

The Edna
McConnell Clark
Foundation

2002 Annual Report

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A Letter from the President

For more years than we would have liked— certainly more years than we expected— our annual reports have begun with descriptions of changes under way, plans in the works, and, most recently, some new work “just beginning.” Each time, we imagined that the following year’s report would present something like a finished product, or at least a solid working model. Just one more year’s effort, we felt sure, would bring about the settled, fully re-engineered program we had been struggling to assemble.

This, I’m relieved to report, has been the year in which that happened.

We are, of course, still learning, adjusting, and experimenting, as we always will be. There will surely be more changes ahead. But our organization, our staff, the purposes of our grantmaking, and our basic approach to philanthropy are now fundamentally different from those of a few years ago. The changes have been slower and harder to achieve than we thought they would be, but they are now up and running. This year I can describe not what we expect to do, but what we have done and are doing, and what we are starting to learn from it all.

Until a few years ago, the Edna McConnell Clark Foundation had devoted most of its work to conceiving and testing innovations in five areas of human need: preventing child abuse and neglect; boosting student achievement in middle school; improving state criminal justice systems; reinvigorating lower-income neighborhoods in New York; and combating trachoma and other tropical diseases. Our approach in most of these areas (tropical diseases excepted) was to try to reform the enormous delivery systems by which the respective services reached poor and disadvantaged populations. I have written elsewhere, including in earlier annual reports, about the limits of that approach.

In essence, we were tackling gigantic challenges with relatively small resources, and we lived with the uncomfortable awareness that we might never know how much of a difference our contribution had made — if any — in fields so vast and so complicated.

The best of this work continues today, but under different auspices, in separate institutions that concentrate and specialize in each of the respective fields. Likewise, this foundation now concentrates most of its grantmaking on a single area, in which we are becoming increasingly specialized: youth development. But instead of trying to invent better ways of serving youth, or trying to reform the way public bureaucracies work in youth development, we are devoting all of our resources to strengthening strong, high-performance organizations that *already have* a demonstrably successful approach to the subject. Our support is meant to help them grow, measure their results more accurately and efficiently, and bring those results to more people.

There is a place, of course, for foundations that pioneer new ideas and try to influence the performance of big delivery systems. We are not on a mission to convert all of philanthropy to our way of thinking. We are, though, pursuing something that is just as critical to good philanthropy as the program innovations and the system-change agendas, and yet is far less common: the practice of finding well-run, productive organizations and helping them grow, manage better, produce more, and demonstrate their results.

All of this is organized around a theory of change to which we expect to be held accountable. It starts with the observation that young people get more of what they need for healthy development and constructive citizenship if they live in communities with strong institutions to guide and mentor and get them involved. There are many kinds of such institutions. But in some places, particularly low-income communities, those institutions are few, weak, small, and unsteady. Build the institutions, help them manage themselves better and smarter, give them the means to do more for more people, and you will significantly raise the odds that young people will grow up to lead healthy and stable lives. By making substantial, long-term investments in outstanding organizations with demonstrably effective programs, strong leadership, and a commitment to growth, we can eventually create better outcomes for both the young people and the communities in which they live.

For us, the pursuit of those goals has started with the development of business plans with every grantee — a written understanding of how they expect to move from where they are today to the level of growth and impact that they envision for themselves; how they plan to pay for it, staff it, and manage it; and how they would know when they arrived at the goal line. The point is not just to clarify their ideas and purposes, it's also something more concrete and practical: determining who in their organization is going to do what, in what stages, with what resources, to achieve what measurable ends, by when. On one level, this is a useful way to begin a grantmaking relationship: Working with consultants and grantees on these questions helps the foundation reach a clear understanding of what we're funding and why, and it gives the grantee a clear understanding of what help they can expect from us. But the most valuable thing about the business plans is that they equip grantees with a map, complete with measurable interim milestones, of where their ambitions lead, how those ambitions can be accomplished, and what obstacles they will have to overcome along the way.

SHIFT OF FOCUS. One immediate effect of approaching our work this way, which will be evident in this annual report, is that we now have somewhat less to say about ourselves, and much more to say about our grantees. The great ideas, the innovative service models, the superior outcomes, are not an outgrowth of work done in this building. By and large, foundations don't make change in this society. Grantees do. This shift in focus has not only changed the nature of our grantmaking but how we approach that task. These days, our first challenge is to identify youth-serving organizations already doing a good job. Beyond that, the organizations we are looking for have to want to serve even larger numbers of kids. After we find them and agree to support them, we help them measure and improve what they are already doing, and then, in ways they choose, help them to do more of it. The best way to report on that is to tell you what they do, how they are performing, and — if we live up to our own expectations — how we helped them grow.

Take, for example, **Citizen Schools, Inc.**, a Boston organization that organizes after-school learning and leadership experiences for 9- to 14-year-olds. Most of these are fun but useful assignments, like designing web sites for neighborhood groups or publishing a community newspaper — things that produce a product or a performance, known as a Wow! — under the guidance of an

experienced adult. Other activities provide opportunities to see or experience things that kids otherwise might not know about, like field trips to ethnic neighborhoods, university campuses, or nature centers. Games or team activities cultivate social skills like cooperation and mutual respect. The critical feature of Citizen Schools is the way it combines enjoyment, a contribution to community life, and practical learning experiences that help kids develop “21st-century skills and leadership abilities and also provide them access to community support,” say founders Ned Rimer and Eric Schwarz.

Much of what we know about successful services for young people, especially in the pre-adolescent and early teen years, suggests that the best results come from offering a chance to do things that are of value to others, and to work alongside attentive adults on things that are fun as well as challenging. Citizen Schools represents one effective way of combining these themes.

In partnership with the venture philanthropy fund New Profit, Inc., we started working with Citizen Schools in 2000. At that point, the organization was reaching a little more than 1,200 young people a year. Messrs. Rimer and Schwarz planned to reach at least twice that number by promoting their program model to other communities around the country. But to make that goal a reality (and to increase it, as they later did), they knew they would need a clear, compelling business plan showing what it costs to run the program effectively, how those costs and revenues might be affected by different methods of expansion, and what the program expects to achieve with each additional enrollee—that is, the measurable benefits that correspond to the costs. Fundamental to such a plan would be a “theory of change,” describing exactly how the key elements of the program translate into the desired outcomes, combined with a way of measuring whether those outcomes are actually achieved.

Yet they weren’t starting *de novo* on these things. They had already made some progress on comparing their expenses with their outcomes. They were dealing candidly with areas where performance was less than they hoped, and they were collecting and using data to guide decisions, although they felt they still had a long way to go on that front. They had formulated some theories on the most efficient routes to expansion, including a new training institute where other organizations could learn to operate a Citizen Schools program.

But in the process of business planning, their ideas about how growth should proceed, and about the strengths and weaknesses of their program model, changed in important ways.

Two years ago, they hired an independent evaluator to take a closer look at whom they were reaching with what results. After completing the first year of a five-year evaluation, they’ve already learned a great deal. For example, the early findings show that they are serving more lower-income kids than they had realized. Further, 71 percent of the participants “made significant gains in their writing skills” and 81 percent of parents said their children were “doing better in school.” In addition, Citizen Schools’ participants are more engaged in school and the first eighth grade graduates were far more likely to enroll in higher quality high schools than students in the evaluation’s matched comparison group. Yet the independent evaluation also found areas where performance was not what they had expected—information that will now help Citizen Schools make improvements in its programs.

As a result, rather than rushing into a much wider expansion, Citizen Schools is taking a measured, experimental approach to growth, while continuing to polish and improve its program in the current sites. For example, as an alternative to training large numbers of people to replicate the program on their own, Citizen Schools is testing partnerships with local YMCAs and local school districts that are interested in implementing the model. It is also exploring franchising as a way to grow. In short, the process of business planning, improved data collection, and rigorous evaluation has led to greater confidence in some areas, reassessment in others, and in general a more thorough process for making decisions about future improvements, expansion, and quality management.

QUALITY AND SCALE. Another example involves a much larger grantee, by some measures one of the biggest youth-serving nonprofits in the country: **Boys & Girls Clubs of America**. Here, the issue was obviously not whether or how to grow, but how to measure and continually improve the quality of so many local affiliates across the whole national map. Quality standards and measurement were far from a new interest at BGCA, but defining quality and gauging it in a consistent way across more than 3,000 clubs in a huge variety of communities had been a longstanding challenge. It was also far from obvious how the national organization could promote particular activities of proven effectiveness

among hundreds of members who pride themselves on their individuality and independence.

So BGCA President Roxanne Spillett used part of our grant to pilot a new quality improvement effort called Project Upward Bound, which rates local affiliates on seven “Standards of Organizational Effectiveness” common to all clubs. The standards already existed and were generally accepted: board functioning, marketing and communications, facilities, finance, program, and staff. Each item on that list had a set of indicators that could, at least in theory, be measured and compared from site to site. But the measurements and comparisons weren’t being applied consistently throughout the Boys & Girls Clubs network. Starting with a sample of 100 Boys & Girls Clubs organizations, at varying levels of organizational performance, Project Upward Bound put the standards to uniform use, to see whether this approach would help these clubs improve the quality of their operations. And sure enough, the result was a measurable improvement in all of the participating clubs. As a result, BGCA is now committed to taking the same approach throughout the rest of the network.

One example of how Project Upward Bound has influenced program planning involves an after-school strategy called Project Learn. The approach had been rigorously evaluated in 1996, and the results were striking: Young people who had participated in Project Learn— all of them low-income kids facing high social and academic risks—had made significant gains in school attendance and achievement, including a 15 percent rise in their overall grade point average. Evaluations this carefully done, yielding such dramatic results, are exceedingly rare. There seemed very little question that more clubs (and more kids) should be benefiting from this program.

But done properly, Project Learn requires that each club’s after-school staff be trained to incorporate into their daily routine a roster of “high-yield learning activities”—like writing, discussion with adults, leisure reading, homework help, or mind-sharpening games— that reinforce what participants are learning in school. There’s no simple recipe for this; staff members have to learn how to combine these skill-building activities with the essential character of a Boys & Girls Club, a fun place where kids really want to spend time. Nor is it customary for the national organization to prescribe specific programs and tell local affiliates how to run them. Yet with a combination of diplomacy,

salesmanship, and rigor, BGCA has managed to expand Project Learn to nearly 100 additional sites and has included it among the Standards of Effectiveness by which clubs are measured.

Project Learn is just one element of a far-reaching approach to quality improvement in Boys & Girls Clubs. That approach is significant not just because it expands proven techniques and gives managers an effective way of assessing what happens at the front lines— although those would be real accomplishments by themselves. Just as important, the Standards of Effectiveness are being *promoted* effectively, so that affiliated clubs increasingly see the measurements as an asset they can use, not as a compulsory final exam to be dreaded or resisted.

STAGES OF READINESS. Youth development is not yet a field rich in strong, tested institutions. Much of the interesting work is still being done by relatively young organizations with new or volunteer leadership and fragile staffing. Few organizations have the ability— either the technology or the person-power— to keep thorough track of who they serve and what they accomplish, much less to prove the effectiveness of their work. Time and again, we found what seemed to be impressive programs run by tiny organizations, often with compelling ideas, fueled by passion, intelligence, and adrenaline, but little else.

Before long, we had to confront a pair of unnerving questions: First, how would we devote this whole foundation to high-end institution-building if so few organizations were ready for the full range of support that our grantmaking approach was designed to offer? And second, if we chose to focus on less “ready” organizations, how would we recognize and select the most promising ones, and how would we be sure we weren’t pushing them into premature choices?

We don’t yet have clear, firm answers to those questions, and at this point we aren’t ready to change our selection criteria substantially. We have, though, occasionally come across organizations that are clearly headed in the same direction as our more established or more advanced grantees (and even, by a few measures, doing every bit as well as they are), and yet are smaller, younger, or more thinly staffed. In these cases, there may be a match between our form of support and the grantee’s needs, even if it means that we apply our resources in slightly different ways. We may even find that we can help such organizations

achieve more, in shorter time, than if we had gotten to know them later in their evolution. We're not sure about that, but it seems plausible. So we're approaching the matter cautiously in just one or two cases.

An excellent example is **AALEAD**—short for Asian American Leadership, Empowerment, and Development for Youth and Families. After just five years running youth development and mentoring programs in Washington, D.C., AALEAD was still a small organization with little by way of facilities, management depth, or office technology. Yet with little more than hard-copy records filed in manila folders, AALEAD was nonetheless keeping meticulous track of the young people in its program, what activities they were participating in, and what effect those activities seemed to be having. More important, Executive Director Sandy Dang was using that information to assess and adjust the program for better results.

Yet all of this was going on without much organizational strength to sustain it. There wasn't sufficient management below Ms. Dang's level. The organization lacked the ability to automate its record-keeping and data analysis. And AALEAD's theory of change, though well reasoned, existed mostly in Ms. Dang's mind, not on paper. Even so, this was obviously an organization with a clear sense of what it expected to accomplish, intent on getting results, and hungry for information with which to manage and evaluate what they do.

We thought we saw a fit here. Even without all the advantages of a larger, older institution, AALEAD was already the dominant nonprofit organization in Washington serving Asian-American families. It was clear that Ms. Dang was trying to accomplish many of the same things we are. She believed that she needed only a little extra help to get to the point where AALEAD could then start with business planning, evaluation, and the rest. With our initial grant, AALEAD hired a chief operating officer, began buying computers and software for a performance-tracking system, and is learning to use the software and integrate the data collection more fully into program operations.

We're meanwhile helping Ms. Dang spell out her theory of change, create an evaluation plan, and put in place a management information system. A Washington-based funder, Venture Philanthropy Partners, is working with us to provide critical dollars and management assistance to AALEAD, including

help with the purchase of office and program facilities and introducing Ms. Dang to important contacts in the business community.

CAREFUL SELECTION. The fact that few youth development organizations are as far advanced as we expected only underscores the importance of getting the grantee-selection process right. Of all the lessons we have learned thus far, probably the most profound has been the amount of time and care it takes to select the right grantees and forge the right relationship with each one. The advance “due diligence” for that part of the job has proven to be a relatively long, painstaking exercise, much more demanding than we originally thought. But it offers a tremendous payoff later, when much of the information gathered in the “diligence” process becomes baseline data for an effective business plan.

In years past, like most foundations, we had been accustomed to relying on the relatively simple, sometimes mechanical process of issuing Requests for Proposals and selecting grantees based on their written responses. We tried hard to glean as much as possible from this process, even beyond what was in the written proposals, but we never learned as much as we needed to know. We imagined from the beginning that a better selection process would mean spending extensive time in prospective grantees' offices, reviewing what they do and how they manage and account for success, and looking closely at financial and program information side-by-side with them. We knew that it would take discretion, diplomacy, and careful listening from us, and patience and trust from the grantee—all of which sounds obvious, but none of which comes easy to either side.

Even knowing all that, we didn't fully appreciate that “extensive time” would mean somewhere between 150 and 300 hours per organization, or that the expertise we would need in this process was considerably greater than anything we had available before.

So besides changing the way we select grantees and make grants, we needed to broaden the kinds of skills we maintain on staff. In the past two years, we have assembled a small team of senior employees with the new title Portfolio Manager. The title, though lifted from the world of investment banking, captures the fundamentally different set of philanthropic responsibilities we now assign to program staff: They are not responsible for thinking up and testing new

ways to serve youth, but are managing our investments in well-run, effective organizations with an expectation of higher performance and growth over time.

We have therefore chosen the portfolio managers based partly on their experience in finance and management, business and strategic planning, and organizational development—disciplines that have to do with effective operation and performance. But all of them also have experience in the nonprofit sector, and value the distinctive qualities of a nonprofit mission. Here again, the trick is in finding the right people and striking the right balance, in this case between technical business skills and genuine passion for social change. It took some time—again, more than we expected—to seek out the people with the hybrid strengths and deep commitment we were looking for, but the search was worth the effort. And while we are extremely pleased with the strength and depth of our in-house team, we continue to draw on the skills and talents of the Bridgespan Group, a leading nonprofit consulting firm that has been a part of this work ever since it began. Like the arduous search for the right grantees, our approach seems to be paying off in productive relationships and promising achievements, at least at this early point of observation.

TRIAL BALANCE. So much about these ideas and our approach is new and still evolving that it's probably premature to offer a list of firm conclusions or lessons from them. But if I were to venture a partial list of what we've learned so far, I would offer the one below. Keep in mind, though, that these are lessons we're still absorbing ourselves, and we offer them not in a spirit of great certainty, but more as the kind of tentative reckoning that our friend and consultant Peter Szanton likens to an accountant's "trial balance."

FOR FOUNDATIONS INTERESTED IN TAKING AN APPROACH LIKE OURS, I'D SUGGEST FOUR THINGS:

- 1. Be prepared for a long, demanding process of selection. To be sure that you're starting off with grantees who genuinely want, and are essentially ready for, the kind of support you're offering, you need to get to know them, and they you, at a level that can't be achieved on paper or over the phone. It will take many hours of personal contact, through staff or consultants or both, and a great deal of candor on both sides.**

- 2. Hire staff and consultants who have *practical expertise* in building, financing, or managing high-performance organizations. Grantees will always return a funder's call, no matter who is at the other end of the line. But they have no reason to work closely with you unless you've spent some time in their shoes or have actually accomplished things they need and want to accomplish. They will always listen politely and respond to your requests, but it's all too tempting to mistake that for a real relationship. In the last few years, we've found that grantees will truly work *with* you, and merge their best efforts with yours, only if they believe you are adding something essential and useful to what they're trying to do.**
- 3. Expect the planning process to be arduous and to lead in directions that neither the funder nor the grantee had expected. As valuable as the finished business plans are, the process of planning seems to be almost as important, if done right, and it is likely to raise crucial, unforeseen questions or problems that will take time and deliberation to resolve. So don't rush it: Confronting and solving those unexpected matters is where some of the real breakthroughs occur.**
- 4. Be prepared to think about *your own organization* differently as you wade deeper into these waters. For us, this has been more than an exercise in relating to grantees in a new way. It has brought about a fundamental change in the way we see ourselves, the goals for which we want to be held accountable, and the meaning of "performance" in the kind of organization we want to become.**

Sorting out the goals and standards, and the way we expect to account for them, is part of the unfinished work ahead of us. Future annual reports will need to be more precise about what we expected to accomplish year by year, and how well each year's work measured up to those expectations. That is among the most fundamental questions we are helping grantees answer, and we are determined to answer it for ourselves. We aren't there yet, though we're drawing closer to the goal.

We've begun working with four sets of indicators that seem to tell us a lot—though arguably not everything—that we need to know in scoring our performance from year to year:

1. **Growth in service slots for kids:** How many young people are our grantees serving, and how many more would they now be able to reach?
2. **Improved program effectiveness:** To what extent are grantees offering programs of demonstrated effectiveness, and how well are their participants progressing toward the intended outcomes?
3. **Stronger organizations, able to sustain both growth and quality:** Are grantees well led, in sound financial health, raising enough money, and able to deliver, monitor, and ensure effective programs?
4. **Perceived value from this foundation:** How much value are we adding to grantees' work, as assessed by them and by other interested parties? To what extent is our contribution leading to more and better opportunities for kids; a stronger set of youth-serving organizations; and benefits to the youth development field and the nonprofit and philanthropic sectors?

As we learn to track these with confidence, and develop standards that pass muster with those who work with us, we'll have a better idea of whether we are measuring the right things by the right yardstick. We feel increasingly confident about the progress grantees are making on that front: In the overwhelming majority of cases, they are achieving precisely the milestones they set in their business plans — often ahead of schedule, and sometimes revising the plans to account for their faster-than-expected pace. We would like to be able to say something similar about ourselves, with measurements that are at least as precise and demanding as theirs are. We're convinced that accounting more precisely for what we do, where we still need to improve, what we've learned, and where we're headed, is at least as important for funders as for grantees. That's a commitment we make for next year, and for all the years we can foresee as this adventure unfolds.

Sincerely,



Michael A. Bailin

JUNE 20, 2003

Youth
Development/
Institution and
Field Building

In 2002, the Foundation continued its efforts to help select youth development nonprofits grow stronger so they can better serve larger numbers of young people from low-income backgrounds with high-quality programs during the non-school hours.

During the year, the Foundation made investments to enable two Boston area organizations to implement their growth plans: BELL (\$1.25 million) and Big Sister Association of Greater Boston (\$2 million). The Foundation also continued supporting the efforts of three other local youth organizations that received grants in 2001: the Harlem Children's Zone in New York, and Citizen Schools and Roca, Inc. in Boston. Meanwhile, work continued at Boys & Girls Clubs of America and Big Brothers Big Sisters of America, two national organizations in which the Foundation has invested previously.

Separately, the Foundation made grants to support business planning at two local and three national organizations: Big Brothers of Massachusetts Bay and the Food Project, both in Boston; and Friends of the Children, Portland, Ore.; Girls, Inc., New York; and the National Center for Children and Families and Communities, Denver, Col. Finally, to explore ways it could work with organizations not quite ready to undertake business planning, the Foundation made a grant to help Washington, D.C.-based Asian American LEAD strengthen its internal operations and management capacity.

Overall, the organizations working on their business plans made progress, ranging from increasing enrollment of young people in their programs, to expanding operations to other locations, to putting information management and other systems in place to help them collect data needed to make ongoing improvements in operations and to lay the groundwork for evaluations to determine the outcomes of their programs.

In 2002, the Foundation also expanded the geographic range of its grantmaking, making youth development nonprofits along the eastern seaboard that meet its investment criteria eligible for support. As in past years, the Foundation relies on a variety of sources, including its online survey (at www.emcf.org) to identify potential grantees. If an organization that meets its investment criteria also appears to meet its standards for compelling product, the Foundation will determine whether to next conduct an extensive due diligence. During this process, Foundation staff spend up to 200 man-hours interviewing a variety of individuals at these organizations. They determine the organization's overall strength and depth of leadership, quality of operations, financial health, commitment to tracking performance and achieving outcomes, and whether there is a fit with the Foundation's grantmaking approach. Organizations selected to go to the next step receive a grant of up to \$250,000 and the services of outside experts to work with it to develop a business plan. After the plan is completed, the Foundation reviews it, and if the goals are deemed to be reachable and measurable, it then negotiates terms and conditions for a substantial, multi-year investment. Once work on the plan gets under way, a Foundation portfolio manager stays in regular contact with the organization, tracking progress, monitoring performance, and troubleshooting with the leadership any unexpected developments.

	GRANTS AWARDED IN 2002	GRANTS PAID IN 2002
YOUTH DEVELOPMENT		
LESS REFUNDS		(\$801)
Total Youth Development		(\$801)
INSTITUTION AND FIELD BUILDING		
YOUTH DEVELOPMENT FUND – POST-BUSINESS PLANNING GRANTS		
THE B.E.L.L. FOUNDATION, INC.	\$1,250,000	\$500,000
Dorchester, MA To implement the organization's business plan, which calls for tripling the number of youth served in Boston and doubling the number of youth served in New York and Washington, D.C., and building and strengthening internal operations of both the national and affiliate offices, and to explore opening programs in eight new cities		
BIG SISTER ASSOCIATION OF GREATER BOSTON	\$2,000,000	\$1,000,000
Boston, MA To implement the organization's business plan, which calls for doubling the number of girls served annually, implementing plans to strengthen volunteer recruitment programs and to nearly triple its budget to \$3 million		
GROWTH FUND – POST-BUSINESS PLANNING GRANTS		
CITIZEN SCHOOLS, INC.		\$650,000
Boston, MA Continued support to implement the organization's business plan, which calls for doubling the number of students served annually, undertaking evaluations that demonstrate the effects of the program on participants, expanding to more locations in Boston, and promoting its program model to other communities across the country		
FIFTH AVENUE COMMITTEE, INC.		\$650,000
Brooklyn, NY Continued support to implement the organization's business plan		

YOUTH DEVELOPMENT / INSTITUTION AND FIELD BUILDING

	GRANTS AWARDED IN 2002	GRANTS PAID IN 2002
HARLEM CHILDREN'S ZONE, INC. New York, NY Continued support to implement the organization's business plan, which calls for serving an additional 900 youth and expanding its reach into surrounding neighborhoods, deepening its management, investing in key technology, and improving day-to-day operations		\$3,450,000
ROCA, INC. Chelsea, MA Continued support to implement the organization's business plan, which calls for serving an additional 600 young people in its core programs residing in the Chelsea and Revere communities of Boston, and engaging another 3,500 young people in outreach or one-time events		\$550,000
BUSINESS PLANNING GRANTS		
BIG BROTHERS OF MASSACHUSETTS BAY Boston, MA To support efforts to create a comprehensive, strategic long-term business plan for the organization	\$250,000	\$250,000
FOOD PROJECT, INC. Lincoln, MA To support efforts to create a comprehensive, strategic long-term business plan for the organization	\$250,000	\$250,000
FRIENDS OF THE CHILDREN Portland, OR To support efforts to create a comprehensive, strategic long-term business plan for the organization	\$250,000	\$250,000
GIRLS INCORPORATED New York, NY To support efforts to create a comprehensive, strategic long-term business plan for the organization	\$250,000	\$250,000
THE REGENTS OF THE UNIVERSITY OF COLORADO Denver, CO To support efforts to create a comprehensive, strategic long-term business plan for the organization	\$250,000	\$250,000

	GRANTS AWARDED IN 2002	GRANTS PAID IN 2002
GRANTEE SUPPORT – BUSINESS PLANNING		
THE BRIDGESPAN GROUP, INC. Boston, MA To assist the Foundation in implementing its Youth Development Fund		\$1,190,000
IFB PROGRAM DEVELOPMENT		
THE BRIDGESPAN GROUP, INC. Boston, MA To support Youth Development Fund grantees in developing comprehensive, long-term strategic business plans		\$1,567,800
THE EDNA MCCONNELL CLARK FOUNDATION New York, NY For implementation of the Youth Development Fund		\$199,256
THE EDNA MCCONNELL CLARK FOUNDATION New York, NY For implementation of the Youth Development Fund		\$300,000
EARLY-STAGE (CAPACITY-BUILDING) INVESTMENTS		
ASIAN AMERICAN LEAD (LEADERSHIP EMPOWERMENT AND DEVELOPMENT) FOR YOUTH AND FAMILY Washington, DC To strengthen the organization's management and operations, including its IT infrastructure and staff computer training	\$200,000	\$100,000
Total Institution and Field Building	\$6,567,800	\$9,139,256

Program for
Student
Achievement

In 2002, the Program for Student Achievement continued its work to help three urban school districts (San Diego and Long Beach, California; and Corpus Christi, Texas) solidify and sustain the progress they have made in increasing the academic achievement of all their middle school students.

The Foundation, which has been supporting reform efforts in the three districts since 1995, intends to conclude this program in September 2003. Over the years, its work has focused on helping the participating districts develop and implement academic standards for what middle school students should know and be able to do in key subjects: language arts, math, science, and social studies.

In keeping with that goal, the Long Beach Unified School District is working to align its professional development programs and evaluation practices to help middle school principals improve literacy instruction in their schools. The district is committed to continuing this strategy as a way to significantly raise the reading and writing achievement of its middle grades students as Foundation support subsides.

Meanwhile, three low-performing middle schools in the San Diego Unified School District are working to raise student achievement by intensifying their staff development support for math and literacy.

Finally, the Corpus Christi Independent School District is receiving intensive, sustained technical assistance to increase the rigor of its instruction and the effectiveness of its staff development. Under grants to the National Staff Development Council and The Education Trust, the district is establishing practices to strengthen these areas in the years to come.

In addition to its work with the three local school districts, the Foundation has provided support to various national and community organizations that are involved in efforts to improve middle school academic achievement. In particular, the Program has supported efforts to engage community members in Corpus Christi, Long Beach, and San Diego to keep pushing for education reform once the Foundation's work concludes in 2003.

The Foundation also has assisted efforts that select national organizations are undertaking to inform and educate teachers, school administrators, and parents about opportunities for middle grades reform. In addition, several Foundation-sponsored reports will be released in 2003, including the first-ever study analyzing philanthropy's support for middle grades reform and a seminal report from the Rand Corporation on the state of America's middle schools.

Additional information on middle school reform may be obtained through the Foundation-supported website at www.middleweb.com.

PROGRAM FOR STUDENT ACHIEVEMENT

	GRANTS AWARDED IN 2002	GRANTS PAID IN 2002
NATIONAL REFORM		
COUNCIL OF CHIEF STATE SCHOOL OFFICERS Washington, DC To organize the "Leaving No Child Behind in the Middle Grades" conference to inform educators and administrators on how they can use the No Child Left Behind Act to increase student achievement	\$75,000	\$75,000
EDUCATION DEVELOPMENT CENTER, INC. Newton, MA To support efforts by the National Forum to Accelerate Middle Grades Reform to strengthen its operations and infrastructure to become self-sustainable over time	\$700,000	\$350,000
EDUCATION WRITERS ASSOCIATION Washington, DC To sustain and expand an internet website dedicated to middle school reform issues		\$17,617
RAND CORPORATION Santa Monica, CA To research and disseminate a report on the state of America's middle grades	\$400,000	\$200,000
BOARD OF CONTROL FOR SOUTHERN REGIONAL EDUCATION Atlanta, GA To expand the Making Middle Grades Work initiative to at least 150 school districts in 23 states, the first large-scale initiative to improve middle grade student achievement in the south	\$1,000,000	\$500,000
BOARD OF CONTROL FOR SOUTHERN REGIONAL EDUCATION Atlanta, GA To establish a network of state policymakers and local practitioners that will implement policies and practices to improve middle grades education in 10 southern states		\$110,000

	GRANTS AWARDED IN 2002	GRANTS PAID IN 2002
COMMUNITY-BASED ORGANIZATIONS		
THE PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE Lexington, KY To assist citizens and educators in reforming Louisville, Kentucky, middle schools		\$100,000
SOCIAL ADVOCATES FOR YOUTH—SAN DIEGO San Diego, CA To assist parents in understanding and using academic standards to increase student achievement		\$81,000
SUPPORT FOR SCHOOL SYSTEMS		
CORPUS CHRISTI INDEPENDENT SCHOOL DISTRICT Corpus Christi, TX To use academic standards to improve the performance of middle school administrators, teachers, and students		\$112,500
LONG BEACH UNIFIED SCHOOL DISTRICT Long Beach, CA To use academic standards to improve the performance of middle school administrators, teachers, and students		\$112,500
LONG BEACH UNIFIED SCHOOL DISTRICT Long Beach, CA To enable the district to implement enhanced professional development for principals and new evaluation practices designed to raise literacy achievement in the middle grades	\$500,000	\$500,000
SAN DIEGO UNIFIED SCHOOL DISTRICT San Diego, CA To use academic standards to improve the performance of middle school administrators, teachers, and students		\$112,500
SAN DIEGO UNIFIED SCHOOL DISTRICT San Diego, CA In support of teacher professional development to accelerate reform and boost achievement in its three lowest-performing middle schools		\$299,000

PROGRAM FOR STUDENT ACHIEVEMENT

	GRANTS AWARDED IN 2002	GRANTS PAID IN 2002
OTHER SUPPORT FOR SCHOOL SYSTEMS		
THE EDNA MCCONNELL CLARK FOUNDATION New York, NY For consultation services of George Perry, an expert in improving middle school instruction and teacher professional development, to assist all three school systems in strengthening their standards-based middle grades reforms	\$300,000	\$62,682
COLLABORATIVE COMMUNICATIONS GROUP, INC. Washington, DC To mobilize and assist organizations in Corpus Christi, Long Beach, and San Diego to organize community dialogues on improving middle schools	\$196,000	\$196,000
THE EDUCATION TRUST, INC. Washington, DC To help the Corpus Christi Independent School District improve the academic rigor of middle school teachers' assignments and instruction		\$300,000
EDUCATION WRITERS ASSOCIATION Washington, DC To organize and conduct a forum for journalists, educators, and the public on issues of testing and accountability in public education	\$5,000	\$5,000
NATIONAL STAFF DEVELOPMENT COUNCIL Oxford, OH To assist the Corpus Christi Independent School District in implementing a high-quality professional development program		\$205,000
POLICY STUDIES ASSOCIATES, INC. Washington, DC For consulting support to assist the Program for Student Achievement in strengthening standards-based reform initiatives in all three school systems		\$321,000

	GRANTS AWARDED IN 2002	GRANTS PAID IN 2002
EVALUATION AND PROJECT DOCUMENTATION		
EDUCATION MATTERS, INC. Cambridge, MA To document and assess how Foundation-assisted school systems support their lowest-achieving students and help them to perform at standard		\$136,000
EDUCATION MATTERS, INC. Cambridge, MA To complete research, writing, and production on a comprehensive final report documenting the Program for Student Achievement's work since 1994		\$100,000
POLICY STUDIES ASSOCIATES, INC. Washington, DC To conduct a quantitative study of the impact of standards-based reform on middle school student performance in four school systems		\$37,000
GRANTEE CONFERENCES		
THE EDNA MCCONNELL CLARK FOUNDATION New York, NY To organize a meeting of representatives from the Foundation-assisted school systems, advisors, and trustees	(\$3,242)*	\$26,758
OTHER		
THE EDNA MCCONNELL CLARK FOUNDATION New York, NY To commission the paper, <i>Opportunities and Accountability to Leave No Child Behind in the Middle Grades: An Examination of the No Child Left Behind Act of 2001</i> , on the major implications and opportunities of the new Elementary and Secondary Education Act for middle grades education	\$6,000	\$6,000

*Rescinded

PROGRAM FOR STUDENT ACHIEVEMENT

	GRANTS AWARDED IN 2002	GRANTS PAID IN 2001
EDUCATION WRITERS ASSOCIATION Washington, DC To research and produce a report on the role and results of school-based staff developers, experts in language arts, math, science, and other subjects, who help classroom teachers improve their teaching methods and content knowledge	\$38,000	\$38,000
EDUCATION WRITERS ASSOCIATION Washington, DC To develop a book to help families of young adolescents improve their children's middle grades education	\$34,000	\$34,000
GOOD SCHOOLS PENNSYLVANIA Philadelphia, PA To support work informing and organizing citizens throughout Pennsylvania to advocate for comprehensive public education reform	\$75,000	\$75,000
GRANTMAKERS FOR EDUCATION Portland, OR To expand and strengthen its programs, membership, and communications activities	\$8,000	\$8,000
LESS REFUNDS	(\$20,557)	(\$20,557)
Total Student Achievement	\$3,413,201	\$4,000,000

Program for
New York
Neighborhoods

In 2003, the Program for New York Neighborhoods completed work in its Neighborhood Partnerships Initiative, a project that supported community-led improvements in living conditions in the Central Harlem and South Bronx neighborhoods of New York City. Through NPI, five lead agencies — Rheedlen Centers for Children and Families (now Harlem Children's Zone), Abyssinian Development Corporation, Mid Bronx Senior Citizens Council (now Mid Bronx Council), Highbridge Community Life Center, and Bronx ACORN, worked with community residents on various projects such as improving local schools, making neighborhoods safer, and keeping streets clean.

To sustain the successes and progress made by those in NPI after the Foundation's exit, the Program assisted three organizations (Abyssinian, Mid Bronx, and Highbridge) in developing comprehensive, long-term business plans to guide each organization's future. (A fourth, Harlem Children's Zone, is now part of the Foundation's Youth Development Fund.) The Foundation also made sizable, multi-year investments against each organization's business plan to assist them in embarking on their ambitious plans.

The Program also made a grant to the Community Involvement Program at New York University's Institute for Education and Social Policy to support a collaborative of Bronx residents and organizations working to improve low-performing schools. To address the lack of information and training opportunities for community-building practitioners around the country, the Foundation supported the creation of a national organization called Center for Community Builders.

PROGRAM FOR NEW YORK NEIGHBORHOODS

	GRANTS AWARDED IN 2002	GRANTS PAID IN 2002
ABYSSINIAN DEVELOPMENT CORPORATION New York, NY For continued support of the Neighborhood Partners Initiative and its reorganization efforts	\$1,075,000	\$800,000
NEW YORK UNIVERSITY New York, NY To support work by the Community Involvement Program at NYU's Institute for Education and Social Policy to assist local residents and community organizations in improving low-performing schools in District 9 in Bronx, New York	\$96,000	\$96,000
URBAN STRATEGIES COUNCIL Oakland, CA To develop a business plan for establishing the Center for Community Builders, which will address the critical information and training needs of community-building practitioners and community residents nationwide	\$100,000	\$100,000
NEIGHBORHOOD PARTNERS INITIATIVE		
BRONX ACORN Brooklyn, NY For continued support of the Mott Haven Neighborhood Partners Initiative		\$250,000
THE EDNA McCONNELL CLARK FOUNDATION New York, NY For technical assistance for the Neighborhood Partners Initiative		\$7,396
COMPASS COMMUNICATIONS, INC. New York, NY To provide consultation and assistance on communications issues to the Neighborhood Partners Initiative sites	\$300,000	\$175,000
HIGHBRIDGE COMMUNITY LIFE CENTER, INC. Bronx, NY To plan and implement a first fundraiser in support of the community newspaper, <i>Highbridge Horizon</i>	\$3,000	\$3,000

	GRANTS AWARDED IN 2002	GRANTS PAID IN 2002
HIGHBRIDGE COMMUNITY LIFE CENTER, INC. Bronx, NY To implement the organization's business plan and to help sustain the Neighborhood Partners Initiative through 2003	\$2,000,000	\$2,000,000
MID BRONX SENIOR CITIZENS COUNCIL Bronx, NY For continued support of the Neighborhood Partners Initiative		\$150,000
MID BRONX SENIOR CITIZENS COUNCIL Bronx, NY To implement the organization's business plan and to help sustain the Neighborhood Partners Initiative through 2003	\$1,500,000	\$750,000
NEW YORK UNIVERSITY New York, NY To provide technical assistance to community groups for the improvement of public schools in District 9 in Bronx, New York		\$50,000
CAPACITY BUILDING		
THE EDNA McCONNELL CLARK FOUNDATION New York, NY For technical assistance for the Neighborhood Partners Initiative		\$43,323
SMALL GRANTS		
HIGHBRIDGE COMMUNITY LIFE CENTER, INC. Bronx, NY To support the Freedom Community Center	\$9,000	\$9,000
HIGHBRIDGE COMMUNITY LIFE CENTER, INC. Bronx, NY To support St. Peter's Afterschool Program	\$10,000	\$10,000
OTHER		
THE TRUSTEES OF COLUMBIA UNIVERSITY New York, NY To further develop the Urban Technical Assistance Project		\$100,000
Total New York Neighborhoods	\$5,093,000	\$4,543,718

Communications

The Office of Communications helps advance the mission of the Foundation through efforts designed to raise awareness of its grantmaking and bring attention to the activities of its grantees, and to share useful lessons emerging from its work.

The Foundation makes a wide range of information readily available at its website: www.emcf.org. In addition to descriptions and updates about grantmaking programs, a number of Foundation publications are available for download. Included are the annual report, newsletters, program-specific reports, and copies of speeches and essays by program staff. Among the newest efforts is the Foundation's Learning Series – periodic reports and essays that document and share the lessons from its work with youth-serving organizations.

Please see page 50 for a complete list of publications produced by the Foundation.

	GRANTS AWARDED IN 2002	GRANTS PAID IN 2002
THE EDNA MCCONNELL CLARK FOUNDATION New York, NY To increase awareness and understanding of the work each of the Foundation's program areas is supporting through their grant investments	\$	\$169,988
Total Communications	\$ 0	\$169,988

Venture Fund

The Foundation maintains a Venture Fund that enables the president and trustees to explore new areas for potential grantmaking and to support projects that are consistent with its mission but that fall outside or cut across established grantmaking strategies. Venture Fund grants are investments in organizations with which the Foundation makes common cause in fields—including social services delivery, evaluation, communications, and philanthropy—that are essential to the long-term quality and effectiveness of its work. In addition, a limited number of smaller grants support projects of special interest to members of the Foundation’s staff.

	GRANTS AWARDED IN 2002	GRANTS PAID IN 2002
NATIONAL COMMITTEE FOR RESPONSIVE PHILANTHROPY Washington, DC For general support in its work to make philanthropy more responsive to the needs of people and organizations with the least wealth and opportunity, more relevant to public needs, and more open and accountable to all	\$15,000	\$15,000
INSTITUTION AND FIELD BUILDING		
POLICY STUDIES ASSOCIATES, INC. Washington, DC To conduct an evaluative history of the Foundation's conversion to the institution and field building approach		\$53,975
SPECIAL LEVERAGING		
NEW YORK UNIVERSITY New York, NY To support the Civic Alliance to Rebuild Downtown New York, a coalition of 75 business, community, and civic groups that is exploring how best to rebuild New York City's downtown area in the wake of the September 11 terrorist attacks	\$15,000	\$15,000
ASSESSMENT		
ACADEMY FOR EDUCATIONAL DEVELOPMENT, INC. Washington, DC To bring the Community Youth Mapping Project to scale, a project developed and managed by the AED Center for Youth Development and Policy Research	\$450,000	\$250,000
THE ASPEN INSTITUTE, INC. Washington, DC To solidify and help sustain the Roundtable on Comprehensive Community Initiatives for Children and Families' work on comprehensive community change and the ways that institutions can partner with resident-driven change efforts	\$75,000	\$40,000

VENTURE FUND

	GRANTS AWARDED IN 2002	GRANTS PAID IN 2002
CHILD TRENDS, INC. Washington, DC To produce syntheses that review research and best practices regarding five youth development topics, to update the youth development outcome compendium developed by Child Trends for the Foundation, and to produce these documents in digital format		\$50,000
CHILD TRENDS, INC. Washington, DC To complete work on reviewing youth development research and best practices on job preparation and civic engagement, and to complete the final sections of the initial youth development outcome compendium developed by the organization for the Foundation	\$62,000	\$62,000
CHILD TRENDS, INC. Washington, DC To produce the fifth in a series of syntheses examining experimentally proven youth programs, and to expand and modify the structure of its website database to make it easier to use and more useful to youth-serving organizations and practitioners	\$250,000	\$150,000
THE CLEVELAND FOUNDATION Cleveland, OH To support the Foundation's capacity-building assistance to the Grantmakers Evaluation Network	\$10,000	\$10,000
PUBLIC/PRIVATE VENTURES Philadelphia, PA To research and write a series of background papers on effective interventions for helping older-age youth transition successfully to adulthood	\$425,000	\$225,000
THE UNIVERSITY OF SOUTH CAROLINA RESEARCH FOUNDATION Columbia, SC To underwrite the costs of cataloguing, arranging, preserving, and describing the papers of Program Director Hayes Mizell in order to make them available for research and dissemination	\$99,000	\$99,000

	GRANTS AWARDED IN 2002	GRANTS PAID IN 2002
STAFF SPECIAL PROJECTS GRANTS		
BOWDOIN COLLEGE Brunswick, ME For general support	\$11,000	\$11,000
BROWN UNIVERSITY Providence, RI For general support	\$11,000	\$11,000
DRESS FOR SUCCESS NEW YORK New York, NY To support the expansion to opening a third community-based program in the Bronx	\$10,000	\$10,000
HIGHBRIDGE VOICES CORPORATION Bronx, NY For general support	\$20,000	\$20,000
RICARDO O'GORMAN GARDEN AND CENTER FOR RESOURCES IN THE HUMANITIES New York, NY To support the tuition-free community school on 129th Street in Harlem	\$20,000	\$20,000
FIELD OF PHILANTHROPY		
COUNCIL ON FOUNDATIONS, INC. Washington, DC For 2002 membership dues	\$40,000	\$40,000
THE FOUNDATION CENTER New York, NY For 2002 membership dues	\$40,000	\$40,000
INDEPENDENT SECTOR Washington, DC For 2002 membership dues	\$12,500	\$12,500
NEW YORK REGIONAL ASSOCIATION OF GRANTMAKERS, INC. New York, NY For 2002 membership dues	\$12,500	\$12,500
Total Venture Fund	\$1,578,000	\$1,146,975

Office of
Evaluation and
Knowledge
Development

The Office of Evaluation and Knowledge Development helps the Foundation work more effectively and efficiently to achieve its mission.

One of the primary duties of the evaluation staff is to pre-screen potential grantee organizations to ensure they have a compelling product—a program that shows evidence of effectiveness in helping young people achieve targeted outcomes. The office also assists portfolio staff in their due diligence assessments, leads the theory of change planning that undergirds business planning with newly selected grantees, and helps grantees implement and monitor evaluation standards as they develop their evaluation capacity. Finally, the Office of Evaluation oversees the Foundation's systematic efforts to assess and learn from its grantmaking in the field of youth development, as well as commission research on youth programming and services.

During 2002, evaluation staff led efforts to refine the Foundation's own theory of change. In addition to laying out the components of its grantmaking approach and the anticipated results, the Theory of Change serves as the basis for evaluating the outcomes of the Foundation's work. The evaluation office also has begun developing a plan to produce useful knowledge to help improve and refine the Foundation's ongoing work, as well as that of our grantees and others working directly to improve outcomes for young people. This knowledge will also be shared with other foundations, organizations, and individuals dedicated to improving and strengthening the youth development field.

Grants Summary

	GRANTS UNPAID AS OF 9/30/01	GRANTS AWARDED IN 2002*	GRANTS PAID IN 2002**	GRANTS UNPAID AS OF 9/30/02
Children***	\$8,998,401	\$ 96,305	\$3,894,705	\$5,200,000
Tropical Disease Research***	2,400,000	(519)	1,499,481	900,000
Youth Development	0	(801)	(801)	0
Institution and Field Building	9,140,000	6,567,800	9,139,256	6,568,544
Student Achievement	2,474,117	3,413,201	4,000,000	1,887,318
New York Neighborhoods	1,031,628	5,093,000	4,543,718	1,580,910
Venture Fund	103,975	1,578,000	1,146,975	535,000
Communications	410,000	0	169,989	240,012
State-Centered Justice***	624,500	0	624,500	0
Grand Total	\$25,182,621	\$16,746,986	\$25,017,821	\$16,911,784

* Net of refunds and rescissions

** Net of refunds

*** These programs are closed. Payments from these programs reflect prior commitments.

2002
Financial
Statements

INDEPENDENT AUDITORS' REPORT

Board of Trustees of The Edna McConnell Clark Foundation

We have audited the statements of financial position of The Edna McConnell Clark Foundation as of September 30, 2002 and 2001, and the statements of activities and of 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 the financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Edna McConnell Clark Foundation as of September 30, 2002 and 2001, and its activities and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.



Chicago, Illinois
November 15, 2002

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30	2002	2001
Assets		
Interest, dividends and other receivables	\$ 1,036,191	\$ 2,015,090
Investments, at market or fair value	589,780,203	632,543,243
Furniture, equipment and improvements, at cost, net of accumulated depreciation and amortization of \$1,241,934 in 2002 and \$1,135,950 in 2001	355,740	432,390
	<u>\$591,172,134</u>	<u>\$634,990,723</u>
Liabilities and Unrestricted Net Assets		
Liabilities		
Grants payable, short-term	\$ 12,411,788	\$ 10,457,624
Deferred federal excise tax	150,105	800,451
Other liabilities	414,411	542,953
Grants payable, long-term		6,299,631
	<u>12,976,304</u>	<u>18,100,659</u>
Unrestricted net assets	<u>578,195,830</u>	<u>616,890,064</u>
	<u>\$591,172,134</u>	<u>\$634,990,723</u>

See accompanying notes.

STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30	2002	2001
Investment Return		
Net realized gains on sales of investments	\$ 128,718	\$ 6,546,137
Net change in unrealized gain on investments, net of deferred tax provision or benefit	(31,866,973)	(68,667,472)
Interest and dividend income	21,763,080	24,145,897
	(9,975,175)	(37,975,438)
Investment management expenses	(2,409,442)	(2,572,220)
	(12,384,617)	(40,547,658)
Program Services		
Grants awarded (grant payments made were \$25,017,821 in 2002 and \$30,405,842 in 2001)	20,672,354	24,422,337
Program and grant management expenses	4,353,678	4,245,657
	25,026,032	28,667,994
General management expenses	894,151	847,160
Federal excise taxes	389,434	281,198
	26,309,617	29,796,352
Change in net assets	(38,694,234)	(70,344,010)
Unrestricted net assets		
Beginning of year	616,890,064	687,234,074
End of year	\$578,195,830	\$616,890,064

See accompanying notes.

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30	2002	2001
Operating activities		
Change in net assets	\$ (38,694,234)	\$ (70,344,010)
Depreciation and amortization	105,984	102,710
Deferred federal excise tax benefit	(650,346)	(1,401,377)
Net realized gains on sales of investments	(128,718)	(6,546,137)
Net change in unrealized gain on investments	32,517,319	70,068,849
Changes in		
Interest, dividends and other receivables	978,899	473,296
Grants payable	(4,345,467)	(5,983,505)
Other liabilities	(128,542)	(97,298)
Net cash used in operating activities	(10,345,105)	(13,727,472)
Investing activities		
Additions to furniture, equipment and improvements	(29,334)	(101,796)
Purchases of investments	(1,298,497,104)	(1,181,052,359)
Proceeds from sales of investments	1,308,871,543	1,194,881,627
Net cash provided by investing activities	10,345,105	13,727,472
Increase (decrease) in cash	—	—
Cash		
Beginning of year		
End of year	\$ —	\$ —
Supplemental disclosure of cash flow information		
Federal excise tax paid	\$ 375,000	\$ 275,000

See accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2002 AND 2001

NOTE 1 Nature of Activities and Significant Accounting Policies**NATURE OF ACTIVITIES**

The Edna McConnell Clark Foundation (the "Foundation") is a nonprofit Foundation that makes grants to help better the lives of people in low-income communities.

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income taxes. However, in accordance with Section 4940(e) of the Code, the Foundation is subject to a federal excise tax of 2 percent of net investment income and net realized taxable gains on security transactions, of 1 percent if the Foundation meets certain specified distribution requirements. The Foundation did not meet the specified requirements for fiscal year 2002 and was subject to a 2 percent federal excise tax. For fiscal year 2001, the Foundation was subject to a 1 percent tax.

FINANCIAL STATEMENT PRESENTATION

The financial statements have been prepared following accounting principles applicable to nonprofit organizations.

INVESTMENTS

Marketable securities are carried at market value based on quoted prices. Investment partnerships are carried at approximate fair value, as determined by the managements of the partnerships, using appraised values, and at market value, based on quoted prices. Investment partnerships carried at market value at September 30, 2002 totaled \$55,560,211 (2001 – \$53,176,941). Purchases and sales of securities are recorded on a trade date basis.

As a result of its investing strategies, the Foundation is a party to a variety of derivative financial instruments, which may include financial futures contracts, forward currency exchange contracts, options and interest rate swap agreements. The Foundation uses these derivatives primarily to maintain asset mix or to hedge currency exposure while taking advantage of opportunities in selected securities in an attempt to contain or reduce portfolio risk and/or to enhance return. Changes in the market values of financial instruments are recognized currently in the statements of activities, with corresponding amounts recorded in the respective investment categories.

Because of the Foundation's minimal use of derivatives, adoption of the Financial Accounting Standards Board Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* did not have a significant effect on the Foundation's financial position or results of activities.

FURNITURE, EQUIPMENT, AND IMPROVEMENTS

These assets are being depreciated or amortized over their estimated useful lives or the lease period, as applicable, using the straight-line method.

DEFERRED FEDERAL EXCISE TAX

Deferred federal excise tax represents taxes provided on the net unrealized appreciation on investments, using a rate of 2 percent.

AWARDS AND GRANTS

Unconditional awards and grants, including multi-year grants, are considered obligations when approved by the Foundation's Board of Trustees. In accordance with U.S. generally accepted accounting principles, the Foundation does not reflect as liabilities the amount of any future years' grant payments it has committed to make if those payments are subject to review and other contingencies before they are made.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions affecting the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE 2 Fair Value of Financial Instruments

Substantially all of the Foundation's assets and liabilities are considered to be financial instruments and are either already reflected at fair value or are short-term or replaceable on demand. Therefore, their carrying amounts approximate fair value.

NOTE 3 Investments

Investments at September 30, 2002 and 2001 are summarized as follows:

	2002		2001	
	COST	FAIR VALUE	COST	FAIR VALUE
Marketable securities				
Short-term investments	\$ 60,089,734	\$ 60,090,078	\$ 38,335,828	\$ 38,334,270
Long-term bonds				
and notes	114,560,896	117,482,966	139,955,666	143,299,472
Corporate stock and mutual funds—				
equity securities	338,606,494	315,357,118	337,948,228	343,679,704
Mutual funds—fixed				
income securities	37,825,415	41,807,041	46,805,373	51,672,239
	551,082,539	534,737,203	563,045,095	576,985,685
Limited partnerships	49,926,463	73,777,037	42,859,919	68,941,886
	601,009,002	608,514,240	605,905,014	645,927,571
Due from brokers, unsettled security transactions	17,812,760	17,812,760	9,030,422	9,030,422
Due to brokers, unsettled security transactions	(36,546,797)	(36,546,797)	(22,414,750)	(22,414,750)
	<u>\$582,274,965</u>	<u>\$589,780,203</u>	<u>\$592,520,686</u>	<u>\$632,543,243</u>

Included in long-term bonds and notes are U.S. government and agency securities with a fair market value of \$79,665,239 at September 30, 2002 (2001—\$102,425,131).

NOTE 4 Grants Payable

Grants payable consist primarily of multi-year unconditional grants that are generally payable over one to four years. Management estimates these grants will be paid as follows:

	2002	2001
One year or less	\$12,411,788	\$10,457,624
One to four years		7,075,000
	12,411,788	17,532,624
Discount to reduce to present value (at 8%)		(775,369)
	<u>\$12,411,788</u>	<u>\$16,757,255</u>

Grants awarded are shown net of rescissions and refunds of \$28,815 in 2002 and \$133,161 in 2001. The Foundation also had \$4,500,000 of contingent grant commitments that are not reflected in the financial statements at September 30, 2002 (2001—\$7,650,000).

NOTE 5 Retirement Plans

The Foundation maintains a defined contribution retirement plan covering all active full-time employees. Under the terms of the plan, the Foundation must contribute specified percentages of an employee's salary. The plan is currently invested in employee-designated individual annuity contracts and various approved mutual funds. The Foundation's contribution to the plan was \$270,441 for fiscal year 2002 (\$231,738—2001).

In addition, the Foundation maintains a supplemental retirement plan that allows employees to defer a portion of their pre-tax salaries. No contributions are made to this plan by the Foundation.

NOTE 6 Commitments

The Foundation's lease for its office space expires in 2006. The lease contains an escalation clause which provides for rental increases resulting from increases in real estate taxes and certain other operating expenses. At September 30, 2002, the Foundation had the following commitments for base rentals under the lease:

2003	\$ 458,136
2004	458,136
2005	458,136
2006	458,136
2007	38,178
	\$ 1,870,722

Rent expense was \$525,762 for fiscal year 2002 (\$491,059 – 2001).

FOUNDATION STAFF**OFFICE OF THE PRESIDENT**

Michael A. Bailin, *President*
Mary Hall, *Assistant to the President*

INSTITUTION AND FIELD BUILDING

Nancy Roob, *Vice President and Secretary*
Christina Bellamy, *Assistant to the Vice President*
Jamie McAuliffe, *Portfolio Manager*
Woodrow McCutchen, *Portfolio Manager*
Richard Stewart, *Portfolio Manager*
William Krehbiel, *Portfolio Associate*
Abigail Diner, *Portfolio Assistant*

PROGRAM FOR NEW YORK**NEIGHBORHOODS**

Susan Bellinger, *Director, Neighborhood Partners Initiative*
Benard Cummings, *NPI Assistant*

PROGRAM FOR STUDENT ACHIEVEMENT

M. Hayes Mizell, *Director*
Ruth Galm, *Program Associate*

OFFICE OF EVALUATION AND KNOWLEDGE DEVELOPMENT

David E. K. Hunter, *Director*
Jacqueline Kaye, *Senior Evaluation Associate*
Deborah McCoy, *Evaluation Associate*
Liza Custodio, *Assistant to the Directors of Evaluation and Communications*

OFFICE OF COMMUNICATIONS

Bruce S. Trachtenberg, *Director*
Albert S. Chung, *Communications Associate*

FINANCE AND ADMINISTRATION

Ralph Stefano, *Director*
Danielle Scaturro, *Accountant*
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Grant Information

The Edna McConnell Clark Foundation provides the bulk of its grantmaking support to local nonprofit organizations that work with 9- to 24-year-olds during out-of-school time, and that are located on the eastern seaboard. The Foundation primarily looks for organizations with evidence pointing to the effectiveness of their youth programming. In addition, it makes a small number of grants to national youth-serving organizations whose programs also have been demonstrated to be effective in achieving positive outcomes for youth. (For the most part, such national organizations operate chapters or affiliates in the East Coast areas where the Foundation is concentrating its grantmaking—or they are planning to expand into those locations.) Finally, the Foundation makes a few very targeted grants to intermediary organizations that directly help its current youth-serving grantees enhance and extend the scope of their work.

The Foundation relies primarily on nominations by colleagues and advisors in the field of youth development to find organizations that seem likely to meet its grantmaking guidelines. Although it is not accepting unsolicited proposals at this time, the Foundation

does welcome youth-serving organizations to visit its website (www.emcf.org) and complete an online survey that describes their activities and programs and the young people they serve. If, after reviewing this information, the Foundation determines that there is a potential match between itself and an organization, a staff member will contact the organization.

Please contact us at info@emcf.org or (212) 551-9100 if you have any questions, or would like a hard copy of the survey mailed to you (although we do prefer responses to be completed via the web if possible).

Also, please note that the Programs for Student Achievement and New York Neighborhoods are completing their work in 2003 and will not be accepting any grant applications.

Finally, the Foundation does not consider proposals for capital purposes, endowments, deficit operations, scholarships, or grants to individuals.

Publications

The following publications are available from the Edna McConnell Clark Foundation. You can order a copy by visiting our website at www.emcf.org, emailing us at info@emcf.org, or contacting us at (212) 551-9100. Please note that publications marked with an (*) are only available by download from our website.

GENERAL FOUNDATION REPORTS AND PUBLICATIONS

- EMCF 2001 Annual Report
- *In Other Words: A Plea for Plain Speaking in Foundations* by Tony Proscio
- *Bad Words for Good: How Foundations Garble Their Message and Lose Their Audience* by Tony Proscio
- *Why Bad Ads Happen to Good Causes* by Andrew Goodman*
- *Grants and News* (the Foundation newsletter)

PROGRAM FOR YOUTH DEVELOPMENT

- *Re-engineering Philanthropy: Notes from the Trenches* by Michael Bailin, remarks at Waldemar A. Nielsen Issues in Philanthropy Seminar Series, Center for the Study of Voluntary Organizations and Service at Georgetown University in February 2003*
- *Learning Series #1: Trusting in Change**
- *Learning Series #2: Making Evaluation Work**

PROGRAM FOR STUDENT ACHIEVEMENT

- *Believing in Ourselves*
- *Changing the Odds*
- *Gaining Ground*
- *Making It in the Middle*
- *Working Together*
- *Figuring it Out*
- *Shooting for the Sun: Selected Remarks of M. Hayes Mizell*

PROGRAM FOR NEW YORK NEIGHBORHOODS

- *Community Pride*
- *Community Matters*

PROGRAM FOR CHILDREN

- *Keeping Families Together & Children Safe*
- *We Are In This Together: Community Child Protection in America*
- *Citizen Power for Stronger Families*
- *Collaboration Demands Respect*
- *Community Partnerships for Protecting Children**
- *Making Reasonable Efforts**

The Foundation's History

The story of the Edna McConnell Clark Foundation really begins in 1969, when Edna McConnell Clark, a daughter of the founder of Avon Products, decided with her husband, Van Alan Clark, to set a fresh course for what had become a very large but unstaffed family foundation. Mr. and Mrs. Clark doubled the size of the endowment and charged their sons Hays, Van Alan, Jr., and James with overseeing staffing and establishing priorities to focus the resources of the Foundation.

The sons wanted to maintain the Clark family's down-to-earth approach to philanthropy and its goal to improve the lives of people in poor communities. The Foundation's programs today continue to reflect the spirit of those early decisions.

Over the last three decades, the Foundation has made grants totaling over \$557 million. As of September 30, 2001, the Foundation's assets were valued at \$600 million. Two grandchildren of Van Alan and Edna McConnell Clark—H. Lawrence Clark and James McConnell Clark, Jr.—serve on the Foundation's nine-member board of trustees, while sons Hays and James are trustees emeriti. James McConnell Clark, Jr. also serves as board chair.

For additional information about the Foundation's current and past work, visit our website at www.emcf.org. Publications, reports, and other materials can be ordered or downloaded from our website as well, or contact us at (212) 551-9100 or info@emcf.org.