



The Wallace Foundation®

Supporting ideas.

Sharing solutions.

Expanding opportunities.®

REPORT '04

Surrounding Children with Opportunity

IN SCHOOL

Page 10

Improving the preparation and performance of school leaders and their working conditions are key elements in New York City's current push for better schools, and hopes are high that its innovative Leadership Academy will produce a fresh generation of principals who can help lift the fortunes of students in many of the city's most challenging schools.

OUTSIDE SCHOOL

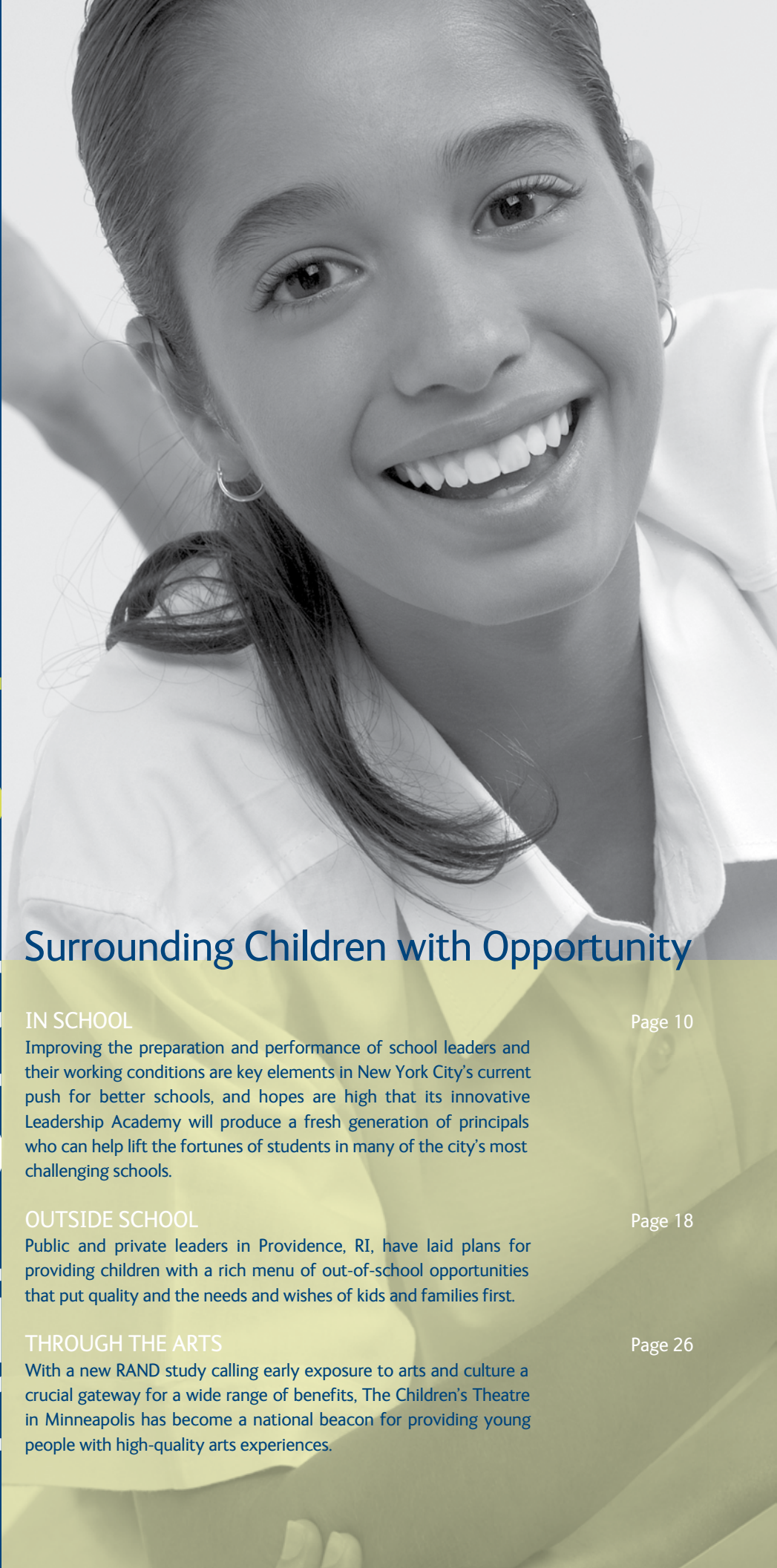
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Public and private leaders in Providence, RI, have laid plans for providing children with a rich menu of out-of-school opportunities that put quality and the needs and wishes of kids and families first.

THROUGH THE ARTS

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With a new RAND study calling early exposure to arts and culture a crucial gateway for a wide range of benefits, The Children's Theatre in Minneapolis has become a national beacon for providing young people with high-quality arts experiences.



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EXPANDING OPPORTUNITY: IT'S EVERYONE'S BUSINESS

Supporting ideas. Sharing solutions. *Expanding opportunities.*

The first two phrases in our “tagline” express how we at Wallace go about our work. We identify and support organizations willing and able to pioneer innovative and useful ideas that can address big social issues. And then we share the insights from that work broadly so that many others who don't receive our money can nonetheless benefit.



But it's the third idea in our tagline that to me expresses our ultimate goal as a national foundation. In each of our areas of concentration – strengthening school leadership, improving learning and enrichment opportunities beyond the school day, and building arts and cultural participation – our strategies all point to a single objective: expanding not just the quantity, but the quality of available opportunities for learning and growth, especially for younger Americans who live in places where such opportunities are frequently in shortest supply.

Turning such ideas into realities so that they actually make a measurable difference in people's lives, however, must become everyone's business. Not just families. And not just schools. Success in surrounding children with opportunities will require the combined and sustained commitment of leaders of all of the major public and private institutions that make up the fabric of our communities: public schools and institutions of higher education. Museums and libraries. Music organizations and theaters. Youth organizations and businesses.

As difficult and even utopian as this vision may sound, the stories you are about to read in this annual report demonstrate that we are certainly not alone in striving for it. A growing number of state and school district leaders are embracing the goal of improving educational leadership as a key to ensuring that opportunities during the school day reach all kids, not just the fortunate few. Political and civic leaders in cities such as New York and Providence are laying careful plans to extend learning beyond the school day and make those opportunities much more broadly available to those who lack them. And leaders of arts and cultural institutions are recognizing that building present and future audiences for the arts not only provides a range of benefits for kids and communities, but is key to their own long-term institutional health.

Using this combined power of leadership and effective ideas, we believe we can help all Americans, but especially the next generation, gain the qualities of mind, body and spirit that breed success not only as students and lifelong learners, but also as productive citizens. Realizing that goal is everyone's business. When you add up our work in education leadership, out-of-school learning opportunities and arts participation, that's what our efforts at Wallace are really all about.

A handwritten signature in black ink that reads "Walter V. Shipley". The signature is written in a cursive, flowing style.

Walter V. Shipley, Chairman

MAKING THE CONNECTIONS FOR LEARNING

The title we chose for REPORT '04 highlights a theme that underlies much of our work at The Wallace Foundation: surrounding children with a rich variety of high-quality opportunities to learn, to experience and to grow. Let me share some of the reasons I think this idea is so important and timely.



As a nation, we have raised the bar on children's performance as learners, perhaps most visibly through the federal No Child Left Behind Act. Today, we are holding schools, and those who lead or teach in them, more accountable than ever for ensuring that every child meets tough academic standards.

The demands on public schools and the students who attend them to perform at higher levels are not unwarranted. After all, we live in a time when the knowledge required to succeed as learners, as earners, and as citizens goes well beyond the basic competencies of numeracy and literacy. In the global and complex world of the 21st century, all organizations – from government to businesses to schools to arts organizations – are likely to live or die based largely on the ability of those who work in them to gather and interpret accurate, meaningful and timely information. Abstract reasoning, collaboration, sensitivity, problem-solving and communication – these are among the skills and habits of mind that now constitute what we mean by “learning.”

Whose responsibility is it to help children master the skills this broader conception of learning demands? Clearly it begins with families and schools. But it also extends to many other institutions that make up the fabric of well-functioning communities: museums, libraries, parks, youth organizations and arts and cultural organizations.

Are these institutions up to the task? The answer varies enormously from place to place. Public schools, especially those in more disadvantaged districts, too often lack the necessary leadership to meet growing expectations, according to a recent Wallace policy brief, *Beyond the Pipeline: Getting the Principals We Need, Where They Are Needed Most*. And the quality and availability of learning opportunities outside the school day also vary dramatically. As you'll read later in this report, a widely-cited Public Agenda survey of parents and children we commissioned in 2004 finds that poorer families are far likelier than wealthier ones to be dissatisfied with the learning opportunities available to them in their neighborhoods.

Adding to the challenge to provide a richer assortment of learning opportunities are the difficult fiscal climate and the increasing demands for funds for a multitude of worthwhile purposes. These realities force difficult choices and make it imperative that scarce public and private dollars are well spent on high-quality programs that meet the needs of children and families, and deliver expected benefits. And while it is often difficult to demonstrate results and public value, the current climate has meant that institutions of all kinds are increasingly willing to re-examine old assumptions and habits.

This is where foundations such as Wallace have an opportunity to help. As philanthropy scholars Helmut Anheier and Diana Leat have observed, foundations have a distinctive capacity to serve as “idea factories” in society. Because they sit at the intersection of corporate, governmental and nonprofit sectors, but are free of some of the external constraints of those sectors, they are uniquely positioned to take risks

“Foundations are uniquely positioned to take risks and, over the long term, support the development of solutions that government or the marketplace might not provide on their own.”

and, over the long term, support the development of solutions for important social problems – solutions that government or the marketplace might not provide on their own.

At Wallace, we are currently working on three broad fronts to support and share effective ideas that collectively aim at this idea of helping communities think more systematically and holistically about how to mobilize a range of institutions to surround children with high-quality opportunities that can contribute to success in school, and throughout life.

First, in selected states and public school districts across the United States, we are supporting the development of a variety of innovative practices and policies that can significantly improve the preparation and performance of school leaders, as well as the working conditions that affect their success. A landmark new study by researchers from the Universities of Minnesota and Toronto provides powerful testimony to the critical importance of leadership in education, calling it second only to teaching among school-related factors in its impact on learning.

As a result, innovative states and school districts are reconceptualizing what effective principal training programs should include, incorporating such concepts as learning how to use data to diagnose and improve instructional efforts, and providing internships and mentoring that help aspiring leaders bridge theory and practice in real-world situations. In the pages that follow, you can read about one outstanding example of these efforts: the New York City Leadership Academy.

Education leaders also are revamping district-level human resource departments to ensure that the most talented principals are assigned to the schools that need them most. A Wallace-commissioned report by University of Washington researchers documents how the policies and practices of HR departments can help make or break efforts to attract and place quality candidates for leadership. Districts we are working with are experimenting with new certification procedures to ensure leaders are both certified and *qualified* to turn around troubled schools. And they are doing all of these things – and more – with the central goal of ensuring that all students can succeed as learners.

Next, to address the gap between what kids and parents need and want in out-of-school time learning programs and what is currently available to them in their neighborhoods, we are supporting efforts by public and private leaders in selected cities to restructure and redesign their out-of-school time programs. Later in this report, you can read about how city leaders in Providence and New York are pioneering the gathering and use of demographic data and consumer research to get a clear picture of which neighborhoods have after-school programs and which lack them, whom they serve, what programs are offered and which are strong or fall short in quality. Unlike school, attendance in out-of-school time programs is almost always voluntary. That’s why, in planning citywide change in out-of-school opportunities, understanding demand, building quality and sustaining it are essential. But as a newly-released RAND report, *Making Out of School Time Matter* also asserts, the field needs to learn much more about what



A 9th-grader strikes a pose for fellow students of fashion-illustrating at Marwen, which provides free after-school arts programs for Chicago youth.

quality really looks like in these programs, and how best to ensure that particular programs accomplish the learning and youth development goals we expect from them.

Finally, acknowledging the benefits that the arts can have for both individuals and communities, we are working with selected arts organizations and state arts agencies to create and promote practices that enhance participation in the arts. In 2004, we created a new program – the Wallace Excellence Awards – to recognize and honor those arts organizations that have led the way in developing effective ideas and practices to creatively engage their communities.

We also decided to extend our long-standing arts participation efforts more explicitly toward fostering early and sustained engagement with the arts. While this new program direction is still being developed, we expect to work in selected cities with both schools and arts organizations to develop more systematic, sustained and coordinated ways to surround children with opportunities to learn about and participate in the arts. As a much-discussed new report from RAND, *Gifts of the Muse: Reframing the Debate About the Benefits of the Arts* asserts, early and sustained arts engagement can be a gateway to a lifetime of benefits and appreciation of the arts.

In all three of these areas, we are seeking to draw out lessons from this work, identify important unanswered questions, and help fill those knowledge gaps with useful new research. Among the means for sharing what we’re learning is our newly-upgraded website and a growing volume of publications, conferences and other outreach mechanisms. In these ways, we hope to inform the policies and practices of the partners we directly fund, and the many others who may never get a grant from us.

The stories you will read in REPORT ‘04 demonstrate another vital point. No foundation can catalyze large-scale social benefits on its own. As Emerson wrote more than a century ago, “Ideas must work through the brains and arms of good and brave men, or they are no better than dreams.” As we work to make positive contributions to society, the ultimate measure of our effectiveness will be how well we capture useful lessons and make them available to the “brains and arms” of men and women with the courage and authority to bring them to life in ways that change the behavior of organizations and provide real benefits to the people and communities they serve.

A handwritten signature in black ink that reads "M. Christine DeVita". The signature is fluid and cursive, with a large, stylized initial 'M'.

M. Christine DeVita, President



Principal intern
Angela Simmons
at Roosevelt-Perry
Elementary School
in Louisville, KY.

HIGHLIGHTS
'04

SURROUNDING CHILDREN WITH OPPORTUNITY...

IN SCHOOL

Since 2000, The Wallace Foundation has concentrated on enhancing education leadership as a means to drive improvements in student achievement that aren't just classroom-by-classroom or school-by-school. A landmark report, *How Leadership Influences Student Learning* published in 2004 by researchers from the Universities of Minnesota and Toronto, makes the key argument: "Leadership is second only to classroom instruction among all school-related factors that contribute to what students learn in school." And, the report adds: the positive effects of leadership are greatest in schools and districts with the greatest needs.

WHAT WE'VE LEARNED

Beyond that overdue affirmation of leadership's central role in improving learning, our work with states and districts across the country and a growing body of research we and others have sponsored are producing further lessons on what needs to take place if leadership is to live up to that promise:

- **Good training is important, but it's only the start.** Nationwide, most principals and superintendents give low marks to their training (*see chart on p. 9*). Better leader preparation that connects to workplace realities and changing job demands is certainly essential, and much of the work in states and districts supported by Wallace focuses on that priority. But we've also learned that even the best-trained leaders probably won't accomplish much unless states and districts fix what's wrong with the conditions that can undermine effectiveness – from lack of authority to meet job demands to shaky board relations, difficulties with unions, and inadequate or misallocated resources.
- **To get results for kids, what's crucial is not just what leaders know, but what they actually do.** Actions and behavior, more than skills or know-how, are what ultimately define effective leadership. Among the key leadership actions that can promote better learning are: establishing a focus on learning, building professional communities that value learning, forging relationships with key outside groups that can support student and teacher learning, sharing leadership broadly, and motivating all kids and adults to take advantage of learning opportunities, writes Michael S. Knapp of the University of Washington in a Wallace-commissioned report, *Leading for Learning: Reflective Tools for School and District Leaders*.
- **In today's climate of heightened expectations, merely knowing how to "manage" isn't enough.** Leaders need to articulate a vision of excellence, provide clear, measurable goals and the capacity to achieve them, then hold everyone accountable for doing so. One important element in developing such "leaders of change" is helping state, district and school leaders become much more skilled at using data to inform decision-making, build the case for change within the community, and engage those who are most affected, says a newly-published report by the University of Washington's Center on Reinventing Public Education, *Buried Treasure: Developing a Management Guide From Mountains of School Data*.
- **Being "certified" to hold a leadership job is no guarantee that a principal or superintendent is "qualified" to lead for better learning.** Merely holding a credential says little about whether a candidate is actually prepared to lead the implementation of effective instructional practices.

And unfortunately, the best qualified candidates frequently shun problem-plagued schools and districts that would most profit from their leadership, according to a recent Wallace policy brief, *Beyond the Pipeline: Getting the Principals We Need, Where They Are Needed Most*.

A further lesson we've learned: efforts to improve the preparation, working conditions and performance of education leaders must occur in a coordinated way at *all* levels: *states*, which determine the laws, policies, expectations and resources that govern who can lead, their preparation and their authority; and *districts and schools*, the front lines of education. If states and districts act in isolation, the solutions probably won't last nor reach the kids and schools that most need them.

APPLYING THE LESSONS

Using a variety of approaches, a number of the original 15 states¹ in our leadership initiative, as well as the LEAD (Leadership for Educational Achievement in Districts)² districts within those states, have made substantial progress in building on these early lessons and in taking steps to improve the training of leaders and the conditions that determine their success. Examples:

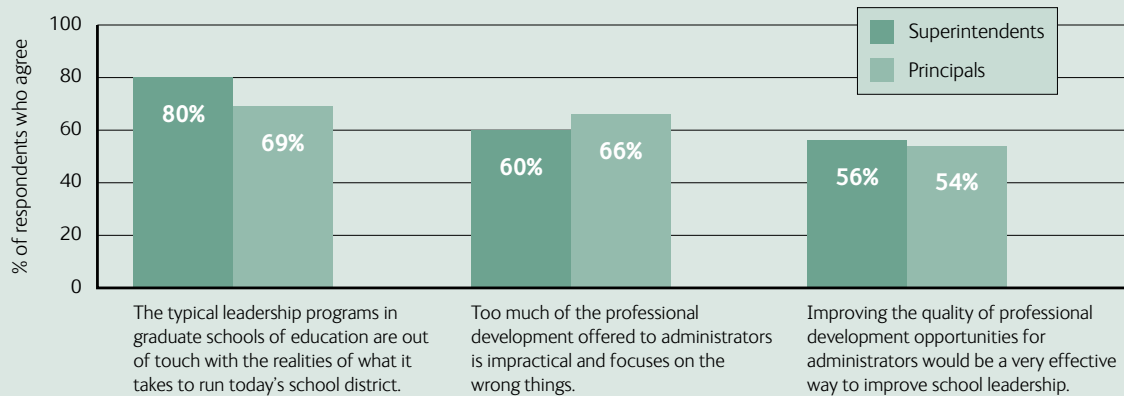
Virginia has redefined licensure requirements and the content of the state's education leadership training programs and has allocated \$1 million to fund demonstration districts to further develop them. A hallmark of the state's efforts has been the preparation of a cadre of "turn-around specialists" – leaders specially trained to improve the academic performance of the state's most troubled schools, using methods designed jointly by the graduate schools of business and education at the University of Virginia. The state has developed new certification for these specialists, who also receive \$15,000 extra to lead some of the toughest schools. Participating districts must agree to provide these leaders with the added authority to lead substantial change.

To address the high turnover rate of superintendents, **Massachusetts** is working with five urban districts to develop and design succession plans that can be used as models for the state. It is also making changes in licensure regulations and leadership preparation programs to support these changing roles. The state has given **Springfield**, the state's LEAD district, the highly unusual authority to certify its own leaders so that it can better train and hire principals suited to the differing needs of its schools. In 2005, the district anticipates training and licensing 48 new leaders who will become part of the candidate pool under Springfield's new leadership succession planning initiative. Student achievement in the district has improved steadily since 2002.

New Jersey has enacted a sweeping regulation setting requirements for professional development for all school leaders in the state: superintendents, principals and assistant principals. As of July 2005, all leaders are required to submit plans for their own training based on new standards for leaders. New Jersey is also training school boards across the state to concentrate more on improving instructional quality and less on day-to-day management issues. **Trenton**, the state's LEAD district, is using data to analyze every school in the district and to develop recommendations for leaders to improve student achievement. New assistant superintendents for instruction will work with principals to implement the improvements. And new leadership programs have been developed with the College of New Jersey and Temple University.

Another LEAD district, New York City's **Region 1** in the Bronx, has collaborated with Bank Street College of Education on an innovative program to train aspiring principals. Of the 87 participants in this program (most of whom were teachers), 77 are now serving in administrative positions. Region 1 has also developed a system for providing internships for aspiring principals. Test score gains in the region, which contains some of the City's highest-needs schools, have outstripped citywide averages and attendance is also improving, which wasn't the case prior to the LEAD initiative.

EDUCATION LEADERS GIVE THEIR TRAINING LOW MARKS



Source: Public Agenda, 2001. A national survey of principals and superintendents commissioned by The Wallace Foundation

EXPANDING THE IMPACT

In 2004, we took a number of steps to expand the coordination, reach and impact of this state-district work, dig deeper into key unsolved issues affecting education leadership, produce useful knowledge and tools for our partner sites and the field as a whole, and share effective ideas with many others around the country.

First, we added nine states³, and partner districts within them, to the original cohort of 15 in our leadership initiative. Three – Arizona, New Mexico and Ohio – are developing different ways to improve the collection and use of data to help drive statewide improvements in leadership. Arizona, Texas and New York will concentrate on improving the use of resources and incentives to address such challenges as reducing leader turnover, drawing capable leaders to high-need districts and schools, and creating benefits for excellent leadership.

Several of the new states will focus on improving specific types of leadership: high school in Texas, and middle school in New York. Wisconsin will create a new position, “master principal.” Candidates for that position will receive special training to meet standards for leading the state’s highest-need schools. And while many of our state-district sites are developing training programs, Louisiana has designed a novel team approach that brings together superintendents, principals and others in the professional communities into unified leadership training sessions.

The Bill and Melinda Gates Foundation, which has provided sizable support for high school improvement efforts in several of these states, has agreed to help fund the leadership improvement work in New York, Ohio and Texas in partnership with Wallace.

Second, we expanded our public outreach efforts. Our support of seminars by the Hechinger Institute for Education and the Media at Teachers College, Columbia University, provided scores of education reporters and editors with opportunities

to deepen their coverage of leadership. We sponsored increased reporting on leadership issues in *Education Week*, a bible in the field. We also funded a new portion of *The New York Times* website specifically devoted to education leadership topics.

Finally, working with the Council of Chief State School Officers, the Education Commission of the States and the National Governors Association, we established six “issue groups” that will bring together state and district educators with relevant experts to delve into six critical challenges for linking leadership to better learning.

The issues being explored include: using data to make better decisions; allocating resources and creating incentives to support effective leadership practices and eliminate counterproductive ones; redefining school leader roles and responsibilities to ensure they have the authority to transform their systems; identifying and promoting the leadership skills and strategies needed to transform high schools; developing systems for assessing leadership behavior; and redefining the roles and responsibilities of school boards. The knowledge generated by these issue groups will be captured and shared with others in the field. ■

1. The original 15 states in Wallace’s State Action for Education Leadership Project (SAELP) are: Connecticut, Delaware, Georgia, Illinois, Indiana, Iowa, Kentucky, Massachusetts, Missouri, Montana, New Jersey, Oregon, Rhode Island, Vermont and Virginia.

2. Since 2001, Wallace has invested in 12 high-need districts within the 15 original SAELP states to develop closely-coordinated, innovative state-district strategies to improve the training and conditions of education leaders. The 12 districts in the Leadership for Educational Achievement in Districts (LEAD) initiative are: Atlanta, GA; Eugene, OR; Fairfax County Public Schools, VA; Fort Wayne, IN; Hartford, CT; Jefferson County, KY; New York City’s Region 1; Providence, RI; St. Louis, MO; Springfield, IL; Springfield, MA; and Trenton, NJ. In 2004, Wallace provided supplemental support to Illinois, Massachusetts and Oregon to ensure that the largest districts in those states were also included in these states’ leadership improvement efforts.

3. Six new states are being funded as participants in SAELP: Arizona, Louisiana, New Mexico, New York, Ohio and Texas, and three – Kansas, Michigan and Wisconsin – are receiving more targeted support.

PREPARING PRINCIPALS TO LEAD CHANGE

When Michael Bloomberg became Mayor of New York City in 2002, he and his new schools chancellor, Joel Klein, put a stake in the ground: they would “fix our school system,” and a key part of that effort would be to attract and train a new generation of leaders prepared to lead lasting change in hundreds of the city’s schools.

To be sure, the landscape of America’s largest school system, with 1.1 million students in over 1,300 schools, is varied. There are peaks of excellence, but many more areas that are truly bleak. More than half of the city’s middle schools have been designated by New York State as “schools in need of improvement.” Test scores citywide have been on the rise in English and math. But only half of the city’s high school students graduate within four years, and in many high schools, three-quarters of entering freshmen can’t meet reading standards.

Confronted with such massive challenges, Bloomberg and Klein have responded with solutions that neither

supporters nor critics would describe as mere tinkering. They successfully led a wholesale reorganization of the school governance structure, replacing the central board with a new city education department, ending the three decades-old community school board structure and placing authority over the system’s destiny more squarely than ever before with the chancellor and the mayor.

Significantly, Klein also placed a heavy bet on improved leadership as a key lever for moving the entire system in ways that will benefit all children. It is anticipated that the city will need at least 600 new principals by 2006 to replace retirees and fill new positions. These looming leadership vacancies

present an opportunity to transform the destinies of hundreds of schools, and thousands of children. “Experience shows that great leaders create great schools,” Klein says.

To attract and train these future leaders of change, the city launched a new institution in 2003, the New York City Leadership Academy. The Wallace Foundation was the first source of private funding. Other funding came from the Partnership for New York City, a consortium of NYC businesses, and the Broad Foundation.

EVIDENCE THAT LEADERSHIP COUNTS

Klein’s bet on leadership as a lever for learning has substantial support, as newly-published reports commissioned by Wallace demonstrate. “School principals can improve student achievement,” writes Gene Bottoms, senior vice president of the Southern Regional Education Board in *Progress Being Made in Getting a Quality Leader in Every School*. “Decades of research have revealed links between what principals do and how students perform.”

A team of researchers at the Universities of Minnesota and Toronto examined the existing evidence and concluded in *How Leadership Influences Student Learning* that, “As different as approaches to school reform are, they all depend for their success on the motivations and capacities of local leadership.” The authors calculated that leadership is second only to teaching among school-



Iris Blige, principal of Fordham High School for the Arts in the Bronx and teacher Fredrick Coscia.



Iris Blige on her classroom rounds.

related factors in its impact on student learning. And the importance of leadership only increases in schools where problems are the greatest, Leithwood and others agree.

Still, making leadership matter on the scale Klein and others in the city envisioned would require principal preparation that is different from the usual training offered to aspiring leaders. Simply knowing how to manage a building – keeping the lights on, the buses running on schedule, the lunch rooms orderly, and the books ordered – won’t do in today’s climate of heightened expectations and accountability. Too often, the traditional stepping stone to the principalship – serving first as a teacher and moving on to an assistant principal – prepares leaders simply to manage. And too often, university-based leader preparation programs serve up training that is disconnected with the realities and heightened challenges that

confront today’s school leaders. A Wallace-funded survey by Public Agenda, *Rolling Up Their Sleeves: Superintendents and Principals Talk About What’s Needed to Fix Public Schools*, found that large majorities of the nation’s school leaders agree that “typical leadership programs in graduate schools of education are out of touch with the realities of what it takes to run today’s school district.”

What is needed, says Sandra J. Stein, academic dean of the Leadership Academy, “are agents of change. We’re trying to create transformational leaders.”

Stein designed a curriculum around a dozen dimensions of leadership, including communication, leadership development, problem-solving, staff supervision and the use of data in making decisions – skills that would allow leaders to move schools in genuinely new directions that lift student achievement. The

Academy stresses not only what works in a classroom, but how to get teachers and parents to support it – how to make change stick.

“We’ve got to give the principal some new skills, because just understanding an education approach isn’t sufficient,” says Robert E. Knowling, Jr., the former CEO of SimDesk Technologies and Covad Communications who became the Academy’s first chief executive. “They have to understand how to go into a school, do a diagnosis and then enlist people to their vision of where they want to take the school. That skill set has not been explored in education. We just assume that because people have an administrative degree, they come equipped with all the parts. That’s like going into the corporate world and saying someone has an MBA so let him go run a business. Heavens no, we’ve got to teach them to be leaders first.”

ELEMENTS OF GOOD LEADER TRAINING

Many in the education field believe that current leadership preparation programs need to be changed to better match the needs and realities of these increasingly demanding jobs. The Southern Regional Education Board, an interstate compact devoted to improving education, offers guidelines for the training of school leaders similar to the principles and practices of the New York City Leadership Academy. Core elements cited by SREB include:

- solving field-based problems;
- concentration on core school functions, including instruction and student learning;
- internship experiences and mentoring from master leaders.

These and other insights can be found in SREB's 2004 publication, *Progress Being Made in Getting a Quality Leader in Every School*, part of its School Leadership Development Series supported by Wallace. It can be downloaded at www.wallacefoundation.org, or www.sreb.org. ■

DEVELOPING A BENCH OF TALENT

The Academy has separate programs for both existing and first-year principals. But its showpiece is the Aspiring Principals Program, for which The Wallace Foundation is the major funder. The first class of 77 aspiring principals graduated in the summer of 2004. The second class of 91 – selected from 1,300 applicants – began their 14-month training, which includes a half year residency in one school and half a year in a second, under a mentor principal.

The program includes no-holds-barred group role plays and simulations in dealing with the daily crises involving teachers, parents, kids and others in the school community that challenge the ideas, style and approaches of principal candidates. Graduates thus enter their positions prepared for the tough assignments facing them. Harry Sherman, a seventh-grade English teacher whose principal suggested he consider the Academy, had just received an MBA, but says, “I would feel more confident at the end of this Academy program, than after my MBA, to run a business.”

“What we’ve created is a simulated environment in which they get to practice being a principal,” Stein says. “In the past you were an assistant principal for so many years and then became principal. But there just aren’t enough qualified people who are interested in being a principal to fill all the vacancies. We’re seeing a lot of turnover, and we wanted to develop a bench of talent. So we’re accelerating the learning process around leadership. The principal is an instructional leader, and his or her role is to align all of the resources – time, money, staff, parents – in the interest of teaching and learning in the classroom.”

“LIKE BEING A POLITICIAN”

Iris Blige, a graduate of the Academy’s first class, became principal of the Fordham High School for the Arts, one of six new specialty schools occupying a giant building in the Bronx that once housed a single high school. Among its multiple challenges, it was designated an “impact school,” meaning it was among the city’s most violent-prone. Using her Academy training to analyze data on her students’ standardized test scores,

Blige unearthed problems that could undermine her goal of having every student graduate in four years. But she also knew that she couldn’t just arbitrarily change things.

“I look at the data, interpret it, and then bring it to the staff so that they can truly understand why I’m doing what I’m doing,” Blige says. “I don’t go in blindly and not tell them why I’m setting up tutoring for the regents’ exam five days a week. It’s because the data says the kids need it. And I’m trying to institute a writing intensive component in the English as a Second Language program, because when I looked at the reports most of my kids scored in the single digits on the state assessment.”

The first few months were hard, she admits, but now her staff is coming to understand her mission and her methods. “Change is not easy for anyone,” Blige says. “I continue to ask questions and dig deep to understand what we need. We changed our schedule to maximize the hours of the day. We’re changing our culture – we’re in shared space, and I have to get people to understand that what was once their classroom has to be shared.”

“The Academy helped me understand that it’s like being a politician,” she adds. “You have to keep all of your constituents happy, and you can’t keep everybody happy all the time.”

Although it’s much too soon to see tangible results in student achievement, Stein says, anecdotal evidence of renewed energy and direction abounds in schools now being run by Academy graduates. Denise Morgan, a new leader at the High School for Legal Studies, secured \$3 million in external funding for her school. Another Academy graduate, Susan Intorre, turned Sheepshead Bay High School from a place known mainly for its problems

into one celebrating a football championship and victories for its moot court team. And word of the Academy has spread.

CREATING CONDITIONS FOR SUCCESS

Graduation doesn't end the contact between the Leadership Academy and these new principals. It provides mentors and encourages the graduates to stay in touch with each other for support. And crucially, the Academy is playing a role in helping the city create the conditions needed to ensure the success of its new corps of leaders. It involves the regional superintendents in its work to help ensure that its graduates are placed in appropriate schools. Significantly, Academy graduates can be assigned anywhere in the city they're needed, a change from the old practice of each district retaining its own talent. The Academy also runs interference in the system to make their success more likely – helping them get their budgets on time, for instance, or get access to the computer systems they need.

It also brings its graduates back together regularly to work on problems they face.

PBS SERIES FOLLOWS NYC LEADERSHIP ACADEMY GRADS

The Academy and its graduates were the subject of an Emmy-nominated public television series produced by WNET, New York's PBS affiliate, and funded by Wallace. The four-part series, *Year of Change: Leadership in the Principal's Office*, aired from November 2003 to November 2004 and followed three aspiring principals through their Academy training and into their first real jobs as school leaders in New York City. The series was seen by more than 840,000 viewers, and the Academy believes this contributed to a dramatic increase in the number of aspiring principal applicants for its second class, which launched in June 2004. The series has been renewed for a second year to continue following the three new principals as they seek to meet the demands of their new positions. ■

Many confess that the job is harder than they anticipated. Larry Wilson, one of three principals profiled in a four-part public television series on the Academy and its graduates produced last year with funding from Wallace (*see box*), was placed at the Bread and Roses Integrated Arts High School in Harlem, where he instituted the wearing of uniforms and tightened up attendance standards. At a recent reunion with fellow Academy graduates, Wilson says, "I learned that I wasn't the only one not sleeping. I learned that I wasn't the only one dealing with resistance. We really

were placed in the kinds of situations we were promised."

Academy graduates are trained to go where the need is greatest. "In any industry, a turnaround situation is the most challenging work there is," Stein says in the PBS series. "And you would want to send somebody with years and years of experience. However, not many veteran principals are signing up to go into turnaround situations. So we need to prepare the first year principals as best we can to go in and make a difference." ■



Iris Blige with student Charles Jackson.

*Poet Veronica
Golos with two
teens in a poetry
writing workshop
at the Donnell
Library Center
in Manhattan.*

HIGHLIGHTS
'04

SURROUNDING CHILDREN WITH OPPORTUNITY...

OUTSIDE SCHOOL

How children spend their time away from school and from the watchful eyes of their parents is a growing national concern. Three out of 10 young people are home alone at least three days a week, according to a first-ever national survey conducted in 2004 by Public Agenda of what parents and children want from out-of-school time. Cultural shifts including households with two working parents, the multiplying risks children face during unsupervised time, and increasingly urgent calls for improved academic achievement, have made out-of-school time a higher priority for families and communities of all types. A recent survey by the National League of Cities finds that more than 500 municipal leaders rank after-school programs as among their cities' most pressing needs.

A growing number of cities are taking concrete steps to turn the hours outside the school day from a time of boredom, risk and temptation to an opportunity for a variety of learning experiences. Two in particular – Providence, RI, and New York City – are taking unusually bold and comprehensive steps to address the challenge as participants in The Wallace Foundation's Learning in Communities initiative. Both cities are led by mayors strongly committed to lifting the quality of out-of-school learning opportunities. And both have mobilized top public and private leaders in designing detailed plans to bring order to fractious city-wide systems of out-of-school learning so that quality comes first and the diverse needs and wishes of parents and children are documented and effectively met.

“This initiative will change how Providence cares for its kids,” predicts Mayor David N. Cicilline. “We intend to create a network of neighborhood-based opportunities that provide fun and learning for kids, relief for parents and increased safety for everyone.”

THE POWER OF DATA

The notion of organizing diverse out-of-school services, many of which have existed for years, into a more coherent

system based on standards of quality and participation is both rare and challenging. What is unfolding in New York and Providence is particularly unusual because the planning is being driven by analyses of supply and demand informed by data-gathering and market research. The idea is to determine where out-of-school services are located or not, where the needs are or are not being met, and then to develop plans to ensure that scarce public and private resources are directed at meeting the needs and wishes of parents and children with a rich variety of high-quality experiences.

In New York, for example, data analysis uncovered significant population shifts in recent years that created new concentrations of immigrant and low-income populations. Nonprofit services in the communities where these newer populations are concentrated have not kept pace, and large pockets of people have few out-of-school learning programs available. These neighborhoods also have high unemployment rates and some of the lowest-performing schools. These findings are shaping the city's planning, and over time, the intention is to realign resources among the city's 10 school regions based on their youth populations and their poverty level.

Meanwhile, market research in Providence revealed that parents place a particularly high premium on having



Lisa Dutra of Advertising Ventures in Providence works with student Axtrid Uzcategui in an after-school design charette.

quality out-of-school learning opportunities close to children’s homes, reflecting concerns about safety and problems with public transportation. The plans taking shape therefore will aim to develop local clusters of activities. For example, a middle school could serve as a clearinghouse for program information as well as a setting for arts, technology, homework help and other after-school activities. In the same neighborhood, a branch library might provide tutoring and summer reading programs. A park could be the setting for sports.

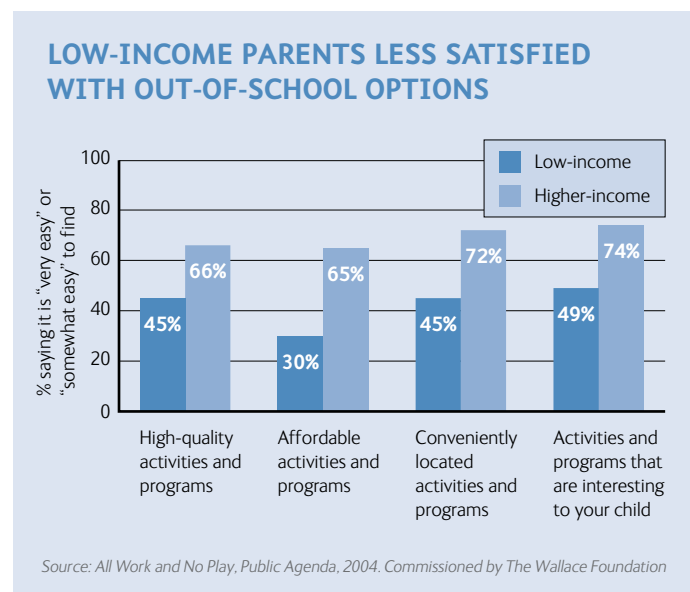
A FIELD FULL OF UNKNOWNNS

The work in Providence and New York, along with a growing body of research on out-of-school learning commissioned by Wallace, point up critical unknowns that need answering if cities are to confront these challenges effectively. The field needs to know more about what is meant by “quality” and how policymakers and families can be helped to recognize it. As a newly-published report by RAND commissioned by Wallace, *Making Out-of-School Time Matter: Evidence for an Action Agenda* points out, much remains to be learned about how quality relates to achieving specific learning or youth development goals. And we don’t know enough about which program features produce benefits for different age groups.

From the Public Agenda national survey and the local market research conducted in Providence and New York, the field is learning more about participation – what kids and parents are looking for and why they attend or avoid particular programs. But we need more information about how much participation is necessary to get hoped-for benefits. We also need to learn more about the costs of delivering rich and varied programming. Cities need help in figuring out what it will take to sustain high-quality programming. And those that want to undertake this work need tools to assess local conditions affecting program quality, supply, demand and costs.

ONE SIZE DOESN'T FIT ALL

If one thing is clear from the research and from the planning experiences in Providence and New York, it’s that one size does not fit all in out-of-school learning. Public Agenda’s survey turned up striking differences, for example, in how poor and well-off families tend to view out-of-school learning: poor and minority parents are far more likely than affluent parents to want academic and homework help for their kids – largely because they are less satisfied with their neighborhood schools. Regardless of family background, the key point is this: children benefit most when they have access to a variety of quality offerings tailored to different interests and needs. As the Public Agenda report concludes: “Whether it is soccer, dance, Spanish club, Bible study, marching band or homework help, parents and kids across America say out-of-school activities and programs play a critical role in family life. For some the options are plentiful. But for others, keeping kids productively engaged is a challenge. The question is: What can we do to give more families what they seek?” ■





Share and Participate

Conversation

Value

Idea

PROVIDENCE RESHAPES ITS OUT-OF-SCHOOL LEARNING SYSTEM

It was a defining moment, and those who heard high school student Ben-Oni Jean-Pierre's simple but resonant words, including the Mayor of this multi-ethnic city, still invoke them over a year later.

For Ben-Oni and for many of Providence's other 45,000 children, growing up can be a tale of long odds. Forty percent of the city's children live in poverty, according to data collected annually by Rhode Island KIDS COUNT. Nearly 1,600 have parents in prison, and more than 5,300 juveniles were referred to court last year for criminal offenses. A bare two-thirds graduate from high school.

Add to that sobering picture: nearly half the city's middle-school aged children – a group especially prone to danger, temptation or aimlessness outside the comparatively safe confines of school – do not participate in any structured activities beyond the school day.

Acting on the conviction that beleaguered schools and families need all the help they can get in guiding children to fulfilling adulthood, this city's top public and private leadership, including Mayor David N. Cicilline, have developed plans to ensure that many more children, especially middle-schoolers, participate in high-quality learning opportunities outside the school day.

Providence is one of two cities – New York City is the other – in Wallace's Learning in Communities initiative whose goal is to help redesign local systems of out-of-school learning opportunities so that more children get the benefits of meaningful participation in high-quality programs. And it was at one of many arduous planning sessions with the Mayor and other leaders that

young Ben-Oni offered this bit of simple but memorable clarity:

“I'd walk a mile for a quality program,” he said. “But I wouldn't walk across the street for a bad one.”

PUTTING QUALITY FIRST

As is true of many cities, Providence is a study in contrasts. Providence ranks third in overall poverty among the nation's cities of comparable size. But it has a wealth of learning and enrichment opportunities for young and old. There are newly-built libraries. The city is blessed with outstanding arts and cultural institutions such as AS220, New Urban Arts and City Arts, each with strong youth programs. Providence has 10 neighborhood recreation centers where people can play basketball or take

part in other physical activities. Schools offer a range of after-school programs, including sports and remedial and homework help. But the opportunities are unevenly distributed and disconnected throughout the city, and quality is highly variable. Many children and parents, concerned about safety, bad influences and lack of convenience along with weak program quality, choose not to participate – opting instead for the relative safety and sameness of home life after school.

As one middle-school parent puts it, “I want my daughter to learn to dance, but at what price? Who is she going to be with?”

Thus, when Cicilline made high-quality after-school programs a central plank of his election bid in 2002, he



Providence Mayor David N. Cicilline.

Students from the city's after-school arts programs helped design a new website and logo for the Providence After-School Alliance.



recognized that fundamental change in the city's fragmented system would mean confronting some tough realities. For starters, methodical planning and decision making based on rigorous data are not the norm either in government or the nonprofit world. Getting broad buy-in for sticking with a time-consuming change process that would place the interests of kids above institutions was therefore an essential first step.

The out-of-school learning field itself is also riddled with unknowns. As a new RAND report, *Making Out-of-School Time Matter: Evidence for an Action Agenda* commissioned by Wallace reveals, there is a dearth of solid evidence about such basic matters as: whether or not there is unmet demand for programs, what kinds of benefits and outcomes can reasonably be expected, and what kinds of planning and levels of funding are needed to achieve expectations.

Whatever academic, social or other developmental benefits these programs might have for the children of Providence, they are unlikely to be realized unless clear standards are first developed to define what quality looks like

"I'd walk a mile for a quality program. But I wouldn't walk across the street for a bad one."

and how progress in reaching goals can be regularly assessed. Equally important, children and their parents need to become convinced that the city's programs will deliver quality consistently, and they also need a common language to help them discern quality in after-school programs.

As Cicilline puts it, "This is not about just getting more money to programs. It's really about developing a system of high quality, and a way to measure outcomes, a way to increase our services to kids and to understand that the value is not only for the kids. This is not about quick fixes, but about a sustained investment in building something that will survive me and will benefit the children of the city for generations."

So what might "quality" look like? Providence planners are struggling to answer that question. But national studies commissioned by Wallace suggest a number of probable traits.

Multiple Choices After School, an analysis by Public/Private Ventures and Manpower Demonstration Research Corporation of lessons from Wallace's Extended-Service Schools initiative, cites among other things: clear goals and mission, well-trained and caring

adult staff, peer support, opportunities for youth leadership and decision making, safe surroundings, and a rich variety of options including academics, sports, cultural enrichment, community service and career preparation to meet the individual needs and interests of children.

RAND's out-of-school learning report lists several other traits associated with quality: high expectations, small enrollments relative to staff size, appropriate content and frequent assessment.

A Wallace-commissioned national survey by Public Agenda, *All Work and No Play? Listening to What KIDS and PARENTS Really Want from Out-of-School Time*, reinforces the finding that for most parents and kids, what matters most is not so much whether after-school programs improve school performance, but whether what's offered is enjoyable, safe and varied. (see box).

Building on that and other national research, Providence used Wallace planning funds to conduct market research to get a clearer fix on what parents and children consider most important in selecting out-of-school learning programs – in other words, hinging the definition of quality to hard data on local demand. The resulting survey by Market Street Research, Inc. of Northampton, MA, revealed some of the top criteria cited by Providence parents and kids:

- Safety (94% of parents and 79% of students)
- Fun (92% of students, 78% of parents)
- Quality leaders (87% of parents, 58% of students)
- Teaching student to get along with others (86% of parents; 56% of students)
- Teaching new skills (77% of students; 76% of parents)

WHAT PARENTS AND KIDS REALLY WANT

Public Agenda's national survey, *All Work and No Play?* adds the missing voice of parents and kids – the consumers – to the discussion of what matters most in out-of-school learning. Among the findings:

- Academics do not top the list of choices for most kids or parents. Fifty-four percent of parents say “kids get more than enough academics during the school day,” and only 9% of students would choose academic activities after school. Poor and minority parents and kids, however, are much likelier to seek out academics after school or other programs that focus on learning, and three out of ten students of all backgrounds say they'd very much like an after-school program that provides homework help.
- Athletics and team sports are the favorite out-of-school choices among kids, followed by cultural activities like art, music or dance.
- 85% of kids surveyed say that those who participate in organized after-school programs are better off, but nearly 9 out of 10 also admit they need a push from their parents to participate.
- Poor and minority parents and children hold a much dimmer view of the availability and quality of after-school programs than more affluent families, and nearly half of low-income parents say that “hanging out with the wrong crowd” is a worry.

The full report can be viewed or downloaded at www.wallacefoundation.org, or www.publicagenda.org. ■

A further eye-opening finding from Public Agenda was that low-income and minority parents “are far more likely to be dissatisfied with the quality, affordability and availability of options in their communities.” So Ben-Oni undoubtedly spoke for thousands of fellow Providence students when he said, in effect, that his non-school hours are his own, and that he can and will vote with his feet to attend only programs that deliver quality, even if the alternative is boredom, or worse.

EARLY LESSONS: IT TAKES A VILLAGE ... AND A LEADER

The Wallace-supported planning process that began in April 2003 led to the creation in 2004 of the Providence After-School Alliance (PASA), a public-private venture that will implement

a reorganization of the city's after-school programs. To date, Wallace has provided the major funding for PASA – \$5 million over five years. The Bank of America pledged \$1 million more, and the Mayor is seeking additional support from other public and private sources. PASA's steering committee, chaired by the Mayor, includes the police chief, superintendent of schools, director of recreation and other city cabinet members, as well as non-profit, parent and youth leaders, who will integrate PASA's plans into their work and priorities.

Along with helping lead the development of quality standards and accountability measures, PASA will seek to address parents' and kids' stated demands for improved access, enhanced safety and reliable information about quality



Mayor Cicilline goes over OST plans with Rhode Island State Education Commissioner Peter McWalters and other leaders.

programs by creating a “neighborhood hub” system that will bring services and information closer to home. PASA will also feature a lively website, designed with the help of kids, to direct children and families to high-quality after-school programs that suit their needs.

A number of early lessons are emerging from Providence’s efforts to date to reshape its system of out-of-school learning opportunities to put quality at the center:

1. Make the change process open and inclusive. The planning process that led to the creation of PASA brought together over 100 leaders from government, business, philanthropy, public schools and area universities, arts organizations and other out-of-school providers, parents and kids. PASA’s steering committee that is guiding the work contains a similar rich mix of public and private community and political leaders.

2. Use data and market research to get a clear picture of the amount and distribution of programs throughout the city and to understand what parents and kids really want.

3. Select trusted, knowledgeable organizations within the community to manage the different stages of the planning and change process. In Providence, Rhode Island KIDS COUNT managed the early planning process, while the Education Partnership, a leading education policy and reform organization whose members include many of the state’s business leaders, is supporting

and incubating PASA in the early implementation stage.

Another crucial lesson from both Providence and New York City is the importance of securing the steady commitment of the people or institutions with the most political clout – whether the mayor, city manager or city council. And Mayor Cicilline has repeatedly declared that improving the learning opportunities of the city’s children within and beyond school is his number one priority:

“If you intend to be successful in this work, it has to be on your short list, as something that you’re really committed to, and that you understand that it has benefits to your community and your city and your kids and your economy,” he says. “The real success of this in reaching kids will be that we have quality standards and we’ve increased access because we have more resources. To any mayor who’s thinking about doing this, it’s important for them to see that there’s no greater gift than that kids have a safe, enriching, high-quality place to grow and learn all day. I mean, there’s nothing better that you can do.” ■



Youth who participated in the design charette to create the Providence After-School Alliance website.



A self-portrait by
a third grader at
Roosevelt-Perry
Elementary School,
Louisville, KY.

HIGHLIGHTS
'04

SURROUNDING CHILDREN WITH OPPORTUNITY...

THROUGH THE ARTS

“He who neglects the arts when young,” the Greek dramatist Sophocles wrote nearly 2,500 years ago, “has lost the past and is dead to the future.” As a natural outgrowth of our long-standing and continuing support for building arts participation mainly among adults, The Wallace Foundation decided in 2004 to add a new focus: fostering meaningful engagement with the arts among young people. Our goal will be to help create many more lifelong appreciators and supporters of the arts. In doing so, we will add importantly to our larger vision of “surrounding children with learning opportunities” by including providers of arts learning, both in school and out, more centrally in the mix.

A first-of-its-kind study of the range of arts benefits produced by RAND and commissioned by Wallace underscores the potential of early arts engagement. The report, *Gifts of the Muse: Reframing the Debate About the Benefits of the Arts*, which has attracted wide attention and acclaim from policy-makers including National Endowment for the Arts chairman Dana Gioia, argues that “early exposure is often key to developing life-long involvement in the arts.” The benefits that individuals stand to gain, the report adds, proceed in stages and “are likely to require sustained involvement in the arts.”

We know there is strong demand for such experiences among parents and children. A recent national survey on arts participation of 1,200 adults commissioned by Wallace finds, for example, that 75% want to see more arts opportunities for children (see chart on p. 24). But we also know that too often, tight funding, competing priorities and variations in quality mean that the main providers of arts education – schools, arts organizations and other community organizations – are falling short in making high-quality opportunities available to millions of children.

We believe that a promising approach to address this challenge is to work with cities that have already made progress in connecting schools, cultural institutions and community-based organizations in ways that can substantially increase

children’s participation in the arts. The goal, first, is to help children gain the basic “vocabulary” of arts concepts that would allow them to enter into the broad realm of arts experiences and gradually begin to make more informed and discriminating choices. And second, we want to support arts organizations and others in broadening the opportunities for children to delve more deeply into their particular artistic and cultural interests, skills and talents. In sum, we plan to begin working with a select number of cities to find creative new ways to link school and non-school providers to deliver high-quality arts education.

Meanwhile, Wallace’s longstanding support for expanding arts participation continued in 2004, and we plan new ways to build on those efforts.

Since 2001, we have supported 13 state arts agencies to develop new norms of practice that contribute to greater participation throughout their states. In 2004, RAND published the first in a series of reports commissioned by Wallace to analyze issues affecting the participation-building capacities of state arts agencies and to share lessons and effective practices more broadly. The report, *State Arts Agencies 1965-2003: Whose Interests to Serve*, argued that while these small but important state agencies “have worked hard to meet the needs and interest of arts providers,” they also

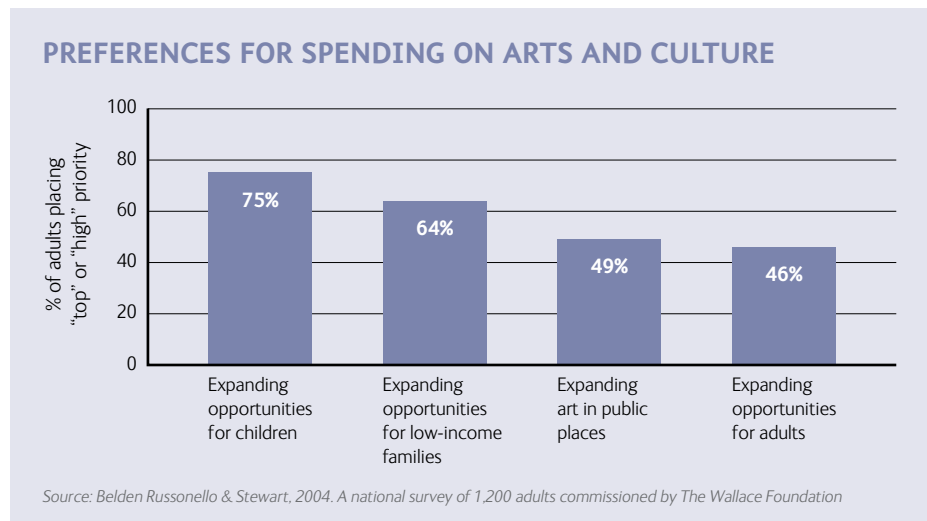
need to ensure "that the arts providers have, in turn, met the needs and interests of the broader public" if they are to increase their public value and secure their political standing. The second publication in the RAND series, due in 2005, will examine different approaches being used by state arts agencies to meet that challenge.

Our support of leading arts and cultural organizations through our Leadership and Excellence in Arts Participation program (LEAP) remains a central element in our arts work. Since 1999, Wallace has provided more than \$43 million in grants to arts organizations across the country to develop and share innovative ways to achieve a variety of participation-building goals.

A number of those LEAP grantees, including Marwen in Chicago, Blue Apple Players in Louisville, Mosaic Youth Theatre of Detroit and the Children's Theatre in Minneapolis, aim particularly at providing rich arts experiences for children and youth (see *closeup story on the Minneapolis theater's program on p. 26*). The accumulated lessons and knowledge of these pioneering organizations provide an invaluable "running start" as we embark on the new challenge of

improving arts learning. For example, noted art and museum educator Philip Yenawine recently listed a number of "hallmarks of successful programs" based on an examination of methods used at Marwen, a studio program that provides high-quality visual arts instruction, college planning and career development to youth in grades 6-12 free of charge. Among those elements: a welcoming community built on respect and confidence; clear criteria for teachers; a combination of guidance and independence; growth-enhancing instruction and individual assessments of growth in knowledge and skills; inviting buildings and classrooms; a diverse atmosphere; teamwork and shared responsibility, and encouraging youth leadership.

Finally, to recognize and help institutionalize outstanding participation practices among LEAP grantees, we established the Wallace Excellence Awards and provided the first six awards in 2004 (see p. 39 for the list of awardees). The six LEAP organizations that received these challenge grants will use them to expand endowments or to establish revolving cash reserves to support continuing participation-building activities. Other awards will be given in future years. ■





MINNEAPOLIS CHILDREN'S THEATRE:

GATEWAY TO A LIFETIME OF ARTS BENEFITS

It's a typically busy day at The Children's Theatre Company in Minneapolis. The backstage crew begins arriving for the evening's performance of *A Year With Frog and Toad*, an original production that migrated to Broadway in 2003, earned three Tony Award nominations, and helped solidify the Minneapolis company's reputation as one of America's premier children's theaters.

Earlier that same day, Maria Asp, a singer, actress, and one of 17 teaching artists in the theater's Neighborhood Bridges program, which trains children in story telling and creative writing, departs for an elementary school. There, in a fourth-grade classroom, she sits on the floor surrounded by students, many of whose first language is Lao, Somali, Hmong, Spanish, Arabic or Korean. For two solid hours, she rivets their attention as they work to create a storyline for plays that will eventually be performed on stage.

"Give me a preposition," she demands. "To,' 'under,' 'over' or something else." "Under!" someone shouts.

"OK, give me something dangerous."
"A sword!"
"Something that blooms."
"A rose."

And with that, Asp begins to weave a story set in a museum about a sword covered by a rose. She pauses, and the children quickly pick up the story's threads, helping her spin a magical tale. Later, at their desks, they will furiously compose their own stories about swords and roses. Eventually, they will turn these into plays and perform them on the theater's Main Stage at a festival at the end of the school year. For many of their beaming parents in the audience, it

will be the first time they have been in a theater.

Asp herself is living proof of the value of hands-on engagement with the arts at an early age. Her own parents brought her as a young girl to the Children's Theatre, and her resulting love affair with the arts has come full circle in the career she has made of passing arts appreciation on to new generations. The many benefits of arts experiences are described in a newly-published RAND report commissioned by The Wallace Foundation, *Gifts of the Muse: Reframing the Debate About the Benefits of the Arts*.



Students use fabric scraps to create costumes.

Multi-generational performers Celeste J. Busa and Mychael Rambo in Children's Theatre production, "Amber Waves".



Writes Kevin F. McCarthy, lead author: “Many young people’s first hands-on involvement with the arts is when they learn to draw, to play an instrument, to sing in a choir, or, perhaps, to act in a play...If their early creative experience has brought pleasure and recognition, it can become an ideal gateway to future arts experiences, because the individuals have had a positive experience with the arts, have learned the underlying techniques of an art form, and have begun to develop the ability to discriminate between a good performance and a mediocre one.”

Arts’ benefits, McCarthy continues, begin with the personal, but extend to the public: “These experiences give us new references that enable us to become more receptive to unfamiliar people, attitudes, and cultures.” Peter

C. Brosius, The Children’s Theatre’s artistic director, experiences this in his work: “When you expose someone to the theater,” he says, “you show them a group of people who are different but who are working together. And when they participate themselves on stage, they can inhabit the shoes of another. It shows them they’re not alone; it creates a bridge between them and other people.”

Aware of the importance of an early start, The Children’s Theatre recently created new programming for preschoolers. “It’s so important to reach children early, because then they have their entire lives to benefit,” says Teresa Eyring, the managing director. “This is important for so many reasons, but in particular because the arts stimulate the imagination. So many young people

come from backgrounds of poverty, and they’re behind everyone else from the get-go. But giving them the chance to use their creativity levels the playing field. It creates a self-confidence they otherwise wouldn’t have.”

Indeed, something special happens when Asp brings the arts to life in Twin Cities classrooms. Not only is attendance usually perfect on the days she’s there, but there are also signs that the students in the program are doing better academically, especially in writing. “Where the kids are in the most dire straits is where we’re seeing the biggest improvement,” Asp says.

“I so often find myself working with kids turned off to education,” Asp says. “They hate school, they hate writing – just these little people with these

Students arrive at The Children's Theatre Company to perform the plays that their class has written.



huge blocks. I make it all a game, and suddenly every single kid is writing. But it's more than test scores. We're looking at the things students need to learn that will empower them to be great citizens. If they can enjoy writing and reading, it gives them great personal power."

Judy Hornbacher, a principal on special assignment in the school district and creator of Arts for Academic Achievement, a district program in which the theater is a major participant, says, "The reading and math scores of hundreds of third and fourth graders have gone up as a result of the Children's Theatre's work along with that of other partners. Equally important, teachers have a greater appreciation for their students' ability to learn – if people don't believe kids can learn, they don't. Disadvantaged students have benefited exponentially.

"A key reason for this success," Hornbacher continues, "is the theater's high attention to quality and the fact that they work with kids for the entire school year. The program has had a

significant impact in the community – the evidence is that even in tough budget times, the school board continues to approve funding."

While not as visible to the public as the nearly 400 performances on the Main Stage each year, Neighborhood Bridges

"If early creative experience has brought pleasure and recognition, it can become an ideal gateway to future arts experiences..."

nonetheless illustrates a key tenet of the theater's vision: that theater can play a crucial role in education and community development. The theater's productions have toured throughout the Midwest, often performing in rural towns where the kids have never seen live theater and their teachers have to explain what it is. It sends staffers into middle schools to

teach the students how to write plays, and a company of professional actors then visits to do staged readings of their work. It offers classes in the theater arts: writing, directing, stage design. And it trains school teachers to integrate drama into their curricula.

Now celebrating its 40th anniversary, the theater has begun an extensive effort to attract a particularly hard-to-reach group, teenagers, with Wallace Foundation support. The Children's Theatre is one of 49 exemplary arts organizations that have participated in Wallace's Leadership and Excellence in Arts Participation (LEAP) program, which promotes expanded participation in the arts. Among them are two other children's theaters, the Blue Apple Players in Louisville, KY, and the Mosaic Youth Theatre of Detroit:

The professional adult actors in the Blue Apple Players ensemble present over 160 performances from their inventory of 36 original musicals, reaching more than 135,000 children throughout Kentucky and parts of nine other Mid-Atlantic states. Its arts education

program provides high-quality theater training in collaboration with over 20 schools and community groups.

The core program of Mosaic Youth Theatre is the Youth Ensemble Training Program. Each year more than 100 talented teens from over 45 different city and suburban middle and high schools receive nine months of free theatrical training in acting, vocal performance and technical theater. More than 95% of Youth Ensemble participants have graduated from high school and gone on to college or the armed services.

With plays specially commissioned for this audience and programming advice from teens serving on a Youth Council, The Minneapolis Children's Theatre aims to increase the 358,000 children and parents it reaches each year through all its programs by 60,000 – with three-fourths of the hoped-for increase being teenagers. A new 266-seat theater under construction will be dedicated to productions for teens.

“Our demographic research has shown a population spike in the fifth grade,” Tim Hawley, senior vice president of KidCom Worldwide, an advertising and marketing firm in Minneapolis focusing on children, wrote to the theater when it announced its plans for teen programming. “These children will be entering their teenage years just as your new facility is opening its doors. Your decision could not be more timely.”

The theater has earned national accolades and broad media attention for the high quality of its productions and for its work in providing children with early arts experiences. In 2003, the theater won the Tony® Award for best regional theater, the first time a children's theater has been so honored. “The Children's Theatre Company,” *The New York Times* commented, “is now officially what it has been unofficially for a good while: the nation's leading theater for young audiences.”

BUILDING ARTS' BENEFITS BY STARTING YOUNG

The personal and public benefits that flow from arts participation are most likely to be realized when exposure to the arts begins at a young age, as happens at The Children's Theatre Company. This is among the central conclusions of a newly-published landmark study by RAND, *Gifts of the Muse: Reframing the Debate About the Benefits of the Arts*, commissioned by The Wallace Foundation.

Among the key findings:

- Benefits of the arts include the *intrinsic* (for example, the pleasure from an artistic experience, or the growth in an individual's capacity for empathy) and the *instrumental* (such as educational, health or economic benefits). Realizing most of these benefits requires sustained engagement with the arts.
- While instrumental benefits are most often used to justify support for the arts, it is the intrinsic benefits that are the triggers for realizing those instrumental benefits and that keep people coming back for more beneficial experiences throughout their lives.
- Childhood experiences are the most effective gateway to lifelong participation in the arts. And for children, direct involvement in making or performing art is the most powerful in its effects.
- Families, community leaders and public policymakers should therefore work toward building demand for the arts by introducing more Americans to engaging arts experiences, especially when they are young. ■

Last year *Time Magazine* rated it at the top of the best five children's theaters. And the *Christian Science Monitor* had this to say: “The Children's Theatre Company may be one of the primary reasons the theater continues to thrive in Minneapolis. Children taste the fruits of the theater early, and it makes them hungry for more.”

Children have opportunities to develop their abilities in many ways at the theater. On the same afternoon that she worked with the elementary children, Ms. Asp gathers 18 middle-school students around her in a spare, cubical performance hall. Parents and friends will soon file in to see them perform a play they wrote themselves, called “Jericho and The Land of Lies.” The next day the students will visit two inner city schools to perform again, then break

their audience into groups to explain acting techniques they have been taught. Thirteen-year-old Lars Lee, who plays the lead in “Jericho,” has been coming to the Children's Theatre for six years. “I can let all my feelings out here, then take that into school and concentrate better,” he says. “It's almost like medicine for me.”

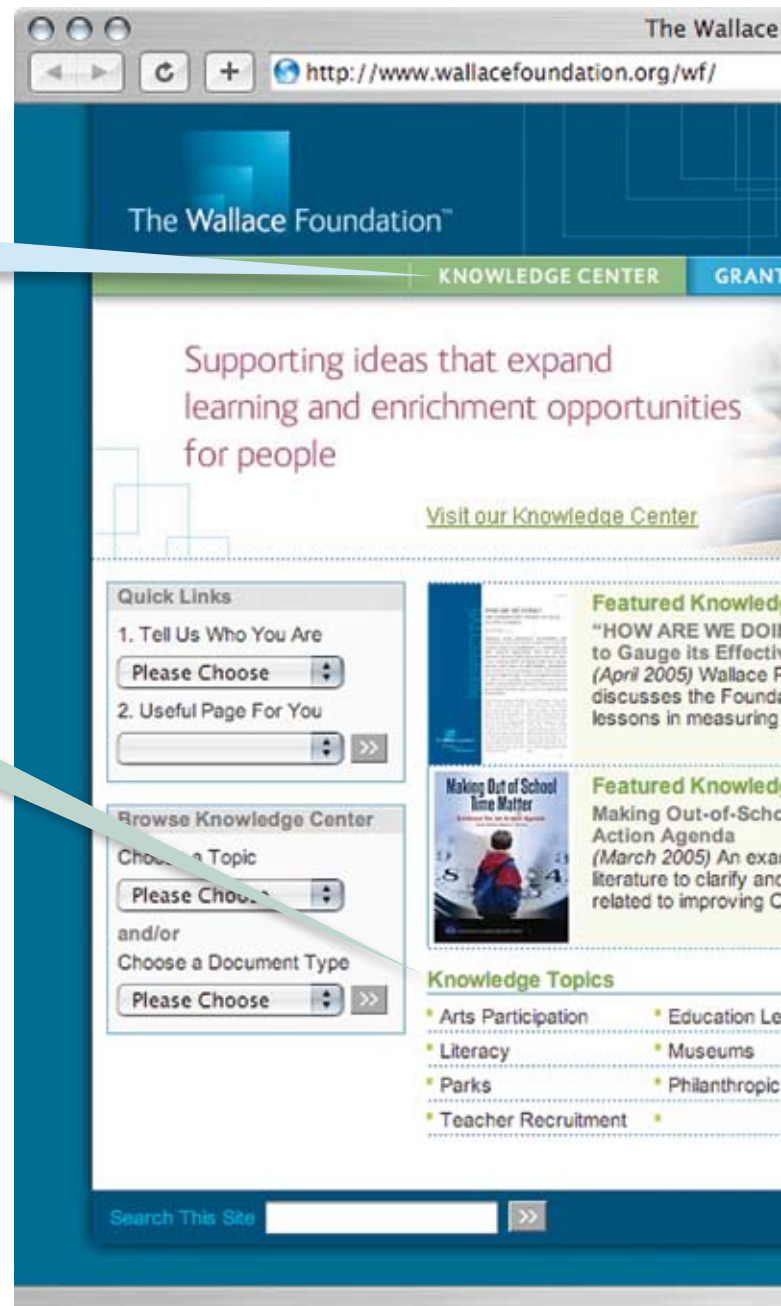
“Our goal is to make extraordinary theater,” Brosius says. “We don't start with the idea that there's a difference between adult and children's theater. In fact, we set a standard that is higher than most adult standards. That's because we have the potential to totally change someone's life by giving them the power of story at an early age, by introducing them to a new art form in a way that will stay with them.” ■

INTRODUCING THE NEW WALLACE FOUNDATION WEBSITE

In all of our work, we seek to gather and broadly share effective ideas and practices of wide use to the fields we are engaged with, beyond the reach of our dollars. In 2004, we introduced a much easier pathway for policymakers, practitioners, journalists and other interested members of the public to gain quick access to that growing catalogue of information: a completely revamped Wallace website, at www.wallacefoundation.org.

The centerpiece of the site, the Wallace Knowledge Center, provides ready access to publications, policy briefs, articles and stories that detail practical lessons being learned from our current work in education leadership, out-of-school learning and arts participation. It also features publications containing a wealth of useful and candid information from our past efforts to support teacher recruitment, adult literacy, school library and school counseling programs and urban parks.

Every report on our site can be downloaded as a .pdf file. We also provide a brief summary or "library card" of each publication that allows visitors to learn enough about what the report covers to help them decide whether to download the whole document. While browsing a particular topic, related knowledge that might be of interest is displayed on the right side of the page.





The site also makes it easy to register for monthly e-mail alerts so that users can be updated when additions to the site are made. Expandable and built around a relational database, the site will permit the creation of online communities devoted to a particular area of interest, such as education leadership.

The newly-designed site offers many conveniences to users. It provides a single place to locate knowledge, register for our conferences, read requests for proposals, and learn news about the Foundation. The “splash” or front page provides frequently updated displays of what is new.

Reaction to the new site has been encouraging. Downloads of reports and stories have risen from well under 1,000 per month on average before the redesign to 6,000. The new site also earned a juried Standard of Excellence award from the Web Marketing Association.

Our website is now at the heart of our efforts to provide ideas that are credible, evidence-based and relevant to the fields in which we work. Further enhancements will be made in the months ahead to increase the website’s value as a tool for sharing useful knowledge. We invite you to visit often. ■

NEW PUBLICATIONS IN WALLACE'S KNOWLEDGE CENTER

www.wallacefoundation.org

EDUCATION LEADERSHIP

FROM BYSTANDER TO ALLY: TRANSFORMING THE DISTRICT HUMAN RESOURCES DEPARTMENT

Christine Campbell et al., Center on Reinventing Public Education, University of Washington, 52pp. This report sheds light on how today's school districts can rethink the Human Resource function to better serve teaching and learning goals.

HOW LEADERSHIP INFLUENCES STUDENT LEARNING

Kenneth Leithwood et al., Center for Applied Research and Educational Improvement and Ontario Institute for Studies in Education, 87pp. This first in a series of publications by researchers from the Universities of Minnesota and Toronto probing the connections between leadership and learning concludes that leadership is second only to teaching among school-related factors in its impact on student learning.

PROGRESS BEING MADE IN GETTING A QUALITY LEADER IN EVERY SCHOOL

Southern Regional Education Board, 27pp. This report on the progress of 16 states in improving school leadership offers practical guidance to others seeking to reform policies and strategies to ensure that qualified individuals are identified and prepared to be principals.

THE CAREERS OF PUBLIC SCHOOL ADMINISTRATORS

RAND Corporation, 4pp. This research brief examining data on the career paths of school administrators in three states offers a model for future state data collection efforts aimed at broadening state-level information about not only school administrators' careers, but their quality as well.

OUT-OF-SCHOOL LEARNING

ALL WORK AND NO PLAY? LISTENING TO WHAT KIDS AND PARENTS REALLY WANT FROM OUT-OF-SCHOOL TIME

Ann Duffett et al., Public Agenda, 55pp. In the ongoing debate about the purpose of out-of-school programs, the voices of parents and kids have frequently been absent. For the first time, this national survey provides insights about what the consumers of out-of-school learning programs want from them.

NEW ON THE SHELF: TEENS IN THE LIBRARY

Julie Spielberger, et al., Chapin Hall Center for Children at the University of Chicago, 20pp. This summary of key findings from an evaluation of Public Libraries as Partners in Youth Development, a Wallace Foundation initiative, details the positive effects that teen programming at libraries can have on participating youth, libraries and communities.

URBAN PARKS AS PARTNERS IN YOUTH DEVELOPMENT

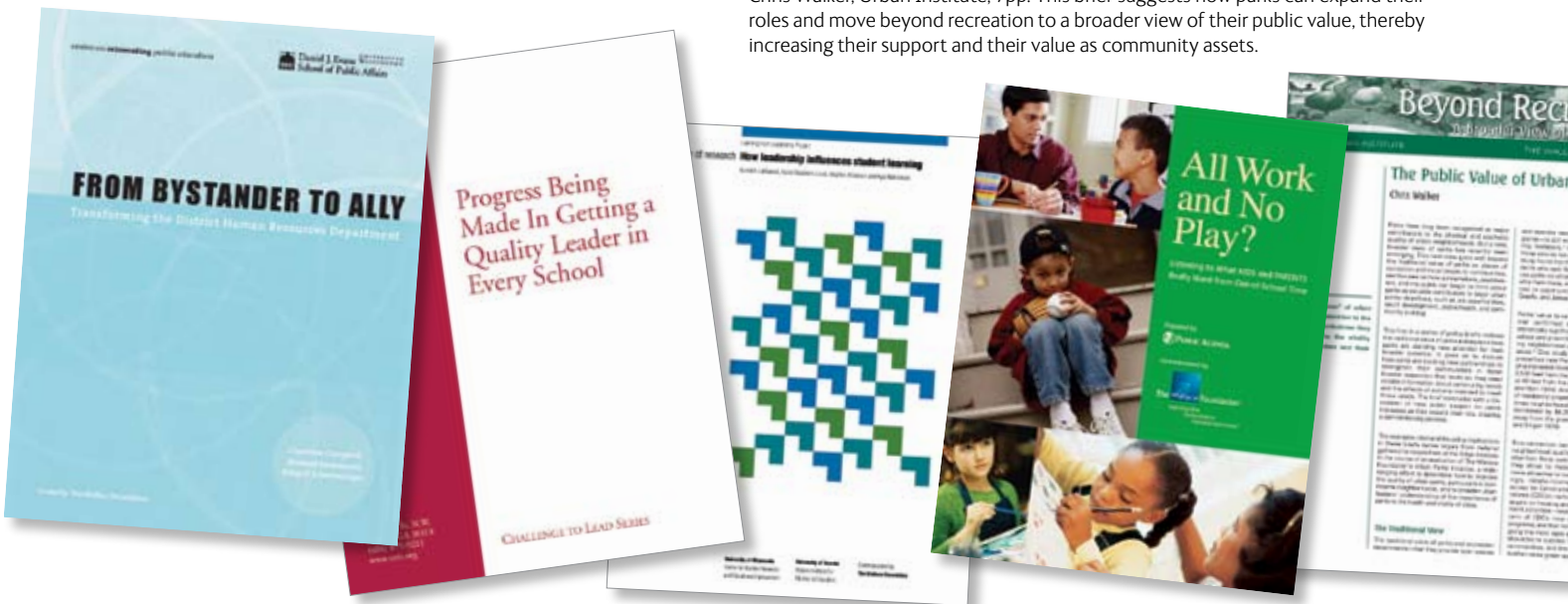
Margery Austin Turner, Urban Institute, 7pp. Using examples from Wallace's Urban Parks initiative, this brief shows how creative youth programming in parks can provide participants with a wide constellation of essential skills, knowledge and aptitudes.

UNDERSTANDING PARK USERSHIP

Chris Walker, Urban Institute, 11pp. This brief provides park managers with practical guidance on how surveys of park usership can help them respond better to community needs, resolve conflicts among groups of park users, and manage park assets more effectively.

THE PUBLIC VALUE OF URBAN PARKS

Chris Walker, Urban Institute, 7pp. This brief suggests how parks can expand their roles and move beyond recreation to a broader view of their public value, thereby increasing their support and their value as community assets.



ARTS PARTICIPATION

ARTS AND NON-ARTS PARTNERSHIPS: OPPORTUNITIES, CHALLENGES, AND STRATEGIES

Chris Walker, Urban Institute, 16pp. This brief contains practical lessons from the experiences of arts and non-arts organizations that form participation-building partnerships that can help others identify and reduce the risks in this increasingly popular strategy.

PARTNERSHIPS BETWEEN LARGE AND SMALL CULTURAL ORGANIZATIONS: A STRATEGY FOR BUILDING ARTS PARTICIPATION

Francie Ostrower, Urban Institute, 16pp. Partnerships between large and small arts organizations can help both partners expand their networks, horizons, capacities and audiences. This brief examines the benefits and the difficulties in creating mutually beneficial, sustained partnerships to build arts participation.

STATE ARTS AGENCIES 1965-2003: WHOSE INTERESTS TO SERVE?

Julia F. Lowell, RAND Corporation, 40pp. This report, the first in a series of RAND publications that will draw out lessons from Wallace's State Arts Partnerships for Cultural Participation initiative, gives an overview of the history of these agencies and the fiscal and philosophical crossroads at which they find themselves today.

OTHER PUBLICATIONS OF CONTINUING INTEREST

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

A Wallace Foundation policy brief, 2003, 12pp.

LEADING FOR LEARNING: REFLECTIVE TOOLS FOR SCHOOL AND DISTRICT LEADERS

Michael S. Knapp et al., Center for the Study of Teaching and Policy, University of Washington, 2003, 32pp.

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

Steve Farkas et al., Public Agenda, 2003, 73pp.

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

Jean Baldwin Grossman et al., Public/Private Ventures, 2002, 70pp.

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

A Wallace Foundation brief, 2000, 16pp.

REGGAE TO RACHMANINOFF: HOW AND WHY PEOPLE PARTICIPATE IN ARTS AND CULTURE

Chris Walker et al., Urban Institute, 2002, 68pp.

A NEW FRAMEWORK FOR BUILDING PARTICIPATION IN THE ARTS

Kevin F. McCarthy et al., RAND, 2001, 112pp.



PROGRAM EXPENDITURES & COMMITMENTS

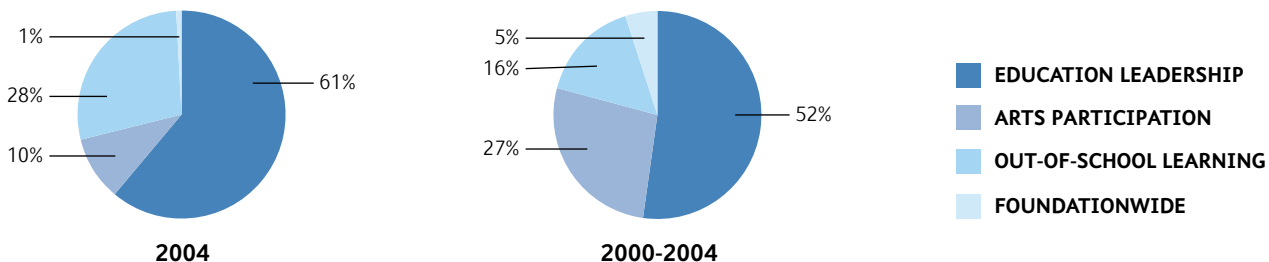
The tables in the following pages detail the expenditures and commitments made in 2004 to further the Foundation’s work in its three focus areas of education leadership, out-of-school learning and arts participation. In each of these areas, our approach and our expenditures can be grouped into two main categories: Develop Innovation Sites and Develop and Share Knowledge.

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

In 2004, the Board approved new grants and related expenses of \$61.2 million, an increase of 39% over 2003. Since 2000, new approved grants total \$232 million.

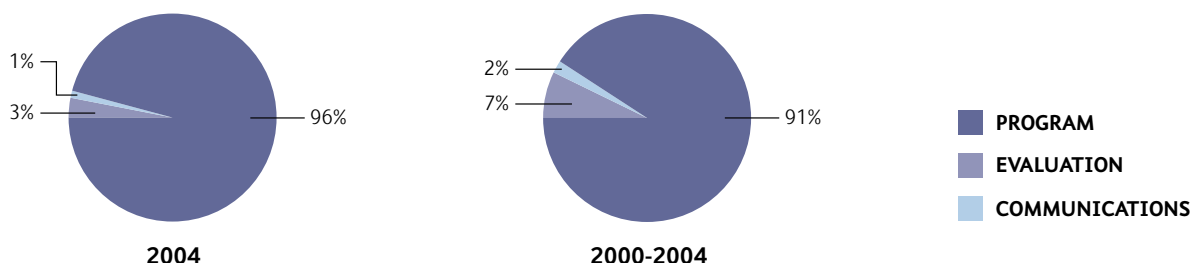
ALLOCATION BY FOCUS AREA

Education leadership allocations rose sharply in 2004, accounting for 61% of our grants, up from 38% in 2003. This increase primarily reflects the addition of nine new states in our state-district strategy. Allocations for our new and developing work in out-of-school learning also rose significantly to 28% of total grants, compared with 5% in 2003, as we funded the implementation of work in New York City and Providence. New allocations for arts participation declined as we considered the next phase of our work in this area. Over the five-year period beginning in 2000, education leadership has represented 52% of total allocations, arts participation 27% and out-of-school learning 16%.



ALLOCATION BY FUNCTION

We use our grants not only to develop innovation sites (program spending), but also to develop new knowledge and capture the results of our work (evaluation), and then share the results with others (communications). Our efforts to capture and share effective ideas and practices more broadly continued in 2004, but year-to-year spending levels in evaluation and communications fluctuate depending on how and when strategic opportunities arise in each of our focus areas.



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

1. DEVELOP INNOVATION SITES

Our site work consists of two closely-coordinated strands of activity: support for a select number of states to make legislative and regulatory changes aimed at ensuring that districts throughout those states can develop, prepare and retain leaders capable of improving student performance; and support for high-need districts within those states to test a variety of strategies aimed at improving the training of leaders and at creating working conditions that allow them to succeed.

In 2004, Wallace took several steps to strengthen the connections in this state-district work, extend and deepen its impact, and improve geographic balance:

- Renewed funding for the 15 original states and added six more to our State Action for Education Leadership Project (SAELP);
- Provided supplemental funding to Illinois, Massachusetts and Oregon to ensure that the leadership work extends to the largest cities in those states;
- Provided support to three additional states – Kansas, Michigan and Wisconsin – to change policies and practices that fall within specific leadership issues that have emerged as critical to advancing the impact of our work; and
- Renewed funding of Leadership for Educational Achievement in Districts in 12 districts located within SAELP states.

| Organization / IRS name, if different (City, State) | APPROVED 2004 | PAID 2004 | FUTURE PAYMENTS |
|---|------------------|--------------|--------------------|
| THE FOLLOWING RECEIVED FUNDING FOR STATE-DISTRICT SITE WORK IN 2004 (GROUPED BY STATE): | | | |
| ARIZONA | | | |
| STATE OF ARIZONA DEPARTMENT OF EDUCATION / Arizona Department of Education (Phoenix, AZ) | 1,200,000 | 1,200,000 | – |
| CONNECTICUT | | | |
| CONNECTICUT STATE DEPARTMENT OF EDUCATION (Hartford, CT) | 200,000 | 200,000 | – |
| HARTFORD PUBLIC SCHOOLS / Hartford Board of Education (Hartford, CT) | 1,000,000 | 1,000,000 | – |
| DELAWARE | | | |
| DELAWARE DEPARTMENT OF EDUCATION (Dover, DE) | 298,000 | 298,000 | – |
| GEORGIA | | | |
| UNIVERSITY SYSTEM OF GEORGIA FOUNDATION, INC. (Atlanta, GA) | 228,000 | 228,000 | – |
| ATLANTA PUBLIC SCHOOLS / Atlanta Independent School System (Atlanta, GA) | 1,000,000 | 1,000,000 | – |
| ILLINOIS | | | |
| ILLINOIS STATE UNIVERSITY (Normal, IL) | 274,000 | 274,000 | – |
| SPRINGFIELD SCHOOL DISTRICT 186, IL (Springfield, IL) | 1,000,000 | 1,000,000 | – |
| INDIANA | | | |
| INDIANA DEPARTMENT OF EDUCATION (Indianapolis, IN) | 182,000 | 182,000 | – |
| FORT WAYNE COMMUNITY SCHOOLS (Fort Wayne, IN) | 1,000,000 | 1,000,000 | – |
| IOWA | | | |
| IOWA DEPARTMENT OF EDUCATION (Des Moines, IA) | 316,000 | 316,000 | – |

| | APPROVED 2004 | PAID 2004 | FUTURE PAYMENTS |
|---|------------------|--------------|--------------------|
| KANSAS | | | |
| STATE OF KANSAS DEPARTMENT OF EDUCATION (Topeka, KS) | 425,000 | 425,000 | – |
| KENTUCKY | | | |
| KENTUCKY DEPARTMENT OF EDUCATION (Frankfort, KY) | 266,000 | 266,000 | – |
| JEFFERSON COUNTY PUBLIC SCHOOLS (Louisville, KY) | 1,000,000 | 1,000,000 | – |
| LOUISIANA | | | |
| STATE OF LOUISIANA DIVISION OF ADMINISTRATION (Baton Rouge, LA) | 1,200,000 | 1,200,000 | – |
| MASSACHUSETTS | | | |
| MASSACHUSETTS DEPARTMENT OF EDUCATION (Malden, MA) | 300,000 | 300,000 | – |
| SPRINGFIELD PUBLIC SCHOOLS, MA / Springfield School Volunteers, Inc. (Springfield, MA) | 1,000,000 | 1,000,000 | – |
| MICHIGAN | | | |
| WESTERN MICHIGAN UNIVERSITY (Kalamazoo, MI) | 425,000 | 425,000 | – |
| MISSOURI | | | |
| MISSOURI DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION (Jefferson City, MO) | 221,000 | 221,000 | – |
| ST. LOUIS PUBLIC SCHOOLS (St. Louis, MO) | 300,000 | 300,000 | – |
| MONTANA | | | |
| MONTANA OFFICE OF PUBLIC INSTRUCTION (Helena, MT) | 200,000 | 200,000 | – |
| NEW JERSEY | | | |
| NEW JERSEY DEPARTMENT OF EDUCATION (Trenton, NJ) | 302,000 | 302,000 | – |
| TRENTON PUBLIC SCHOOLS / Trenton Board of Education (Trenton, NJ) | 1,000,000 | 1,000,000 | – |
| NEW MEXICO | | | |
| STATE OF NEW MEXICO DEPARTMENT OF FINANCE AND ADMINISTRATION (Sante Fe, NM) | 1,200,000 | 1,200,000 | – |
| NEW YORK | | | |
| STATE OF NEW YORK DEPARTMENT OF EDUCATION (Albany, NY) | 600,000 | 600,000 | – |
| NYC REGION ONE LEARNING SUPPORT CENTER / New York City Department of Education (Bronx, NY) | 1,000,000 | 1,000,000 | – |
| OHIO | | | |
| STATE OF OHIO DEPARTMENT OF EDUCATION (Columbus, OH) | 600,000 | – | 600,000 |
| OREGON | | | |
| OREGON DEPARTMENT OF EDUCATION (Salem, OR) | 326,000 | 326,000 | – |
| EUGENE SCHOOL DISTRICT 4J / Lane County School District 4J (Eugene, OR) | 1,000,000 | 1,000,000 | – |
| RHODE ISLAND | | | |
| RHODE ISLAND STATE DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION (Providence, RI) | 275,000 | 275,000 | – |
| PROVIDENCE SCHOOL DEPARTMENT / Providence School Department and The Education Partnership (Providence, RI) | 1,000,000 | 1,000,000 | – |
| TEXAS | | | |
| COMMUNITIES FOUNDATION OF TEXAS (Austin, TX) | 600,000 | 600,000 | – |
| VIRGINIA | | | |
| VIRGINIA DEPARTMENT OF EDUCATION (Richmond, VA) | 307,000 | 307,000 | – |
| FAIRFAX COUNTY PUBLIC SCHOOLS (Fairfax, VA) | 1,000,000 | 1,000,000 | – |

| | APPROVED 2004 | PAID 2004 | FUTURE PAYMENTS |
|---|------------------|--------------|--------------------|
| VERMONT | | | |
| RICHARD A. SNELLING CENTER FOR GOVERNMENT, INC. (Burlington, VT) | 200,000 | 200,000 | – |
| WISCONSIN | | | |
| STATE OF WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION (Madison, WI) | 425,000 | 425,000 | – |
| SUPPORT FOR THE STATE-DISTRICT WORK | | | |
| COUNCIL OF CHIEF STATE SCHOOL OFFICERS (Washington, DC) – To provide technical assistance to the 15 original SAELP states to maintain the momentum of their work and prepare proposals for the next phase, and to assist new state applicants in preparing their SAELP proposals. | – | 600,000 | – |
| COUNCIL OF CHIEF STATE SCHOOL OFFICERS (Washington, DC) – To facilitate the work of participating SAELP states, bring states together to problem-solve, and share lessons with the constituencies of the five organizations making up the SAELP National Consortium. | 1,000,000 | 1,000,000 | – |
| EDUCATION DEVELOPMENT CENTER, INC. (Newton, MA) – To provide technical assistance to LEAD districts, coordinate activities across the sites, help integrate the individual district work into a national network and develop a website. | – | 1,350,000 | – |
| JOHN F. KENNEDY SCHOOL OF GOVERNMENT AT HARVARD UNIVERSITY / President and Fellows of Harvard College (Cambridge, MA) – To continue to implement Phase II of its leadership training program for superintendents, which addresses the multiplicity of skills and capacities required of superintendents to successfully manage educational systems and facilitate meaningful reform. | – | 500,000 | – |
| THE NEW YORK CITY LEADERSHIP ACADEMY, INC. (New York, NY) – To implement an innovative system of recruitment, development and placement of aspiring New York City principals that will enable them to lead fundamental improvements in the city’s schools so that all students achieve at high levels. | 5,000,000 | 5,000,000 | – |
| OTHER RELATED EXPENSES - includes consultant fees and targeted grants to five participating states and districts for their leadership work. | 58,764 | 58,764 | – |

2. DEVELOP AND SHARE KNOWLEDGE

These investments are designed to reinforce the state-district work by developing a knowledge base and by raising awareness through increased public engagement. The investments that fall under these objectives are as follows:

| DEVELOP A KNOWLEDGE BASE | | | |
|---|-----------|-----------|-----------|
| ACADEMY FOR EDUCATIONAL DEVELOPMENT, INC. (Washington, DC) – To support the work of an exploratory committee that will help identify and examine the conditions of effective leadership. The committee will analyze the key conditions from school to district to state, and how those conditions can combine to support leaders at every level to help all children achieve. | – | 375,000 | – |
| COUNCIL OF CHIEF STATE SCHOOL OFFICERS (Washington, DC) – To work with the Education Commission of the States and the National Governors Association to create and support six “leadership issue groups.” The goal is to gather state and district educators and leading experts to focus on six issues that have emerged as crucial to advancing leadership, and then capture and spread useful knowledge to strengthen the work in our sites and disseminate the lessons broadly throughout the field. | 6,600,000 | 2,200,000 | 4,400,000 |
| EDUCATION COMMISSION OF THE STATES (Denver, CO) – To generate a common knowledge base for all key parties to use in developing policy recommendations in response to a recent New York State Court of Appeals school finance decision. | – | 200,000 | – |
| INSTITUTE FOR LEARNING AT LEARNING RESEARCH AND DEVELOPMENT CENTER / University of Pittsburgh (Pittsburgh, PA) – To develop two sets of tools and structured training processes that will help to spread effective instructional leadership practices. | – | 575,000 | 575,000 |
| STANFORD UNIVERSITY / The Board of Trustees of the Leland Stanford Junior University (Stanford, CA) – To conduct interviews and surveys with key decision makers, trainers and professors in professional development programs, as well as the recipients of the training, to assess the most promising practices for training and continuing education that strengthen principals’ effectiveness. | – | 750,000 | 495,000 |

| | APPROVED 2004 | PAID 2004 | FUTURE PAYMENTS |
|---|------------------|--------------|--------------------|
| TEACHERS COLLEGE COLUMBIA UNIVERSITY (New York, NY) – To cover the production, printing and dissemination costs of a series of publications stemming from a four-year investigation led by Teachers College President Arthur Levine into the quality of the nation's schools of education. | 400,000 | 400,000 | – |
| UNIVERSITY OF MINNESOTA (Minneapolis, MN) – To conduct field work and administer surveys in a selection of states, districts, schools and classrooms on a range of leadership activities. The result will be evidence of what leadership activities matter for teaching and learning, and how and why those practices result in instructional improvement in some contexts and not others. | – | – | 2,250,000 |
| OTHER RELATED EXPENSES – consultants and meetings | 189,471 | 189,471 | – |
| RAISE AWARENESS THROUGH PUBLIC ENGAGEMENT | | | |
| EDUCATIONAL BROADCASTING CORPORATION (New York, NY) – To support a one-year extension of a broadcast and web-based project focusing on principal training and on-the-job support through the New York City Leadership Academy. | 440,000 | 440,000 | – |
| THE NEW YORK TIMES / News in Education Foundation (New York, NY) – To create a national Leadership for Learning Project aimed at promoting greater awareness and understanding of education leadership and education policy among policymakers and educators. | – | 500,000 | – |

OUT-OF-SCHOOL LEARNING

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

1. DEVELOP INNOVATION SITES

LEARNING IN COMMUNITIES – Our core initiative, begun in 2003, is designed to enlist top public and private leaders in select cities to develop and carry out plans for redesigning local systems of out-of-school learning so that the best possible use is made of public and private funds, with priority placed on achieving high standards of quality and increased participation. Two cities, New York and Providence, are currently participating as Learning in Communities sites.

| | | | |
|---|------------|-----------|------------|
| THE EDUCATION PARTNERSHIP, INC. (Providence, RI) – To establish the Providence After-School Alliance, a public-private partnership whose mission is to create a coherent, citywide system that substantially increases children's participation in high-quality out-of-school time learning opportunities. | 5,000,000 | 1,000,000 | 4,000,000 |
| THE MAYOR'S FUND TO ADVANCE NEW YORK CITY (New York, NY) – To implement the city's out-of-school time (OST) business plan created with Wallace support, the goal of which is to build a coherent system of OST programs. | 12,000,000 | – | 12,000,000 |
| OTHER RELATED EXPENSES – consultants | 50,703 | 50,703 | – |

PARENTS & COMMUNITIES FOR KIDS (PACK) – This initiative seeks to improve educational achievement for children age 6-10 through activities that take place outside of the traditional school day. The following organizations received PACK funding in 2004:

| | | | |
|---|---|---------|---------|
| COMMUNITY FOUNDATION FOR GREATER NEW HAVEN (New Haven, CT) – To improve learning for children and families in three neighborhoods in Greater New Haven and the surrounding region by building the capacity of families, organizations and the community to participate in and support family learning. | – | 400,000 | 350,000 |
| COMMUNITY FOUNDATION FOR SOUTHEASTERN MICHIGAN (Detroit, MI) – To improve the educational and social performance of children in southeast Michigan by increasing the involvement of parents and other adults in the lives of these children. | – | 500,000 | 250,000 |

| | APPROVED 2004 | PAID 2004 | FUTURE PAYMENTS |
|--|------------------|--------------|--------------------|
| HUBERT H. HUMPHREY INSTITUTE FOR PUBLIC AFFAIRS / University of Minnesota (Minneapolis, MN) – To improve educational achievement for Hmong children and their families by creating a culture of learning on the West Side of St. Paul. | – | 370,556 | 339,832 |
| UNITED WAY OF MASSACHUSETTS BAY (Boston, MA) – To energize and support black and Latino parents' active involvement in achieving academic success for their children through the "Engaging Parents in their Children's Success" initiative. | – | 325,000 | 450,000 |

2. DEVELOP AND SHARE KNOWLEDGE

| | | | |
|---|---------|---------|---|
| HARVARD FAMILY RESEARCH PROJECT / President and Fellows of Harvard College (Cambridge, MA) – To host a conference entitled "Recruitment, Retention and Measurement: Key Issues in Out-of-School Time Participation." | 10,000 | 10,000 | – |
| OTHER RELATED EXPENSES – meetings | 158,269 | 158,269 | – |



Our current arts programs seek to create new standards for cultural organizations and funders to enhance participation. The main components of this work are: Develop Innovation Sites working with arts institutions and state arts agencies in three separate initiatives: Wallace Excellence Awards, Leadership and Excellence in Arts Participation and State Arts Partnerships for Cultural Participation. We have also supported efforts to Develop and Share Knowledge to inform the work of our innovation sites and extend the benefits and lessons beyond our direct investments. In 2004, we established the Wallace Excellence Awards to recognize and reward exemplary work by LEAP grantees and provide support for sustaining effective practices beyond our funding.

1. DEVELOP INNOVATION SITES

WALLACE EXCELLENCE AWARDS – These challenge grants to exemplary LEAP organizations are to: attract broad attention to effective practices, encourage continued commitment to maintaining those practices through a matching requirement, and keep the issue of participation-building high among practitioners and thought leaders. The following six LEAP organizations received awards in 2004 and will use them to expand endowments or to establish revolving cash reserves to support continuing participation-building activities:

| | | | |
|--|-----------|-----------|---|
| ARENA STAGE / The Washington Drama Society, Inc. (Washington, DC) | 1,000,000 | 1,000,000 | – |
| ARMORY CENTER FOR THE ARTS (Pasadena, CA) | 500,000 | 500,000 | – |
| DES MOINES ART CENTER / Edmundson Art Foundation, Inc. (Des Moines, IA) | 1,000,000 | 1,000,000 | – |
| NEW JERSEY PERFORMING ARTS CENTER (Newark, NJ) | 2,000,000 | 2,000,000 | – |
| REAL ART WAYS, INC. (Hartford, CT) | 500,000 | 500,000 | – |
| UNIVERSITY MUSICAL SOCIETY / University of Michigan (Ann Arbor, MI) | 1,000,000 | 1,000,000 | – |

LEADERSHIP AND EXCELLENCE IN ARTS PARTICIPATION (LEAP) – This initiative provides strategic support to exemplary arts and cultural organizations to pioneer practices and strategies that increase people's access to and participation in the arts, and to promote the spread of effective practices. The following organizations received LEAP funding in 2004:

| | | | |
|---|---|---------|---|
| APPALSHOP, INC. (Whitesburg, KY) – To broaden and deepen participation by low-to moderate-income regional and national audiences by increasing the number of local, regional and national presentations Appalshop offers. They will also create the Appalshop Learning Center that will offer multidisciplinary arts education programs. | – | 350,000 | – |
|---|---|---------|---|

| | APPROVED 2004 | PAID 2004 | FUTURE PAYMENTS |
|---|------------------|--------------|--------------------|
| ARAB COMMUNITY CENTER FOR ECONOMIC AND SOCIAL SERVICES (ACCESS) (Dearborn, MI) – To expand and diversify local, regional and national audiences for the Arab American National Museum. | – | 450,000 | – |
| AS220 (Providence, RI) – AS220 will diversify its multi-generational community of artists by involving more artists over the age of 40. This community-based arts center will also expand opportunities for employment for individual artists to include at least three additional annual artist residencies, and will restructure many of its events to increase participation and enhance earned revenue. | – | 150,000 | – |
| THE ASPEN MUSIC FESTIVAL AND SCHOOL / Music Associates of Aspen (Aspen, CO) – To develop and offer three- to five-day thematic mini-festivals designed to draw in casual audiences and give them a deeper experience. The project includes planning and audience research to learn how to convert casual attendees into committed concertgoers, and will include marketing tour packages to music enthusiasts in several key cities. | – | 500,000 | – |
| BAY AREA VIDEO COALITION (San Francisco, CA) – To provide established and emerging artists and arts organizations with the equipment, training and support they need to use powerful media tools to create and distribute art to broad audiences. | – | 350,000 | – |
| THE BLUE APPLE PLAYERS (Louisville, KY) – To enrich relationships with their community by strengthening their communications systems, improving production values, strengthening education programs and sharing lessons of effective practices with professional colleagues. | – | 150,000 | – |
| CAL PERFORMANCES / The Regents of the University of California (Berkeley, CA) – To deepen and increase the frequency of participation by current audience members through audience research, enhanced marketing and expanding the use of new technology. This university-based presenter will also enhance its public programs by engaging university faculty to provide context and educational information at performance events. | – | 450,000 | – |
| CENTER OF CREATIVE ARTS (St. Louis, MO) – To lay the groundwork for its growth into an expanded facility by enhancing marketing efforts, building its capacity to communicate with participants electronically and raising the level of its arts programs by using high-profile artists. | – | 350,000 | – |
| COMMUNITY MUSIC SCHOOL OF SPRINGFIELD, INC. (Springfield, MA) – To train early childhood teachers at multiple community sites in three cities to integrate music into their daily classroom plan. The music school will also use parents' advisory groups to create family events centered around musical performance. | – | 300,000 | – |
| CORNERSTONE THEATER COMPANY (Los Angeles, CA) – To sustain and deepen relationships with community participants it has worked with throughout Los Angeles and enhance information systems to track these relationships. | – | 300,000 | – |
| DELLARTE, INC. (Blue Lake, CA) – To collaborate with three local community organizations to build their capacity to present art forms from Latino and Native American cultural traditions. This theater company will host events organized by the community groups, hire Latino and Native American staff, conduct audience research and enhance marketing and communications efforts. | – | 150,000 | – |
| INTERMEDIA ARTS MINNESOTA (Minneapolis, MN) – To launch a multidisciplinary series of exhibitions and performances dedicated to exploring the cultures and conditions of Minnesota's newest immigrant populations. | – | 245,500 | – |
| THE J.B. SPEED ART MUSEUM (Louisville, KY) – To increase participation by target groups of families with children and youth in the Louisville metropolitan area. The museum will conduct audience research and new weekend programs for families, and a new youth apprentice program will deepen the engagement of current participants and broaden participation to include new audiences. | – | 400,000 | – |
| LIZ LERMAN DANCE EXCHANGE / Dance Exchange, Inc. (Tacoma Park, MD) – To strengthen its collaborations with arts presenters and other key partners by developing and publishing a Partner Guide, sending advance teams to lay the foundation for participatory residency projects, and organizing three conferences of partner presenters and other practitioners to share lessons of effective practice. | – | 300,000 | – |
| MARWEN / Marwen Foundation, Inc. (Chicago, IL) – To expand its Studio Program and increase the number of students it serves. This youth development through arts organization will broaden its curriculum by adding sequential studio course tracks and new college and career initiatives. It will document and publish its teaching methodology and techniques of curriculum development, and disseminate these publications nationally. | – | 250,000 | – |

| | APPROVED 2004 | PAID 2004 | FUTURE PAYMENTS |
|---|------------------|--------------|--------------------|
| MEXICAN FINE ARTS CENTER MUSEUM / Mexican Fine Arts Center (Chicago, IL) – To create new exhibitions, place an inventory of its permanent collections online, enhance educational programs, expand performing arts programs and enhance internal planning and research in order to deepen the engagement of Mexican American artists and broaden the museum's outreach beyond Chicago. | – | 350,000 | – |
| MOSAIC YOUTH THEATRE OF DETROIT (Detroit, MI) – To increase the number of youth who participate in its intensive Youth Ensemble training and performance program, expand its offerings and produce at least one major concert and one major original theater production annually. Mosaic will contract with the University of Michigan to evaluate and document the impact of these programs on participants, families, audiences and the Detroit community. | – | 150,000 | – |
| MUSEUM OF FINE ARTS, HOUSTON (Houston, TX) – To enhance the impact of Gateway to Art/De Puertas al Arte, a multifaceted program designed to disseminate new knowledge about Latin American art based on the presentation of up to four exhibitions of Latin American art annually. The museum will broaden, diversify and educate its adult audiences by offering over 100 classes, lectures, scholarly symposia, readings, artist talks, teacher workshops, programs for college students, parent workshops and other educational programs. | – | 500,000 | – |
| PERSEVERANCE THEATRE (Douglas, AK) – To expand participation by Alaska Native artists and audiences by hiring and training Alaska Natives to create new theater works for their communities and by seeking their guidance about effective marketing and outreach efforts. | – | 200,000 | – |
| UNIVERSITY OF IOWA/HANCHER AUDITORIUM / State University of Iowa (Iowa City, IA) – To create a network with organizations in three other Iowa communities to plan and implement two long-term artists residencies each year with performances targeted toward young parents and their children. | – | 400,000 | – |
| WESTERN FOLKLIFE CENTER (Elko, NV) – To expand participation among its far-flung rural constituency by developing Deep West, a program that combines live touring events with online forums and radio programming all built on stories from the rural west, told through poetry, prose, visual arts or photography. | – | 250,000 | – |

STATE ARTS PARTNERSHIPS FOR CULTURAL PARTICIPATION (START) – This initiative provides support to exemplary state arts agencies to adopt new, more effective guidelines, programs and funding practices aimed at encouraging broader public participation in the arts. The following received START funding in 2004:

| | | | |
|--|---|---------|---|
| CALIFORNIA ARTS COUNCIL (Sacramento, CA) | – | 100,000 | – |
| CONNECTICUT COMMISSION ON THE ARTS (Hartford, CT) | – | 83,500 | – |
| ARTS MIDWEST (Minneapolis, MN) – To coordinate technical assistance and training efforts among the START grantees in order to strengthen state arts agency staff effectiveness, improve data collection and analysis and enhance constituent communications. In addition, Arts Midwest will utilize the national network of regional arts organizations to foster the spread and adoption of new state arts agency policies, programs and standards that support greater participation in the arts. | – | 634,800 | – |

2. DEVELOP AND SHARE KNOWLEDGE

| | | | |
|---|---------|---------|---------|
| CULTURAL POLICY CENTER AT THE UNIVERSITY OF CHICAGO / University of Chicago (Chicago, IL) – To produce a report that will offer compelling case studies of how a selection of arts organizations have built participation, why those strategies were effective, and how obstacles were overcome. | – | 170,000 | 170,000 |
| VANDERBILT UNIVERSITY (Nashville, TN) – To commission and edit a publication that will mine fresh insights and information from existing national data on arts participation and help inform and influence the design of the next national arts participation survey in 2007. | – | 180,000 | – |
| OTHER RELATED EXPENSES – consultants, expenses for two grantee conferences, website hosting and maintenance | 355,339 | 355,339 | – |

**FOUNDATION-
WIDE
INITIATIVES**

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

LEARNING IN LIBRARIES

Responding to fiscal need and great strategic opportunity, Wallace is providing multi-year grants to New York City’s three library systems, and a complementary grant to the Urban Libraries Council, to elevate the role of libraries as learning places during non-school hours, enhance their ability to support the new citywide school curriculum, increase coordination among the three systems, and capture and disseminate the lessons so that many other urban library systems can benefit. The following received a second year of Learning in Libraries funding in 2004 to enhance learning and enrichment activities provided to youth year-round and strengthen core institutional functions:

| | APPROVED 2004 | PAID 2004 | FUTURE PAYMENTS |
|---|--------------------------|----------------------|----------------------------|
| BROOKLYN PUBLIC LIBRARY / Brooklyn Public Library Foundation, Inc. (Brooklyn, NY) | – | 750,000 | 750,000 |
| THE NEW YORK PUBLIC LIBRARY / New York Public Library Astor Lenox & Tilden Foundations (New York, NY) | – | 750,000 | 750,000 |
| QUEENS LIBRARY FOUNDATION, INC. (Jamaica, NY) | – | – | 1,500,000 |
| URBAN LIBRARIES COUNCIL (Evanston, IL) – To support the work of the Brooklyn Public Library, the New York Public Library and the Queens Public Library through training, technical assistance, communications and coordinating activities. | – | 262,700 | 319,200 |

OTHER INITIATIVES

| | | | |
|---|--------|-----------|-----------|
| ACADEMY FOR EDUCATIONAL DEVELOPMENT, INC. (Washington, DC) – To produce a reputation survey for The Wallace Foundation. | 60,000 | 60,000 | – |
| THE CENTER FOR EFFECTIVE PHILANTHROPY (Cambridge, MA) – To conduct a grantee perception survey and benchmark Wallace’s performance against other foundations. | 24,288 | 13,000 | 11,288 |
| NATIONAL PUBLIC RADIO, INC. (Washington, DC) – To support NPR coverage of education, arts and after-school programs and its flagship news programs. | – | 1,100,000 | 1,100,000 |
| UNIVERSITY OF CALIFORNIA, LOS ANGELES-CENTER FOR CIVIL SOCIETY / The Regents of the University of California (Los Angeles, CA) – To fund a project that will identify effective foundations and result in a book tentatively titled “Creative Philanthropy: Toward a New Philanthropy for the Twenty-First Century.” | 50,000 | 50,000 | – |

SERVICES TO THE FIELD

| | | | |
|--|---------|---------|---|
| AMERICAN COUNCIL ON EDUCATION (Washington, DC) – To support this membership organization of business, college, university and museum leaders, the goals of which are to increase communication among the sectors, analyze issues of mutual concern and deliberate on courses of action that will effect change. | 20,000 | 20,000 | – |
| BOARDSOURCE (Washington, DC) – To support this major resource organization that provides practical governance information, tools and best practices, training and leadership development for board members of nonprofit organizations worldwide. | 25,000 | 25,000 | – |
| COUNCIL ON FOUNDATIONS INC. (Washington, DC) – To support the national nonprofit membership organization for grantmakers. | 49,600 | 49,600 | – |
| THE FOUNDATION CENTER (New York, NY) – To support the national clearinghouse for information on private grantmaking. | 100,000 | 100,000 | – |

| | APPROVED 2004 | PAID 2004 | FUTURE PAYMENTS |
|--|-------------------------------|-------------------|--------------------|
| GRANTMAKERS FOR CHILDREN, YOUTH & FAMILIES (Silver Spring, MD) – To support this national membership organization for grantmaking foundations for children, youth and families, and to sponsor GCYF's annual conference in New York in fall 2004. | 30,000 | 30,000 | – |
| GRANTMAKERS FOR EDUCATION (Portland, OR) – To support this national membership organization of private, corporate, community and public foundations interested in programs in pre-collegiate, higher and adult education. | 25,000 | 25,000 | – |
| GRANTMAKERS FOR EFFECTIVE ORGANIZATIONS (Washington, DC) – To support this national membership organization that is dedicated to promoting learning and encouraging dialogue among funders committed to building strong and effective nonprofit organizations. | 25,000 | 25,000 | – |
| GRANTMAKERS IN THE ARTS (Seattle, WA) – To support this affinity group of the Council on Foundations that brings together staff and trustees of private and corporate foundations to discuss issues of mutual concern, share information and exchange ideas about programs in the arts and cultural field. | 50,000 | 50,000 | – |
| GUIDESTAR / Philanthropic Research, Inc. (Williamsburg, VA) – To support this clearinghouse for information about the operations and finances of nonprofit organizations that seeks to provide an interactive 'marketplace of information' that connects nonprofit organizations, donors, foundations and businesses. | 10,000 | 10,000 | – |
| INDEPENDENT SECTOR (Washington, DC) – To support this nonprofit coalition of organizations for giving, volunteering and nonprofit initiatives. | 25,000 | 25,000 | – |
| NEW YORK REGIONAL ASSOCIATION OF GRANTMAKERS, INC. (New York, NY) – To support this association of nonprofit organizations for advancing New York City's nonprofit sector and to contribute to its Strategic Development Fund. | 50,000 | 50,000 | – |
| NONPROFIT COORDINATING COMMITTEE OF NEW YORK, INC. (New York, NY) – To support this association of nonprofit social service, education, arts, health care and philanthropic organizations dedicated to advancing New York's nonprofit sector. | 5,000 | 5,000 | – |
| SPONSORS FOR EDUCATIONAL OPPORTUNITY, INC. (New York, NY) – To support this mentoring program that provides college undergraduates of color orientation, training, coaching and substantive internships in the business and philanthropic sectors. | 20,000 | 20,000 | – |
| MISCELLANEOUS GRANTS – matching gifts | 17,552 | 17,552 | – |
| OTHER – refunds of unexpended grant money | – | -63,459 | – |
| TOTALS | 59,718,986¹ | 55,666,295 | 30,310,320 |

1. Total excludes a \$1.5 million grant where specific grantee has not been named.

FUNDING GUIDELINES & RESTRICTIONS

The Wallace Foundation supports and shares effective ideas and practices that enable institutions to expand learning and enrichment opportunities for all people. To fulfill this mission, we have set our sights on fundamentally improving three major areas that affect people's everyday lives:

- In elementary and secondary public schools across the United States, we are working to significantly improve student achievement by strengthening the performance of principals and superintendents, and improving those working conditions that impede their success. We are partnering directly with selected states and school districts across the U.S.
- Recognizing that learning does not begin and end at the classroom, we are also helping selected cities plan how to restructure and redesign after-school programs.
- Finally, acknowledging the benefits art and culture can have for both individuals and communities, we are working with selected arts organizations and state arts agencies to create and promote new practices that enhance participation in the arts for people of all ages.

Virtually all of the grants we award fall within Foundation-initiated programs designed to support narrowly-focused strategies where we think we can have the most impact. In most cases, we identify and evaluate prospective grantees through the issuance of Requests for Proposals or other careful screening processes.

While we believe this approach strengthens the effectiveness of our investments, it also means that unsolicited proposals are rarely funded. Nevertheless, organizations wishing to bring a particular project to our attention are welcome to send a brief (one or two page) letter to our office address, marked to the attention: General Management. Receipt of this letter will be acknowledged, and if more information or a proposal is desired, we will contact you to request it within thirty days. ■

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Wallace Foundation:

We have audited the accompanying balance sheets of The Wallace Foundation (Foundation) as of December 31, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. 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 The Wallace Foundation as of December 31, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP
March 25, 2005

BALANCE SHEETS

| ASSETS | DECEMBER 31, 2004 | DECEMBER 31, 2003 |
|--|------------------------------|------------------------------|
| CASH EQUIVALENTS AND CASH | \$ 5,372,460 | \$ 1,840,227 |
| INVESTMENTS (note 3) | 1,357,972,055 | 1,251,706,143 |
| PREPAID EXPENSES AND RECEIVABLES | 981,559 | 1,370,632 |
| FIXED ASSETS , net of accumulated depreciation of \$1,733,034 in 2004 and \$1,539,474 in 2003 | 327,962 | 393,611 |
| | \$ 1,364,654,036 | \$ 1,255,310,613 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| ACCRUED EXPENSES AND OTHER PAYABLES | \$ 1,399,285 | \$ 994,081 |
| GRANTS PAYABLE (note 4) | 29,085,768 | 25,442,510 |
| DEFERRED FEDERAL EXCISE TAX (note 5) | 3,601,751 | 1,253,930 |
| TOTAL LIABILITIES | 34,086,804 | 27,690,521 |
| NET ASSETS – UNRESTRICTED | 1,330,567,232 | 1,227,620,092 |
| | \$ 1,364,654,036 | \$ 1,255,310,613 |

See accompanying notes to financial statements.

STATEMENTS OF ACTIVITIES

| REVENUES | YEAR ENDED 2004 | YEAR ENDED 2003 |
|--|-------------------------|-------------------------|
| INVESTMENT INCOME | | |
| DIVIDENDS | \$ 19,317,471 | \$ 16,293,896 |
| INTEREST | 8,451,585 | 17,011,276 |
| | 27,769,056 | 33,305,172 |
| INVESTMENT FEES | (4,932,199) | (3,183,228) |
| NET INVESTMENT INCOME | 22,836,857 | 30,121,944 |
| STOCK CONTRIBUTIONS RECEIVED | – | 202,218 |
| OTHER INCOME (note 6) | – | 134,460 |
| | 22,836,857 | 30,458,622 |
| EXPENSES | | |
| GRANTS AND RELATED ACTIVITIES | 59,577,870 | 43,183,524 |
| OPERATING EXPENSES | 9,004,347 | 8,655,430 |
| CURRENT FEDERAL EXCISE TAX (note 5) | 470,372 | 327,653 |
| | 69,052,589 | 52,166,607 |
| INVESTMENT GAINS (LOSSES) | | |
| UNREALIZED GAINS, NET (note 5) | 123,650,065 | 207,689,827 |
| REALIZED GAINS (LOSSES), NET | 25,512,807 | (70,924,122) |
| NET INVESTMENT GAINS | 149,162,872 | 136,765,705 |
| INCREASE IN NET ASSETS | 102,947,140 | 115,057,720 |
| NET ASSETS | | |
| BEGINNING OF YEAR | 1,227,620,092 | 1,112,562,372 |
| END OF YEAR | \$ 1,330,567,232 | \$ 1,227,620,092 |

See accompanying notes to financial statements.

**STATEMENTS
OF
CASH FLOWS**

| CASH FLOWS FROM OPERATING ACTIVITIES | YEAR ENDED 2004 | YEAR ENDED 2003 |
|---|----------------------------|----------------------------|
| INCREASE IN NET ASSETS | \$ 102,947,140 | \$ 115,057,720 |
| ADJUSTMENTS TO RECONCILE INCREASE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES | | |
| RDA PREFERRED STOCK RECEIVED | – | (202,218) |
| UNREALIZED GAINS ON INVESTMENTS | (125,997,886) | (208,943,757) |
| REALIZED (GAINS) LOSSES ON INVESTMENTS | (25,512,807) | 70,924,122 |
| DEPRECIATION | 193,560 | 199,002 |
| DEFERRED FEDERAL EXCISE TAX EXPENSE | 2,347,821 | 1,253,930 |
| CHANGE IN ASSETS AND LIABILITIES | | |
| DECREASE (INCREASE) IN ACCRUED INVESTMENT INCOME | 688,158 | (172,112) |
| DECREASE (INCREASE) IN PREPAID EXPENSES AND RECEIVABLES | 389,073 | (1,359,017) |
| INCREASE (DECREASE) IN ACCRUED EXPENSES AND OTHER PAYABLES | 405,204 | (2,855,335) |
| INCREASE (DECREASE) IN GRANTS PAYABLE | 3,643,258 | (6,141,916) |
| NET CASH USED IN OPERATING ACTIVITIES | (40,896,479) | (32,239,581) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| SALES OF INVESTMENTS | 1,163,202,707 | 1,700,687,369 |
| PURCHASES OF INVESTMENTS | (1,118,646,084) | (1,676,420,517) |
| CAPITAL EXPENDITURES | (127,911) | (29,329) |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 44,428,712 | 24,237,523 |
| NET INCREASE (DECREASE) IN CASH EQUIVALENTS AND CASH | 3,532,233 | (8,002,058) |
| CASH EQUIVALENTS AND CASH AT BEGINNING OF YEAR | 1,840,227 | 9,842,285 |
| CASH EQUIVALENTS AND CASH AT END OF YEAR | \$ 5,372,460 | \$ 1,840,227 |

See accompanying notes to financial statements.

DECEMBER 31, 2004 AND 2003

1. NATURE OF OPERATIONS

The Wallace Foundation is the successor to DeWitt Wallace-Reader's Digest Fund, Inc. and Lila Wallace-Reader's Digest Fund, Inc. which were created and endowed by DeWitt and Lila Acheson Wallace, co-founders of The Reader's Digest Association, Inc. (RDA). On April 18, 2003, Lila Wallace-Reader's Digest Fund, Inc. merged into DeWitt Wallace-Reader's Digest Fund, Inc. Upon completion of the merger, DeWitt Wallace-Reader's Digest Fund, Inc. was renamed The Wallace Foundation (Foundation). The financial statements for the year ended December 31, 2003 are presented as if the merger had been completed January 1, 2002.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

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

b. Tax-Exempt Status

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

c. Investments

Investments are stated at fair value. The valuation of marketable securities is based primarily upon quotations obtained from national securities exchanges. Investments in limited partnerships are reported at fair value based on information provided by the general partner. The general partner determines the fair value based on quoted market prices, if available, or other valuation methods, including independent appraisals. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis.

d. Fixed Assets

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

e. Grants

Grants are reported as an expense and liability of the Foundation when approved by the Foundation's Board of Directors. Payments due in more than one year are discounted to present value based on risk-free rates of return.

f. Cash Equivalents

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

g. Use of Estimates

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

3. INVESTMENTS

At December 31, 2004 and 2003, the fair value of investments consisted of the following:

| | 2004 | 2003 |
|---|-------------------------|-------------------------|
| FIXED INCOME | \$ 172,210,165 | \$ 285,648,314 |
| EQUITIES | 1,141,226,939 | 937,860,898 |
| SHORT-TERM INVESTMENTS | 47,807,148 | 32,510,323 |
| ACCRUED INVESTMENT INCOME | 1,353,809 | 2,041,967 |
| PAYABLE FOR INVESTMENTS PURCHASED, NET | (4,626,006) | (6,355,359) |
| | \$ 1,357,972,055 | \$ 1,251,706,143 |

Short-term investments include money market funds, commercial paper and cash managed by the Foundation's investment managers as part of their long-term investment strategies. Equities include \$259 million and \$154 million in limited partnerships that invest in hedge funds, real estate and private equities as of December 31, 2004 and 2003, respectively. At December 31, 2004, the Foundation had unfunded commitments in private equities of approximately \$41 million.

4. GRANTS PAYABLE

At December 31, 2004, grants scheduled to be paid in future years are as follows:

| YEAR | AMOUNT |
|---|----------------------|
| 2005 | \$ 15,618,220 |
| 2006 | 5,445,000 |
| 2007 | 4,000,000 |
| 2008 | 3,250,000 |
| 2009 | 2,000,000 |
| | 30,313,220 |
| LESS: DISCOUNT TO PRESENT VALUE (BASED ON INTEREST RATES FROM 2.09% TO 3.81%) | (1,227,452) |
| | \$ 29,085,768 |

5. FEDERAL EXCISE TAX

As a private foundation, the Foundation is normally subject to a Federal excise tax equal to 2% of its net investment income for tax purposes. However, under Section 4940(e) of the Code, this tax is reduced to 1% if certain conditions are met. The Foundation's December 31, 2004 and 2003 current taxes are estimated at 1% of net investment income.

The Foundation records a liability for deferred Federal excise tax at the 2% rate on the total unrealized appreciation in the fair value of investments. The Federal excise tax will be paid as realized gains are reported for tax purposes. The unrealized gains on investments are reported net of the deferred Federal excise tax expense of \$2,347,821 and \$1,253,930 for the years ended December 31, 2004 and 2003, respectively, on the statements of activities.

6. OTHER INCOME

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

7. FINANCIAL INSTRUMENTS

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

The Foundation permits several of its investment managers to invest, within prescribed limits, in financial futures (primarily U.S. Treasury futures) and options, and to sell securities not yet purchased for hedging purposes and for managing the asset allocation and duration of the fixed income portfolios. At December 31, 2004 and 2003, the Foundation held U.S. Treasury and eurodollar futures contracts with notional amounts of approximately \$73 million and \$86 million, respectively. The contracts are valued daily using the mark-to-market method.

The collateral on deposit with a third party to meet margin requirements for futures contracts and options, included in short-term investments, was approximately \$159,000 and \$352,000 at December 31, 2004 and 2003, respectively.

8. LEASE COMMITMENTS

The Foundation occupies office space under a lease agreement expiring in February 2006. During the years ended December 31, 2004 and 2003, rent expense for 2 Park Avenue, including escalations, was \$791,671 and \$750,865, respectively.

In November 2004, the Foundation signed a lease for new office space at 5 Penn Plaza. Under the terms of the lease, rent will commence in March 2006 and continue for a 15-year period.

The Foundation's anticipated total contractual lease commitments are as follows:

| YEAR | 2 PARK AVE. | 5 PENN PLAZA | TOTAL |
|---------------------|-------------------|----------------------|----------------------|
| 2005 | \$ 653,000 | \$ – | \$ 653,000 |
| 2006 | 109,000 | 650,000 | 759,000 |
| 2007 | – | 780,000 | 780,000 |
| 2008 | – | 827,000 | 827,000 |
| 2009 | – | 836,000 | 836,000 |
| 2010 AND THEREAFTER | – | 11,125,000 | 11,125,000 |
| | \$ 762,000 | \$ 14,218,000 | \$ 14,980,000 |

9. PENSION PLANS

The Foundation provides a defined contribution, tax-deferred annuity retirement plan for all eligible employees, whereby the Foundation contributes 15% of a participant's eligible earnings on an annual basis. In addition, the Foundation provides a supplemental executive retirement plan for the benefit of certain eligible employees. Total pension expense for the years ended December 31, 2004 and 2003 was \$642,379 and \$616,423, respectively.

ABOUT OUR FOUNDERS

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



Early in life, Lila Bell Acheson, an English teacher-turned-social worker, worked in Minneapolis to help establish a YWCA for industrial workers. DeWitt Wallace, an avid reader and son of a Greek scholar and college president, worked as a young man in a St. Paul public library and dreamt of publishing a magazine of condensed general interest articles. Married in 1921, Lila and DeWitt moved to New York City and published the first edition of *Reader's Digest* in January 1922. From an initial circulation of 5,000, the "little magazine" started by the Wallaces quickly caught on, and over time it became the foundation of a worldwide publishing organization. Once their livelihood was secured, they were able to turn to their first love, helping people.

A lover of arts as well as nature, Lila's name became associated with support for many of the nation's great arts and cultural institutions. Among her many acts of philanthropy, she funded the restoration of the Metropolitan Museum's Great Hall and to this day, the hall has fresh flowers through a fund she established for that purpose. France awarded

her that nation's Legion of Honor for her help in restoring the house and gardens in Guerny where the painter Claude Monet lived.

DeWitt's philanthropic passions lay in supporting education and a range of youth opportunities. Among the many beneficiaries of his giving were Macalester College, where he studied; Outward Bound, a rugged outdoor learning program that he himself participated in at age 88; and the New York Public Library where, as a beginning editor, he condensed articles by hand. Of his lifelong interest in education, he once said, "America isn't paying sufficient attention to its classrooms... My father and my grandfather were devoted to education and they each did something that made a difference. But I can do more. I have the good fortune... to be a wealthy man. So I should be able to make a bigger difference."

Drawing on the original vision of our founders, The Wallace Foundation remains faithful to the words DeWitt wrote at age 17 as his life's goal: "to serve my fellow man." ■

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The Wallace Foundation®

Supporting ideas.
Sharing solutions.
Expanding opportunities.®

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

To achieve our mission, we have three objectives:

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

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