrealized appreciation of investments	123,586,638	(57,189,943)
Realized gains on investments	(3,336,016)	(13,254,210)
Depreciation	96,705	105,916
Deferred Federal excise tax (benefit) provision	(2,471,732)	1,142,965
Change in assets and liabilities:		
Decrease (increase) in accrued investment income	956,064	(412,104)
(Increase) decrease in receivables and prepaid expenses	(322,034)	41,403
(Decrease) increase in grants payable	(4,510,280)	11,317,330
(Decrease) increase in accrued expenses and other payables	(597,148)	33,009
Net cash used in operating activities	(13,900,163)	(12,625,974)
Cash flows from investing activities:		
Sales of investments	754,711,212	743,898,771
Purchases of investments	(745,513,492)	(729,884,387)
Capital expenditures	(18,867)	(23,262)
Net cash provided by investing activities	9,178,853	13,991,122
Net (decrease) increase in cash equivalents and cash	(4,721,310)	1,365,148
Cash equivalents and cash at beginning of year	8,690,319	7,325,171
Cash equivalents and cash at end of year	\$ 3,969,009	8,690,319
<i>See accompanying notes to financial statements.</i>		

Notes to Financial Statements

(1) Nature of Operations

Lila Wallace-Reader's Digest Fund, Inc. (the Fund) is an independent private foundation created and endowed by Lila Acheson Wallace, cofounder of The Reader's Digest Association, Inc. (RDA). The Fund's resources are allocated mostly to foundation-initiated grants that further the Fund's mission and have a national or regional impact.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accounts of the Fund are maintained on the accrual basis of accounting.

(b) Tax-Exempt Status

The Fund is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and is a private foundation as defined in Section 509(a) of the Code.

(c) Investments

Investments are stated at fair value. The valuation of investments is based upon quotations obtained from national securities exchanges; where securities are not listed on an exchange, quotations are obtained from other published sources. Dividend income is recorded on the ex-dividend date and interest income is recorded on an accrual basis.

(d) Fixed Assets

Fixed assets consist of furniture, fixtures, equipment, and leasehold improvements. All assets are depreciated on a straight-line basis over the estimated useful lives of the assets or the term of the lease, whichever is shorter.

(e) Grants

Grants are reported as an expense and liability of the Fund when approved by the Fund's Board of Directors unless conditions imposed on the grantee have not yet been fulfilled. Such conditional grants are recorded when the conditions have been satisfied.

(f) Cash Equivalents

Cash equivalents represent short-term investments with maturities of three months or less at the time of purchase, except for those short-term investments managed by the Fund's investment managers as part of their long-term investment strategies.

(g) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(3) The Reader's Digest Association, Inc.

At December 31, 2001, holdings of RDA consisted of the following:

	Cost	Fair value
Common stock	\$ 125,498,177	161,270,083
Preferred stock	334,456	335,869
	<u>\$ 125,832,633</u>	<u>161,605,952</u>

At December 31, 2000, holdings of RDA consisted of the following:

	Cost	Fair value
Common stock	\$ 125,523,572	264,178,853
Preferred stock	329,675	302,685
	<u>\$ 125,853,247</u>	<u>264,481,538</u>

The Fund received \$175,799 and \$158,657 of RDA preferred stock contributions as a remainderman of a charitable remainder annuity trust in 2001 and 2000, respectively.

(4) Other Investments

At December 31, 2001, other investments consisted of the following:

	Cost	Fair value
Fixed income	\$ 177,923,793	177,509,603
Equities	227,600,137	210,028,105
Short-term investments	24,141,710	24,134,024
Accrued investment income	1,541,686	1,541,686
Payable for investments purchased, net	(13,811,636)	(13,803,846)
	<u>\$ 417,395,690</u>	<u>399,409,572</u>

At December 31, 2000, other investments consisted of the following:

	Cost	Fair value
Fixed income	\$ 202,256,232	205,296,202
Equities	237,654,020	236,959,858
Short-term investments	11,015,947	11,031,001
Accrued investment income	2,497,750	2,497,750
Payable for investments purchased, net	(29,233,102)	(28,848,417)
	<u>\$ 424,190,847</u>	<u>426,936,394</u>

Short-term investments include money market funds, commercial paper, and cash managed by the Fund's investment managers as part of their long-term investment strategies.

(5) Grants Payable and Conditional Grants

At December 31, 2001, grants scheduled to be paid in future years are as follows:

Year	Amount
2002	\$ 3,607,050
2003	3,200,000
	<u>\$ 6,807,050</u>

Additionally, at December 31, 2001, the Fund was committed, subject to the satisfaction of certain conditions by the grantees, to make grants in future years as follows:

Year	Amount
2002	\$ 1,627,612
2003	160,000
	<u>\$ 1,787,612</u>

(6) Federal Excise Tax

As a private foundation, the Fund is normally subject to a Federal excise tax equal to 2% of its net investment income for tax purposes. However, under Section 4940(e) of the Code, this tax is reduced to 1% if certain conditions are met. The Fund's December 31, 2001 and 2000 current taxes are estimated at 1% and 2%, respectively, of net investment income, as defined.

The Fund has recorded a liability for deferred Federal excise tax at the 2% rate on the total unrealized appreciation in the fair value of investments. The Federal excise tax will be paid as realized gains are reported for tax purposes. The change in unrealized appreciation is reported net of the deferred Federal excise tax benefit of \$2,471,732 in 2001 and a tax expense of \$1,142,965 in 2000, in the statements of activities.

(7) Financial Instruments

Investments are stated at fair value. The carrying amount of cash equivalents and cash, receivables and prepaid expenses, grants payable, and accrued expenses and other payables approximates fair value because of the short maturities of these financial instruments.

The Fund permits several of its investment managers to invest, within prescribed limits, in financial futures (primarily U.S. Treasury futures) and options, and to sell securities not yet purchased for hedging purposes and for managing the asset allocation and duration of the fixed income portfolios. At December 31, 2001 and 2000, the Fund held U.S. Treasury and foreign currency futures contracts with notional amounts of approximately \$35 million and \$49 million, respectively. The contracts are valued daily using the mark-to-market method. Securities sold not yet purchased of \$17 million at December 31, 2000 are recorded net in the Fund's investment accounts. All of the securities sold not yet purchased were settled by February 2001.

The Fund's investments include options written for which premiums of approximately \$274,000 and \$64,000 were received in 2001 and 2000, respectively. The options expire through December 2002. The collateral on deposit with a third party to meet margin requirements for futures contracts and options, included in short-term investments, was approximately \$214,000 and \$234,000 as of December 31, 2001 and 2000, respectively.

(8) Lease Commitments

The Fund, together with the DeWitt Wallace-Reader's Digest Fund, Inc., is a party to a lease agreement. The lease on the Fund's current office space expires in February 2006. The Fund's total contractual lease commitments are provided below. The Fund's share is anticipated to be 50% of these amounts:

Year	Amount
2002	\$ 653,000
2003	653,000
2004	653,000
2005	653,000
2006	109,000
	<u>\$ 2,721,000</u>

Total rent expense was \$345,236 and \$290,983 for the years ended December 31, 2001 and 2000, respectively.

(9) Pension Plans

The Fund, together with the DeWitt Wallace-Reader's Digest Fund, Inc., provides a defined-contribution, tax-deferred annuity retirement plan for all eligible employees, whereby the Fund contributes 15% of a participant's eligible earnings on an annual basis. In addition, the Fund provides a supplemental executive retirement plan for the benefit of certain eligible employees. Total pension expense for the years ended December 31, 2001 and 2000 was \$244,459 and \$228,922, respectively.

(10) Subsequent Event

The Fund, DeWitt Wallace-Reader's Digest Fund, Inc., and The Reader's Digest Association, Inc. (RDA) entered into a recapitalization agreement on April 12, 2002. The agreement, which is subject to shareholder approval, provides that RDA will repurchase 1,818,181 shares of the Fund's Class B voting common stock for \$50 million. The Fund's remaining shares of Class B voting common stock will be exchanged into new RDA voting common stock at a premium ratio of 1.24 shares of new RDA voting common stock for each share of Class B voting common stock. Each share of Class A nonvoting common stock owned by the Fund will be exchanged for one share of new RDA voting common stock. After this transaction, the Fund will own 5,570,395 shares or approximately 6% of the new RDA voting common stock.



Funds History

In 1922, DeWitt Wallace, together with his wife, Lila Acheson, founded The Reader's Digest Association. With \$5,000 in borrowed money, they began publishing and soliciting subscriptions for the "little magazine" that DeWitt was convinced had a potential market. From their first office below a Greenwich Village speakeasy to the company's world headquarters built in 1939 in Pleasantville, NY, the Wallaces worked to make The Reader's Digest Association a global publisher of magazines, books and home entertainment products.

Their business success provided the Wallaces with the resources to pursue a variety of philanthropic endeavors. Supporters of educational endeavors and visual and performing arts organizations since the early days of their success, DeWitt and Lila Wallace, in the 1950s, established foundations in their names, with grants since that time totaling nearly \$2 billion. Today, the programs of the Wallace-Reader's Digest Funds continue to reflect the interests of the Wallaces during their lives and honor what DeWitt at age 17 identified as his chief ambition—to serve his fellow man.

Funding Guidelines & Restrictions

The Wallace-Reader's Digest Funds are national foundations that support programs in the United States. Grants are awarded to nonprofit public charitable organizations that are tax exempt under Section 501(c)(3) of the Internal Revenue Code.*

Because the Funds' programs are carefully focused to achieve certain goals and employ specific strategies, most grants are awarded as part of Funds-initiated programs. The Funds usually solicit proposals from grantees identified through a careful screening process. Given this, unsolicited proposals are rarely funded.

Nevertheless, organizations wishing to send a one- to two-page letter of inquiry describing the project, the organization, the estimated total for the project and the portion requiring funding (please do not send videotapes or email inquiries), should write to:

[Wallace-Reader's Digest Funds](#)
[General Management](#)
[Two Park Avenue, 23rd Floor](#)
[New York, NY 10016 USA](#)

The Funds will acknowledge receipt of letters. If more information or a proposal is desired, the Funds will request it within four weeks.

*Please note that the Funds do not award grants for religious or fraternal organizations, international programs, conferences, historical restoration, health, medical or social service programs, environmental/conservation programs, capital campaigns, emergency funds or deficit financing, private foundations or individuals.

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