



The Wallace Foundation™

Supporting ideas.
Sharing solutions.
Expanding opportunities.™

REPORT '03



Supporting Ideas for Change

LEADERSHIP

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The Governor of Virginia and the Schools Superintendent of Eugene, Oregon discuss their efforts to put leadership at the center of their education improvement efforts.

QUALITY

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Top New York City political leaders talk about the city's plans to redesign its system of after-school programs to put quality first.

PARTICIPATION

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How Chicago's world-class symphony is deepening its roots in that city's diverse neighborhoods.

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DEFINING EFFECTIVENESS

In the corporate world where I spent much of my career, I lived with the challenge of leading an effective organization. We answered to the marketplace every day for the quality of our products and services. We had to analyze the needs and wishes of our customers and come up with innovative ways to meet those needs.



Our success was measured in our bottom line, in our stock price, and in our reputation for value and quality. We had a clearly defined corporate mission and could be sure that the marketplace would render its verdict on how effectively we achieved our goals.

These ideas about organizational effectiveness seem, at first glance, to fit less naturally in the world of philanthropy. After all, there are few if any external market forces that automatically reward a foundation's effectiveness, or punish the lack of it. At Wallace, however, we believe that foundations can benefit as much as corporations from having a meaningful definition of effectiveness – one that ties directly to mission, transparent goals, and genuine measures of progress. Several years ago, we decided that developing and sharing effective ideas and practices in our chosen fields was our most important stock in trade – far more than just giving away money. And in this marketplace of ideas, it turns out that the definition of effectiveness is not so different from the one that governs the business world.

In common with any sound enterprise, foundation effectiveness begins with clarity of mission and goals, and ways to rigorously measure our progress. It demands that our choices be based on sound market research and knowledge of the field, not guesswork or wishful thinking. The fact that no one pays for our ideas does not change the necessity of asking whether what we are providing truly meets the needs of the people and communities with which we work. And the ultimate test of effectiveness is whether our products – the ideas and solutions we harvest from our work – prove to be compelling enough to influence the many thousands of schools, arts institutions and providers of after-school learning opportunities beyond the reach of our grant dollars. How well we compete in this marketplace of ideas will determine how effectively we are meeting our mission and, thereby, serving the public.

Our drive to greater effectiveness has been strengthened by the addition of two new directors in January, 2004. I am delighted to welcome Ann S. Moore, chairman and chief executive officer of Time, Inc., and Kevin W. Kennedy, managing director of Goldman, Sachs & Company, to our Board. We look forward to benefiting from their insights and experience in the years ahead.

A handwritten signature in dark ink, appearing to read "Walter V. Shipley".

Walter V. Shipley, Chairman

SUPPORTING IDEAS FOR CHANGE

Private foundations have been much in the news lately. Some articles have questioned certain management practices. Others have discussed whether foundations should exist in perpetuity. Still others have wondered if foundations were being required to give away enough money each year. And, as is often the case, there was debate about whether foundation support was given to the right people or causes.



This scrutiny of foundations is understandable: at a time of great need and scarce resources, the public has given us the privilege and the responsibility to use our tax-advantaged funds in ways that serve public ends.

It is ironic, then, that what has been noticeably absent from this intensifying public discussion is the core question of what foundations actually contribute to society. How do they create value? How can we judge their impact or effectiveness? While the question of foundation effectiveness may often be overlooked, the issue has been very much on the minds of a number of foundations, including ours. Indeed, this search for greater effectiveness and impact has been at the heart of our evolution from a

foundation that made grants to fund good projects for much of its 15-year history, to one dedicated since 2000 to creating positive and enduring change in our three chosen fields.

1. In elementary and secondary public schools across the country, we are working to significantly improve student achievement by strengthening the performance of education leaders and improving the working conditions that impede their success.
2. Recognizing that learning does not begin and end in the classroom, we are also working with selected cities to restructure and redesign out-of-school time programs to ensure resources are efficiently allocated to high-quality programs with measurable results and that children in low-income neighborhoods have greater opportunities to participate in these programs.
3. Finally, acknowledging the benefits art and culture can have for both individuals and communities, we are working to help create and promote new practices that enhance participation in the arts and to encourage broad adoption of these practices by cultural organizations and funders.

A single goal unites our work in each area: to foster fundamental improvements not only in places where we make grants but also in places where we do not. We have a single way of working: we invest both in the development of innovative ideas in specific sites, and in the development and spread of knowledge to inform policy and practice, not only in the sites we fund but also in many others beyond our direct reach. And in each, the real test of our success is whether practitioners and policymakers are persuaded by the evidence of our work to use it without our financial support.

MATCHING ASSETS AND OPPORTUNITIES IN THE MARKETPLACE OF IDEAS

The notion that a foundation can, or should, contribute ideas about how to improve institutions like schools, museums, libraries or even public agencies implies a different approach to foundation work than simply writing checks to worthy organizations. Figuring out how a foundation might begin to

“A single goal unites all of our work: to foster fundamental improvements not only in places where we make grants, but also where we do not.”

accomplish these ambitious goals grew out of our thinking about foundation limits and assets. Let me begin with limits.

- Even though our annual grant budget is around \$50 million, it is minuscule when compared to the major public systems we seek to support. For example, public elementary and secondary education is a \$400 billion sector. If change in such a field occurs through money alone, then foundations are ill suited for the task.
- While foundations can contribute to the common good, we have no authority to compel change. We are not a branch of government. We do not manage the nonprofits that receive our grants. If change is to occur, it will happen voluntarily. This is especially so for organizations not directly touched by our grants.

But foundations also bring distinctive assets:

- They can serve as engines of social innovation, identifying nascent problems, opportunities and issues not yet widely recognized.
- They can establish relationships with innovative leaders in the field, and invest in and strengthen their efforts.
- They can gather together groups of people – policymakers, practitioners, and researchers – who might not otherwise have the opportunity to learn from each other.

- They can fund and share independent, objective research that seeks to capture the work of innovators and to understand problems in new ways that illuminate potential solutions.

Together, these assets give foundations the opportunity to create social good that is beyond the sum of the dollars they can contribute. By providing expertise and connections to others, foundations can help organizations make more progress than they could with just money alone. By monitoring performance and assessing results, foundations can help understand how and why new ideas are, or are not, effective.

The very nature of the pluralist society in which we live creates a market for new and useful ideas – and therein lies the great opportunity for foundations. A foundation can contribute to this marketplace of ideas and inform the democratic dialogue about what and how to change by sharing the new and innovative ideas it supports, credible evidence of the effectiveness of those innovations, and useful lessons and insights from its experiences.

SUPPORTING IDEAS FOR CHANGE

As the title of this year’s annual report suggests, some promising new approaches have begun to emerge from our work in education leadership, out-of-school learning and arts participation:

- In New York City, we are funding research that will help analyze how children in the five boroughs

are using after-school programs, where it is working well and where it is not, and how it can play a role in improving quality and access. Similar work is under way in Providence, Rhode Island. Based on research we commissioned analyzing 60 Wallace-funded after-school programs, we know more about what high quality looks like for different age groups. The two cities have set an ambitious goal: redesign the system of after-school so that more children have access to quality programs.

- In Eugene, Oregon, where test scores have been rising, one of the engines has been a strengthening of school leadership – a necessary but, until recently, under-recognized component of improving schools. All 12 of the school districts in our Leadership for Educational Achievement in Districts initiative have created new training programs for aspiring principals, and many are working with their local universities to improve the programs those institutions offer. These school leaders are also beginning to improve the quality of their own administrative organizations – redefining job responsibilities and reforming human resource departments, for example, based on commissioned research.
- As Virginia Governor Mark Warner explains, states also have a crucial role to play in identifying and addressing policies that are necessary to attract and retain effective leaders for their schools. Among the 15 states in our State Action for Education Leadership Project, five have changed certification

requirements, three have changed alternative licensure rules, and three have passed leadership preparation standards. Research we are commissioning from a consortium led by the University of Minnesota will help policymakers nationwide better understand how leadership affects student learning, thus providing a stronger base of knowledge for more informed decision making.

- And Chicago’s renowned symphony has reached out, with our support, to members of the community who might not otherwise feel that the orchestra belongs to them. The work of the Chicago Symphony, and the other 48 organizations we are supporting through our Leadership and Excellence in Arts Participation program, both draws on and is contributing to an emerging body of research about participation-building – research that has been incorporated into other texts and that we make available to all on our website.

You can read more in the pages that follow about these examples of how innovative leaders are putting promising ideas into practice. And as this work progresses, we will invest in capturing and sharing lessons so

that other cities, schools, states and organizations can benefit. This is the promise embodied in the mission we adopted in 2003: “to support and share effective ideas and practices that enable institutions to expand learning and enrichment opportunities for all people.”

HOLDING OURSELVES ACCOUNTABLE

It is one thing for a foundation to set goals; it is quite another to hold ourselves accountable for achieving them and measuring progress toward those goals each year. That’s why over the past several years we have taken steps to ensure we are accountable to ourselves and to the public.

We have internal monitoring systems to track the progress of our grantees. We assess the progress of our initiatives by analyzing performance across grantees to identify trends and common issues. We measure our public outreach efforts and our reputation among grantees and non-grantees. And we assess whether the Foundation’s strategies are working, which is not the same as asking how well our grantees are performing.

We are also committed to sharing publicly what we learn about the effectiveness of the ideas and practices

we support. All of our commissioned evaluations are made public. We hold conferences in which our grantees can learn from one another. We create various publications (monographs, cost studies, how-to guides) that synthesize the results of our work and provide practical guidance on how others might use these ideas and practices. And we recently redesigned and strengthened our website to highlight what we’re learning – in addition to what we’re funding – and to enable visitors to find and download relevant material more easily.

At The Wallace Foundation, we measure our effectiveness not just by what we do but by what others do with the results of our work. We seek to develop and test new ideas on the ground in our innovation sites, gather evidence on what works and why from objective sources, and share what we learn to inform the policies and practices of others who may never get a grant from us.

If we do our job well, we can help support the development of ideas and share effective solutions so that schools, libraries, parks, museums and other institutions that make up the fabric of community life across America can expand learning and enrichment opportunities for all.



M. Christine DeVita, President

EDUCATION LEADERSHIP

The goal: Significantly improve student achievement across the country by strengthening the performance of education leaders and improving the conditions for their success at all levels: school, district and state.

Since 2000, our work in education has centered on strengthening education leadership as a way to boost student performance systemwide, not just classroom-by-classroom or school-by-school. Often overlooked as a reform vehicle, leadership has been gaining more attention as states are being required by federal law to produce measurable results. For the first time, principals and superintendents everywhere are being held accountable for student performance. The quest for leaders with the skills and experiences, incentives and resources to change under-performing systems has become a critical priority. What's urgently needed in policy discussions is a much clearer understanding of how best to prepare successful leaders of learning, and the conditions needed at the state, district and school levels to ensure their success.

To address those needs, The Wallace Foundation has been working with 15 states through its State Action for

Education Leadership Project (SAELP), and 12 districts within those states through its Leadership for Educational Achievement in Districts initiative (LEAD), to test a range of ideas that can fundamentally change the training and working conditions of education leaders to enable them to improve student achievement.

To buttress the work of these state-district “innovation sites” and provide the larger field with effective ideas and practices, we have sponsored a growing body of research analyzing such issues as: the labor market for principals; redefining the superintendency and principalship to make these jobs more “doable”; the kinds of leadership training and preparation that are most effective; the career paths of school leaders; how human resources policies can support rather than impede the hiring of top-notch leaders; and the importance of reallocating state and district resources to support effective leadership.



Aspiring principals in the New York City Leadership Academy.

HERE ARE HIGHLIGHTS OF THESE EFFORTS IN '03:

SUPPORTING INNOVATION:

- District-level: The major focus of the 12 LEAD districts was on improving the preparation and training of school leaders. All 12 were implementing professional development and recruitment programs for aspiring principals. More than 5,000 current or aspiring school leaders participated in LEAD activities.

The New York City Leadership Academy, in its first year of operation in 2003 with funding from Wallace, began an Aspiring Principals' Program to attract and prepare high-potential school leaders. The program provides an unusual mix of intensive mentoring and first-hand experiences with the challenging realities of urban school leadership. The first class of 90 aspiring principals attended summer training, and 84 have gone on to year-long placements in city schools under the guidance of mentors.

- State-level: All 15 SAELP states established mechanisms to gather key constituencies to promote the importance of school leadership and evaluate possible policy actions. Five states changed certification requirements. Three revised alternative licensure rules. Three enacted new leadership preparation standards. Others implemented projects such as in-district preparation programs to certify principals, or changed governance structures and roles to allow principals and superintendents more authority to make personnel decisions.

DEVELOPING AND SHARING KNOWLEDGE:

Publications describing the realities of leadership and connecting leadership to better learning received wide attention. They included:

- A Wallace policy brief, *Beyond The Pipeline: Getting the Principals We Need, Where They Are Needed Most*, synthesizing research documenting that there is no nationwide shortage of certified principal candidates, but a lack of incentives for qualified candidates to go where they are most needed;
- *Leading for Learning*, by The Center for the Study of Teaching and Policy at the University of Washington, describing the various action paths leaders can take to improve teaching and learning;
- Two reports from the University of Washington's Center on Reinventing Public Education, *Making Sense of Our Schools: A Study of the School Principalship*; and *An Impossible Job? The View from the Urban Superintendent's Chair*, examining the current realities of the principalship and superintendency;
- The second of two Wallace-funded national surveys by Public Agenda, *Rolling Up Their Sleeves: Superintendents and Principals Talk about What's Needed to Fix Public Schools*, revealing attitudes about the challenges of leadership in an era of tight funding and No Child Left Behind; and
- The second of two policy briefs for reporters by the Education Writers Association, *Effective Superintendents, Effective Boards:*

Finding The Right Fit, offering insights into the political pressures and changing job conditions affecting superintendents.

(For more details and ordering information, see Publications '03, pages 28-29)

To expand awareness of the challenges and opportunities of education leadership, Wallace provided multi-year support to leading trade, general and broadcast media:

- *Education Week*, to publish original articles on issues affecting leadership;
- The New York Times News in Education Foundation, to use its website to promote greater awareness and understanding of leadership issues among academic, policy and practitioner audiences; and
- Channel Thirteen/WNET New York, to produce and broadcast a series of programs on the New York City Leadership Academy on public television.

In addition, The Hechinger Institute on Education and The Media is conducting Wallace-sponsored regional seminars for reporters and editors on education leadership in Virginia, St. Louis and other locations. The Institute will also create an online listserv and publish a leadership "primer" for beat reporters.

AHEAD IN '04:

- Our top priority is the launch of a second phase of SAELP, our state-level initiative. Wallace will select up to 20 states to participate in "SAELP II." Each state will concentrate on achieving highly focused leadership reform ideas that dramatically alter policies or practices in ways that improve the preparation and conditions of leaders across all levels of education – from the state to the district, school and classroom.
- As our district-level work enters a new phase in 2004, the 12 LEAD districts will be asked to coordinate much more closely with their host states on policies and practices that improve the conditions crucial to the success of school and district leaders. Greater emphasis will also be placed on capturing and sharing lessons and effective practices with other districts beyond our initiative.
- Two major, interrelated research projects led by teams from the University of Minnesota and Stanford University will develop and publish reliable evidence on how superintendents and principals can most effectively drive gains in student learning, and determine the best training and professional development activities for improving leaders' performance.
- The Institute for Learning at the University of Pittsburgh will publish and distribute a variety of products and tools based on their innovative techniques for improving the instructional expertise of school leaders.

LEADING FOR LEARNING: A VIEW FROM THE GOVERNOR'S CHAIR

A CONVERSATION WITH VIRGINIA GOVERNOR MARK WARNER

Mark Warner, Governor of Virginia and leader of one of 15 states participating in Wallace's State Action for Education Leadership Project, discusses the critical role of states – and governors – in improving the training and working conditions of education leaders so that they can succeed in boosting student learning:

WALLACE FOUNDATION: How can effective leadership make a difference in getting significant improvements in student learning?

GOVERNOR WARNER:

Leadership, particularly at the school level, is critical. Let me give an example. One of the state programs I'm most proud of is called PASS, or Partnership for Achieving Successful Schools which began in 2002. We picked 34 schools that were the lowest performing in the state. We created academic intervention teams of teachers and principals who had been successful in raising student achievement in other schools with students of similar backgrounds. We brought them in for 12 days a year to really mentor and improve not only the academic performance but the school leadership performance.



Warner won legislative approval in 2004 for tax reform to increase funding for education and other needs.

We also tried to bring business partners to these schools. And we have tried to focus on these schools from the governor's office. We're about a year into this. The good news is that more than two-thirds of the schools saw significant improvements. The schools that did not perform well, almost without exception, could be traced back to a lack of leadership at

the principal level, or the superintendent level, or both in some cases.

WALLACE: What made some leaders effective and others not?

WARNER: One of the most important things was a willingness to accept help. The schools that welcomed our intervention teams, that welcomed the



Warner's "PASS" program (*Partnership for Achieving Successful Schools*), sends top educators and leaders to help improve Virginia's lowest-performing schools.

business partners into their schools, and were willing to say, hey, we've got a problem – they made progress. The principals and schools that paid lip service but refused to change were the ones that didn't succeed.

WALLACE: What sorts of things are you doing to strengthen school leadership in your state?

WARNER: As someone who spent 20 years in the business world, one of the main reasons I sought this job

was a recognition that unless we had a well-trained workforce Virginia couldn't be competitive. There's a great movement in this country and in Virginia towards high standards and assessments, and I favor that. But what became evident to me was that while there are a lot of well-intentioned people in education, there was also a lack of reliable data that could really demonstrate what led to a successful learning environment. One of the things we've done in Virginia this year is we're finally

putting in place a major student information system so we can really monitor student by student, how they're doing and relate that back to teachers' performances, and to schools' and principals' and administrators' performances.

WALLACE: What else is ahead?

WARNER: One idea borrowed from business is the "turnaround specialist." In the venture capital arena, there's a cadre of people in the industry that are turnaround specialists, people who come into failing businesses and turn them around. I think that same notion needs to be tried in education – principals that could come into failing schools and turn them around. There's a different set of skills to turn around a failing organization than there is for somebody to simply maintain a good organization and I think the same can be said for schools.

WALLACE: What kinds of training, authority or resources would these turnaround specialists need to succeed in the school setting?

WARNER: We'd like to give them some extra financial resources at the school itself, whether that will be public funds or private funds, to allow principals to do some creative things. We want to try to give some additional powers in terms of hiring and firing. And we're trying to provide an incentive package for successful middle



“We’ve got to be able to monitor which teachers and principals are successful and which aren’t.”

school teachers, especially math and science teachers, to be willing to go for a three-year commitment into schools that are underperforming. It would be great to be able to put that turnaround specialist in and let him or her have the first draw on some of these teachers who would be willing to come into these underperforming schools. These are all tools we’re using.

But we have to start with the training component. How do you take a good principal and give him or her some business training as well? And this is where a combination between our education schools and our business

schools might help to empower that person to go into some of these less successful schools.

WALLACE: We sometimes hear the term “education governor.” What do you think it takes for a governor to really qualify for that title?

WARNER: You’ve got to keep your focus, and be willing to use the power of the bully pulpit. And you’ve got to be willing to shake up the establishment. I’ll give you an example. We have consistently under-funded education in Virginia. What I tried to do in my budget and tax reform plan was

go out to fight for increased funding for education. But I told superintendents, you guys need more money but I don’t believe that every dollar is spent efficiently. So we borrowed a model from Texas whereby we put together a team to do efficiency reviews of individual school divisions. Now that scared the heck out of some superintendents. But I told them, if we spend \$4.5 billion a year on the state share of education in Virginia and I want to increase that, you’ve got to be willing to work with me to show that you’re going to spend these dollars well.

I think I probably had a little more credibility because the superintendents had seen me put political capital at risk to fight for education. But I wasn’t simply falling into the education establishment argument that, hey, we can use every dollar you’ve got and we’re using it effectively, only don’t look at how we’re spending it.

WALLACE: Virginia is one of 15 states in Wallace’s State Action for Education Leadership Project. An important

goal is to rethink state policies so that they better support the preparation and the work conditions of leaders. What are you planning?

WARNER: The turnaround specialist is one component. Looking at alternative licensure procedures is another. I think you've got to come back again to student performance data as well. We've got to be able to monitor, in a much better way, which teachers and principals really are being successful and which aren't. It is one of the

things the legislature has endorsed, and we'll start to have that over the coming year.

WALLACE: What is a governor uniquely able to do as the head of the state to support education leaders?

WARNER: Well, the governor can speed up the process. The governor can take an idea and shorten its implementation probably by three- or four-fold. The governor can bring all of the parties to the table unlike anyone

else in the state. Not just from the education establishment but from the business community and the media. The governor can shine the spotlight on successes and failures in education and more specifically, successes and failures in school leadership. When we pointed out that there's going to be no excuses from PASS schools that weren't successful and that required change in leadership at those schools, it's a much broader message when the governor says it than when the local superintendent says it. ■



“You’ve got to keep your focus. And you’ve got to be willing to shake up the establishment.”

LEADING FOR LEARNING: A VIEW FROM THE SUPERINTENDENT'S CHAIR

A CONVERSATION WITH GEORGE RUSSELL, SUPERINTENDENT OF SCHOOLS, EUGENE, OREGON

George Russell, Superintendent of the Eugene, Oregon School District, one of 12 districts participating in Wallace's Leadership for Educational Achievement in Districts initiative, comments on what needs to change in schools, districts and states to help education leaders meet current demands for improved student performance:

WALLACE FOUNDATION:

Superintendents face a lot of challenges: board relations, labor issues, community relations, increased public expectations for every child to succeed. Talk about your own challenges and your views of the job.

GEORGE RUSSELL: I'm relatively satisfied with the job. I think that probably the frustrating part comes from an inordinate amount of time dealing with issues of resources. We expect superintendents to be the educational leader, the instructional leader. But the reality is that we get so trapped in dealing with resources issues, and the frustration of having to deal with increasing expectations on school districts and what we want kids to achieve. On the other hand, all you have to do is walk into a classroom

and spend a few minutes with kids and it reinforces the reason you're there.

WALLACE: How do you actually spend your time?

RUSSELL: Just to give an example, yesterday morning started with a Chamber of Commerce meeting at 7 a.m. Then an hour with the human resources and labor relations people to talk about personnel and collective bargaining issues. In the afternoon I met with business and community people about some of their concerns. Then more meetings in the evening around student achievement and lack of diversity in the school district. In between, I had about an hour in a school.

WALLACE: With all of these different job elements, how should the field think about preparing people to succeed as superintendents of urban systems?

RUSSELL: Traditional preparation programs for both superintendents and principals miss the boat, and that's not to say that some of the preparation programs don't hit on some of the areas like the instructional



Superintendent Russell.

leadership piece and being able to work with budgets. But a lot of the public relations, the political role, how to deal with different constituencies, is much more difficult and is clearly not covered much.

WALLACE: How important is the role of your human resources department in hiring high-quality principals?

RUSSELL: The human resources role is critically important. Over the last year or two we started to move away from the traditional screening and selection



Russell with students Kelly Stephenson and Anthony Abatangelo.

criteria. Until then, we put emphasis on appropriate licenses and credentials, and how much experience they had as an administrator, how many years of teaching experience they've had, those kinds of things. What we've done more recently, partly as a result of the work we've been doing through our Wallace grant, is we have started some programs where we're looking at some non-traditional people preparing to become principal.

WALLACE: What do you mean by non-traditional?

RUSSELL: For example, we've got a Latino woman who was a parole

officer but never had been a classroom teacher, never had been in school work, and now is an intern where she is getting experience working at the high school as well as doing some university work that will allow us to get her credentialed as a building administrator. A couple of years ago our HR department wouldn't have been open to that kind of prospect, and quite frankly, we wouldn't have gotten very far with the university or licensing people either.

WALLACE: From your point of view, what does it take to be a successful principal in your district? How is the job changing?

RUSSELL: It already has. It's no longer the person who has been a physical education teacher or classroom teacher who is a hard-driving kind of directive person. The principal needs to be someone who both understands instruction and can work with staff and teachers around goals and objectives, but who's also strong on people skills, on community relations, on being able to work with parents, and understands the changing demographics of the schools and the community. I think that one of the reasons we have such a hard time finding high school principals is because the expectations are so much greater.

WALLACE: How hard is it to recruit principal candidates?

RUSSELL: Last year we advertised nationally for the principalship of one of our high schools which is one of the highest achieving in Oregon, and I think we actually had about six viable candidates. And by viable, I mean they had the credential, or would qualify for the credential, had some kind of relevant experience, not even necessarily teaching experience or even prior principal experience. We ended up transferring a principal from an elementary school after determining that none of these

candidates really was that strong. We're going through another high school principal search this year and running into similar kinds of results. The nature of the job has changed so much that where you used to have 50 or 60 applications, you just don't get that number any more. Less than 10 seems to be the norm.

WALLACE: What will it take to increase the candidate pool?

RUSSELL: Well, I think that pay is certainly one variable, although I don't think that's everything. We also need to address the workload

on principals with all the expectations. If we can find some way to have another role that really did the managerial, operations kind of things and freed up the principal to focus on improving instruction and evaluating teachers and being in the classroom, that would make a huge difference because a lot of principals really want to be instructional leaders.

WALLACE: Is Eugene looking at redefining the principalship, or creating new jobs to pick up some of these non-instructional responsibilities, or increasing roles for teacher leaders?



“Leadership... doesn't necessarily mean the charismatic leader, but the one who knows how to get results.”

Russell with Babati Ansari, Drug and Violence Prevention Coordinator at Jefferson Middle School in Eugene.

RUSSELL: As part of our Wallace work, we're exploring what we might call an operations manager role at the high school level. We may need some support from the state in terms of the licensing piece. But the other is the resource piece. What I find is that our principals say, yeah, we want to do something like that but if it means taking away one of my assistant principals and converting that, then you still end up leaving me on the short end of the stick and what I need is somebody who can take work off my shoulders but not by just moving the work around. So we're exploring that. We're doing a better job at the elementary level, particularly around the idea of teacher leadership that can free the principal up. At the high school level, it's a lot more difficult.

WALLACE: What do you think states need to do to help you as a district leader?

RUSSELL: Well, in a general sense, less rules and regulations or mandates. For example, we can't assure a person that we are trying to recruit from out of state that they could be licensed in this state or that they wouldn't have to end up taking tons of additional coursework to meet the licensing requirements in this state even though they may have been licensed and fully certified in another state. And, with the state controlling more of the resources and their use by local districts, it may be time to



reconsider the state's role in collective bargaining, particularly with regard to economic issues.

WALLACE: What progress has Eugene made in creating the conditions needed to help school leaders succeed in closing the achievement gap?

RUSSELL: I think part of it is our focus on principals and their responsibility to address student achievement and close the achievement gap. We've done that through more professional development, development of K-12 "learning communities" where principals from within a region meet on a regular basis to talk about articulation between elementary, middle and high

school and making sure that the kids who come through those systems have a consistent curriculum. We have "critical friends groups" where administrators and principals talk about how we are improving instruction, what things are working and what things aren't working. Through the Wallace grant, we've established an achievement gap data system where every principal can look up and identify each child's progress at their school. So we're seeing some things happen.

The biggest thing, I think, is the culture change that principals are building in their schools. I suspect you couldn't walk into a classroom, in almost any of our schools, and ask a teacher what's the primary focus, that they wouldn't say closing the achievement gap and improving student achievement for all kids. And if you ask them how they're doing that, they can now pull up data and show you how they're starting to focus on what areas their students need more work in, and what strategies they can use to do that.

WALLACE: So you believe that leadership matters in improving student learning?

RUSSELL: It not only matters, it's critical. It doesn't necessarily mean the charismatic leader but the one who has a purpose and knows how to get results. ■

OUT-OF-SCHOOL LEARNING

The goal: Provide more low- and moderate-income children with the benefits of meaningful participation in high-quality out-of-school activities.

Building on our legacy of support for out-of-school learning and enrichment opportunities in libraries, parks and other community institutions, The Wallace Foundation in 2003 selected two Learning in Communities “innovation sites” – New York and Providence – where top political leaders have committed to redesigning their highly-fragmented out-of-school learning systems so that more low- and moderate-income children benefit from meaningful participation in high-quality programs.

Recent research sponsored by Wallace suggests that children who participate in such programs have much to gain, both in school and developmentally. (*Multiple Choices After School: Findings from the*

Extended-Service Schools Initiative, is available at our website, www.wallacefoundation.org). But we have also learned that after-school systems tend to be disorganized, resistant to change, and seldom put quality first in allocating scarce public and private resources. Careful, open and inclusive planning, and getting all of the right leaders at the table from the very start, are essential in order to create lasting improvements that benefit children most in need of high-quality experiences outside the school day. Another early lesson is the value of investing in detailed research on local out-of-school conditions, including the supply of programs, funding streams and policy issues, to guide the planning.



A monitor assists students with homework, the first order of business at the Queens Library’s after-school Latchkey Enrichment Program.

HERE ARE HIGHLIGHTS OF THESE EFFORTS IN '03:

BUILDING LEADERSHIP

The mayors of both cities – Michael Bloomberg in New York and David Cicilline in Providence – assumed leadership roles for the Learning in Communities initiative. Bloomberg assigned top deputies to lead the planning process. Cicilline personally convened and chaired local leadership planning meetings. Both mayors successfully coalesced a wide range of public and private leaders to begin comprehensive planning for systemwide change aimed at ensuring that after-school programs in their cities are organized and funded to increase access and put quality first.

DEVELOPING PLANS

Government, business, civic and community leaders in Providence and New York began to develop business plans to set specific goals, strategies and priorities to redesign out-of-school learning systems and set criteria for resource allocations around new standards of quality and participation.

ENGAGING LIBRARIES

In a separate but related initiative, The Wallace Foundation provided multi-year funding to New York City's three library systems to improve core learning services, provide support for the new citywide school curriculum, and find new ways for the three systems to work together more effectively. An important goal of the "Learning in Libraries" initiative is to help the city's 212 branch libraries improve the quality of after-school and summer services, particularly homework help and reading programs.

DEVELOPING AND SHARING KNOWLEDGE

Research projects begun in 2003 will support the work in our two Learning in Communities sites and begin to influence broader audiences with lessons learned:

- A RAND Corporation study will synthesize the field's best knowledge about effective practices in out-of-school learning programs and shed light on factors that influence participation. Publication is expected in 2004.
- A national opinion survey by Public Agenda will help determine what parents and children want from out-of-school learning programs. This survey will pay particular attention to the 80 percent of families whose children do not currently participate in these programs.
- Research by the Citizens' Committee for Children of New York will help inform the planning and system change process in New York City. The Committee's work will analyze the current state of the city's out-of-school learning system, including demand for and supply of programs, funding streams, regulatory and legislative policies and issues related to program quality.

AHEAD IN '04:

- Plans are expected to be completed for redesigning out-of-school learning systems in Providence and New York.
- Publications based on evaluations of concluding Wallace initiatives will contain important lessons that will inform our current Learning in Communities work:
 1. A set of policy briefs by the Urban Institute will highlight lessons from Wallace's Urban Parks initiative, including how parks can be valuable partners in supporting youth development.
 2. A report by the Chapin Hall Center for Children at the University of Chicago will summarize key findings and lessons from Wallace's past Public Libraries as Partners in Youth Development initiative.

MAKING QUALITY COUNT IN OUT-OF-SCHOOL LEARNING

A CONVERSATION WITH NEW YORK CITY DEPUTY MAYOR DENNIS WALCOTT & SPECIAL ADVISER ESTER FUCHS

VIEWPOINT

In 2003, The Wallace Foundation supported a planning process led by top New York City officials whose goal is to make high-quality after-school programs available to children who most need them. Leading those efforts are New York City Deputy Mayor Dennis Walcott, who helped Mayor Michael Bloomberg and Schools Chancellor Joel Klein reorganize the city's legendarily byzantine school bureaucracy, and Special Adviser Ester Fuchs, who is responsible for developing and implementing reform initiatives for city agencies as well as advising on new, innovative and efficient ways to deliver public services. Their ambitious goal: bring order to the crazy quilt system of public and private after-school programs in New York City, and ensure that the funding that feeds those programs flows only to those programs that deliver high quality. The potential benefits for kids and families are enormous. As Fuchs puts it: "We know that if kids can get the right support after school, this can only enhance their ability to learn during the school day."



Deputy Mayor Walcott.

WALLACE FOUNDATION: Why, of all the things the city needs to deal with, is it so important to invest in high-quality out-of-school time opportunities?

DENNIS WALCOTT: Families, parents, the adult stakeholders in the lives of children, are very desirous of having high-quality programs. They want available programs that have menus of options that really reflect the needs of their communities, after school and on weekends and evenings as well. The process that we're going through allows us to really identify and percolate a number of good programs that are in communities so that the parents and adult stakeholders can choose from those opportunities around them.

WALLACE: How do you start to make the connection between out-of-school programs and what the city is trying to do for kids during the school day?

WALCOTT: It's a combination of things. As a result of the Wallace grant, we have been able to convene stakeholders from the city agencies, from community-based organizations and from the funding community, to deal with the goals of alignment, specifically around curriculum needs and the changes that we're putting into effect in the Department of Education so that there's a better continuity of service both in school and out-of-school time and ongoing learning taking place. But also to blend in the other types of out-of-school time activities that take place



Walcott and Special Adviser Fuchs.

to deal with recreational arts, culture, and other aspects that communities feel are important. The other piece is to identify where there are high needs and where those needs are not being met.

ESTER FUCHS: We already have a tremendous amount of research that shows that out-of-school time programs really do contribute to kids' achievement in school whether it's in math, reading, history or other subjects. The Wallace Foundation has supported a lot of the research that we have been able to use in our planning process. So we're not in the business of reinventing the wheel here. We're not going to ask the out-of-school time system to correct all the ills of

life. But we know that if kids can get the right support after school for the work they're doing during the school day, whether it's support in the math curriculum or the reading curriculum, this can only enhance their ability to learn. And while we want to bring more of the Department of Education's curriculum agenda into out-of-school time, we also value the youth development side. The studies that we've seen show that kids learn best when they have a balanced program.

WALLACE: So what does "high quality" look like? How do you begin to define it and measure it?

WALCOTT: Quality means having leadership developed on the part

"If kids can get the right support after school, this can only enhance their ability to learn."

of the youth. It means developing positive and consistent relationships with adults and peers. It means making sure that the needs of working families are being addressed by having quality programs in neighborhoods where the services are needed. It means having a diversity of service providers. It also means addressing the physical well-being of the child. Having those broad categories, and then having tangible results that we want to achieve, will allow us to measure what high quality is, and give us the ability to sit down as a city and say, these are our expectations.

FUCHS: We have some extraordinary programs in the City of New York already, so we are not in the business of wanting to fix things that are not broken. Part of the problem is that out-of-school programs are not everywhere, and we sometimes have a difficult time demonstrating the value of these programs because of systemic issues we're working on. We're working with the community of stakeholders in developing

an approach that focuses on outcomes for kids and families who participate in these programs, as opposed to abstract feel-good notions. And we're developing measurement standards and evaluation criteria for those outcomes.

WALLACE: Talk a bit about the out-of-school learning landscape in New York.

FUCHS: It's a very fractured system. We have the Department of Youth and Community Development which as its primary mission does youth programming and includes summer programs as well. We also have funding for programming that used to be in the Department of Employment and as part of our planning process, we're consolidating some of this. The Agency for Children Services and the Department of Education have their own funding streams for after-school programs. We also have money coming into the system through the Parks Department, through the Housing Authority, through the library system, through the Department of Cultural Affairs and through the Human Resources Administration, which funds out-of-school programs through its voucher system. So before we even get into the world of the not-for-profits and the foundations, we've got a very complex structure of funding and programs within our own city that serves many different constituencies.



From the perspective of offering quality, we saw that our primary mission should be an internal coordination and some consolidation so that we could actually get a better handle on what we were funding as a city and where the money was going. Then we could also make an effort to shift some of these resources to high-needs communities, which often aren't served as well in this kind of fragmented and decentralized system. So we have a lot of quality in our system. It's just very unevenly distributed.

WALLACE: This process of rationalizing and consolidating the system sounds like an enormous political challenge. How do you line up the needed support?

FUCHS: I know it sounds trite, but it's about the kids. Several people have said at every meeting that they understand that we're in the business

“We’re looking to expand what works to communities which haven’t had access to it in the past.”

of really improving the system for the kids and families in the city. I think the level of cooperation in the city reflects the fact that people really understand that this process is going forward honestly and will produce real change.

WALLACE: What are the outcomes you have in mind that would be most meaningful to kids and parents?

WALCOTT: Well, in my world of education, I think one of the outcomes is if there could be alignment with the restructuring of the city's education system. For example, we're talking about standards for third graders, and having the out-of-school programs aligned with those grade standards and reinforcing them. To me, that's a baseline, and then measuring the progress.

WALLACE: But isn't there also a challenge not to have out-of-school



programs just be an extension of the school curriculum, but to have them be something that is sufficiently engaging that kids will come voluntarily?

FUCHS: We're not actually worried about that. We're developing a system that allows providers access to the school curriculum and to curriculum support materials for the out-of-school time system. We're not replacing the remediation programs of the Department of Education, but rather bringing in a richer educational component to some already very successful out-of-school programs which do the youth development piece quite well.

We are also doing a needs assessment through an analysis of a set of city-wide indicators that we can break down according to educational region. We'll be looking at things like combined grade scores in math and reading, graduation rates from high school, dropout rates, etc. We're also looking at child well-being and poverty indicators, including concentrations of English-language learners, kids in the juvenile justice system, and teen birth rates. We're also looking at where we have a concentration of single parents and people at the poverty level.

For the first time, because we are creating this combined database of programs, we can target locations in the city which have been underserved in the past, and ask providers to go into partnerships – for example,

a program that partners a Parks Department recreation program and a library program. Why should kids have to choose to go to the parks program where we know their recreational activities are great but it's more difficult for them to support academic skill development? And the libraries, which kids associate with the academic side? Why can't we partner those programs and provide the kind of enriched environment in which kids get a fuller range of services?

So we're looking for some innovations in a system that already has a lot of innovation, and we're looking to expand what works to communities which haven't had access to it in the past.

WALLACE: What's been the importance of research in your planning process?

FUCHS: A lot of people had a lot of very good rhetoric. Some people actually had very good programs, too. But we couldn't really make distinctions in an objective way without high-quality data. Independent evaluations are a little harder to come by and the city now understands that we need to be much more engaged in direct oversight of these contractors. We need to set standards together, and that's why this process has worked so well. But the city also needs to take an active role in oversight and that's been something that hasn't really happened to a large extent in past years.

WALLACE: What lessons have you learned so far in the planning process that other cities could benefit from?

WALCOTT: Well, I think Ester indicated from the beginning the importance of the commitment of top leadership, how the mayor has taken a very active role. I think that sets a tone throughout the city. I also think it's important to have a person like Ester who is unencumbered by an agency domain. This allows that person to approach the process from an objective point of view. I think that's a very key piece.

FUCHS: I just want to go back to Dennis' point about getting the leadership teams engaged and invested in this process early on so that everybody understood that the city was doing the restructuring and was interested in involving providers and funders from the beginning. We could have stayed in City Hall and done the work all by ourselves, without having any conversation. I think it was critical that we didn't do it that way.

I also think the common database has been critical in terms of lessons learned. We're not just collecting data and using it for ourselves. We're sharing it with all the sectors and I'm very much convinced that that's a way of building trust, not just building better methodology. There are no secrets in this planning process and everybody understands that their work here has value. ■

ARTS PARTICIPATION

The goal: Create and promote new standards of practice for cultural organizations and funders that enhance broad participation in the arts.

Carrying on the vision of our co-founder, Lila Acheson Wallace, The Wallace Foundation has built a long legacy of support for a range of projects that have benefited thousands of arts and cultural institutions across America and the communities they serve. Beginning in 2000, we greatly sharpened our focus to a single, ambitious goal: help create and promote new norms of practice for cultural organizations and funders that increase arts participation on a scale, and with a sustainability, beyond the reach of our direct support.

To achieve that goal, we are currently investing in innovative arts organizations around the country to develop

and test a variety of effective practices for building arts participation through our Leadership and Excellence in Arts Participation initiative (LEAP). Through our State Arts Partnerships for Cultural Participation initiative (START), we are supporting 13 leading state arts agencies as they reorient their missions and funding practices toward enhancing arts participation throughout their states. Finally, we have undertaken a range of research and communications activities to provide practical knowledge to many other arts organizations and funders seeking to build participation in the arts, and to provide a clearer understanding of the benefits of the arts to people and communities.



Inside artist Christine Hajar's studio at AS220, a LEAP arts organization in Providence, Rhode Island.

HERE ARE HIGHLIGHTS OF THESE EFFORTS IN '03:

SUPPORTING INNOVATION:

Wallace named 21 arts and cultural organizations to participate in LEAP, bringing to 49 the total currently receiving support. Among participation-building strategies being tested, at least two-thirds have developed audience research and new marketing plans. Many have also developed new programming to attract particular audiences. Others, such as Arena Stage in Washington, D.C., have pioneered new approaches to ticket pricing.

STRENGTHENING STATES' PARTICIPATION-BUILDING EFFORTS

In the second year of funding, the 13 state arts agencies in START experimented with a range of participation-building policies and practices. Among them: all 13 state agencies were offering training and assistance to grantees, 11 developed strategic partnerships, eight had new or revised programs or guidelines, and six had improved their collection and use of data or undertaken market research. Staff and trustees from all 13 START agencies attended executive education programs at Harvard University's Hauser Center for Nonprofit Organizations sponsored by Wallace aimed at bolstering their ability to strategize and implement organizational change. The program was led by Mark H. Moore, executive director of the Hauser Center and author of *Creating Public Value – Strategic Management in Government*.

DEVELOPING AND SHARING KNOWLEDGE:

The Curb Center for Arts, Enterprise and Public Policy at Vanderbilt University was commissioned to produce a publication mining fresh insights from existing national data on arts participation. The resulting publication will help inform and influence the design of the next national arts participation survey in 2007, and provide a more factual basis for policymakers, the media and the public to think about arts participation.

The Urban Institute produced three publications in 2003 in a continuing series based on their evaluation of Wallace's Community Partnerships for Cultural Participation initiative. The UI series is providing arts organizations with a rich body of information about the different forms and motivations of arts participation, its potential to strengthen both arts institutions and community life, personal and other factors that affect the decision to participate, and strategies that cultural organizations can use to influence those decisions. (For further details and ordering information, see Publications '03, page 29. Additional publications in this series will appear in 2004).

A national survey on cultural participation exploring how and why people participate in the arts will offer a national perspective on earlier surveys that focused on local participation trends.

Work began on a series of rigorous case studies to document and explain effective, innovative participation-building practices from LEAP sites and other arts organizations. The resulting publication is anticipated in 2005.

AHEAD IN '04:

A first-of-its-kind study of the individual and community benefits of the arts by RAND will identify the types of benefits the arts can provide, analyze the process by which the arts can create such benefits, and examine how different forms and degrees of participation may lead to various benefits.

The first three in a series of RAND monographs describing the history of state arts agencies, the challenges they face, and the early work of Wallace's START initiative will be published. The series will provide actionable lessons for state arts agencies and other arts funders about ways to effectively promote public participation.



A member of the Civic Orchestra of Chicago teaches a boy how to play the cello.

NO LONGER STRANGERS: THE CHICAGO SYMPHONY TAKES THE MUSIC TO THE PEOPLE

VIEWPOINT

Henry Fogel, president of the Chicago Symphony Orchestra from 1985 until last year, may have startled some stalwarts when he opened an annual meeting some years back with this eye-opener: “If you were to fly in from Mars and observe the Chicago Symphony and write a mission statement, with only a little exaggeration I believe that it would read: ‘The Chicago Symphony Orchestra ... plays at the highest level possible music written for Western symphony orchestra for those people who already like it and can afford its high ticket prices.’”

Today a celestial visitor would get a very different impression – of a symphony actively reaching out to its community and broadening and deepening participation among residents long neglected by the orchestra. Ragina Bunton, for example, a soprano in her church choir, receives voice instruction from members of the Symphony Chorus every Saturday morning at a community choir rehearsal. “They have beautiful voices,” she says, “and they are teaching us the notes and rhythms and vocal technique. They are good role models.”

Ms. Bunton is among scores who have benefited from the Symphony’s growing interaction with Chicago’s diverse populations through its Musicians Residency Program. This program has been supported by The Wallace Foundation’s Leadership and Excellence in Arts Participation (LEAP) initiative, which assists innovative arts and cultural organizations around the country in developing and

“Most symphony orchestras were founded by elites. They will not be viable over the long run unless they keep up with the community within which they live.”

testing ways to build participation in the arts.

At various sites in Chicago, members of the orchestra and chorus hold weekly classes and work one-on-one with choirs, bands and aspiring pianists, violinists, drummers and other musicians. Nearly 12,000 children and adults participated in residency-related activities during the 2002-2003 season, which included 19 performances and concerts.

The residencies are part of a much broader effort by the Symphony, begun by Fogel in the mid-1990s and still going strong, to connect with people from all walks of life, especially African-Americans and Latinos who make up three-fifths of the city’s residents. Such population trends, Fogel argues, demand a change in arts organizations’ perspective on participation. “In the end,” he says, “the marketplace will force them to do it.”

The Symphony’s community programs reflected a concern of its trustees that the organization was, in Fogel’s words, “increasingly seen as a kind of elitist, snobbish, rich white folks’ organization.” Says trustee Charles A. Lewis, a vice chairman for investment banking at Merrill Lynch, “Most symphony orchestras were founded by elites. They will not be viable over the long run unless they keep up with the community within which they live.”



Ragina Bunton, center, rehearses with the South Shore Community Chorus.

Ms. Bunton's choir sings at the South Shore Cultural Center, a lakeside parks facility ensconced in what was once an all-white country club. Other Symphony-sponsored residencies take place at the Apostolic Church of God, a predominantly African-American church with more than 18,000 congregants; the bustling Mexican Fine Arts Center Museum, one of the nation's largest Latino arts institutions that is also a Wallace LEAP grantee; and the People's Music School in Uptown on the city's North Side.

The South Shore Community Chorus spends two hours in rehearsal each Saturday morning. Members take classes in sight-reading and music appreciation and, if they can secure one of the coveted slots, private voice lessons at deep discounts. Many participants are school music teachers, church organists and others who have sung in choirs all their lives. "I thought when we first came in that people might resent having the so-called professionals standing over their shoulders and coaching them along,"

says Clarice Hearne, who remembers South Shore from the old days and is now one of eight professional singers with the Symphony Chorus serving as section leaders at South Shore. "What I found instead is that people who need assistance are very appreciative and very gracious about accepting what we have to offer."

The relationships between the Symphony and community residents have deepened over time. Ms. Bunton and the South Shore Chorus have sung in



Duain Wolfe, Director of the Chicago Symphony Chorus, coaches Ms. Bunton.

the rotunda at Symphony Hall, and they have received free tickets to symphony concerts. Another South Shore choir member, Angela Arnold, recently landed a professional spot with the Symphony Chorus. Last spring the South Shore Chorus performed at Orchestra Hall with the Civic Orchestra of Chicago, the Symphony's training orchestra. "They were so excited and so honored to stand up on stage and perform with the Civic Orchestra," Ms. Hearne says. "I felt such joy that they could have this experience."

PARTNERSHIPS FOR BUILDING PARTICIPATION

The musicians residency in Chicago and other participation-building programs supported by Wallace across the country are contributing to the

field's understanding of what works in generating broader and deeper public engagement. The Chicago Symphony, for example, does much of its community work through partnerships with smaller organizations. A Wallace-sponsored report by The Urban Institute, *Cultural Collaborations: Building Partnerships for Arts Participation*, concludes that such partnerships between large cultural organizations and smaller non-arts community organizations, such as churches, can be effective in increasing participation, but they also require a commitment from both partners to adapt their usual ways of working (see *Steps to Successful Participation Partnerships*, p. 27).

In Chicago, the Symphony's goal was to move beyond "outreach" – simply

performing for the community in hopes of building audiences – to "engagement," meaning understanding the needs of both sides and creating mutual benefits. That meant learning to work with different types of organizations. The Symphony was attracted to working with smaller community organizations because of the depth of their reach into communities that it previously had little access to. But the Symphony also had to recognize that smaller organizations, by their nature, have fewer staff as well as scheduling issues that are quite different from larger organizations and therefore require accommodations on both sides.

Chip Johnson, who directs the South Shore Chorus and leads the Apostolic Church of God program as well, has learned a different lesson. The Symphony has been the chorus' only financial provider, and he's working to change that. It's critical, he says, for a community organization not to rely too heavily on a larger organization. "The community should have more of a financial stake," he says. "You need to make sure the community has a shared vision and has the financial means to support the program. This gives the community more accountability for it and makes the community feel more a part."

For Fogel, the push for diversity – in staff, orchestra and audience – is part of a long overdue cultural change.

“Classical music has had a history of isolating itself and putting itself on a pedestal and, in many ways, doing the most stupid things an industry could do to promote itself, such as making people afraid that they might behave badly at a concert,” he says. “They might even, God forbid, applaud between movements.”

Fogel relinquished the reins at the Symphony in mid-2003 to become president and CEO of the American Symphony Orchestra League, where his views on participation will influence its more than 900 Symphony members. His lifelong mission is winning new friends for classical music and removing barriers, real and perceived, that discourage people from going to concerts. “I truly believe that music can have a transforming effect on people exposed to it on a regular basis,” he said. “If you believe that, then isn’t part of your job to make that the largest and most diverse group of people possible?”

Growing up on Chicago’s South Side in a family that loved music, Ms. Bunton never dreamed she would be interacting so closely with her city’s world-class Symphony. “It’s been a wonderful experience for me,” she says. “I’ve had a chance to do music I couldn’t have done otherwise. It’s stretched me. To have the Symphony think enough of us to come out and provide this program – that is very special.” ■

STEPS TO SUCCESSFUL PARTICIPATION PARTNERSHIPS

As the Chicago Symphony and its various partner community organizations demonstrate, a successful participation-building collaboration can reap each organization benefits beyond what either could have realized on its own. But success is far from automatic, concludes a new report by the Urban Institute, *Cultural Collaborations: Building Partnerships for Arts Participation*, which analyzes the experiences of numerous such partnerships and provides practical insights on how to maximize the potential benefits and avoid the pitfalls.

AMONG THE FINDINGS:

- Partnerships are likely to be most effective “when participation goals are clear and realistic, when partners are genuinely committed to the participation goal, and when they have thought out why partnership advances that goal.”
- Partnerships can fail for a variety of reasons, among them: insufficient funding; the realization by one side that the partnership’s goal of increasing participation was not central to its core mission; the logistical difficulties of maintaining the partnership did not justify the returns; or the partnership was created solely to attract funding and ended when the money ran out.
- Where partners differ in size, membership or focus, each can nonetheless draw on the other’s strengths. In Chicago, the Symphony gained entrée into neighborhoods and exposure to audiences it would not normally attract. The community organizations gained the musical experience of Symphony artists.
- Differences in size or ethnic identity can create tension or misunderstanding unless each partner feels fully respected and involved in decisions.

“Partnerships are just a tool, and like all tools, they are not good for every task; when used incorrectly they will not work properly,” the report concludes. ■

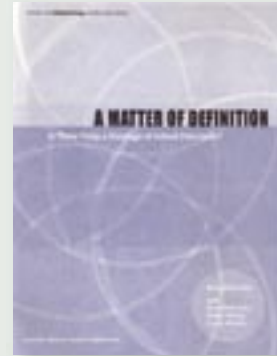
FOR MORE INFORMATION ON THE REPORT, SEE PUBLICATIONS '03, P. 29

A SELECTION OF WALLACE-SUPPORTED PUBLICATIONS

EDUCATION LEADERSHIP

A MATTER OF DEFINITION: IS THERE TRULY A SHORTAGE OF SCHOOL PRINCIPALS?

Marguerite Roza et al., Center on Reinventing Public Education, Daniel J. Evans School of Public Affairs, University of Washington. 60pp. Based on surveys and interviews of human resource directors and district superintendents, this report concludes there is no nationwide shortage of certified principal applicants and argues instead for improving the conditions and incentives of these jobs in order to attract high-quality candidates to the schools that most need them. Single copies available for free (additional copies \$12 each) email crpe@u.washington.edu, or downloadable at: www.wallacefoundation.org or www.crpe.org.



AN IMPOSSIBLE JOB: THE VIEW FROM THE URBAN SUPERINTENDENT'S CHAIR

Howard L. Fuller, et al., Center on Reinventing Public Education, Daniel J. Evans School of Public Affairs, University of Washington. 91pp. A survey of superintendents from the nation's 100 largest districts probes how school leaders define their challenges and potential solutions. Single copies available for free (additional copies \$12 each); email crpe@u.washington.edu, or downloadable at: www.wallacefoundation.org or www.crpe.org.

BEYOND THE PIPELINE: GETTING THE PRINCIPALS WE NEED, WHERE THEY ARE NEEDED MOST

The Wallace Foundation. 12pp. A synthesis of new research analyzing the true nature and extent of the labor market for principals. It concludes that while there's no evidence of a nationwide shortage of certified candidates, some districts and schools are having difficulty attracting enough qualified candidates—a problem compounded by flawed hiring practices and search criteria. Copies available for free from The Wallace Foundation, Two Park Avenue, 23rd Floor, New York, NY 10016; or downloadable at: www.wallacefoundation.org.



EFFECTIVE SUPERINTENDENTS, EFFECTIVE BOARDS: FINDING THE RIGHT FIT

Education Writers Association. 11pp. Provides education reporters with an overview of what is effective leadership and how superintendents can juggle the need to be instructional leaders while managing the politics of these jobs. Available for free for reporters and EWA members and \$10 for all others. Contact (202) 452-9830 or ewa@ewa.org; or downloadable at: www.wallacefoundation.org or www.ewa.org/offers/publications.

GOOD PRINCIPALS ARE THE KEY TO SUCCESSFUL SCHOOLS: SIX STRATEGIES TO GET MORE GOOD PRINCIPALS

Kathy O'Neill et al., Southern Regional Education Board. 32pp. Defines strategies that states and local leaders can use to assure that "every school has leadership that results in improved student performance." Copies available for \$3 from SREB at (404) 875-9211, Ext. 236; and at www.wallacefoundation.org or www.sreb.org.

IMPROVING TEACHING AND LEARNING BY IMPROVING SCHOOL LEADERSHIP

Christopher Mazzeo, National Governors Association Center for Best Practices. 10pp. An issue brief that argues that to improve the system of preparing and developing principals, governors and other state policymakers should focus on three key areas: licensure, preparation and professional development. Available for download at www.wallacefoundation.org or www.nga.org.

LEADING FOR LEARNING FRAMEWORK 32pp.

LEADING FOR LEARNING SOURCEBOOK 112pp.

Michael S. Knapp, et al., Center for the Study of Teaching and Policy, University of Washington. These companion reports present school and district leaders with a range of new ideas and tools to meet the challenges of better learning for all children, using vivid examples of how they look in practice. Downloadable at www.wallacefoundation.org or www.ctpweb.org.



MAKING SENSE OF LEADING SCHOOLS: A STUDY OF THE SCHOOL PRINCIPALSHIP

Bradley Portin et al., Center on Reinventing Public Education, Daniel J. Evans School of Public Affairs, University of Washington. 61pp. Describes the realities and demands on principals in a variety of school settings including traditional public, private and charter schools. The report concludes that a "one size/fits all" posture toward leadership training or methods of school leadership serves neither principals nor schools well. Full report and policy brief available for free online at www.crpe.org; single copies available for free (additional copies \$12 each); email crpe@u.washington.edu.

ROLLING UP THEIR SLEEVES: SUPERINTENDENTS AND PRINCIPALS TALK ABOUT WHAT'S NEEDED TO FIX PUBLIC SCHOOLS

Steve Farkas et al., Public Agenda. 73pp. This second of two Public Agenda national surveys of school superintendents and principals nationwide reveals their views on a range of challenges and job stresses, including tight funding, managing politics and school bureaucracy, standards and accountability, the No Child Left Behind Act and improving teacher quality. Copies available for free from The Wallace Foundation, Two Park Avenue, 23rd Floor, New York, NY 10016, or downloadable at: www.wallacefoundation.org.



THE URBAN SUPERINTENDENT: CREATING GREAT SCHOOLS WHILE SURVIVING ON THE JOB
Council of the Great City Schools. 45pp. A report from a colloquium for former superintendents that provides guidance for new or aspiring superintendents about how to thrive on the job and succeed as leaders of learning. Available in print for \$12 from the Council (202) 393-2427; or downloadable at: www.wallacefoundation.org or www.cgcs.org.

WHO IS LEADING OUR SCHOOLS? AN OVERVIEW OF SCHOOL ADMINISTRATORS AND THEIR CAREERS

Susan M. Gates et al., RAND Education. 151pp. Presents and analyzes data on school administrators' careers and the factors influencing decisions to enter these careers. The authors find no national shortage of certified candidates but identify three primary areas of concern: state and local variation in financial rewards, barriers to entry into the field, and the number of administrators nearing retirement. Available in print for \$28.50 from RAND Distribution Services: phone (310) 451-7002, fax (310) 452-6915, order@rand.org; or downloadable at: www.wallacefoundation.org or www.rand.org/publications/MR/MR1679.

ARTS PARTICIPATION

ARTS PARTICIPATION: STEPS TO STRONGER CULTURAL AND COMMUNITY LIFE

Chris Walker et al., The Urban Institute. 18pp. A brief on arts participation and community life containing lessons for arts and cultural providers on how to deepen and intensify people's arts participation in ways that benefit not only arts organizations, but civic and community institutions as well. Copies available for free from The Wallace Foundation, Two Park Avenue, 23rd Floor, New York, NY 10016; downloadable at: www.wallacefoundation.org or www.urban.org.

CULTURAL COLLABORATIONS: BUILDING PARTNERSHIPS FOR ARTS PARTICIPATION

Francie Ostrower, The Urban Institute. 46pp. The report, based on an evaluation of Wallace's Community Partnerships for Cultural Participation initiative, provides practical lessons about the potential benefits of participation—building collaborations among different kinds of community and cultural organizations as well as the pitfalls and strategies that can help them succeed. Copies available for free from The Wallace Foundation, Two Park Avenue, 23rd Floor, New York, NY 10016; or downloadable at: www.wallacefoundation.org.



PARTICIPATION IN ARTS & CULTURE: THE IMPORTANCE OF COMMUNITY VENUES

Chris Walker et al., The Urban Institute. 15pp. Provides arts organizations with new and surprising research findings that more people attend arts and cultural events in community venues – such as open air spaces, schools and places of worship – than in conventional arts venues, such as concert halls, theaters, museums and art galleries. These findings confirm the wisdom of a strategy being used by many arts organizations – presenting programs and events in places normally used for other purposes. Copies available for free from The Wallace Foundation, Two Park Avenue, 23rd Floor, New York, NY 10016; downloadable at: www.wallacefoundation.org or www.urban.org.

OTHER PUBLICATIONS OF CONTINUING INTEREST

A NEW FRAMEWORK FOR BUILDING PARTICIPATION IN THE ARTS

Kevin F. McCarthy et al., RAND. 2001. 112pp. Available in print for \$20 from RAND Distribution Services, phone (310) 451-7002, fax (310) 452-6915, order@rand.org; or downloadable at www.wallacefoundation.org or www.rand.org.



MULTIPLE CHOICES AFTER SCHOOL: FINDINGS FROM THE EXTENDED-SERVICE SCHOOLS INITIATIVE

Jean Baldwin Grossman et al., Public/Private Ventures. 2002. 70pp. Copies available for free from The Wallace Foundation, Two Park Avenue, 23rd Floor, New York, NY 10016; downloadable at: www.wallacefoundation.org or www.ppv.org.

GETTING STARTED WITH EXTENDED-SERVICE SCHOOLS: EARLY LESSONS FROM THE FIELD

The Wallace Foundation, 2000. 16pp. Copies available for free from The Wallace Foundation, Two Park Avenue, 23rd Floor, New York, NY 10016; downloadable at: www.wallacefoundation.org.

AS LONG AS IT TAKES: RESPONDING TO THE CHALLENGES OF ADULT STUDENT PERSISTENCE IN LIBRARY LITERACY PROGRAMS

John Comings et al., Manpower Demonstration Research Corporation, 2003. 101pp. Available in print for \$12 from MDRC, contact (212) 532-3200; or downloadable at: www.wallacefoundation.org or www.mdrc.org.

PROGRAM EXPENDITURES AND COMMITMENTS

OVERVIEW

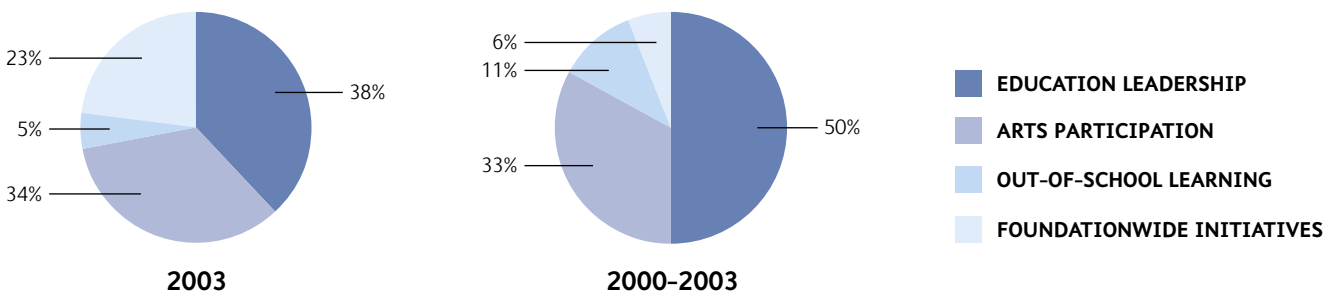
The tables in the following pages detail the expenditures and commitments made in 2003 to further the Foundation’s work in its three focus areas of education leadership, out-of-school learning and arts participation. In each of these areas, our approach and our expenditures can be grouped into two main categories: Develop Innovation Sites; and Develop and Share Knowledge:

- **DEVELOP INNOVATION SITES** – In all three focus areas, we invest in specific sites where new approaches are tested. We closely monitor the work in these sites, make changes and corrections where necessary, and analyze implementation and results. These sites provide insights for the broader field about what works, under what conditions, and what helps or impedes success.
- **DEVELOP AND SHARE KNOWLEDGE** – We also invest in efforts to develop and spread effective practices and policies beyond our innovation sites. Much of what we learn comes from our monitoring of the work in the innovation sites. We also sponsor other research efforts to fill in knowledge gaps where necessary. Combined with success in the innovation sites, these communication and knowledge-building activities hold the potential to expand opportunities for people and institutions nationwide.

In 2003, the Board approved new grants and related expenses of \$44.1 million, an increase of 11 percent over 2002. Since 2000, new approved grants total \$171 million.

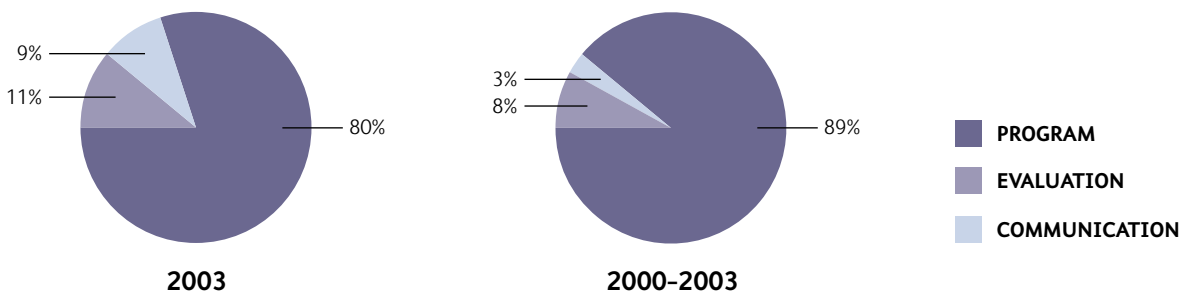
ALLOCATIONS BY FOCUS AREA

Investment levels in our focus areas are determined by ongoing strategy development and the evolution of our program initiatives. For that reason, allocations in any single year are not necessarily good predictors of future spending patterns. A clearer picture emerges by examining yearly program allocations alongside allocations over a longer period of time.



ALLOCATIONS BY FUNCTION

Our growing emphasis on capturing and sharing effective ideas and practices resulted in increased evaluation and communication expenditures in 2003. We expect this trend to continue as we work to develop and spread knowledge that benefits not only our direct grantees but the broader field of practitioners and policymakers as well.



EDUCATION LEADERSHIP

Our long-range education goal is to significantly improve student achievement across the country by strengthening the preparation and performance of education leaders, and by promoting policies and practices that improve the conditions for their success at all levels: school, district and state. Our current investments can be grouped as follows: Develop Innovation Sites (State–District Strategy); and Develop and Share Knowledge.

1. DEVELOP INNOVATION SITES – Our state-district strategy consists of two related initiatives:

STATE ACTION FOR EDUCATION LEADERSHIP PROJECT (SAELP) supports a select number of states in identifying the legislative and regulatory changes needed to ensure that school districts are able to develop, recruit, prepare and retain school leaders capable of improving student performance. As of 2003, 15 states were participating in SAELP. Additional states will be named in 2004 to participate in the second phase of SAELP.

LEADERSHIP FOR EDUCATIONAL ACHIEVEMENT IN DISTRICTS (LEAD) in its third year of funding and renewable for up to two more years, supports high-need districts located in SAELP states to produce new policies and practices that will help enable leaders to improve student achievement. In coordination with their states, LEAD districts are testing a variety of strategies aimed at attracting, preparing and placing a broader pool of able leadership candidates, strengthening the abilities of principals and superintendents to improve learning, and creating working conditions that allow them to perform as effective leaders of learning.

Organization / IRS name, if different (City, State)	APPROVED 2003	PAID 2003	FUTURE PAYMENTS
THE FOLLOWING LEAD DISTRICTS RECEIVED FUNDING IN 2003:			
ATLANTA PUBLIC SCHOOLS / Board of Education – City of Atlanta (Atlanta, GA)	–	1,001,000	–
COMMUNITY SCHOOL DISTRICT TEN / The Board of Education of the City of New York (Bronx, NY)	–	1,637,000	–
EUGENE SCHOOL DISTRICT 4J / Lane County School District 4J (Eugene, OR)	–	1,436,000	–
FAIRFAX COUNTY PUBLIC SCHOOLS (Fairfax, VA)	–	1,562,000	–
FORT WAYNE COMMUNITY SCHOOLS (Fort Wayne, IN)	–	1,483,000	–
HARTFORD PUBLIC SCHOOLS / Hartford Board of Education (Hartford, CT)	–	1,516,000	–
JEFFERSON COUNTY PUBLIC SCHOOLS (Louisville, KY)	–	1,500,000	–
PROVIDENCE SCHOOL DEPARTMENT / Providence School Department and the Public Education Fund (Providence, RI)	–	901,000	–
SPRINGFIELD PUBLIC SCHOOLS / Springfield School Volunteers, Inc. (Springfield, MA)	–	1,501,000	–
SPRINGFIELD SCHOOL DISTRICT 186 (Springfield, IL)	–	1,121,000	–
TRENTON PUBLIC SCHOOLS / Trenton Board of Education (Trenton, NJ)	–	862,000	–
SUPPORT FOR LEAD DISTRICTS AND SAELP STATES			
COUNCIL OF CHIEF STATE SCHOOL OFFICERS (Washington, DC) – To provide technical assistance to the 15 current SAELP states to maintain the momentum from their SAELP I work and prepare their proposals for SAELP II, as well as assisting prospective new state applicants in the preparation of their proposals.	600,000	–	600,000
EDUCATION DEVELOPMENT CENTER, INC. (Newton, MA) – To coordinate ongoing technical assistance to the 12 LEAD districts, to coordinate activities across sites, and to integrate the individual district work into a national network.	–	1,100,000	1,100,000
THE EFFICACY INSTITUTE (Waltham, MA) – To provide technical assistance to select LEAD districts to engage civic, business and community leaders as partners in building support for effective leadership to accelerate student achievement, especially for high-needs students.	100,000	100,000	–

	APPROVED 2003	PAID 2003	FUTURE PAYMENTS
THE FUND FOR PUBLIC SCHOOLS (New York, NY) – To support the New York City Leadership Academy to provide professional development and year-long mentorships for aspiring principals and to ensure this work is closely coordinated with the reorganization of the district, the state/district initiative and LEAD.	5,000,000	5,000,000	–
JAMES B. HUNT, JR. INSTITUTE FOR EDUCATIONAL LEADERSHIP AND POLICY FOUNDATION INC. (Chapel Hill, NC) – To work with five SAELP states to engage their governors and other key state leaders to address the major impediments to connecting leadership to learning.	1,250,000	1,250,000	–
JOHN F. KENNEDY SCHOOL OF GOVERNMENT AT HARVARD UNIVERSITY / President and Fellows of Harvard College (Cambridge, MA) – To implement Phase II of its leadership program for superintendents, which addresses the multiplicity of skills and capacities required of superintendents to successfully manage educational systems and facilitate meaningful reform.	500,000	–	500,000
OTHER RELATED EXPENSES – meeting	18,822	18,822	–

2. DEVELOP AND SHARE KNOWLEDGE

To reinforce the work of the state and district initiatives by developing a knowledge base, supporting promising new work to improve practice and building public awareness. The investments that fall under these three activities are as follows:

DEVELOP A KNOWLEDGE BASE			
EDUCATION COMMISSION OF THE STATES (Denver, CO) – To generate a common knowledge base for all key parties to use in developing policy recommendations in response to a recent New York State Court of Appeals school finance decision.	200,000	–	200,000
STANFORD UNIVERSITY / The Board of Trustees of the Leland Stanford Junior University (Stanford, CA) – To conduct interviews and surveys with key decision makers, trainers and professors in professional development programs, as well as the recipients of the training, to assess the most promising practices for training and continuing education that strengthen principals' effectiveness.	1,245,000	–	1,245,000
UNIVERSITY OF MINNESOTA (Minneapolis, MN) – To conduct field work and administer surveys in a selection of states, districts, schools and classrooms on a range of leadership activities. The result will be evidence of what leadership activities matter for teaching and learning, and how and why those practices result in instructional improvement in some contexts and not others.	3,500,000	1,250,000	2,250,000
UNIVERSITY OF WASHINGTON, CENTER FOR THE STUDY OF TEACHING AND POLICY (Seattle, WA) – To develop and disseminate a conceptual framework that will critically examine and analyze how leadership influences learning. This document will offer field leaders and policymakers a guide for strengthening education leadership and informing the field about how leadership improvement can improve learning.	166,200	166,200	–
PRESIDENT AND FELLOWS OF HARVARD COLLEGE (Cambridge, MA) – To conduct an action-research project examining the role of teacher union leaders in addressing, supporting and sustaining education reform and the set of skills required to succeed.	–	50,000	–
OTHER RELATED EXPENSES – consultants and printing	27,775	27,775	–
SUPPORT PROMISING WORK TO IMPROVE PRACTICE			
ACADEMY FOR EDUCATIONAL DEVELOPMENT, INC. (Washington, DC) – To support the work of an exploratory committee that will help identify and examine the conditions of effective leadership. The committee will analyze the key conditions from school to district to state, and how those conditions can combine to support leaders at every level to help all children achieve.	375,000	–	375,000
EDUCATION DEVELOPMENT CENTER, INC. (Newton, MA) – To manage a series of workshops of an exploratory committee on leadership effectiveness. The committee will explore criteria, measures and instruments currently being used in the assessment of leaders, and may recommend the development of new performance assessment tools.	200,000	200,000	–

	APPROVED 2003	PAID 2003	FUTURE PAYMENTS
RAISE AWARENESS THROUGH PUBLIC ENGAGEMENT			
THE ASPEN INSTITUTE (Washington, DC) – To support convenings of, and gain access to, the Aspen Institute’s Urban Superintendents’ Network and its Chief State School Officers’ Forum for two years.	100,000	100,000	–
EDUCATION WEEK / Editorial Projects in Education, Inc. (Bethesda, MD) – To support a three-year series of news and feature articles focusing on education leadership in the pre-eminent weekly trade journal.	765,000	765,000	–
EDUCATIONAL BROADCASTING CORPORATION (New York, NY) – To support a series of broadcast programs, videos and web-based resources focusing on principal training and on-the-job support through the New York City Leadership Academy.	375,000	375,000	–
THE INSTITUTE FOR LEARNING AT LEARNING RESEARCH AND DEVELOPMENT CENTER / The University of Pittsburgh (Pittsburgh, PA) – To develop two sets of tools and structured training processes that will help to spread effective instructional leadership practices.	1,150,000	–	1,150,000
THE NEW YORK TIMES / News in Education Foundation (New York, NY) – To create a national Leadership for Learning Project aimed at promoting greater awareness and understanding of education leadership and education policy among policymakers and educators.	500,000	–	500,000
THE PUBLIC AGENDA FOUNDATION, INC. (New York, NY) – To develop a video news release for superintendents and principals from LEAD cities suitable for use on local television news.	80,000	80,000	–
OTHER RELATED EXPENSES – meetings, consultants, policy briefing	189,922	189,921	–

OUT-OF-SCHOOL LEARNING

Our goal is to provide low- and moderate-income children with the academic and developmental benefits of meaningful participation in high-quality learning opportunities outside the school day, and to spread the lessons to other cities. Our current investments can be organized as follows: Develop Innovation Sites in two separate but related initiatives – Learning in Communities, and Parents & Communities for Kids. In addition, we have invested in efforts to Develop and Share Knowledge that inform the work of our innovation sites as well as the broader field.

1. DEVELOP INNOVATION SITES

LEARNING IN COMMUNITIES, our core initiative begun in 2003, is designed to enlist top public and private leaders in select cities to develop and carry out plans for creating better connections among such service providers as libraries, museums, parks and after-school programs to achieve the goal of high-quality out-of-school learning opportunities for children. Two cities, New York and Providence, are currently participating as Learning in Communities sites.

CITIZENS’ COMMITTEE FOR CHILDREN OF NEW YORK, INC. (New York, NY) – To conduct research and analysis on the out-of-school time system in New York City, including demand and supply, funding streams, regulatory and legislative policies and issues related to program quality.	330,000	330,000	–
THE CITY OF NEW YORK, OFFICE OF THE MAYOR / New York City Public Private Initiatives Inc. (New York, NY) – To support a one-day, out-of-school time summit to initiate the planning process to improve the quality of life for children and families in New York City.	25,000	25,000	–
FUND FOR THE CITY OF NEW YORK (New York, NY) – To launch the Learning in Communities initiative in New York City. In partnership with the Office of the Mayor and Citizens’ Committee for Children, the Fund will create a business plan to restructure the system that provides out-of-school time learning.	740,000	740,000	–
RHODE ISLAND KIDS COUNT INC. (Providence, RI) – To develop a comprehensive, citywide system to substantially increase access to high-quality, affordable out-of-school time learning activities for Providence’s children and youth.	335,000	335,000	–
OTHER RELATED EXPENSES – consultants, meetings	121,531	121,531	–

PARENTS & COMMUNITIES FOR KIDS (PACK) – an initiative to improve educational achievement for children between the ages of six and 10 through activities that take place outside of the traditional school day. The following organizations received PACK funding in 2003:

	APPROVED 2003	PAID 2003	FUTURE PAYMENTS
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.	–	375,000	750,000
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.	–	500,000	750,000
HUBERT H. HUMPHREY INSTITUTE FOR PUBLIC AFFAIRS / University of Minnesota (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.	–	398,836	710,388
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.	–	325,000	775,000
OTHER RELATED EXPENSES – meeting, policy briefing	37,768	37,768	

2. DEVELOP AND SHARE KNOWLEDGE

THE PUBLIC AGENDA FOUNDATION, INC. (New York, NY) – To conduct a national public opinion survey to determine what parents and children want from out-of-school time (OST) programs and whether these needs are being met. This research effort will pay special attention to the 80% of families whose children are not currently in OST programs.	635,000	635,000	–
RAND / RAND Corporation (Santa Monica, CA) – To gather and critically assess evidence to produce a practical document on how institutional and family support can significantly improve informal learning opportunities, program effectiveness and participation.	177,500	177,500	–



Our current arts programs seek to create new standards for cultural organizations and funders to enhance participation. The main components of this work are: Develop Innovation Sites working with arts institutions and state arts agencies in two separate initiatives: Leadership and Excellence in Arts Participation and State Arts Partnerships for Cultural Participation. We have also supported efforts to Develop and Share Knowledge to inform the work of our innovation sites and extend the benefits and lessons beyond our direct investments.

1. DEVELOP INNOVATION SITES

LEADERSHIP AND EXCELLENCE IN ARTS PARTICIPATION (LEAP) – an initiative to provide strategic support to exemplary arts and cultural organizations to pioneer practices and strategies that increase people’s access to and participation in the arts, and to promote the spread of effective practices. The following organizations received LEAP funding in 2003:

APPALSHOP, INC. (Whitesburg, KY) – To broaden and deepen participation by low- to moderate-income regional and national audiences by increasing the number of local, regional and national presentations Appalshop offers. They will also create the Appalshop Learning Center that will offer multidisciplinary arts education programs.	700,000	350,000	350,000
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	APPROVED 2003	PAID 2003	FUTURE PAYMENTS
ARAB COMMUNITY CENTER FOR ECONOMIC AND SOCIAL SERVICES (ACCESS) (Dearborn, MI) – In conjunction with the recent opening of its Arab American National Museum, ACCESS will expand and diversify local, regional and national audiences for the museum, its Resource Center, nationally touring performing arts events and an array of other public programs that will document, present, preserve, celebrate and educate people about the history, culture and contributions of Arab Americans.	900,000	450,000	450,000
ARTWORKS! PARTNERS FOR THE ARTS & COMMUNITY, INC. / ArtWorks (New Bedford, MA) – To broaden its current base of constituents through expanded marketing, extended gallery hours and new school tours.	–	200,000	–
AS220 (Providence, RI) – To further diversify its multigenerational community of artists by involving more artists over the age of 40. This community-based arts center will also expand opportunities for employment for individual artists to include at least three additional annual artist residencies, and will restructure many of its events to increase participation and enhance earned revenue.	300,000	150,000	150,000
ASIAN ART MUSEUM / Asian Art Foundation of San Francisco (San Francisco, CA) – To strengthen the museum's ability to serve its key target audiences through AsiaAlive, a new educationally-based audience development initiative.	–	400,000	–
THE ASPEN MUSIC FESTIVAL AND SCHOOL / Music Associates of Aspen (Aspen, CO) – To develop and offer three- to five-day thematic mini-festivals designed to draw in casual audiences and give them a deeper experience. The project includes planning and audience research to learn how to convert casual attendees into committed concertgoers, and will include marketing tour packages to music enthusiasts in several key cities.	1,000,000	500,000	500,000
BAY AREA VIDEO COALITION (San Francisco, CA) – To provide established and emerging artists and arts organizations with the equipment, training and support they need to use powerful media tools to create and distribute art to broad audiences.	700,000	350,000	350,000
BILL T. JONES/ARNIE ZANE DANCE COMPANY / Foundation for Dance Promotion (New York, NY) – To develop programs designed to broaden and diversify participation of audiences in Harlem, and to deepen involvement of key participants in New York, Boston and Minneapolis.	–	200,000	–
THE BLUE APPLE PLAYERS / Amalgamated Producers, Playrights, Lyricists, and Entertainers, Inc. (Louisville, KY) – To enrich relationships with its community by strengthening their communications systems, improving production values, strengthening education programs and sharing lessons of effective practices with professional colleagues.	300,000	150,000	150,000
CAL PERFORMANCES / The Regents of the University of California (Berkeley, CA) – To deepen and increase the frequency of participation by current audience members through audience research, enhanced marketing and expanded use of new technology. This university-based presenter will also enhance its public programs by engaging university faculty to provide context and educational information at performance events.	900,000	450,000	450,000
CENTER OF CREATIVE ARTS (COCA) (St. Louis, MO) – To lay the groundwork for its growth into an expanded facility by enhancing marketing efforts, building its capacity to communicate with participants electronically and raising the level of its arts programs by using high profile artists. COCA will increase student enrollment, theater audiences and core supporters.	700,000	350,000	350,000
THE CHILDREN'S THEATRE COMPANY (Minneapolis, MN) – To broaden the age range of its audience to reach and engage more fully children ages 13–18 years, and to deepen its audience's overall theater-going experience.	–	467,000	–
COMMUNITY MUSIC SCHOOL OF SPRINGFIELD (Springfield, MA) – To train early childhood teachers at multiple community sites in three cities to integrate music into their daily classroom plan. The music school will also use parents' advisory groups to create family events centered around musical performance.	600,000	300,000	300,000
CORNERSTONE THEATER COMPANY (Los Angeles, CA) – To sustain and deepen relationships with community participants it has worked with throughout Los Angeles and enhance information systems to track these relationships. The theater will also train students to become leaders in the practice of community engaged theater.	600,000	300,000	300,000
DELLARTE, INC. (Blue Lake, CA) – To collaborate with three local community organizations to build their capacity to present art forms from Latino and Native American cultural traditions. This theater company will host events organized by community groups, hire Latino and Native American staff, conduct audience research and enhance marketing and communications efforts.	300,000	150,000	150,000

	APPROVED 2003	PAID 2003	FUTURE PAYMENTS
EL MUSEO DEL BARRIO / Amigos del Museo del Barrio (New York, NY) – To create the first sustained, institutionwide marketing and public relations initiative to fully integrate performing arts into the museum's programmatic offerings.	–	233,000	–
INTERMEDIA ARTS MINNESOTA (Minneapolis, MN) – To launch a multidisciplinary series of exhibitions and performances dedicated to exploring the cultures and conditions of Minnesota's newest immigrant populations, African/Somalis, Latino/Mexicans and Russians. Intermedia Arts will hire new key artistic and organizational staff from these international communities and adopt new curatorial, artistic and audience development practices to fully engage members from each community.	491,000	245,500	245,500
THE J.B. SPEED ART MUSEUM (Louisville, KY) – To increase participation by target groups of families with children and youth in the Louisville metropolitan area. The museum will conduct audience research and new weekend programs for families, and a new youth apprentice program will deepen the engagement of current participants and broaden participation to include new audiences.	800,000	400,000	400,000
JACOB'S PILLOW DANCE FESTIVAL (Lee, MA) – To develop and implement programs intended to build a deeper sense of engagement and connection among its current audience base and to broaden participation.	–	300,000	–
LIZ LERMAN DANCE EXCHANGE / Dance Exchange, Inc. (Tacoma Park, MD) – To strengthen its collaborations with arts presenters and other key partners by developing and publishing a Partner Guide, sending advance teams to lay the foundation for participatory residency projects, and organizing three conferences of partner presenters and other practitioners to share lessons of effective practice.	600,000	300,000	300,000
THE LOFT LITERARY CENTER / Loft Inc. (Minneapolis, MN) – To address barriers to participation in the arts through new and expanded programs, including free groups for readers and writers, workshops and enhanced web content.	–	200,000	–
LOUISIANA PHILHARMONIC ORCHESTRA (New Orleans, LA) – To broaden its base of support by attracting and cultivating participation among non-traditional, non-subscriber audiences.	–	300,000	–
MARWEN / Marwen Foundation, Inc. (Chicago, IL) – To expand its Studio Program and increase the number of students it serves. This youth development through arts organization will broaden its curriculum by adding sequential studio course tracks and new college and career initiatives. It will document and publish its teaching methodology and techniques of curriculum development, and disseminate these publications nationally.	500,000	250,000	250,000
MEXICAN FINE ARTS CENTER MUSEUM / Mexican Fine Arts Center (Chicago, IL) – To create new exhibitions, place an inventory of its permanent collections online, enhance educational programs, expand performing arts programs and enhance internal planning and research in order to deepen the engagement of Mexican American artists and broaden the museum's outreach beyond Chicago.	700,000	350,000	350,000
MOSAIC YOUTH THEATRE OF DETROIT (Detroit, MI) – To increase the number of youth who participate in its intensive Youth Ensemble training and performance program, expand its offerings and produce at least one major concert and one major original theater production annually. Mosaic will contract with the University of Michigan to evaluate and document the impact of these programs on participants, families, audiences and the Detroit community.	300,000	150,000	150,000
MUSEUM OF FINE ARTS, HOUSTON (Houston, TX) – To enhance the impact of Gateway to Art/De Puertas al Arte, a multifaceted program designed to disseminate new knowledge about Latin American art based on the presentation of up to four exhibitions of Latin American art annually. The museum will broaden, diversify and educate its adult audiences by offering over 100 classes, lectures, scholarly symposia, readings, artist talks, teacher workshops, programs for college students, parent workshops and other educational programs.	1,000,000	500,000	500,000
THE NEWARK MUSEUM / The Newark Museum Association (Newark, NJ) – To enhance its audience-building capacity through two new broad-based arts participation programs intended to engage Latino and Chinese communities.	–	500,000	–
PERSEVERANCE THEATRE (Douglas, AK) – To expand participation by Alaska Native artists and audiences by hiring and training Alaska Natives to create new theater works for their communities and by seeking their guidance about effective marketing and outreach efforts. Funding will support artistic projects, artist training, marketing efforts and staff positions for Alaska Native administrators in outreach and development.	400,000	200,000	200,000
PRINCE MUSIC THEATER / American Music Theater Festival Inc. (Philadelphia, PA) – To produce an annual series of live performance and films geared towards intergenerational audiences, with the goal of expanding participation by young audiences and their families.	–	200,000	–

	APPROVED 2003	PAID 2003	FUTURE PAYMENTS
SAN FRANCISCO PERFORMANCES, INC. (San Francisco, CA) – To expand the number of residencies from four to seven and the number of multi-week dance runs in order to increase opportunities to experience dance.	–	233,000	–
SAN FRANCISCO SYMPHONY (San Francisco, CA) – To enhance its Student Forum program, develop personalized web services, and market its festival programs to attract new, younger audiences.	–	534,000	–
UNIVERSITY OF IOWA/HANCHER AUDITORIUM / State University of Iowa (Iowa City, IA) – To create a network with organizations in three other Iowa communities to plan and implement two long-term artists residencies each year with performances targeted toward young parents and their children.	800,000	400,000	400,000
WASHINGTON CENTER FOR THE BOOK / Seattle Public Library Foundation (Seattle, WA) – To extend the reach of its highly successful annual event, “If All of Seattle Read the Same Book,” into the city’s cultural communities by presenting reading and discussion programs with authors of diverse cultures and ethnicities.	–	233,000	–
WESTERN FOLKLIFE CENTER (Elko, NV) – To expand participation among its far-flung rural constituency by developing Deep West, a program that combines live touring events with online forums and radio programming all built on stories from the rural west, told through poetry, prose, visual arts or photography.	500,000	250,000	250,000

STATE ARTS PARTNERSHIPS FOR CULTURAL PARTICIPATION (START) – an initiative to help exemplary state arts agencies adopt new, more effective guidelines, programs and funding practices aimed at encouraging broader public participation in the arts. The following state arts agencies received START funding in 2003:

ARIZONA COMMISSION ON THE ARTS (Phoenix, AZ)	–	167,000	–
CALIFORNIA ARTS COUNCIL (Sacramento, CA)	–	100,000	100,000
CONNECTICUT COMMISSION ON THE ARTS (Hartford, CT)	–	249,500	83,500
KENTUCKY ARTS COUNCIL / Kentucky State Treasurer (Frankfort, KY)	–	166,000	–
MASSACHUSETTS CULTURAL COUNCIL (Boston, MA)	–	300,000	–
MINNESOTA STATE ARTS BOARD (St. Paul, MN)	–	367,000	–
MISSISSIPPI ARTS COMMISSION (Jackson, MS)	–	467,000	–
MONTANA ARTS COUNCIL (Helena, MT)	–	166,000	–
NEW JERSEY STATE COUNCIL ON THE ARTS (Trenton, NJ)	–	300,000	–
NORTH CAROLINA ARTS COUNCIL (Raleigh, NC)	–	333,000	–
OHIO ARTS COUNCIL (Columbus, OH)	–	367,000	–
SOUTH CAROLINA ARTS COMMISSION (Columbia, SC)	–	266,000	–
WASHINGTON STATE ARTS COMMISSION (Olympia, WA)	–	167,000	–
ARTS MIDWEST (Minneapolis, MN) – To coordinate technical assistance and training efforts among the START grantees in order to strengthen state arts agency staff effectiveness, improve data collection and analysis and enhance constituent communications. In addition, Arts Midwest will utilize the national network of regional arts organizations to foster the spread and adoption of new state arts agency policies, programs and standards that support greater participation in the arts.	–	369,600	634,800

2. DEVELOP AND SHARE KNOWLEDGE

COMMUNICATIONS CONSORTIUM MEDIA CENTER (Washington, DC) – To work with Wallace staff in carrying out a national outreach strategy timed to the release of the Wallace-supported study by RAND on the benefits of the arts.	440,000	440,000	–
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	APPROVED 2003	PAID 2003	FUTURE PAYMENTS
RAND / Rand Corporation (Santa Monica, CA) – To document state arts agencies’ efforts to increase local participation in, and support for, arts and culture; identify “best practices” as defined by the field and confirmed by analysis; and describe the most promising methods for diffusing those practices within and across all states and territories. The findings will be disseminated to the arts community and general public through a series of short topical briefings, monographs, and a final report, available in print and on the web.	425,000	425,000	–
RAND / Rand Corporation (Santa Monica, CA) – To gather and assess evidence on the benefits of arts participation and publish a major, high-visibility report on its findings.	280,000	280,000	–
THE HAUSER CENTER FOR NONPROFIT ORGANIZATIONS / President & Fellows of Harvard College (Cambridge, MA) – For research and analysis to reveal areas offering the greatest potential or threat to enhancing participation in the arts and their contributions to personal enrichment and community vitality.	50,000	50,000	–
VANDERBILT UNIVERSITY (Nashville, TN) – To commission and edit a publication that will mine fresh insights and information from existing national data on arts participation and help inform and influence the design of the next national arts participation survey in 2007.	180,000	–	180,000
OTHER RELATED EXPENSES – meetings, website hosting and maintenance and consultants	157,571	157,571	–

**FOUNDATION-
WIDE
INITIATIVES**

This new category was created to capture work that crosses our current program areas, serves the interests of the Foundation as a whole, or “incubates” new ideas for future strategy directions.

LEARNING IN LIBRARIES

Responding to fiscal need and great strategic opportunity, Wallace is providing multi-year grants to New York City’s three library systems, and a complementary grant to the Urban Libraries Council, to elevate the role of libraries as learning places during non-school hours, enhance their ability to support the new citywide school curriculum, increase coordination among the three systems, and capture and disseminate the lessons so that many other urban library systems can benefit. The following received Learning in Libraries funding in 2003 to enhance learning and enrichment activities provided to youth year-round and strengthen core institutional functions:

BROOKLYN PUBLIC LIBRARY / Brooklyn Public Library Foundation, Inc. (Brooklyn, NY)	2,000,000	500,000	1,500,000
THE NEW YORK PUBLIC LIBRARY / The New York Public Library Astor Lenox and Tilden Foundation (New York, NY)	2,000,000	500,000	1,500,000
QUEENS LIBRARY FOUNDATION / Queens Library Foundation (Jamaica, NY)	2,000,000	500,000	1,500,000
URBAN LIBRARIES COUNCIL (Evanston, IL) – To support the work of the Brooklyn Public Library, the New York Public Library and the Queens Borough Public Library through training, technical assistance, communications and coordinating activities.	897,000	315,100	581,900

OTHER INITIATIVES

NATIONAL PUBLIC RADIO, INC. (Washington, DC) – To support NPR coverage of education, arts and after-school programs and its flagship news programs.	3,300,000	1,100,000	2,200,000
ACADEMY FOR EDUCATIONAL DEVELOPMENT, INC. (Washington, DC) – To produce a reputation survey for The Wallace Foundation.	25,000	25,000	–

SERVICE TO THE FIELD	APPROVED 2003	PAID 2003	FUTURE PAYMENTS
ASSOCIATION OF BLACK FOUNDATION EXECUTIVES, INC. (New York, NY) – To support this affinity group of the Council on Foundations which seeks to apply philanthropy as a powerful tool for positive, enduring social change in Black communities.	2,500	2,500	–
COUNCIL ON FOUNDATIONS INC. (Washington, DC) – To support the national nonprofit membership organization for grantmakers.	44,600	44,600	–
THE FOUNDATION CENTER (New York, NY) – To support the national clearinghouse for information on private grantmaking.	100,000	100,000	–
GRANTMAKERS FOR CHILDREN, YOUTH & FAMILIES (Washington, DC) – To support this national membership organization for grantmaking foundations for children, youth and families.	20,000	20,000	–
GRANTMAKERS FOR EDUCATION (Portland, OR) – 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	–
GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS (Washington, DC) – To support this national membership organization that is dedicated to promoting learning and encouraging dialogue among funders committed to building strong and effective nonprofit organizations.	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.	50,000	50,000	–
INDEPENDENT SECTOR (Washington, DC) – To support this nonprofit coalition of organizations for giving, volunteering and nonprofit initiatives.	25,000	25,000	–
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.	25,000	25,000	–
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.	2,500	2,500	–
MISCELLANEOUS GRANTS – matching gifts	19,351	14,190	5,161

CONCLUDING INVESTMENTS

This category includes initiatives that received final payments in 2003. Many of these concluding investments, however, continue to produce publications, ideas and lessons that are informing the work in our current focus areas.

ADULT LITERACY

MDRC (New York, NY) – Evaluation of the Wallace Adult Literacy program.	100,644	100,644	–
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PUBLIC LIBRARIES AS PARTNERS IN YOUTH DEVELOPMENT

CHAPIN HALL CENTER FOR CHILDREN / The University of Chicago (Chicago, IL) – Evaluation of after-school youth services provided by nine public library systems participating in Wallace's 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.	249,000	249,000	–
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URBAN PARKS

	APPROVED 2003	PAID 2003	FUTURE PAYMENTS
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	–

COMMUNITY ARTS PARTNERSHIPS

COLUMBIA COLLEGE CHICAGO / Columbia College (Chicago, IL) – To increase connections among the college, community organizations and community youth. Program benefits will be leveraged to create institutional change within the college and collaborating community organizations.	–	90,475	–
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.	–	119,090	–

COMMUNITY PARTNERSHIPS FOR CULTURAL PARTICIPATION

URBAN INSTITUTE (Washington, DC) – To conduct an evaluation of Wallace’s Community Partnerships for Cultural Participation initiative and produce a series of publications on its findings.	400,000	400,000	–
OTHER – refund of unexpended grant money (University of Texas at El Paso)	–	-14,183	–

TOTALS

44,658,684	49,325,440	25,736,249
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FUNDING GUIDELINES & RESTRICTIONS

The Wallace Foundation is a national foundation that supports 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 Foundation programs are carefully focused to achieve certain goals and employ specific strategies, most grants are awarded as part of Foundation-initiated programs. The Foundation usually solicits 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:

The Wallace Foundation
General Management
Two Park Avenue, 23rd Floor
New York, NY 10016

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

* Please note that the Foundation does 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.

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Wallace Foundation:

We have audited the accompanying balance sheets of The Wallace Foundation (Foundation) as of December 31, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation'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.

As discussed in note 1 to the financial statements, on April 18, 2003, Lila Wallace-Reader's Digest Fund, Inc. merged into DeWitt Wallace-Reader's Digest Fund, Inc. Upon completion of the merger, DeWitt Wallace-Reader's Digest Fund, Inc. was renamed The Wallace Foundation. The financial statements are presented as if the merger had been completed January 1, 2002.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Wallace Foundation as of December 31, 2003 and 2002, 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 25, 2004

BALANCE SHEETS

ASSETS	DECEMBER 31, 2003	DECEMBER 31, 2002
CASH EQUIVALENTS AND CASH	\$ 1,840,227	\$ 9,842,285
INVESTMENTS (note 3)	1,251,706,143	1,137,579,030
PREPAID EXPENSES AND RECEIVABLES	1,370,632	11,615
FIXED ASSETS , net of accumulated depreciation of \$1,539,474 in 2003 and \$1,340,472 in 2002	393,611	563,284
	\$ 1,255,310,613	\$ 1,147,996,214
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
ACCRUED EXPENSES AND OTHER PAYABLES	\$ 994,081	\$ 3,849,416
GRANTS PAYABLE (note 4)	25,442,510	31,584,426
DEFERRED FEDERAL EXCISE TAX (note 5)	1,253,930	–
TOTAL LIABILITIES	27,690,521	35,433,842
NET ASSETS – UNRESTRICTED	1,227,620,092	1,112,562,372
	\$ 1,255,310,613	\$ 1,147,996,214

See accompanying notes to financial statements.

**STATEMENTS
OF
ACTIVITIES**

REVENUES	YEAR ENDED 2003	YEAR ENDED 2002
INVESTMENT INCOME		
DIVIDENDS	\$ 16,293,896	\$ 11,987,628
INTEREST	17,011,276	21,945,468
	33,305,172	33,933,096
INVESTMENT FEES	(3,183,228)	(2,973,116)
NET INVESTMENT INCOME	30,121,944	30,959,980
STOCK CONTRIBUTIONS RECEIVED	202,218	—
OTHER INCOME (note 6)	134,460	779,200
	30,458,622	31,739,180
EXPENSES		
GRANTS AND RELATED ACTIVITIES	43,183,524	38,626,513
OPERATING EXPENSES	8,655,430	8,224,719
CURRENT FEDERAL EXCISE TAX (note 5)	327,653	2,234,801
	52,166,607	49,086,033
INVESTMENT GAINS (LOSSES)		
UNREALIZED GAINS (LOSSES), NET (note 5)	207,689,827	(231,685,817)
REALIZED (LOSSES) GAINS, NET (note 3)	(70,924,122)	80,571,136
NET INVESTMENT GAINS (LOSSES)	136,765,705	(151,114,681)
INCREASE (DECREASE) IN NET ASSETS	115,057,720	(168,461,534)
NET ASSETS		
BEGINNING OF YEAR	1,112,562,372	1,281,023,906
END OF YEAR	\$ 1,227,620,092	\$ 1,112,562,372

See accompanying notes to financial statements.

**STATEMENTS
OF
CASH FLOWS**

CASH FLOWS FROM OPERATING ACTIVITIES

	YEAR ENDED 2003	YEAR ENDED 2002
INCREASE (DECREASE) IN NET ASSETS		
ADJUSTMENTS TO RECONCILE INCREASE (DECREASE) IN NET ASSETS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:	\$ 115,057,720	\$ (168,461,534)
RDA PREFERRED STOCK RECEIVED	(202,218)	–
UNREALIZED (GAINS) LOSSES ON INVESTMENTS	(208,943,757)	233,429,457
REALIZED LOSSES (GAINS) ON INVESTMENTS	70,924,122	(80,571,136)
DEPRECIATION	199,002	191,824
DEFERRED FEDERAL EXCISE TAX EXPENSE (BENEFIT)	1,253,930	(1,743,640)
CHANGE IN ASSETS AND LIABILITIES:		
(INCREASE) DECREASE IN ACCRUED INVESTMENT INCOME	(172,112)	1,710,068
(INCREASE) DECREASE IN PREPAID EXPENSES AND RECEIVABLES	(1,359,017)	624,853
(DECREASE) INCREASE IN ACCRUED EXPENSES AND OTHER PAYABLES	(2,855,335)	1,947,630
(DECREASE) INCREASE IN GRANTS PAYABLE	(6,141,916)	13,015,376
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(32,239,581)	142,898

CASH FLOWS FROM INVESTING ACTIVITIES

SALES OF INVESTMENTS	1,700,687,369	1,951,056,977
PURCHASES OF INVESTMENTS	(1,676,420,517)	(1,950,763,828)
CAPITAL EXPENDITURES	(29,329)	(41,580)
NET CASH PROVIDED BY INVESTING ACTIVITIES	24,237,523	251,569
NET (DECREASE) INCREASE IN CASH EQUIVALENTS AND CASH	(8,002,058)	394,467
CASH EQUIVALENTS AND CASH AT BEGINNING OF YEAR	9,842,285	9,447,818
CASH EQUIVALENTS AND CASH AT END OF YEAR	\$ 1,840,227	\$ 9,842,285

See accompanying notes to financial statements.

DECEMBER 31, 2003 AND 2002

1. NATURE OF OPERATIONS

The Wallace Foundation is the successor to DeWitt Wallace–Reader’s Digest Fund, Inc. and Lila Wallace–Reader’s Digest Fund, Inc. which were created and endowed by DeWitt and Lila Acheson Wallace, co-founders of The Reader’s Digest Association, Inc. (RDA). On April 18, 2003, Lila Wallace–Reader’s Digest Fund, Inc. merged into DeWitt Wallace–Reader’s Digest Fund, Inc. Upon completion of the merger, DeWitt Wallace–Reader’s Digest Fund, Inc. was renamed The Wallace Foundation (Foundation). The financial statements are presented as if the merger had been completed January 1, 2002.

The Foundation’s resources are allocated mostly to foundation–initiated grants that further the Foundation’s mission and have a national or regional impact.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

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

b. Tax-Exempt Status

The Foundation 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. Investments in limited partnerships are reported at fair value based on information provided by the manager of the interest. The general partner determines the fair value based on quoted market prices, if available, or using other valuation methods, including independent appraisals. Dividend income is recorded on the ex-dividend date and interest income is recorded on the 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 Foundation when approved by the Foundation’s Board of Directors. Payments due in more than one year are discounted to present value based on risk-free rates of return.

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 Foundation’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.

h. Reclassifications

Certain 2002 amounts have been reclassified to conform to the 2003 presentation.

3. INVESTMENTS

At December 31, 2003 and 2002, the fair value of investments consisted of the following:

	2003	2002
FIXED INCOME	\$ 285,648,314	\$ 439,183,721
EQUITIES	937,860,898	444,675,740
RDA – COMMON STOCK	–	190,841,153
SHORT-TERM INVESTMENTS	32,510,323	116,283,432
ACCRUED INVESTMENT INCOME	2,041,967	1,869,855
PAYABLE FOR INVESTMENTS PURCHASED, NET	(6,355,359)	(55,274,871)
	\$ 1,251,706,143	\$ 1,137,579,030

Short-term investments include money market funds, commercial paper, and cash managed by the Foundation's investment managers as part of their long-term investment strategies. Equities include \$154 million in limited partnerships that invest in hedge funds, real estate, and private equities. At December 31, 2003 the Foundation had unfunded commitments in private equities of approximately \$27 million.

The Foundation realized a net loss of approximately \$90.0 million and a net gain of approximately \$86.4 million in 2003 and 2002, respectively, from sales of RDA stock.

4. GRANTS PAYABLE

At December 31, 2003, grants schedule to be paid in future years are as follows:

YEAR	AMOUNT
2004	\$ 11,097,517
2005	13,143,732
2006	245,000
2007	1,000,000
2008	250,000
	25,736,249
LESS DISCOUNT TO PRESENT VALUE (BASED ON INTEREST RATES FROM 1.3% TO 3.28%)	(293,739)
	\$ 25,442,510

5. FEDERAL EXCISE TAX

As a private foundation, the Foundation 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 Foundation's December 31, 2003 and 2002 current taxes are estimated at 1% and 2% of net investment income, respectively.

The Foundation records 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 unrealized gains (losses) on investments are reported net of the deferred Federal excise tax expense of \$1,253,930 and benefit of \$1,743,640 for the years ended December 31, 2003 and 2002, respectively, on the statements of activities.

6. OTHER INCOME

The Foundation received \$134,460 and \$779,200 in 2003 and 2002, respectively, from claims made under the Foundation's Directors and Officers Liability insurance policy for reimbursement of legal fees paid.

7. FINANCIAL INSTRUMENTS

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

The Foundation 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, 2003 and 2002, the Foundation held U.S. Treasury and eurodollar futures contracts with notional amounts of approximately \$86 million and \$91 million, respectively. The contracts are valued daily using the mark-to-market method.

The collateral on deposit with a third party to meet margin requirements for futures contracts and options, included in short-term investments, was approximately \$352,000 and \$680,000 at December 31, 2003 and 2002, respectively.

8. LEASE COMMITMENTS

The Foundation occupies office space under a lease agreement expiring in February 2006. The Foundation's total contractual lease commitment is as follows:

YEAR	AMOUNT
2004	\$ 653,000
2005	653,000
2006	109,000
	\$ 1,415,000

Total rent expense, including escalations, was \$750,865 and \$730,428 for the years ended December 31, 2003 and 2002, respectively.

9. PENSION PLANS

The Foundation provides a defined contribution, tax-deferred annuity retirement plan for all eligible employees, whereby the Foundation contributes 15% of a participant's eligible earnings on an annual basis. In addition, the Foundation provides a supplemental executive retirement plan for the benefit of certain eligible employees. Total pension expense for the years ended December 31, 2003 and 2002 was \$616,423 and \$631,274, respectively.

10. MERGER

As discussed in note 1, the financial statements are presented as if the merger had been completed January 1, 2002. The following provides the combination of net assets and the change in net assets as previously reported in 2002 by each organization.

	DEWITT WALLACE- READER'S DIGEST FUND, INC.	LILA WALLACE- READER'S DIGEST FUND, INC.	COMBINED
DECREASE IN NET ASSETS	\$ (102,428,245)	\$ (66,033,289)	\$ (168,461,534)
NET ASSETS:			
BEGINNING OF YEAR	723,423,692	557,600,214	1,281,023,906
END OF YEAR	\$ 620,995,447	\$ 491,566,925	\$ 1,112,562,372

ABOUT OUR FOUNDERS

Throughout their professional careers and in later years, DeWitt and Lila Wallace dedicated themselves to improving other people's lives. Giving freely of their time and of the wealth amassed from the hugely successful magazine they co-founded – Reader's Digest – both dedicated themselves to lives of service through their support of the arts, education and a range of community causes.



Early in life, Lila Bell Acheson worked in Minneapolis to help establish a YWCA for industrial workers. DeWitt Wallace, who had the idea of publishing a magazine of condensed general interest articles, found a kindred spirit in this teacher-turned-social worker. In 1921, they were married and moved to New York City to nurture their new magazine. The first edition was published in 1922. Some 80 years later, the “little magazine” the Wallaces dreamed up is the world's most widely read

periodical, reaching 95 million readers a month in 19 languages in more than 60 countries. Once their livelihood was secured, Lila and DeWitt were able to turn to their first love, helping people, with vastly more money than they had before.

Lila's love of the arts extended from the visual to the performing arts, and over her lifetime her name became associated with support for many of the nation's great arts and cultural institutions. She believed that the arts belong to and should be made accessible to all people. Indeed, the first major party after a restoration that the Wallaces funded of the Metropolitan Museum of Art's Great Hall included all the workers who had taken part in it. Lila also prized the outdoors and helped organizations construct bird habitats in New York. She established a variety of philanthropic funds in 1956 and continued her philanthropic work until her death in 1984.

DeWitt's philanthropic passions lay in promoting educational and youth development opportunities. He once said, “America isn't paying sufficient attention to its classrooms... My father and my grandfather were devoted to education and they each did something that made a difference. But I can do more. I have the good fortune... to be a wealthy man. So I should be able to make a bigger difference.” He established his own fund in 1965 and became a legendary giver, donating generously and spontaneously to a large number of organizations. Among them was the periodical room in the New York Public Library where, as a beginning editor, he'd condensed articles by hand. In his words, “there are better uses for money than its mere accumulation.”

Drawing on the original vision of DeWitt and Lila Wallace, The Wallace Foundation remains true to the words DeWitt wrote at age 17 as his life's goal: “to serve my fellow man.” ■

DIRECTORS & STAFF

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Judith Williamson-Miller, Travel and
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Aundra Green, Receptionist
Ramon Rivera, Mailroom Clerk

* Retired June 2004



The Wallace Foundation™

Supporting ideas.
Sharing solutions.
Expanding opportunities.™

Our mission is to enable institutions to expand learning and enrichment opportunities for all people. We do this by supporting and sharing effective ideas and practices.

To achieve our mission, we have three objectives:

- Strengthen education leadership to improve student achievement
- Improve after-school learning opportunities
- Expand participation in arts and culture

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