As chairman of the Wallace-Reader’s Digest Funds, I have the privilege each year of reporting briefly on our activities. For me, this past year stands out as one of our best. We embraced a new strategic direction. We reorganized our staff in a new team-based structure uncommon in the foundation world. And we added new talent to our board and staff. It’s often hard to appreciate how far you’ve come if you don’t look at where you’ve been. So I would like to offer my observations on the evolution of the Funds over the years.

In 1985, when I became chairman, the Funds’ collective assets were approximately $320 million. By December 31, 2000, these assets had grown to more than $1.5 billion. In addition, during those 15 years, the Funds made grants of $860 million.

More striking than the growth in assets has been the increasingly purposeful manner in which they are being deployed. We have reduced our programs from more than 100 to just three: educational leadership, community learning, and cultural participation. We have also come to realize that money alone is not enough. We can achieve our ambitious goals only by combining all our financial and human resources—grant dollars, program expertise, smart research and evaluation work, and effective communication and outreach. Over the past 18 months, we have reorganized our staff into teams to integrate these resources more effectively. We have revised our budgeting to ensure that our best ideas get the needed support, and have integrated our computer systems to increase our efficiency. In short, we are applying the lessons of good corporate management to help us realize the full benefits of our social investments.

Helping to set the vision for all this work is our talented board of directors. These wise and dedicated individuals are: Laraine Rothenberg, partner of the law firm Fried, Frank, Harris, Jacobson & Shriver; Walter Shipley, recently retired chairman and chief executive officer of J.P. Morgan Chase & Company, and C.J. Silas, former chairman and chief executive officer of Phillips Petroleum Company. And we are fortunate to have the expertise, commitment and guidance of our fellow board member and president, Christine DeVita, who has tirelessly led our staff and coordinated the efforts of our board.

As this report goes to press, we welcome four additional directors: Gordon Ambach, executive director of the Council of Chief State School Officers; Don Cornwell, chairman and chief executive officer of Granite Broadcasting Corporation; Peter Marzio, director of the Houston Museum of Fine Arts; and Joseph Shenker, provost of the C.W. Post campus of Long Island University. We look forward to their insights and contributions.

We are excited about the possibilities before us. Board and staff stand united in a common vision: to create a climate of learning—in schools, in communities, and in cultural institutions—that will enrich life for Americans across the country.

George V. Grune, Chairman
With Wallace Funds support, elementary and middle school students participate in a variety of enriching activities at the Lake Middle School Beacons program before and after school and during summer vacations.

Foundations = Money

For many, this simple equation defines the common currency of the nearly 47,000 grantmaking foundations in this country. The vast majority are of modest size, locally focused, and staffed by founders, family members, and volunteers who are intimately familiar with the communities they serve. They provide needed support to the nonprofit organizations in their region.

Is the role of a larger, national foundation the same? Or is there some special "value added" a national foundation with sizeable assets and a seasoned professional staff can provide? At the Wallace-Reader's Digest Funds, we believe we have an opportunity — and a responsibility — to go beyond money. We are in a privileged position to use our resources in ways that build, capture and share information and know-how that leaders in a particular field can use to bring about beneficial changes.
Creating a Climate for Learning

While each of these three objectives is critically important, the real long-term promise of this work lies in the synergy between and among them. If creatively and strategically combined, the powerful result would be to foster a climate for learning in communities. In such a climate, school and community leaders would work alongside parents to provide effective schools in which all of our children receive the support needed to help them achieve academically and prepare for productive adulthood. Arts institutions, public libraries, parks, and other community-based institutions would work together to provide a rich and varied tapestry of informal learning opportunities in which children and adults engage when the day’s school and work obligations end.

Unfortunately, in many communities today, such a climate does not exist. Rather, in an age of technological marvel and unprecedented prosperity, we find:

• Too many schools, especially in poorer urban and rural communities, are failing to educate all our children to high standards.

• Community institutions such as parks and libraries are often neglected, their potential to provide families with leisure-time pleasures and informal learning opportunities underdeveloped and underutilized.

• Cultural institutions are searching for effective ways to engage a new generation that is increasingly diverse in educational, economic, and cultural background.

• And too often, parents with the best of intentions for their children simply lack the time, energy, or knowledge to get their kids to read, do their homework, or go as families to museums, the park, or the library.

Creating a climate for learning can help turn this situation around and instill a sense of community and achievement that is sometimes lacking in America today. As our population grows more diverse, as economic pressures force many parents to hold more than one full-time job, as we increasingly retreat to the gray solace of television and computer screens, it becomes difficult to weave the fabric that truly enriches community life. A poem by Miller Williams that I keep framed by my desk expresses well why this
renewal of a climate for learning is so imperative for our future:

Who were many people coming together
Cannot become one people falling apart.
Who dreamed for every child an even chance
Cannot let luck alone turn doorknobs or not.
Whose law was never so much of the hand as the head
Cannot let chaos make its way to the heart.
Who have seen learning struggle from teacher to child
Cannot let ignorance spread itself like rot.

We at the Funds believe our “value-added approach” in building and sharing knowledge in our three chosen program areas of strengthening education leadership, helping arts institutions increase participation, and connecting families to a rich array of informal learning opportunities, can collectively help create a climate of learning that will enrich community life.

To achieve these goals, the Funds have adopted a multi-disciplinary, team-based staffing structure. Each team consists of program, evaluation and communications staff who work together to understand the current state of research and practice in the relevant field, to carefully analyze and identify the factors that will promote change in that field, to be realistic and strategic in determining where the foundation’s resources can be most influential, to assess what strategies are most effective, and to share the results publicly.

Specifically:

- Program officers provide in-depth knowledge of the field — how it’s organized, where its leverage points are. They identify effective organizations, assess readiness and capacity in specific institutions and the field in general, and take the lead in developing appropriate change strategies and identifying desired outcomes from our investments.

- Evaluation officers determine what research exists and how it can contribute to effective program design, articulate theories of change, assess whether proposed strategies are likely to produce identified outcomes, and plan fresh research that can capture lessons that advance the field.

- Communications staff play the crucial role of raising public awareness of needed changes; designing effective ways to address the people and institutions whose work is at the center of needed changes; and translating our program accomplishments and research findings so that they are useful to policymakers, practitioners, and the public.

This team-based approach gives us greater confidence in realizing a positive social return on our investment in our three target areas of promoting better education leadership, more informal learning opportunities in communities, and broader arts participation. The rich diversity of our talented staff’s experiences and backgrounds only adds to that confidence. In the pages that follow, we describe in more detail the work we’ve undertaken this year to move us forward on this path.

I began this essay with a simple equation. I end with a more complex one that symbolizes the power and promise of national foundations:

Learning = Leverage = Legacy

“In times of great change,” wrote the philosopher Eric Hoffer, “it is the learners who inherit the future.” The overarching goal of our work is to help foster not only a climate for learning in communities, but to be learners ourselves, to use what we’ve learned to leverage change, and to leave as our legacy a public record upon which others can build.

M. Christine DeVita
Education again tops the public agenda, yet chronically missing from policy discussions is an understanding of the pivotal role of principals and superintendents in promoting and sustaining better learning. Last year, before he was named U.S. Education Secretary, Roderick Paige put it bluntly to the Wallace-Reader’s Digest Funds’ Board of Directors: “Educational leadership is a stealth issue.” Our goal is to ensure that at this rare, precious moment of national attention to schooling, the need for better leaders must no longer be a “stealth” issue, but front and center in reform efforts.

Clearly, teachers are at the heart of learning and, for the past decade, the Funds have invested heavily in the professionalization of teachers and in broadening the pool of candidates. Still, it is the leaders, the principals and superintendents, who must ultimately build collaborative communities of learning so that improvements can spread on a large scale. Starting in 2000 and extending for at least the next five years, the Funds have committed to fostering a national movement aimed at making the essential connection between quality leadership and improved learning.
Leaders Count focuses on three major objectives:

- Attracting and placing a broader pool of able candidates into the principalship and superintendentcy;
- Strengthening the abilities of leaders to improve student learning; and
- Creating more supportive conditions for education leadership to succeed.

In pursuing those goals, districts are where the Funds will place the biggest bets. The district, after all, is the organization authorized by the state to expend public funds to educate the community’s children. At the same time, we recognize that states play a crucial part in determining the climate for leadership in districts and schools. State laws, for example, determine licensing and certification requirements and the local governance structure of the district. Our plan, therefore, is to work simultaneously in selected states and districts that have identified leadership as a core issue and that are committed to improving conditions that support their leaders’ success.

To begin that work, the Funds in 2000 awarded $8.9 million to a new consortium of five national organizations headed by the Council of Chief State School Officers and including The Hechinger Institute on Education and the Media, The Education Commission of the States, the National Association of State Boards of Education, and the National Governors Association. In 2001, the consortium will identify 13 states that demonstrate the desire to undertake major policy reviews around factors affecting educational leadership. We then plan to provide significant support to 15 districts within those states to concentrate our work in leadership.

We have also begun a major effort to raise public awareness of the need for better leadership. Grants to the Education Writers Association and The Hechinger Institute on Education and the Media seek to inform the general public and provide information for writers and journalists. In September 2000, a Funds-sponsored National Conference on Educational Leadership at Teachers College, Columbia University, attracted more than 400 participants from 39 states and featured a presentation by then-U.S. Education Secretary Richard W. Riley.

Building a new knowledge base is also at the core of our work. Grants to the RAND Corporation and the University of Washington have begun the process of organizing the information needed by the field in formats accessible to practitioners.

In all these efforts now and in the future, we are committed to making the case that leaders do count, especially in remaking conditions for the millions of children who are still being left behind.
Art gives tangible shape to the meaning of people's lives. It is through our stories, our pictures, and our music that we come to understand others and ourselves. Art's unique power is its ability to span time and distance, allowing us to know the past and imagine futures yet to be created.

For well over a decade, the Wallace-Reader's Digest Funds have invested in leading cultural groups across the country that are working to make the arts an active part of people's everyday lives. These theaters, museums, dance companies, community art schools and centers have in common a twin commitment to artistic excellence and service to people. Through their artistic programs, business practices and public efforts, these exemplary institutions are demonstrating that excellence need not mean exclusion, and that the wealth of the arts can be multiplied through the shared experience of participation. The successes and failures of these groups can, if well documented, provide valuable insights that other arts organizations, funders and supporters can put to practical use in improving the quality, access and health of the arts.
Recognizing that the Funds can only reach a small percentage of the 25,000 cultural organizations in America, our strategy is to make four-to-five year investments in arts groups that are opening themselves to their communities and engaging new, often underserved audiences. The Funds’ Leadership and Excellence in Arts Participation (LEAP) program represents a total of 65-75 organizations of all types. In 2000, we awarded LEAP grants to 15 cultural organizations that are making service to people as important as artistic excellence. One LEAP grantee, the Cleveland Museum of Art, for example, asked former Cleveland Indians Manager Mike Hargrove to host an “all-star” video tour of its permanent collection. The resulting Mummies, Knights and a Cleveland Indian became a popular hit, especially when it ran on the Jumbotron at the Indians’ Jacobs Field.

To help spread good ideas and practices, the Funds in 2000 began a national Arts4AllPeople campaign for building effective arts participation. A new website, which will go live in 2001, will establish a ‘virtual community’ for arts and cultural practitioners. Along with gatherings of grantees and funding partners, the Arts4AllPeople website will extend the benefits of this work to arts and cultural groups beyond the reach of the Funds’ direct grants.

The Funds have also commissioned two significant studies to better understand why people participate in the arts and what institutions and communities can do to encourage such participation. A Strategic Approach to Building Participation in the Arts, by RAND, will for the first time document and examine the full range of influences and factors affecting participation in ways that will help arts organizations increase, diversify and deepen engagement with audiences. A second study by the Urban Institute addresses how individuals express community values, beliefs and aspirations through arts and cultural activities and how these forms of expression can help perform a community-building role. The RAND study will be released in 2001; the Urban Institute will release several reports and research briefs starting in 2001.

Through our Community Partnership for Cultural Participation initiative, we are collaborating with community foundations to support efforts in ten communities aimed at improving understanding of arts participation, strengthening programs that support the arts, and building local endowments to sustain participation beyond the period of our investments.

Recognizing the crucial policy and funding roles that state arts agencies can play in promoting arts participation, the Funds in 2000 initiated the State Arts Partnerships for Cultural Participation (START) initiative. The goal is to help state arts agencies develop new, more effective guidelines, programs and funding practices aimed at encouraging greater local participation in the arts and culture. As such agencies rise to meet this public mandate, they are being compelled to develop innovative strategies tailored to the needs of their communities and regions. The Funds’ research, experience and demonstrated success in building participation opens the possibility of a productive and effective partnership that will ultimately improve service to people.
For a decade, the Wallace-Reader's Digest Funds have supported important individual elements of that vision. Our past work in adult literacy, public libraries, urban parks, museums, youth development and out-of-school enrichment opportunities has provided valuable insights and a record of accomplishments in how best to connect children and families to non-school-based learning. In weighing how to create a more powerful, coherent whole from those activities, the communities team spent much of 2000 consulting a wide range of authorities and research and canvassing 30 communities around the country. We awarded capstone grants to 11 high-performing Extended-Service Schools (ESS) program sites to expand and sustain their after-school offerings to youth and families. A study is underway at six of those sites to determine their impact on students’ academic and developmental achievement. Drawing on research from its previous work...
with 57 ESS sites, the Funds also published a practical handbook, *Getting Started with Extended-Service Schools: Early Lessons from the Field*, which was widely distributed and presented to practitioners around the country.

Further setting the stage for its more comprehensive vision, the Funds in 2000 sponsored national and regional forums to share lessons on urban parks development and their contribution to community revitalization. We awarded $3 million in concluding grants to support urban park improvements, collaborations and intergenerational activities. The grants may also help establish a first-time national organization to represent urban parks and possibly provide a network for encouraging informal learning through park projects around the country.

What has emerged is a comprehensive new Funds initiative, Parents and Communities for Kids (PACK). Over the next five to 10 years, we will pursue two broad objectives:

- Improve the quality of out-of-school learning opportunities in community and cultural institutions for families and children, especially for those with low rates of achievement.
- Increase the demand for learning by promoting family participation in learning activities at community and cultural institutions, and by helping parents become more effective in raising children to be active learners and productive citizens.

Starting in 2001, we expect to support planning in a dozen communities. This planning effort will involve convening a wide assortment of community institutions to help gather solid data on what learning opportunities exist, whether families and children are making good use of those opportunities, and what kinds of other opportunities the community might enjoy and benefit from. Based on those local preferences, the Funds will support partnerships to strengthen community-based learning experiences. PACK will also assist in developing messages to encourage families to make more and better use of those local learning opportunities.

In keeping with the Funds’ spirit of integration, PACK will continually seek to make connections between its out-of-school learning objectives and the goals of the Funds’ arts and education teams. By creating a community climate for lifelong learning, we are optimistic that our initiative as it unfolds will powerfully complement the Funds’ other long-term objectives of building better education leadership and broader participation in arts and culture as vital community assets.

COMMUNITY ACTION = BETTER LEARNING

On one side of Sloan’s Lake in Denver, homes are worth half a million dollars, parks are well kept, and academic achievement in school is taken for granted. Just across the water, however, economic conditions are far more modest. Despite hardworking families’ attempts to create a better life for their children, school success is not a given.

Lake Middle School, the site of the Lake Beacons Neighborhood Center, is leading the effort to channel community action into school success for all. As part of the Wallace-Reader’s Digest Funds’ Extended Service Schools program, the school has become a community resource for teens, children and adults after school, on weekends and during the summer. Activities such as the one shown above include an after-school program for elementary school children, a homework club and counseling center for middle school students, and for youth and adults, reading opportunities, art and computer courses, and GED and English as a Second Language classes.

The Beacons program, originally a New York City project to join the resources of community organizations with public schools, has spread to five additional U.S. cities, including Denver. Lake Middle School collaborates with M.Casa Resource Center for Women, Inc. “There is a lot of energy in this community,” said Gayle Werner, director of youth programs for M.Casa. “Young people are developing positive relationships with caring adults, which has a trickles-down effect on the entire neighborhood.”

Since the Beacons program started in 1997, many participating students have boosted their grade-point averages. “Students here have a tremendous support system,” explained Werner. “They can see during the school day and beyond that their school is set up to help them succeed.”

Donna Banuelos, whose two teenage daughters have participated in Beacons activities, is impressed with her older daughter’s newfound leadership skills and is grateful for the after-school homework assistance her younger daughter is receiving. “She never told me she was having trouble in school, but she’d confide in her counselor,” she said. “Kids have to keep their grades up to participate. I know they’ll help her so she makes it.”
One of the most important benefits of our integration strategy has been the increased role of the Funds’ evaluation and communications teams in achieving the mission. The common goal is to ensure that our work has benefit beyond the reach of our grantmaking. To accomplish that, we use evaluations research to glean lessons from the innovative work of our grantees, and then translate that knowledge into clear, highly useful forms for a wide range of organizations and communities. Lee Mitgang, the Funds’ director of communications, and Edward Pauly, director of evaluation, discuss the new ways their departments are collaborating and how that is enriching the Funds’ work.

**Ed Pauly:** At the Funds, our challenge is not just to support good work in a handful of organizations. It’s to capture important lessons about what is valuable from that work and make them available to policymakers, leaders, and members of the public. Researchers can be very smart about figuring out how to get the right information. But they’re terrible, historically, at figuring out how to share their knowledge in ways that can be useful to the world of practice. That’s why our relationship with communications has been so helpful. We want our evaluation work to pay off for the field.

**Lee Mitgang:** That’s exactly right. The purpose is to help the fields we support improve their practice. If we aren’t able to share information that they value and that they see as being a real contribution to their work, then we haven’t done our job. That’s why communications is the heart of this enterprise.

**Ed:** An excellent example of this is the handbook the Funds published in 2000 called *Getting Started with Extended-Service Schools.* We needed to mine the nuggets from some pretty complex early findings of our research on out-of-school programs so that practitioners and others could apply them to their work. When program evaluation and communications put their heads together, we were able to come up with a product that is not only useful, but is now in great demand.

**Lee:** It’s examples like this that remind us of the importance of appreciating the differences in our talents and perspectives. We need to understand what we want to learn, why we want to learn it, who needs to know it, and how to get it out there. Do I wish that the very best researchers had all these skills? Sure. On the other hand, the best communicators in the world don’t have the skills that researchers have. Our job as a foundation is to act as the connector of these worlds. There are very few organizations that can do that in society. It’s exactly why our close collaboration here at the Funds has been so rewarding.

**Ed:** Researchers can be very smart about figuring out how to get the right information. But they’re terrible, historically, at figuring out how to share their knowledge in ways that can be useful to the world of practice. That’s why our relationship with communications has been so helpful. We want our evaluation work to pay off for the field.

**Lee:** It helps that we’re all committed to two overarching goals, which are to share knowledge and to create a climate of receptivity for that knowledge. Put another way, it’s creating a conversation among a community of learners. This happened last year when we were preparing to launch our Leaders Count initiative. Before we uttered one public word, we held six regional meetings where we gathered more than 400 practitioners, educators and policymakers to ask them what matters to them about education leadership and how we might contribute. This proved tremendously helpful in developing our messages from the start. We were able to go right to the core of what is important to the field.

**Ed:** And as concrete knowledge emerges from our work, the partnership among our departments becomes even more vital as we capture information from the field and are able to target results to the audiences that need them.

**Lee:** A real advantage of this collaborative way of working is that we can figure out together when knowledge is ready to share. Working with our program teams from the very beginning of our deliberations, we can make smarter decisions about when, and to whom, this knowledge can be most useful.

**Ed:** In our studies of arts participation, for example, we have found that what motivates people to participate in the arts is not just income and education levels. These motivations always have been difficult for leaders to articulate and share. But by looking across the wide range of the most effective organizations building arts participation, researchers found consistent practices that had not been visible to people working in the field. And we’re spreading the word about those practices.

**Lee:** The truth is, the results of our work can have a profound impact on people’s lives and behavior. As these results become available, it gives people and organizations an opportunity to apply tested and proven theories to their practice.

**Ed:** That was the case with the evaluation of our Pathways to Teaching Careers program, whose goal was to provide new avenues to teacher certification and to recruit from nontraditional pools — paraprofessionals, uncertified teachers, and returned Peace Corps volunteers. Before the evaluation by the Urban Institute, nobody knew if experienced teacher aides could get the education that would enable them to function as high-quality teachers. Now we know. The evaluation has definitive evidence showing that these teachers perform better than the average for other novice teachers. That breakthrough finding gave legislators from both parties the confidence to support federal legislation using the Pathways model.

**Lee:** The payoff is not news for the sake of news; it’s solid information that people can put into practice.
Why Diversity?

Walter Lippmann once said, “when all think alike, no one is thinking very much.” Here at the Wallace-Reader’s Digest Funds, we strongly believe that the diversity we are building in our staff — its backgrounds, and its widely varied professional and life experiences — broadens our thinking and helps make our work in communities, schools and cultural institutions more relevant and credible. The more we learn to recognize, respect and value the differences within our own foundation family, the more likely our chances of realizing our overall mission of enriching community life.

As the Funds have moved in the past two years to project teams integrated by function — to include staff members with expertise in communications, program and evaluation — we have also continued to recognize as equally important the need to have individuals with a variety of cultural, regional, and professional perspectives at the table. Such diversity helps ensure that critical questions that might otherwise be overlooked are raised, that information relating to a wide range of perspectives is considered, and that a variety of promising but non-traditional potential partners in our work are included. A workforce that understands cultural and other subtle differences that may affect how various groups view issues concerning their community helps focus the ideas, and the debate.

Where We Are, Where We’re Going

As of 2000, 51 percent of our entire staff were African-American, Asian or Hispanic. Among professional staff alone, 30 percent were people of color, and 53 percent were female. The Funds’ staff includes individuals from virtually every region of the country. They have previously worked in or managed institutions in public education, museums, broadcasting, community organizations, finance and investments, journalism and communications, research and evaluation, private industry, government, the military, and legal services. We have staff with GEDs, undergraduate and graduate degrees, Ph.D.s and other certifications.

We are proud of our progress in establishing a climate that ensures many different perspectives, but we recognize that this is a never-ending process. We will continue to strive to attract people who represent a rich assortment of cultural, ethnic, professional, and life experiences. We want talented, thoughtful and caring individuals with practical knowledge of the fields in which we are working and of the communities we are supporting. We firmly believe that the expense and time invested in attracting such talent is a small price for the rich payoffs that a quality and diverse workforce yields.
The Integration Strategy, By the Numbers

Grants are only one tool that the Wallace-Reader's Digest Funds use under our integration strategy to enrich community life. So this year, our tables have a new look: showing, by the numbers, that the Funds are not just about “giving grants.”

For starters, grants are no longer listed and described alphabetically, but are grouped according to initiatives. Second, our tables now include itemized spending on non-grant related communications and evaluation activities: for example, Funds-sponsored meetings that bring together key players in education, arts or culture, evaluation projects that build knowledge for the field and the public; and print and website publishing that disseminates that knowledge.

In short, this year’s tables were revised to better mirror the Funds’ integrated approach and reflect the new ways that we collect and report financial data. In the past, program, evaluation and communication departments would prepare and present their budgets individually. Now all areas of expertise are represented when decisions are made to allocate resources, and funds are allocated by initiative, not by departments. This new way of budgeting enables us to select the best possible strategic tools to maximize the use of our limited resources.

The tables that follow represent expenditures in 2000 in our new focus areas as well as concluding investments in other programs.

### Table: Program Expenditures

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<th>Approved</th>
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<th>Future Payments</th>
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<tr>
<td>Lila Wallace-Reader’s Digest Fund</td>
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<td>Council of Chief State School Officers, Inc. (Washington, DC)</td>
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<td>Council of Chief State School Officers, Inc. (Washington, DC)</td>
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<td>Education Writers Association (Washington, DC)</td>
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<td>RAND Corporation (Santa Monica, CA)</td>
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<td>Southern Regional Education Board - Board of Control for Southern Regional Education (Atlanta, GA)</td>
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<th><strong>Total Expenditures 2000</strong></th>
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<th><strong>Total Expenditures</strong></th>
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<th><strong>Grants</strong></th>
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<th><strong>Non-grant program expenditures</strong></th>
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<td><strong>2000</strong></td>
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**Program Expenditures**
**Teachers College, Columbia University (New York, NY)**

To train a national center that would be the hub of an advisory on education leadership. The center would integrate and disseminate earnings, launch support and coordinate demonstration projects, and convene critical conversations among governors, politicians, and community business and civic leaders.

- **Approved 2000**: $69,000
- **Paid 2000**: $69,000

**The Big Picture Company (Philadelphia, PA)**

To pilot the Principals Residency Network, an innovative model for recruiting and training principals who will lead schools to develop districts’ skills as leaders. The model includes a residency program where principals receive practical training. NCATE will refine PDS standards and develop a system for assessing them.

- **Convenings of education leaders in six cities to develop Leaders Count strategies**: $265,000
- **Advisory Board Meetings**: $111,000
- **Regional Meetings**: $250,000
- **National Conference on Education Leadership at Teachers College, Columbia University**: $204,000

**Extended-Service Schools**

- **Community College of Aurora Foundation (Aurora, CO)**
  - To develop a community university and build a sustainable Service Schools program for two schools.
  - **Approved 2000**: $100,000
  - **Paid 2000**: $100,000

- **Rose Community Foundation (Denver, CO)**
  - To strengthen program assessment, parent involvement and student retention at the three Beaucoups schools that form the nucleus of Denver’s Extended Service Schools network. In addition, a new mentorship model is being developed.
  - **Approved 2000**: $400,000
  - **Paid 2000**: $400,000

**Coordinating Organizations**

- **United Way of Greater Greensboro, Inc. (Greensboro, NC)**
  - To expand the Extended School Services site from one to twelve schools, implement a school-to-home model that documents students’ outcomes, and establishes a community network that connects the ESS site to other local initiatives and programs.
  - **Approved 2000**: $250,000
  - **Paid 2000**: $250,000

- **United Way of Milwaukee County (Milwaukee, WI)**
  - To create the Friends of ESS, an administrative entity that will coordinate Extended Service Schools programs at ten schools, strengthen the partnership with the school district, and help public and private funding sources to support future program development.
  - **Approved 2000**: $300,000
  - **Paid 2000**: $300,000

- **United Way of Southeastern New England, Inc. (Providence, RI)**
  - To expand the number of Extended Service Schools sites in Central Falls from one to six schools and develop a statewide learning network that provides training and technical assistance and disseminates information.
  - **Approved 2000**: $325,000
  - **Paid 2000**: $325,000

- **Urban Strategies Council (Oakland, CA)**
  - To strengthen the quality and capacity of six Extended Service Schools sites through technical assistance and the establishment of a statewide learning network that connects local leadership and builds on the growth of high-quality, community-based learning opportunities for children and families.
  - **Approved 2000**: $400,000
  - **Paid 2000**: $400,000

- **YMCA of Greater Boston (Boston, MA)**
  - To strengthen the Gardner Elementary Extended-Service Schools model and provide technical and training assistance to six new ESS schools in the Allison Brighton community.
  - **Approved 2000**: $200,000
  - **Paid 2000**: $200,000

- **YMCA of Greater Long Beach (Long Beach, CA)**
  - To increase the involvement of African American and Asian American families in a student development program that promotes and maintains learning at home.
  - **Approved 2000**: $200,000
  - **Paid 2000**: $200,000

- **YMCA of Metropolitan Minneapolis (Minneapolis, MN)**
  - To increase the involvement of African American and Asian American students in a student development program that promotes and maintains learning at home.
  - **Approved 2000**: $400,000
  - **Paid 2000**: $400,000

- **Youth Futures Authority (Aurora, CO)**
  - To conduct an analysis of the thirty middle schools in the Aurora school district, identify promising practices in student development, and develop a management system to document participation.
  - **Approved 2000**: $400,000
  - **Paid 2000**: $400,000

**Pathways to Teaching Careers**

- **Citywide School District (Seattle, WA)**
  - To prepare students to play a more active role in the high schools. The Pathways to Teaching Career’s new emphasis is on providing training to new educators.
  - **Approved 2000**: $2,322,000
  - **Paid 2000**: $2,322,000

- **The Chicago Community Trust (Chicago, IL)**
  - To prepare students to play a more active role in the city’s public schools.
  - **Approved 2000**: $250,000
  - **Paid 2000**: $250,000

**Youth Futures Authority (Aurora, CO)**

- To help principals and supervisors create conditions in their schools and districts so that all students can achieve the highest learning standards.

- **University of Washington, Center on Reinforcing Public Education (Seattle, WA)**
  - To examine the leadership of schools and propose ways to increase both the supply and quality of school principals and supervisors.
  - **Approved 2000**: $3,240,000
  - **Paid 2000**: $3,240,000

**National Conference on Education Leadership at Teachers College, Columbia University**

- **Approved 2000**: $204,000
- **Paid 2000**: $204,000

**CONCLUDING INVESTMENTS**

**Pathways to Teaching Careers**

- **Education Commission of the States (Denver, CO)**
  - To help govern board and other stakeholders develop, implement and replicate policies that support programs to recruit and prepare teachers for hard-to-staff schools.
  - **Approved 2000**: $694,000

- **Harvard Project Zero / President and Fellows of Harvard College (Cambridge, MA)**
  - To pilot a new approach to helping hard-to-staff elementary and middle schools in Massachusetts improve the quality of instruction by involving students on a regular basis in the instruction they offer to teachers. Teachers and administrators will use tools and processes developed by Project Zero to guide their collaborative examination of instructional practices as well as refine and improve them.
  - **Approved 2000**: $285,000

- **National Council for Accreditation of Teacher Education (NCATE) (Washington, DC)**
  - To pilot a new approach to helping hard-to-staff elementary and middle schools in Massachusetts improve the quality of instruction by involving students on a regular basis in the instruction they offer to teachers. Teachers and administrators will use tools and processes developed by Project Zero to guide their collaborative examination of instructional practices as well as refine and improve them.
  - **Approved 2000**: $416,000

- **Tina-Marie Haynes Teachers Institute / Tina-Marie Haynes (Chatham, GA)**
  - To establish a Teachers Institute in three cities, and provide assistance and support for them.
  - **Approved 2000**: $427,000

- **School Performance**
  - **Southern Regional Education Board (Birmingham, AL)**
    - To examine the leadership of schools and propose ways to increase both the supply and quality of school principals and supervisors.
  - **Approved 2000**: $440,000
Wallace-Reader's Digest Funds
To create a national network of community-based information centers for encouraging low-income youth to pursue college education.

Public Libraries as Partners in Youth Development

Brooklyn Public Library — Brooklyn Public Library Foundation, Inc. (Brooklyn, NY)
To support the national nonprofit member organization for grantmakers.

To collaborate with key community partners to develop Young Library Leaders, an after-school and summer program for low-income children and youth.

Tucson-Pima Public Library — Tucson-Pima Public Library (Tucson, AZ)
To provide computer and internet access to students in grades K-12, supporting academic success and preparing them for college.

Library for Children and Families, Inc. (Milwaukee, WI) — 140,000
To assist the organization in sustaining its Family Literacy Together with Schools program.

Interfaith Education Fund, Inc. (Austin, TX) — 260,000
To build on its substantial improvement of Texas public schools through extended parent and community involvement and to replicate the Response Schools Initiative in three additional Southwestern states.

National Coalition of Advocates for Students (Boston, MA)
To sustain the National Asian Family School Partnership Project.

Washington County Library System — Washington County Library System (Falls, MN)
To develop a corps of trained teen volunteers who will provide opportunities for low-income youth to become skilled in library technology, group presentation and developing leadership skills while serving as ambassadors for the library throughout the system and community.

Other

Brandeis University (Waltham, MA) — 298,800
To improve the quality of summer learning opportunities for low-income students.

Community Funds, Inc. (New York, NY) — 46,956
To support the Yale New Haven Readers Digest Education Fund.

Council on Foundations, Inc. (Washington, DC) — 22,000
To support the Wallerstein Institute for Private Grantmaking.

Grantmakers for Children, Youth & Families (Washington, DC) — 20,000
To support the national membership organization of public, corporate, community and public foundations interested in programs that promote higher, higher and adult education.

Independent Sector (Washington, DC) — 10,500
To support this national coalition of organizations for giving, volunteering and nonprofit initiatives.

New York Regional Association of Grantmakers, Inc. (New York, NY) — 10,000
To support this association of nonprofit organizations for advancing New York City’s nonprofit sector.

Nonprofit Coordination Committee of New York, Inc. (New York, NY) — 1,000
To support this association of nonprofit social service, education, arts, health and philanthropic organizations dedicated to advancing New York’s nonprofit sector.

Miscellaneous grants, each no more than $1,000.

4,400

300,000

500,000

200,000

...
Public: Private Ventures (Philadelphia, PA)
To conduct an evaluation in partnership with Manpower Demonstration Research Project of the Funds’ Extended-Service Schools (ESS) Initiative. Evaluators are considering what is necessary to plan and launch an ESS program on the community level; how high-quality services are designed; what attracts young people to programs and sustains their interest; and determine the costs and ways to finance programs.

Stanford University (Stanford, CA)
To examine ways teacher development organizations participating in the Funds’ Student Retention Initiative promote student-centered teaching, learning, and school organization.

University of California, Berkeley (Berkeley, CA)
To publish an article highlighting the efforts of Funds grantees to strengthen the practices of classroom teachers. The approaches examined by UC Berkeley include teachers’ review of student work and peer discussions about ways to improve student learning.

Urban Institute (Washington, DC)
To conduct a comprehensive evaluation of the Funds’ Pathways to Teaching Careers program, which aims to increase and diversify the supply of well-trained public school teachers in hard-to-staff districts. UA is documenting program implementation at participating universities as well as impacts and costs.

Publications
Getting Started with Extended-Service Schools: Early Lessons from the Field (Handbook for Practitioners)

New Rules, New Roles: Preparing All Young People for a Changing World (Monograph outlining Fund-supported career preparation programs)

Other

TOTAL GRANTS $26,213,856
TOTAL NON-GRANT PROGRAM EXPENDITURES $3,186,312
TOTAL PROGRAM EXPENDITURES $29,390,168

Note: Grants approved in 2000 ($26,213,856) plus multiyear grant payments in 2000 ($8,461,205) and non-grant program expenditures ($3,186,312) are equivalent to total grants and related activities ($34,243,373) as shown in Statement of Activities (see p. 46, “Grants and Related Activities”). Future payments represent grants payable as well as conditional multiyear grant commitments.
Isabella Stewart Gardner Museum, Inc. (Boston, MA) — 500,000
To increase the current audience, particularly people of color, families and adults through exhibitions, performances and educational programs.

Museum of Fine Arts, Houston (Houston, TX) — 500,000
To increase participation by underserved audiences citywide through exhibitions and educational programs based on the museum’s permanent collection and through community-based partnerships with libraries, parks and schools.

New Jersey Performing Arts Center (Newark, NJ) 1,250,000 416,667 833,333
To attract and serve new and nontraditional audiences of all ages through partnerships with more than dozen universities, libraries, churches and community-based organizations. Workshops, discussions and performances will connect audiences with a variety of local initiatives.

Pittsburgh Ballet Theatre, Inc. (Pittsburgh, PA) — 400,000
To build on its robust audience development successes and present a series of meals that draw on themes that are important to Pittsburgh’s heritage, including ballets inspired by jazz music and works by choreographers native to Pittsburgh.

Real Art Ways, Inc. (Hartford, CT) — 400,000 150,000 250,000
To conduct market research that will inform strategies for increasing the number and length of artist residencies, mount a major annual public art project, and expand marketing efforts to double annual attendance levels.

Repertoire Epoch – Spanish Theatre-Repetto Co., Ltd. (New York, NY) — 300,000
To increase attendance among Hispanic who speak little or no Spanish and other non-native and Hispanic audiences. The theater will produce new works and thematic festivals, expand education and outreach programs, increase marketing efforts and upgrade audience training systems.

Seattle Art Office (Seattle, WA) 1,250,000 400,000 800,000
To conduct audience research, organize major exhibitions, expand opportunities for involvement with the museum and heighten marketing efforts to diversify its audience and make it more reflective of local demographics.

Seattle Repertory Theatre (Seattle, WA) — 200,000
To expand its Young Artists Program so that more elementary and high schools and communities throughout Washington state have greater opportunities to learn about opera through metal, regional concerts and community performance.

The Village of Arts and Humanities (Philadelphia, PA) — 500,000
To expand arts education programs by offering workshops in partnership with at least three new schools and community groups each year, increasing the number of youth theater productions, visual arts exhibitions and outreach sites, and developing new community arts programs.

University Musical Society – University of Michigan (Ann Arbor, MI) 1,250,000 416,667 833,333
To collaborate with local organizations and University of Michigan departments to conduct annual residencies by major artists in modern dance, jazz and theater, and develop a new marketing and fundraising strategies that more fully involve new audiences.

Walker Art Center, Inc. (Minneapolis, MN) 1,250,000 416,667 833,333
To maintain the size of its audience and deepen people’s engagement with the museum by increasing the number of artist residencies, launching a new weekly program of Free Thursdays, enhancing community programs throughout the Walker on Wheels mobile art lab, and expanding its award-winning Interactive websites program.

To expand and refine community-based programs, outreach and exhibitions, performances, and educational programs. The museum will focus on young audiences and new Vietnamese and Cambodian immigrants.

Yerba Buena Center for the Arts (San Francisco, CA) — 330,175
To host four extended artist residencies annually, expand traditional and fine-line marketing efforts and join with local schools and community organizations to enhance education and outreach efforts, which will help strengthen its relationships with current audiences.

Communications

ArtsAllPeople
Communications strategy and website development.

— 275,000 0

Conominings

Meetings in Pittsburgh and San Francisco of leading arts organizations and funders to share insights on effective strategies for building arts participation.

— 94,000 0

CONCLUDING INVESTMENTS

Community Partnerships for Cultural Participation Initiative

Boston Foundation (Boston, MA) — 500,000 300,000
To broaden and deepen arts and culture participation on a neighborhood level. Organizations will be encouraged to share their strategies for building arts participation.

Community Foundation for Southeastern Michigan (Detroit, MI) — 100,000 300,000
To support expanded arts participation by using innovative community-building strategies that promote social cohesion, inspire new audience development strategies, and build partnerships that bring together cultural organizations.

East Tennessee Foundation (Knoxville, TN) — 100,000
To support expanded cultural participation by providing arts organizations with technical assistance and training in program development, marketing and promotion.

Humboldt Area Foundation (Eureka, CA) — 100,000
To increase cultural participation by strengthening the arts as part of the lives of young people and families.

Community Arts Partnership (CAP) Initiative

California State University, Monterey Bay – Foundation of California State University, Monterey Bay (Seaside, CA) — 153,140
To continue to build partnerships with four organizations to establish a Regional University for the Arts, in which the community serves as a primary focus and resource for university curricula. Performances, exhibitions, research, programs, and university curricula will be produced in partnership with the arts and can play a transformative role in community life.

Columbia College Chicago – Columbia College Chicago (Chicago, IL) — 200,000 300,000
To plan and implement the Institutional Community Arts Partnerships (ICAP) program to enhance the impact of the Funds’ Community Arts Partnership Initiative. ICAP will involve an annual meeting of grantees, peer-to-peer mentoring projects, targeted technical assistance, web-based list-serves and teleconferences and publications of case studies and conference proceedings. ICAP development will be guided by a committee comprising CAP grantees, national leaders from the fields of higher education, service learning and community development, and Fund staff.

Cooper Union – Cooper Union for the Advancement of Science and Art (New York, NY) — 250,000
To collaborate with two organizations in metropolitan New York to provide high-quality studio arts education to ethnically diverse community youth. Students will meet the needs of three partners, the program will focus on photography, printmaking and pre-college pre-professional visual arts training.

Non-Grant Related Expenses

Evaluation

Rand Corporation (Washington, DC) 170,972
To execute research from previous Funds’ grantmaking that supports the broadening, diversifying and deepening of participation in arts and culture. Through this, RAND will identify why people participate in arts, how institutions can influence participation and how they can adapt to foster participation, and lessons that can be learned from leaders in the field.
Institute of American Indian Arts Foundation (Santa Fe, NM)
To develop a Native American Youth Outreach Program through collaborations with community organizations in Albuquerque, NM and Denver, CO

Maryland Institute, College of Art (Baltimore, MD)
To expand access to the visual arts for several hundred Baltimore children at four community-based after school programs. The college will offer art mentoring programs and a variety of art projects that meet the children's, MGICs and the community's interests, while laying the groundwork for ongoing arts programs in target communities.

Xavier University of Louisiana (New Orleans, LA)
To expand current visual arts instruction programs for low-income youth at two community-based centers. The university will collaborate with two New Orleans universities and with the New Orleans Museum of Art, the Arts Council of New Orleans and Yellow/Rosemount Multi-Media Institute. The program will enhance community service learning curricula at the three universities while establishing significant linkages between community organizations and more traditional arts organizations.

Appleshop, Inc. (Whitleyville, KY)
To increase participation in the arts by young people and adults in western Kentucky and eastern Virginia through expanded public performances of live theater and traditional music and expanded use of radio broadcasts.

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

Boston Center for the Arts (Boston, MA)
To broaden and deepen participation in the arts by Asian American and Cape Verdean adults, families and young people through enhanced community planning and public programs.

Dell'Arte, Inc. (Blue Lake, CA)
To increase the audiences for its five-week Maz整تي Resorts and expanded enrollment in its summer theater, dance, music and performance classes. The target audience, children and families, will be reached through enhanced year-round programs featuring folk and traditional arts.

Healy Heritage Center/St. Joseph's Historic Foundation (Durham, NC)
To increase audiences through enhanced strategic marketing and program development targeting youth and senior citizens. The center will seek partnerships with neighborhood churches, schools and social service agencies to develop customized mini-performances, exhibitions and interactive workshops that expand local exposure and involvement.

Intermediate Arts Minnnesota (Minneapolis, MN)
To deepen participation in the arts and expand the base of volunteers and individual donors through enhanced community partnerships, expanded public programs, and expanded marketing efforts.

Japanese American Cultural and Community Center (Los Angeles, CA)
To increase participation of students and senior citizens in Japanese American traditional and contemporary arts and through increased performance, mini-lectures and educational programs.

Madama Butterfly Theatre Center / The Madama Butterfly Building Urban City Center, Inc. (Indianapolis, IN)
To increase participation by first-time attendees and increase individual contributions through targeted neighborhood outreach, enhanced networking and expanded arts and educational programs.

Manchester Continuation Guild (Philadelphia, PA)
To increase participation of young people, families and general audiences through enhanced presentation of traditional and contemporary music and dance, and expanded community residencies by leading visual and performing artists.

The Martin Luther King, Jr. Performing and Cultural Arts Complex (Community Arts Project Inc. (Chattanooga, TN)
To expand audience among young African Americans through enhanced marketing, outreach and targeted programs of theater, music and the visual arts. An advisory group drawn from the targeted audience will help shape public programs and marketing strategies. Strategic partnerships with community organizations will be used to develop collaborative programs and crossover attendance.

Medicine Fine Arts Center Museum / Mexican Fine Arts Center (Chicago, IL)
To expand arts for its touring theater and music productions and increase the enrollment and participation of young people in center classes. A consolidated audience database will be used to improve the planning and marketing of touring productions.

Point Breeze Performing Arts Center (Philadelphia, PA)
To expand arts for its touring theater and music productions and increase the enrollment and participation of young people in center classes. A consolidated audience database will be used to improve the planning and marketing of touring productions.

Taller Puertorriqueno, Inc. (Philadelphia, PA)
To build a sustaining membership of contributors and expand community participation in the arts through enhanced outreach to young professionals, improved audience tracking and expanded community programs.

Young Audiences: Young Artists, Inc. (New Orleans, LA)
To expand audience of young artists, families and community members through targeted community partnerships in four neighborhoods, creation of a 200-member friends group and expanded enrollment in after school arts programs.

Dancers Collective of Atlanta, Inc. (Atlanta, GA)
To conduct a three-week residency by David Cr. Dancer to build audiences for dance and strengthen the repertory of a local dance company.

Dampier Project, Inc. (New York, NY)
To conduct a residency by choreographer Yoshiko Chuma and her company, School of Hard Kicks, to build audiences for dance among residents of New York's East Village.

Jambig Productions (New Orleans, LA)
To conduct a five-week residency by Rosalind's Theater and Prosper's Theater to build audience for theater.

Led Center for Kansas / The University of Kansas, Center for Research, Inc. (Lawrence, KS)
To conduct a three-week residency by dance-entertainers Donald Oddy/The Group to expand and diversity adult audiences.

Lobos Fine Arts Productions, Inc. (New York, NY)
To conduct a residency by Tom Peter and members of the Moblith Singers and Dancers to develop Native American attendance at cultural events.

San Francisco Performances, Inc. (San Francisco, CA)
To conduct a four-week residency by the Phil Taylor Dance Company to build audiences for dance and increase the number of dance subscribers.

Tausha Theatre / Tausha Theatre (Buffalo, NY)
To conduct a three week residency by Companeros Theatre Company to increase participation in theater among Baltimore residents, particularly current and former steel workers.

University Musical Society / University of Michigan (Ann Arbor, MI)
To expand current visual arts instruction programs for low-income youth at two community-based centers. The university will collaborate with two New Orleans universities and with the New Orleans Museum of Art, the Arts Council of New Orleans and Yellow/Rosemount Multi-Media Institute. The program will enhance community service learning curricula at the three universities while establishing significant linkages between community organizations and more traditional arts organizations.

Audiences for the Performing Arts Network (New York, NY)
To collaborate with the University of Michigan School of Humanities and School of Music, Ann Arbor Public Schools and School for Performing Arts, and WUOM/Michigan Radio for a residency with the American String Quartet and pianist Ursula.

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

To conduct a residency by Cornerstone Theater to increase participation in theater among Bethlehem residents, particularly current and former steel workers.

NM and Denver, CO.

To collaborate with two New Orleans universities and with the New Orleans Museum of Art, the Arts Council of New Orleans and Yellow/Rosemount Multi-Media Institute. The program will enhance community service learning curricula at the three universities while establishing significant linkages between community organizations and more traditional arts organizations.

Audiences for the Performing Arts Network (New York, NY)
To collaborate with the University of Michigan School of Humanities and School of Music, Ann Arbor Public Schools and School for Performing Arts, and WUOM/Michigan Radio for a residency with the American String Quartet and pianist Ursula.

Dance St. Louis (St. Louis, MO)
To support extended residencies in Missouri for four dance companies.

San Francisco Performances, Inc. (San Francisco, CA)
To develop a Native American Youth Outreach Program through collaborations with community organizations in Albuquerque, NM and Denver, CO.

To collaborate with local community organizations and regional partners to conduct extended residencies by dance, music and theater artists to increase season subscribers and single ticket buyers.

San Francisco Performances, Inc. (San Francisco, CA)
To collaborate with local community organizations and regional partners to conduct extended residencies by dance, music and theater artists to increase season subscribers and single ticket buyers.

Leading Dance Centers

Dance St. Louis (St. Louis, MO)
To support extended residencies in Missouri for four dance companies.

San Francisco Performances, Inc. (San Francisco, CA)
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Leading Dance Companies

Ballet Arizona (Phoenix, AZ)
To expand and diversify audiences for dance in Phoenix and Tucson through integrated artistic, marketing and outreach programs conducted in partnership with universities and community organizations.

Bill T. Jones/Arnie Zane Dance Company (New York, NY)
To expand and diversify audiences in New York City, Minneapolis/St. Paul, San Francisco and Riverside, CA by planning and implementing a series of long-term residencies and innovative artistic programs.

Lilac Lemon Dance Exchange (Philadelphia, PA)
To expand its volunteer, especially among seniors in Washington, DC, New England, Houston and Austin, by planning and implementing extended artistic projects, community engagement initiatives and change in the organization's structure.

Pacific Northwest Ballet (Seattle, WA)
To increase attendance among young computer industry professionals and African Americans by planning and implementing a variety of artistic, outreach and marketing programs.

Pilobolus Dance Theatre (New Haven, CT)
To expand legal access to the New England home region as well as in Atlanta, Cleveland, New Orleans, Pittsburgh and Santa Rosa by planning and implementing new performances, outreach and teaching programs.

American Association of Museums (Washington, DC)
To convene a series of nine discussions, "Common Dialogues," for museum professionals and community leaders to determine how museums can best serve communities. The discussions will be co-sponsored and organized by museums and other civic organizations in each host community to help establish a set of principles that will be incorporated into AAM's standards of accreditation for museums.

The Baltimore Museum of Art (Baltimore, MD)
To use the combined strengths of the early American, African and modern art collections to increase participation and attendance by the city's African American residents.

El Museo del Barrio (New York, NY)
To establish the annual "City of Art" event, which links members to strengthen and expand connections with the multicultural Latino neighborhoods of New York City and general audiences.

The Institute of Contemporary Art (Boston, MA)
To establish a supermarket art residency program in the Charlestown Navy Yard, linking resident artists with community and neighborhood schools to produce work that better meets the needs of local residents.

Museum of Contemporary Art, San Diego (La Jolla, CA)
To expand audiences, especially middle-income Latino residents, through a series of exhibitions and programs based on the permanent collections.

Saint Louis Art Museum (St. Louis, MO)
To relaunch the African, Native American and pre-Columbian collections, develop new interpretive approaches to the collections and strengthen marketing to reach new audiences segments of novices and other underrepresented members of the community, particularly African Americans.

The Toledo Museum of Art (Toledo, OH)
To make museum collections accessible to the three underpopulated populations of Toledo through the program, Art and The Workplace.

Audiences for Literature Network (ALN)

Florida Center for the Book (Tallahassee, FL)
To increase adult audiences for literature in Broward County, Service to the Terre Haute area.

Gold Complex (Phoenix, AZ)
To increase the participation of women, young people and people through enhanced programs, marketing activities and membership services.

Just Buffalo Literary Center, Inc. (Buffalo, NY)
To increase youth participation through expanded and enriched workshops, reading incentive programs in partnership with local sports organizations and an annual arts education initiative oriented on curriculum reform.

The Loft, Inc. (Minneapolis, MN)
To increase the participation of young urban adults, other suburban adults and young writers by enhancing its programs, marketing and organizational activities.

Unit for Contemporary Literature (Minneapolis, MN)
To enhance ALN's impact by developing and coordinating three conferences for the network, producing publications, and coordinating telecommunication activities.

Unit for Contemporary Literature (Atlantic City, NJ)
To expand coordination of AC through vigorous distribution of publications that highlight effective audiences building practices; enhancing online activities such as web-based publishing, discussion boards and electronic mailing lists for current and prospective network members and creating additional sites.

Washington Center for the Book (Seattle, WA)
To increase adult participation by partnering with libraries and other groups to sponsor annual residencies featuring nationally known authors, and expand the mentorship discussion groups.

Woodward Paton Literary Center (Minneapolis, MN)
To increase youth participation by becoming a literary center in residence with local elementary and high schools.

Writers and Books, Inc. (Birmingham, AL)
To increase participation of older adults and young people by enhancing programs, developing an internet-based reading program and sponsoring an annual Festival of Reading in collaboration with the local newspapers.

Nonprofit Literary Publishers

Arts Publica Press (University of Houston, TX)
To expand annual sales and increase revenue by distributing books in English and Spanish through special publications and convening stores in Houston, San Antonio and Dallas.

Boston Review (Boston, MA)
To increase readership among Internet users through a project that combines three strategies: a new editorial section on contemporary fiction, innovative approaches to cross-media marketing between radio and the Internet, and strategic alliances.

Coffee House Press (Minneapolis, MN)
To develop the audience for African American literature through development and promotion of a website, and on-line promotion of Coffee House titles.

Copper Canyon Press (Fort Worth, TX)
To increase the audience for poetry among literary book groups and increase the acquisition of its titles in public library collections. Sample books, reading guides and other promotional materials will be distributed to a network of 1,200 public libraries as well as library program coordinators knowledgeable about literary purchasing systems.

Counsel of Literary Magazines and Presses (CLMP) (New York, NY)
To increase the competitive strength of non-profit literary publishing and disseminate critical information about building audiences for literature. CLMP will provide training, technical assistance and other professional development activities; convene publishers and other leaders in the field for annual institutes that explore emerging market trends in audience development, and implement communications strategies that include publications and telecommunication activities to promote the spread of knowledge in the field.

Darby Archive Press (Review of Contemporary Fiction, Inc. (Hamlet, IL)
To increase the audience for younger readers by strengthening its website, making strategic use of Internet resources; advertising, in both print and electronic formats, literary titles that feature innovative writing.

Milledgeville Editions (Minneapolis, MN)
To increase the reading audience, especially among nature lovers and nature enthusiasts, by establishing an imprint for high-quality literary fiction.

The New Press (For Book, Publishing Publishing) (New York, NY)
To increase the high school and college audience for its publications by working with targeted school systems and academic institutions to incorporate contemporary literature into high school and college curricula.

Pseudographs, Inc. (Boston, MA)
To increase readership among Internet users by developing a multi-service website that gives readers complete access to the magazine's literary archives as well as opportunities to capture information about and converse with leading contemporary writers associated with the magazine. Pseudographs will also implement a marketing strategy that links the magazine to the leading literary blogs on the Internet.

Senundos Books, Inc. (Loyola, KY)
To expand the audience for its publications among college students by focusing on three specific areas of college instruction: contemporary American literature and creative writing.
Small Press Distribution, Inc. (Bellevue, WA)
To develop an electronic site to enable booksellers more efficiently to order titles, create and disseminate special marketing materials to booksellers, and develop an e-mail and Internet marketing strategy to reach readers directly.

Theatre Communications Group, Inc. (New York, NY)
To implement several targeted marketing and promotional strategies to expand the core audience of theater professionals and convert the market of theatergoers to book buyers.

Leading Literary Centers

American Library Association (Chicago, IL)
To develop and support in national network to build capacity and sustain public libraries in presenting innovative literary and cultural programs to diverse audiences.

Writers’ Awards

Wallace-Reader’s Digest Funds
To underwrite activities in association with Writers’ Award recipients Ellen Voigt.

To affiliate with the Queens Library Foundation to conduct writing workshops that focus on life in Queens, one of the world’s most ethnically diverse counties.

Chester, VT — 13,000

Hahn, Kimiko
To organize, in joint affiliation with William Simone Di Piero and the San Francisco Public Library, a series of readings and talks by Bay Area writers.

Port Ewen, NY — 10,000

Town of Esopus Port Ewen Library
To present, in affiliation with PEN American Center, a community-based project to broaden the audience for literature.

(Santa Fe, NM) — 10,000

Snyder, Gary
To conduct writing workshops for adult literacy students in affiliation with Friends of the Oakland Public Library.

Oakland, CA — 10,000

The Friends of the Oakland Public Library
To conduct, in affiliation with PEN American Center, a community-based project to broaden the audience for literature.

(Athens, OH) — 10,000

Dairy Barn Southeastern Ohio Cultural Arts Center
To present, in affiliation with the Town of Etowah Public Library, a series of readings by writers from the Athens Valley region.

(Rockton, VA) — 10,000

Dorsey, Lydia
To conduct, in affiliation with PEN American Center, a community-based project to broaden the audience for literature.

(New York, NY) — 10,000

Diaz, Junot
To conduct, in affiliation with PEN American Center, a community-based project to broaden the audience for literature.

(Santa FE, NM) — 10,000

Di Pierno, William Simone
To present, in affiliation with PEN American Center, a series of readings and talks by Bay Area writers.

San Francisco, CA — 10,000

Di Pierno, William Simone
To conduct, in affiliation with PEN American Center, a community-based project to broaden the audience for literature.

(Berkeley, CA) — 141,206

Small Press Distribution, Inc.
To continue the development and implementation of programs to enhance usership of the Garfield Conservatory.

Wallace-Reader’s Digest Funds (Chicago, IL) — 64,839

To improve services to learners and study the impact of those improvements on learner persistence.

Wallace, John Edgar (Amherst, MA)

To conduct writing workshops for teachers working in inner-city public schools in association with The Learning Tree.

Williams, Terry Tempad (Castle Valley, UT)

To conduct, in affiliation with FRN American Center, a community-based project to broaden the audience for literature.

National Projects in the Folk and Traditional Arts

Arab Community Center for Economic and Social Services (Dearborn, MI) — 45,025

To present a series of concerts and exhibits on traditional Arabic subjects and musical traditions.

Michigan State University Museum /Michigan State University (East Lansing, MI) — 26,357

To develop and tour two exhibitions about outstanding traditional Native American and Hawaiian cultural arts. The exhibitions will tour to small cultural organizations and art museums.

National Council for the Traditional Arts (Silver Spring, MD)

To integrate folk and traditional arts programs into the development of national, state and local parks whose mandate includes increasing awareness of America’s cultural heritage.

The New York Public Library (500,000)

To improve services to learners and study the impact of those improvements on learner persistence.

Urban Parks

The American Planning Association (Chicago, IL)

To develop and manage the City Parks Focus, in partnership with the Donor Circle/Donor Circle Foundation.

Friends of Hermann Park (Houston, TX)

To improve services to learners and study the impact of those improvements on learner persistence.

To work with the Chicago Park District to involve community residents in planning and programming for two major new exhibits—a Children’s Garden and a Demonstration Garden—so they serve and attract the Conservatory’s neighbors on the city’s west side.

To strengthen and expand the network of support for San Francisco parks by increasing the capacity of neighborhood park groups to improved neighborhoods; expanding educational programs for children and youth from Golden Gate Park to 30 neighborhood parks; convening public forums and facilitating greater public-private interaction in support of improved parks; and instilling park values that engage the community.

To improve services to learners and study the impact of those improvements on learner persistence.

The American Planning Association (Chicago, IL)

To develop and manage the City Parks Focus, in partnership with the Donor Circle/Donor Circle Foundation.

Friends of the New Orleans Public Library (New Orleans, LA) — 63,918

To conduct programs to encourage community involvement in the creation of the Neponset River Greenway and the East Boston Greenway; two new parks serving diverse, underserved neighborhoods.

Buffalo Olmsted Parks Conservancy (Buffalo, NY)

To choose public use of three major parks designed by Frederick Law Olmsted. The Conservancy will create information plans for each park, develop friends groups to help implement the information plans, and increase public use and stewardship.

Friends of Hermann Park (Houston, TX)

To improve services to learners and study the impact of those improvements on learner persistence.

Friends of Recreation and Parks Foundation Incorporated (San Francisco, CA) 575,000

To improve services to learners and study the impact of those improvements on learner persistence.

Friends of Hermann Park (Houston, TX)

To improve services to learners and study the impact of those improvements on learner persistence.

To ensure sustainability of physical improvements and public programming.

Friends of Hermann Park (Houston, TX)

To improve services to learners and study the impact of those improvements on learner persistence.

To conduct writing workshops for teachers working in inner-city public schools in association with The Learning Tree.

The New York Public Library /The New York Public Library (500,000)

To improve services to learners and study the impact of those improvements on learner persistence.

Friends of Hermann Park (Houston, TX)

To improve services to learners and study the impact of those improvements on learner persistence.

To improve services to learners and study the impact of those improvements on learner persistence.

Voigt, Ellen Bryant (Middletown, VT)

To organize, in association with the Vermont Center for the Book, a series of visits by poets to high schools throughout the state.

Waldrop, Rosemary (Providence, RI)

To organize a series of readings by poets in association with the Providence Afternoon.

Wallman, John Edgar (Amherst, MA)

To conduct writing workshops for teachers working in inner-city public schools in association with The Learning Tree.

Williams, Terry Tempad (Castle Valley, UT)

To conduct, in affiliation with FRN American Center, a community-based project to broaden the audience for literature.

National Projects in the Folk and Traditional Arts

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To present a series of concerts and exhibits on traditional Arabic subjects and musical traditions.

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To develop and tour two exhibitions about outstanding traditional Native American and Hawaiian cultural arts. The exhibitions will tour to small cultural organizations and art museums.

National Council for the Traditional Arts (Silver Spring, MD)

To integrate folk and traditional arts programs into the development of national, state and local parks whose mandate includes increasing awareness of America’s cultural heritage.

The New York Public Library (500,000)

To improve services to learners and study the impact of those improvements on learner persistence.

Urban Parks

The American Planning Association (Chicago, IL)

To develop and manage the City Parks Focus, in partnership with the Donor Circle/Donor Circle Foundation.

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Friends of Hermann Park (Houston, TX)

To improve services to learners and study the impact of those improvements on learner persistence.

The New York Public Library /The New York Public Library (500,000)

To improve services to learners and study the impact of those improvements on learner persistence.

Friends of Hermann Park (Houston, TX)

To improve services to learners and study the impact of those improvements on learner persistence.

To continue the development and implementation of programs to enhance usership of the Garfield Conservatory.

The New York Public Library /The New York Public Library (500,000)

To improve services to learners and study the impact of those improvements on learner persistence.

Queenie Library Foundation, Inc. (Alexandria, VA)

To improve services to learners and study the impact of those improvements on learner persistence.

Redwood City Friends of Literacy (Redwood City, CA)

To improve services to learners and study the impact of those improvements on learner persistence.

Robinson Public Library Endowment /Robinson Library Endowment (Pittsburgh, PA)

To improve services to learners and study the impact of those improvements on learner persistence.

San Jose Public Library Foundation - The San Jose Public Library Foundation (San Jose, CA)

To improve services to learners and study the impact of those improvements on learner persistence.

Santa Clara County Library / Friends of the Reading Program (Mountain View, CA)

To improve services to learners and study the impact of those improvements on learner persistence.

Springfield City Library /Springfield Library and Museums Association (Springfield, MA)

To improve services to learners and study the impact of those improvements on learner persistence.

Waukegan Public Library Foundation (Waukegan, IL)

To improve services to learners and study the impact of those improvements on learner persistence.

Friends of Hermann Park (Houston, TX)

To improve services to learners and study the impact of those improvements on learner persistence.

To work with the Chicago Park District to involve community residents in planning and programming for two major new exhibits—a Children’s Garden and a Demonstration Garden—so they serve and attract the Conservatory’s neighbors on the city’s west side.

Garfield Park Conservancy Alliance (Chicago, IL)

To continue the development and implementation of programs to enhance usership of the Garfield Conservatory.

Garfield Park Conservancy Alliance (Chicago, IL)

To continue the development and implementation of programs to enhance usership of the Garfield Conservatory.

The institute will educate mayors, their principal park advisors and private sector partners about the value of parks.

National Council for the Traditional Arts

To develop and tour two exhibitions about outstanding traditional Native American and Hawaiian cultural arts. The exhibitions will tour to small cultural organizations and art museums.

National Council for the Traditional Arts (Silver Spring, MD)

To integrate folk and traditional arts programs into the development of national, state and local parks whose mandate includes increasing awareness of America’s cultural heritage.

The New York Public Library (500,000)

To improve services to learners and study the impact of those improvements on learner persistence.

Urban Parks

The American Planning Association (Chicago, IL)

To develop and manage the City Parks Focus, in partnership with the Donor Circle/Donor Circle Foundation.

Friends of Hermann Park (Houston, TX)

To improve services to learners and study the impact of those improvements on learner persistence.

Friends of Recreation and Parks Foundation Incorporated (San Francisco, CA) 575,000

To improve services to learners and study the impact of those improvements on learner persistence.

Friends of Hermann Park (Houston, TX)

To improve services to learners and study the impact of those improvements on learner persistence.

To ensure sustainability of physical improvements and public programming.

Friends of Hermann Park (Houston, TX)

To improve services to learners and study the impact of those improvements on learner persistence.

The New York Public Library /The New York Public Library (500,000)

To improve services to learners and study the impact of those improvements on learner persistence.

Friends of Hermann Park (Houston, TX)

To improve services to learners and study the impact of those improvements on learner persistence.

To work with the Chicago Park District to involve community residents in planning and programming for two major new exhibits—a Children’s Garden and a Demonstration Garden—so they serve and attract the Conservatory’s neighbors on the city’s west side.

Garfield Park Conservancy Alliance (Chicago, IL)

To continue the development and implementation of programs to enhance usership of the Garfield Conservatory.

Garfield Park Conservancy Alliance (Chicago, IL)

To continue the development and implementation of programs to enhance usership of the Garfield Conservatory.
### Wallace-Reader's Digest Funds

For general support.

<table>
<thead>
<tr>
<th>Institution</th>
<th>Approved 2000</th>
<th>Paid 2000</th>
<th>Future Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jacksonville Symphony Association (Jacksonville, FL)</td>
<td>35,000</td>
<td>35,000</td>
<td>—</td>
</tr>
<tr>
<td>Jacksonville Symphony Orchestra and non-grant program expenditures</td>
<td>—</td>
<td>—</td>
<td>1,739,464</td>
</tr>
<tr>
<td>TOTAL GRANTS AND RELATED ACTIVITIES</td>
<td>$35,959,051</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Future payments represent grants payable as well as conditional multiyear grant commitments.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Jacksonville Museum of Art & History

To develop a new nine-acre park, improve two neighborhood parks and work with residents, civic organizations, schools and public agencies to increase support and programs for open space in the downtown Jacksonville neighborhood.

<table>
<thead>
<tr>
<th>Approved 2000</th>
<th>Paid 2000</th>
<th>Future Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>—</td>
<td>10,000</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Funds, Inc. (New York, NY)</td>
<td>125,285</td>
<td>125,285</td>
</tr>
<tr>
<td>To support the Lila Acheson Wallace Theater Fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Council on Foundations, Inc. (Washington, DC)</td>
<td>17,200</td>
<td>17,200</td>
</tr>
<tr>
<td>To support the national membership organization for grantmakers.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Curren Museum of Art &amp; Gardens / Deetjen Hidden Curren Museum Foundation (Jacksonville, FL)</td>
<td>26,000</td>
<td>26,000</td>
</tr>
<tr>
<td>Foundation Center (New York, NY)</td>
<td>26,000</td>
<td>26,000</td>
</tr>
<tr>
<td>To support the national clearinghouse for information on private granting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Independent Sector (Washington, DC)</td>
<td>10,500</td>
<td>10,500</td>
</tr>
<tr>
<td>To support this nonprofit coalition of organizations for giving, volunteering and nonprofit initiatives.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jacksonville Symphony Orchestra / Jacksonville Symphony Association (Jacksonville, FL)</td>
<td>26,000</td>
<td>26,000</td>
</tr>
</tbody>
</table>

### National Community Building Network (Alexandria, VA)

To support a forum for community practitioners, researchers, funders and others engaged in neighborhood transformation in sharing common interests and insights into challenges they encounter as well as field-tested strategies for rebuilding communities.

<table>
<thead>
<tr>
<th>Approved 2000</th>
<th>Paid 2000</th>
<th>Future Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>—</td>
<td>1,583,300</td>
<td>1,583,300</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Neighborhood Funders Group, Inc. (Minneapolis, MN)

To strengthen the capacity of organized philanthropy to understand and support community-based efforts to organize and improve the economic and social fabric of low-income urban neighborhoods and rural communities.

<table>
<thead>
<tr>
<th>Approved 2000</th>
<th>Paid 2000</th>
<th>Future Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>—</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### New York Regional Association ofGrantmakers, Inc. (New York, NY)

To support this association of nonprofit organizations for advancing New York City’s nonprofit sector.

<table>
<thead>
<tr>
<th>Approved 2000</th>
<th>Paid 2000</th>
<th>Future Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>—</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 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 City’s nonprofit sector.

<table>
<thead>
<tr>
<th>Approved 2000</th>
<th>Paid 2000</th>
<th>Future Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>—</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Miscellaneous grants, each no more than $500.

<table>
<thead>
<tr>
<th>Approved 2000</th>
<th>Paid 2000</th>
<th>Future Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>—</td>
<td>2,000</td>
<td>2,000</td>
</tr>
</tbody>
</table>

### NON-GRANT RELATED EXPENSES

**Evaluation**

- To plan and manage research, and to develop and conduct meetings.

<table>
<thead>
<tr>
<th>Approved 2000</th>
<th>Paid 2000</th>
<th>Future Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>—</td>
<td>54,000</td>
<td>—</td>
</tr>
</tbody>
</table>

### Other

- To support the national clearinghouse for information on private granting.

<table>
<thead>
<tr>
<th>Approved 2000</th>
<th>Paid 2000</th>
<th>Future Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>—</td>
<td>71,787</td>
<td>—</td>
</tr>
</tbody>
</table>

**TOTAL GRANTS**

- $22,405,285
- $22,902,267
- $24,103,759

**TOTAL NON-GRANT PROGRAM EXPENSES**

- $1,759,464

**TOTAL PROGRAM EXPENSES**

- $22,405,285
- $24,661,721
- $24,103,759

---

Note: Grants approved in 2000 ($22,405,285) plus multiyear grant payments in 2000 ($11,814,302) and non-grant program expenditures ($1,759,464) are equivalent to total grants and related activities ($35,959,051) as shown in Statement of Activities (see p. 54, "Grants and Related Activities"). Future payments represent grants payable as well as conditional multiyear grant commitments.
Independent Auditors' Report

The Board of Directors
DeWitt Wallace-Reader's Digest Fund, Inc.:

We have audited the accompanying balance sheets of DeWitt Wallace-Reader’s Digest Fund, Inc. as of December 31, 2000 and 1999, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DeWitt Wallace-Reader’s Digest Fund, Inc. as of December 31, 2000 and 1999, 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 16, 2001
### Statements of Activities

**Years ended December 31, 2000 and 1999**

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td>$7,134,244</td>
<td>$7,325,429</td>
</tr>
<tr>
<td>Interest</td>
<td>$16,840,788</td>
<td>$16,706,670</td>
</tr>
<tr>
<td>Investment fees</td>
<td>$23,975,032</td>
<td>$24,034,204</td>
</tr>
<tr>
<td>Net investment income</td>
<td>$22,298,636</td>
<td>$22,474,750</td>
</tr>
<tr>
<td>Stock contributions received (note 3)</td>
<td>$3,939,482</td>
<td>$—</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and related activities</td>
<td>$34,243,373</td>
<td>$43,129,243</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>$4,278,686</td>
<td>$3,646,721</td>
</tr>
<tr>
<td>Current Federal excise tax provision (note 5)</td>
<td>$690,000</td>
<td>$2,076,282</td>
</tr>
<tr>
<td><strong>Investment gains:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in unrealized appreciation, net (note 5)</td>
<td>$92,702,272</td>
<td>$(15,083,037)</td>
</tr>
<tr>
<td>Realized gains (note 3)</td>
<td>$15,229,739</td>
<td>$205,267,453</td>
</tr>
<tr>
<td>Net investment gains</td>
<td>$97,932,011</td>
<td>$192,826,696</td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>$81,079,012</td>
<td>$20,603,730</td>
</tr>
<tr>
<td><strong>Net assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning of year</td>
<td>$818,538,416</td>
<td>$797,934,686</td>
</tr>
<tr>
<td>End of year</td>
<td><strong>$899,617,428</strong></td>
<td><strong>$818,538,416</strong></td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.

### Statements of Cash Flows

**Years ended December 31, 2000 and 1999**

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>$81,079,012</td>
<td>$20,603,730</td>
</tr>
<tr>
<td>Adjustments to reconcile increase in net assets to net cash used in operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FDA common and preferred stock grants issued</td>
<td>$46,956</td>
<td>$86,067</td>
</tr>
<tr>
<td>FDA preferred stock received</td>
<td>$53,224</td>
<td>$—</td>
</tr>
<tr>
<td>Increase (decrease) in unrealized appreciation of investments</td>
<td>$(84,406,442)</td>
<td>$161,305,190</td>
</tr>
<tr>
<td>Realized gains on investments</td>
<td>$(15,229,739)</td>
<td>$(205,267,453)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$125,914</td>
<td>$167,217</td>
</tr>
<tr>
<td>Deferred Federal excise tax provision (benefit)</td>
<td>$1,688,170</td>
<td>$(3,221,253)</td>
</tr>
<tr>
<td>Change in assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in accounts receivable and prepaid expenses</td>
<td>$(304,325)</td>
<td>$737,225</td>
</tr>
<tr>
<td>Increase in grants payable</td>
<td>$13,281,000</td>
<td>$—</td>
</tr>
<tr>
<td>Decrease in accrued expenses and other payables</td>
<td>$(562,096)</td>
<td>$1,154,114</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td>$(5,289,743)</td>
<td>$(24,034,204)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales of investments</td>
<td>$1,791,363,600</td>
<td>$1,087,162,585</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>$(1,782,563,613)</td>
<td>$(1,060,789,431)</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>$(23,211)</td>
<td>$(12,838)</td>
</tr>
<tr>
<td><strong>Net cash provided by investing activities</strong></td>
<td>$8,776,776</td>
<td>$26,360,316</td>
</tr>
<tr>
<td><strong>Net cash provided by investing activities</strong></td>
<td>$8,776,776</td>
<td>$26,360,316</td>
</tr>
<tr>
<td><strong>Cash equivalents and cash at beginning of year</strong></td>
<td>$4,800,717</td>
<td>$2,442,903</td>
</tr>
<tr>
<td><strong>Cash equivalents and cash at end of year</strong></td>
<td>$8,287,750</td>
<td>$4,800,717</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
f. Cash Equivalents
Cash equivalents represent short-term investments with maturities of three months or less at the time of purchase, except for those short-term investments managed by the Fund’s investment managers as part of their long-term investment strategies.

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

(3) The Reader’s Digest Association, Inc.
At December 31, 2000, holdings of The Reader’s Digest Association, Inc. (RDA) consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Stock</td>
<td>$132,515,552</td>
<td>370,681,994</td>
</tr>
<tr>
<td>Preferred Stock</td>
<td>187,467</td>
<td>168,253</td>
</tr>
<tr>
<td></td>
<td>$132,703,019</td>
<td>370,850,247</td>
</tr>
</tbody>
</table>

At December 31, 1999, holdings of RDA consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Stock</td>
<td>$132,517,890</td>
<td>278,193,124</td>
</tr>
<tr>
<td>Preferred Stock</td>
<td>140,281</td>
<td>126,826</td>
</tr>
<tr>
<td></td>
<td>$132,658,171</td>
<td>278,319,950</td>
</tr>
</tbody>
</table>

On September 24, 1999, the Fund exchanged 4,641,946 shares of RDA Class B Common Stock for 4,015,283 shares of RDA Class A Common Stock resulting in a realized gain on investments of approximately $109.2 million. In addition, on November 17, 1999, the Fund participated in a secondary offering of 3,261,479 shares of RDA Class A Common Stock resulting in a realized gain on investments of approximately $31.4 million.

The Fund received $53,224 of RDA Preferred Stock contributions as remainderman of charitable remainder annuity trusts in 2000.

(4) Other Investments
At December 31, 2000, other investments consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed income</td>
<td>$292,215,962</td>
<td>295,862,658</td>
</tr>
<tr>
<td>Equities</td>
<td>279,621,974</td>
<td>279,526,606</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>10,921,443</td>
<td>10,307,165</td>
</tr>
<tr>
<td>Accrued investment income</td>
<td>3,716,371</td>
<td>3,716,371</td>
</tr>
<tr>
<td>Payable for investments purchased, net</td>
<td>(50,836,579)</td>
<td>(50,311,766)</td>
</tr>
<tr>
<td></td>
<td>$535,639,171</td>
<td>538,791,034</td>
</tr>
</tbody>
</table>

At December 31, 1999, other investments consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed income</td>
<td>$267,535,518</td>
<td>264,646,757</td>
</tr>
<tr>
<td>Equities</td>
<td>274,182,938</td>
<td>266,010,884</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>27,961,632</td>
<td>27,957,035</td>
</tr>
<tr>
<td>Accrued investment income</td>
<td>2,033,521</td>
<td>2,033,389</td>
</tr>
<tr>
<td>Payable for investments purchased, net</td>
<td>(43,705,954)</td>
<td>(43,846,179)</td>
</tr>
<tr>
<td></td>
<td>$528,446,645</td>
<td>533,152,889</td>
</tr>
</tbody>
</table>

Short-term investments include money market funds, commercial paper, and cash managed by the Fund’s investment managers as part of their long-term investment strategies.
$22 million at December 31, 2000 are recorded net in the Fund's investment accounts. All of these securities sold not yet purchased were settled by February 2001.

The Fund's investments include options written for which premiums of approximately $59,000 and $292,000 were received in 2000 and 1999, respectively. The options expired through March 2001. The collateral on deposit with a third party to meet margin requirements for futures contracts and options, included in short-term investments, was approximately $367,000 and $575,000 at December 31, 2000 and 1999, respectively.

At December 31, 2000, grants scheduled to be paid in future years are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$12,840,000</td>
</tr>
<tr>
<td>2002</td>
<td>441,000</td>
</tr>
</tbody>
</table>

$13,281,000

At December 31, 2000, the Fund was committed, subject to the satisfaction of certain conditions by the grantees, to make grants in 2001 of $4,888,726.

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

The Fund permits several of its investment managers to invest, within prescribed limits, in financial futures (primarily U.S. Treasury futures) and options; to sell securities not yet purchased for hedging purposes; and to manage the asset allocation and duration of the fixed income portfolios. At December 31, 2000 and 1999, the Fund held U.S. Treasury and foreign currency futures contracts with notional amounts of approximately $70 million and $72 million, respectively. The contracts are valued daily using the mark-to-market method. Securities sold not yet purchased of

(8) Lease Commitments

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$627,000</td>
</tr>
<tr>
<td>2002</td>
<td>653,000</td>
</tr>
<tr>
<td>2003</td>
<td>653,000</td>
</tr>
<tr>
<td>2004</td>
<td>653,000</td>
</tr>
<tr>
<td>2005</td>
<td>653,000</td>
</tr>
<tr>
<td>2006</td>
<td>109,000</td>
</tr>
</tbody>
</table>

$3,358,000

Total rent expense was $290,983 and $318,375 for the years ended December 31, 2000 and 1999, respectively.

(9) Pension Plans

The Fund, together with the Lila Wallace-Reader’s Digest Fund, Inc., provides a defined contribution tax deferred annuity retirement plan for all eligible employees, whereby the Fund contributes 15% of a participant’s eligible earnings on an annual basis. In addition, the Fund provides a supplemental executive retirement plan for the benefit of certain eligible employees. Total pension expense for the years ended December 31, 2000 and 1999 was $228,922 and $210,544, respectively.
Independent Auditors’ Report

The Board of Directors
Lila Wallace-Reader’s Digest Fund, Inc.

We have audited the accompanying balance sheets of Lila Wallace Reader’s Digest Fund, Inc. as of December 31, 2000 and 1999, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lila Wallace-Reader’s Digest Fund, Inc. as of December 31, 2000 and 1999, 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 16, 2001

Balance Sheets

December 31, 2000 and 1999

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash equivalents and cash</td>
<td>$8,690,319</td>
<td>7,325,171</td>
</tr>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Reader’s Digest Association, Inc. (note 3)</td>
<td>264,481,538</td>
<td>198,811,085</td>
</tr>
<tr>
<td>Other investments (note 4)</td>
<td>426,936,394</td>
<td>435,722,974</td>
</tr>
<tr>
<td>Receivables and prepaid expenses</td>
<td>13,250</td>
<td>54,653</td>
</tr>
<tr>
<td>Fixed assets, net of accumulated depreciation</td>
<td>434,602</td>
<td>517,256</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$700,556,103</td>
<td>642,431,139</td>
</tr>
</tbody>
</table>

| **Liabilities and Net Assets** | | |
| Liabilities: | | |
| Grants payable (note 7) | $11,317,330 | — |
| Accrued expenses and other payables | 1,510,841 | 1,477,832 |
| Deferred Federal excise tax (note 5) | 2,827,356 | 1,684,391 |
| **Total Liabilities** | 15,655,527 | 3,162,223 |
| Net assets - unrestricted | 684,900,576 | 639,268,916 |
| **Total Liabilities and Net Assets** | $700,556,103 | 642,431,139 |

See accompanying notes to financial statements.
### Statements of Activities

**Years ended December 31, 2000 and 1999**

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td>$5,360,280</td>
<td>$6,261,090</td>
</tr>
<tr>
<td>Interest</td>
<td>$12,752,338</td>
<td>$12,281,802</td>
</tr>
<tr>
<td></td>
<td>$18,112,618</td>
<td>$18,542,992</td>
</tr>
<tr>
<td>Investment fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>($1,253,611)</td>
<td>($1,463,256)</td>
</tr>
<tr>
<td>Net investment income</td>
<td>$16,859,007</td>
<td>$17,129,736</td>
</tr>
<tr>
<td>Stock contributions received (note 3)</td>
<td>168,657</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>$17,017,664</td>
<td>$17,129,736</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and related activities</td>
<td>$35,959,051</td>
<td>$31,602,523</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>$4,263,470</td>
<td>$3,667,896</td>
</tr>
<tr>
<td>Current Federal excise tax (note 5)</td>
<td>$400,671</td>
<td>$1,060,524</td>
</tr>
<tr>
<td></td>
<td>$40,667,192</td>
<td>$37,263,945</td>
</tr>
<tr>
<td><strong>Investment gains</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in unrealized appreciation, net (note 5)</td>
<td>$50,040,976</td>
<td>$140,638,636</td>
</tr>
<tr>
<td>Realized gains (note 3)</td>
<td>$13,524,219</td>
<td>$182,519,747</td>
</tr>
<tr>
<td>Net investment gains</td>
<td>$63,565,195</td>
<td>$282,158,383</td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>$45,631,660</td>
<td>$15,557,240</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning of year</td>
<td>$639,268,916</td>
<td>$625,711,676</td>
</tr>
<tr>
<td>End of year</td>
<td>$694,900,576</td>
<td>$639,268,916</td>
</tr>
</tbody>
</table>

*See accompanying notes to financial statements.*

### Statements of Cash Flows

**Years ended December 31, 2000 and 1999**

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>$45,631,660</td>
<td>$15,557,240</td>
</tr>
<tr>
<td>Adjustments to reconcile increase in net assets to net cash used in operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RDA common and preferred stock grants issued</td>
<td>$116,057</td>
<td>$70,523</td>
</tr>
<tr>
<td>RDA preferred stock received</td>
<td>$(116,057)</td>
<td>—</td>
</tr>
<tr>
<td>(Increase) decrease in unrealized appreciation of investments</td>
<td>$(57,189,943)</td>
<td>$149,826,373</td>
</tr>
<tr>
<td>Realized gains on investments (13,524,219)</td>
<td>$182,519,747</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>$125,046</td>
<td>$153,045</td>
</tr>
<tr>
<td>Deferred Federal excise tax provision (benefit)</td>
<td>$1,142,965</td>
<td>$(2,967,625)</td>
</tr>
<tr>
<td>Change in assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase) decrease in accrued investment income</td>
<td>$(412,104)</td>
<td>$277,482</td>
</tr>
<tr>
<td>Decrease in receivables and prepaid expenses</td>
<td>$41,403</td>
<td>$573,324</td>
</tr>
<tr>
<td>Increase (decrease) in grants payable</td>
<td>$11,317,330</td>
<td>$(2,674,887)</td>
</tr>
<tr>
<td>Increase in accrued expenses and other payables</td>
<td>$33,009</td>
<td>$1,092,823</td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>$(12,625,974)</td>
<td>$(20,636,499)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales of investments</td>
<td>$743,898,771</td>
<td>$942,110,151</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>$(729,884,387)</td>
<td>$(917,186,083)</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>$(23,562)</td>
<td>$(12,928)</td>
</tr>
<tr>
<td>Net cash provided by investing activities</td>
<td>$13,991,122</td>
<td>$24,911,230</td>
</tr>
<tr>
<td><strong>Net cash provided by investing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash equivalents and cash at beginning of year</td>
<td>$7,325,171</td>
<td>$3,090,440</td>
</tr>
<tr>
<td>Cash equivalents and cash at end of year</td>
<td>$8,690,319</td>
<td>$7,325,171</td>
</tr>
</tbody>
</table>

*See accompanying notes to financial statements.*
Notes to Financial Statement

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

(2) Summary of Significant Accounting Policies
a. Basis of Accounting
The accounts of the Fund are maintained on the accrual basis of accounting.

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

c. Investments
Investments are stated at fair value. The valuation of investments is based upon quotations obtained from national securities exchanges; where securities are not listed on an exchange, quotations are obtained from other published sources.

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.

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

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

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

(3) The Reader's Digest Association, Inc.
At December 31, 2000, holdings of The Reader's Digest Association, Inc. (RDA) consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Stock</td>
<td>$125,523,572</td>
<td>$264,178,853</td>
</tr>
<tr>
<td>Preferred Stock</td>
<td>$329,675</td>
<td>$302,685</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$125,853,247</td>
<td>$264,481,538</td>
</tr>
</tbody>
</table>

At December 31, 1999, holdings of RDA consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Stock</td>
<td>$125,556,433</td>
<td>$198,570,967</td>
</tr>
<tr>
<td>Preferred Stock</td>
<td>$264,145</td>
<td>$264,118</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$125,820,578</td>
<td>$198,835,085</td>
</tr>
</tbody>
</table>

On September 24, 1999, the Fund exchanged 4,641,947 shares of RDA Class B Common Stock for 4,015,284 shares of RDA Class A Common Stock resulting in a realized gain on investments of approximately $109.2 million. In addition, on November 17, 1999, the Fund participated in a secondary offering of 2,355,923 shares of RDA Class A Common Stock resulting in a realized gain on investments of approximately $57.7 million.

The Fund received $158,657 of RDA Preferred Stock contributions as a remainderman of a charitable remainder annuity trust in 2000.

(4) Other Investments
At December 31, 2000, other investments consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed income</td>
<td>$202,256,302</td>
<td>$205,190,202</td>
</tr>
<tr>
<td>Equities</td>
<td>203,056,430</td>
<td>203,686,402</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>11,015,047</td>
<td>11,031,001</td>
</tr>
<tr>
<td>Accrued investment income</td>
<td>2,497,750</td>
<td>2,497,750</td>
</tr>
<tr>
<td>Payable for investments purchased, net</td>
<td>(29,251,120)</td>
<td>(28,848,417)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$424,190,847</td>
<td>$435,936,394</td>
</tr>
</tbody>
</table>

At December 31, 1999, other investments consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed income</td>
<td>$197,481,414</td>
<td>$192,036,644</td>
</tr>
<tr>
<td>Equities</td>
<td>204,646,027</td>
<td>203,562,596</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>20,594,283</td>
<td>20,594,024</td>
</tr>
<tr>
<td>Accrued investment income</td>
<td>2,085,638</td>
<td>2,085,646</td>
</tr>
<tr>
<td>Payable for investments purchased, net</td>
<td>(34,216,813)</td>
<td>(34,278,238)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$424,590,549</td>
<td>$435,722,974</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
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<td>Equities</td>
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<td>203,686,402</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>11,015,047</td>
<td>11,031,001</td>
</tr>
<tr>
<td>Accrued investment income</td>
<td>2,497,750</td>
<td>2,497,750</td>
</tr>
<tr>
<td>Payable for investments purchased, net</td>
<td>(29,251,120)</td>
<td>(28,848,417)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$424,190,847</td>
<td>$435,936,394</td>
</tr>
</tbody>
</table>

At December 31, 1999, other investments consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed income</td>
<td>$197,481,414</td>
<td>$192,036,644</td>
</tr>
<tr>
<td>Equities</td>
<td>204,646,027</td>
<td>203,562,596</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>20,594,283</td>
<td>20,594,024</td>
</tr>
<tr>
<td>Accrued investment income</td>
<td>2,085,638</td>
<td>2,085,646</td>
</tr>
<tr>
<td>Payable for investments purchased, net</td>
<td>(34,216,813)</td>
<td>(34,278,238)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$424,590,549</td>
<td>$435,722,974</td>
</tr>
</tbody>
</table>
Short-term investments include money market funds, commercial paper, and cash managed by the Fund's investment managers as part of their long-term investment strategies.

(3) Federal Excise Tax
As a private foundation, the Fund is normally subject to a Federal excise tax equal to 2% of its net investment income for tax purposes. However, under Section 4940(e) of the Code, this tax is reduced to 1% if certain conditions are met. The Fund's December 31, 2000 and 1999 current taxes are estimated at 2% and 1%, respectively, of net investment income, as defined.

The Fund has recorded a liability for deferred Federal excise tax at the 2% rate on the total unrealized appreciation in the fair value of investments. The Federal excise tax will be paid as realized gains are reported for tax purposes. The change in unrealized appreciation is reported net of the deferred Federal excise tax expense of $1,142,965 in 2000 and a tax benefit of $2,997,675 in 1999, in the statements of activities.

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

The Fund permits several of its investment managers to invest, within prescribed limits, in financial futures (primarily U.S. Treasury futures) and options; to sell securities not yet purchased for hedging purposes; and to manage the asset allocation and duration of the fixed income portfolio. At December 31, 2000 and 1999, the Fund held U.S. Treasury and foreign currency futures contracts with notional amounts of approximately $49 million and $47 million, respectively. The contracts are valued daily using the mark-to-market method. Securities sold but not yet purchased of $17 million at December 31, 2000 are recorded net in the Fund's investment accounts. All of the securities sold but not yet purchased were settled by February 2001.

The Fund's investments include options written for which premiums of approximately $64,000 and $207,000 were received in 2000 and 1999, respectively. The options expired through March 2001. The collateral on deposit with a third party to meet margin requirements for futures contracts and options, included in short-term investments, was approximately $234,000 and $383,000 as of December 31, 2000 and 1999, respectively.

(7) Grants
At December 31, 2000, grants scheduled to be paid in future years are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$11,037,330</td>
</tr>
<tr>
<td>2002</td>
<td>280,000</td>
</tr>
<tr>
<td>2003</td>
<td>$11,317,330</td>
</tr>
</tbody>
</table>

Additionally, at December 31, 2000, the Fund was committed, subject to the satisfaction of certain conditions by the grantees, to make grants in future years as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$9,896,673</td>
</tr>
<tr>
<td>2002</td>
<td>2,759,756</td>
</tr>
<tr>
<td>2003</td>
<td>182,000</td>
</tr>
<tr>
<td>2004</td>
<td>$10,048,429</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$637,000</td>
</tr>
<tr>
<td>2002</td>
<td>653,000</td>
</tr>
<tr>
<td>2003</td>
<td>653,000</td>
</tr>
<tr>
<td>2004</td>
<td>653,000</td>
</tr>
<tr>
<td>2005</td>
<td>653,000</td>
</tr>
<tr>
<td>2006</td>
<td>109,000</td>
</tr>
</tbody>
</table>

Total rent expense was $290,983 and $318,375 for the years ended December 31, 2000 and 1999, respectively.

(9) Pension Plans
The Fund, together with the DeWitt Wallace Reader’s Digest Fund, Inc., provides a defined contribution tax deferred annuity retirement plan for all eligible employees, whereby the Fund contributes 15% of a participant’s eligible earnings on an annual basis. In addition, the Fund provides a supplemental executive retirement plan for the benefit of certain eligible employees. Total pension expense for the years ended December 31, 2000 and 1999 was $228,922 and $238,184, respectively.
The Wallace-Reader’s Digest Funds are national foundations that support programs in the United States. Grants are awarded to nonprofit public charitable organizations that are tax exempt under Section 501(c)(3) of the Internal Revenue Code.

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

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

Wallace-Reader’s Digest Funds
General Management
Two Park Avenue, 23rd Floor
New York, NY 10016 USA

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

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

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