OPENING
DOORS

2013 ANNUAL REPORT
From the time that James B. Duke penned his Indenture of Trust in 1924, The Duke Endowment has had a home in the Carolinas. Our founder, one of the great industrialists of the 20th century, was born and raised here, and he dreamed of putting his business profits to use for the common good.

North Carolina and South Carolina were poor, rural states at the turn of the century, but Mr. Duke saw potential in the land and water, and an opportunity to help citizens thrive. His goal was to leave a philanthropic legacy that would “administer to the social welfare” and help people “along physical, mental and spiritual lines.”

The future looks brighter today, but challenges persist for far too many. At The Duke Endowment, using Mr. Duke’s Indenture to guide us, we address those challenges through our four focus areas: higher education, health care, child welfare and rural faith communities. Our fast-paced world has changed dramatically since our founder’s time, but his legacy continues to open doors of opportunity across the two states.

We feature examples of that work in this year’s annual report. You’ll meet church volunteers who build homes for neighbors in need, giving them a fresh start. You’ll learn about hospitals adopting a new business model to fine-tune the way they offer quality care. You’ll read about a multi-year initiative to help colleges enhance student resiliency. And you’ll see how we are collaborating with other funders to make a stronger impact on child well-being.

As we reflect back on 2013, we are also looking ahead. In the summer of 2014, the Endowment will move to its first standalone headquarters on 1.8 acres in the Dilworth community, not far from our current offices in downtown Charlotte. The 46,000-square-foot building is planned for LEED certification, with meeting areas on the first floor and staff offices on the second and third. With its central location and increased access, we believe our new home will advance our efforts to work with others. Today’s philanthropy takes place in an interconnected world, and the Endowment will cultivate opportunities to convene stakeholders involved in issues that touch our two states.

We are eager to open the doors at 800 E. Morehead St. and start a new chapter in Mr. Duke’s dream for the Carolinas.
Our new headquarters will be LEED certified. Here are examples of how we earned points:

**SUSTAINABLE SITES**
Green roof comprised of drought-tolerant sedum and northern reed grass, reduces storm water fees and protects the roof membrane.

**MATERIALS & RESOURCES**
Constructed of locally and regionally sourced materials, including concrete, structural steel and limestone. Materials use 20 percent recycled content.

**INDOOR ENVIRONMENTAL QUALITY**
Glass offices allow for natural light, while LED bulbs reduce energy consumption.

**WATER EFFICIENCY**
Utilizes low flow plumbing fixtures and a 20,000-gallon cistern captures rainwater for irrigation.

**ENERGY & ATMOSPHERE**
21 percent less energy used compared to conventional design.
FIRST IN THE NATION
After eight years of development, Health Sciences South Carolina launched the nation’s first statewide clinical data warehouse in 2013. The online system features patient health records from the state’s largest health care systems and gives researchers from three major universities access to anonymous, real-time patient data. Since 2006, Health Sciences South Carolina has received more than $32 million from The Duke Endowment.

VALUABLE RESOURCES
For information about grant writing, funding opportunities and other topics related to philanthropy, the Foundation Center Funding Information Network at Charlotte Mecklenburg Library is the place to go. A three-year, $60,000 grant from The Duke Endowment expanded the network in 2013 to include access at the library’s regional centers as well as the Main Library, which has housed the collection since 2006.

TRAINING GROUND
How do you harness the power of social media? What’s the best way to work with reporters? How can staff members help deliver your message? Those questions and more were covered in six months of grantee communications training coordinated by the North Carolina Network of Grantmakers and funded by The Duke Endowment and five other N.C. foundations. The pilot effort, which included three Endowment grantees, offered individualized coaching and webinars from GYMR Public Relations.

J U S T A C L I C K AW A Y
Please visit our redesigned website! We unveiled the new look in 2013, using two years of Google analytics to show us what visitors wanted from our site. The new dukeendowment.org is easier to access on your desktop or mobile device, and features grantee stories, current news and expanded information from our four program areas. There’s also a more robust section on Evaluation.

C E N T E R S T A G E
After two years of construction, a renovated Baldwin Auditorium is winning rave reviews at Duke University. Built in 1927, the iconic structure has been transformed into a state-of-the-art concert venue with improved acoustics, comfortable and accessible seating and a wrap-around balcony. The $15 million project was funded by The Duke Endowment as part of an $80 million grant to the university.

P R O M I S E F O R T H E F U T U R E
When The Duke Endowment joined other public and private partners to address maternal and child health challenges in the Carolinas, they recognized that North Carolina and South Carolina needed a proven intervention to change birth outcomes and help more families break the cycle of poverty. They decided to invest in Nurse-Family Partnership, a nationally recognized, evidence-based nurse home visitation program that helps first-time, low-income mothers. In 2008, the Carolinas had just one NFP site. Today, the program has grown into a thriving network across the two states, serving more than 2,000 families in 50 counties on any given day.

E X P A N D I N G R U R A L
When Mr. Duke wanted United Methodist churches in rural North Carolina to benefit from his philanthropy, he limited “rural” to cities and towns of less than 1,500 people. In the 1920s, that covered most Methodist churches in the state. Today, with North Carolina’s population at 9.5 million, our Trustees believed it was important to expand our reach. The Endowment’s Rural Church program area is now using a method developed by the U.S. Department of Agriculture called Rural-Urban Commuting Area codes — or “RUCA” — as an additional way to determine if a church is eligible for funding.

S T R E N G T H E N I N G F A M I L I E S
Across the globe, the Strengthening Families training program is preventing child abuse and neglect by equipping parents and children with important skills. Outcomes include increased family resilience and reduced risk factors for problem behaviors in children. The Children’s Trust of South Carolina, the S.C. Department of Social Services and The Duke Endowment are now working together to bring the program to 10 communities in South Carolina. Along with Federal dollars, a $1.5 million grant from the Endowment is supporting the effort.
Wonderful Kids recruiters in the Carolinas, who will use a tested approach called Child-Specific Adoption to find the best homes for children. Working with other funders has helped the Endowment stretch its resources and reach. For grantees, it has cleared paths to outside opportunities. In South Carolina, for instance, a longtime Endowment beneficiary — Carolina Youth Development Center — became the focus of a $350,000 grant from Edna McConnell Clark through the Propel Next initiative. Propel Next is helping Carolina Youth Development evaluate and refine its Bakker Career Center, which prepares young people in foster care for independence. “Our relationship with The Duke Endowment helped connect us to a national funder, bringing new resources to the children of South Carolina,” says Barbara Kelley Duncan, Carolina Youth Development’s CEO. “Beyond the resources, these two foundations’ shared commitment to outcomes has made us more focused on the results of our work.”

Our Child Care program area is working with several national funders — the Annie E. Casey Foundation, Casey Family Programs, the Dave Thomas Foundation for Adoption, the Doris Duke Charitable Foundation and the Edna McConnell Clark Foundation — to tackle challenges in child welfare. The Endowment teamed with Annie E. Casey, for example, to see if an assessment tool used effectively in behavioral health could help vulnerable children receive the best care. Annie E. Casey launched a pilot to test the tool in Ohio; in 2013, the Endowment awarded a $750,000 grant to begin pilots in two North Carolina counties. With Edna McConnell Clark, the Endowment participated in a national grants program, the Social Innovation Fund, to bolster high-performing providers that assist disadvantaged youth. In another project, the two funders helped Youth Villages expand in North Carolina to serve more families through Multisystemic Therapy, an intensive, in-home mental health treatment model that addresses serious behavior problems. A $1 million grant from the Endowment is helping the Dave Thomas Foundation increase adoptions of children in foster care. The grant will fund Wendy’s
Prevention and early intervention
To equip children and families with skills to ensure that children reach developmental milestones to lead successful lives.

Out-of-home care
To drive child welfare systems toward greater accountability for child well-being.

CHILD CARE
Helping vulnerable children lead successful lives by supporting early intervention, collaborative approaches and evidence-based programs that help serve children and their families more effectively.
HELPING STUDENTS FLOURISH

How can colleges and universities help their students become more resilient? That’s the question behind a new initiative involving students, faculty and staff at four schools in the Carolinas. Supported by a $3.4 million grant from The Duke Endowment, the four-year collaborative will study resiliency on each campus and pilot interventions to enhance it.

Project leaders define resiliency as the ability to thrive despite adversity and difficult circumstances. “Many students come to us well-prepared to handle the academic and intellectual rigor of college life, but they often struggle with emotional, social and psychological issues,” says Cathy Jones, dean of Student Success at Johnson C. Smith University in Charlotte. “It’s not enough just to enroll them. We need to be sure we have the infrastructure in place to support their diverse needs.”

Planning for the initiative began in 2012 when The Duke Endowment sponsored a one-day summit for staff at Davidson College, Duke University, Furman University and Johnson C. Smith to discuss the idea of well-being and what it looks like on a college campus. In the spring of 2013, Endowment Trustees approved a $600,000 grant to increase case management services for students at the four schools. The $3.4 million resiliency grant was approved that summer.

During the first year, campus leaders began designing the research model, which includes opportunities for students and faculty to work together and share their findings. The focus for the second year will be data collection and analysis, which will help identify key challenges at each school. In the third year, the schools will pilot interventions and assess their effectiveness. By the final year, the goal is for each campus to have developed its own program to enhance student resiliency.

Participants say the diversity of the schools offers a unique opportunity to develop campus-wide models that could change the way college leaders across the country think about health and well-being. “We may bring different concerns to the table,” Jones says, “but we’re all working toward the same goal of empowering students to compete, succeed and flourish.”
Academic excellence
Enhancing academic excellence through program and campus development.

Higher Education

Working through Davidson College, Duke University, Furman University and Johnson C. Smith University to advance the pursuit of educational excellence, make education more affordable for qualified students and develop initiatives and programs to benefit local communities.

Campus and community engagement
Promoting a culture of service, collaboration and engagement among schools and communities.

Educational access and success
Increasing educational access and supporting a learning environment that promotes achievement.
TRANSFORMING PATIENT CARE

Some people might hear the word “lean” and think of a New Year’s resolution. But in rural hospitals across the Carolinas, the word is synonymous with improved — and more efficient — patient care.

Small and rural hospitals provide key medical services for the communities they serve, but many of them face unique challenges, says Laura Easton, president and CEO of Caldwell Memorial Hospital in Lenoir, N.C. “Through Lean, we’re preparing for tomorrow by looking at how we can improve the way we do our work today.”

Lean is a business transformation practice that was first used by manufacturers. It emphasizes continuous improvement by tapping the expertise of staff instead of relying on “top-down” decision-making, and focuses on adding value with fewer resources.

The Duke Endowment helped launch Lean in hospitals in 2008. After funding a successful pilot in Western North Carolina, the Endowment worked with the North Carolina Hospital Association and the South Carolina Hospital Association to expand the effort in both states. The South Carolina Office of Rural Health and the North Carolina Office of Rural Health and Community Care are also involved.

By the end of 2013, four hospitals in South Carolina and 20 hospitals in North Carolina were implementing Lean business practices. Fourteen additional rural hospitals in the two states had begun training.

The Endowment has committed $6 million in grants to the program, and the results are promising. Participating hospitals are reducing avoidable expenses and improving quality of care.

Every day at Caldwell Memorial, for example, teams of employees gather to discuss what went right the day before and to share ideas for improvement. Suggestions may be simple — such as storing surgical scrubs on a shelf that makes them easier to reach — but those 10-minute huddles help the hospital serve patients better.

At Abbeville Area Medical Center in South Carolina, CEO Rich Osmus says efficiencies gained from Lean have helped the hospital save about $1 million.

“Lean is an important part of our survival strategy,” Osmus says. “But most importantly, it’s improving the way we work for our patients.”
Enhancing the lives of individuals and the vitality of communities by promoting prevention, improving the quality and safety of services and increasing access to care.
Behind each door is a story. A man was living in a camper. Another was sleeping on a relative’s floor. A woman and her granddaughter were in a mobile home with a leaky roof.

Using a mix of public funds and private donations, Hope Homes builds one-, two- and three-bedroom houses. Volunteers do much of the labor; they even fill the rooms with furniture and stock the pantry with food. “We tell people that all they need to bring is their clothes and themselves,” Stockert says. “By providing these families with suitable housing without a mortgage, we know that the limited resources they currently have can be better used to help improve their way of life.”

Hope Homes has the capacity to build one or two houses a year; the organization receives applications from as many as five families each time it launches a project. For most, it will be the boost they need for a fresh start. “I had lost everything,” says one woman. “Moving into this house gave me another chance, a way to see past a very hard time. It was like a door had opened to heaven.”
Rural church development
Building the infrastructure and capacity of United Methodist churches to enhance ministry and mission.

RURAL CHURCH

Developing rural United Methodist churches, supporting their clergy and lay leaders and expanding church outreach across North Carolina.

Congregational outreach
Engaging United Methodist congregations in programs that serve their communities.

Clergy and lay leadership
Strengthening United Methodist churches by improving the quality and effectiveness of church leadership.
### 2013 GRANTMAKING

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<thead>
<tr>
<th>Category</th>
<th>Total Grants</th>
<th>New Grants</th>
<th>New Grants Distributed in 2013</th>
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<tbody>
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<td>CHILD CARE</td>
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<td>$10,689,019</td>
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<td>HIGHER EDUCATION</td>
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<td>$49,781,327</td>
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<td>HEALTH CARE</td>
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<td>RURAL CHURCH</td>
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<td>$11,879,354</td>
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<td>CROSS PROGRAM &amp; SPECIAL OPPORTUNITY</td>
<td>$13,945,925</td>
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<td>$26,816,181</td>
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**THE DUKE ENDOWMENT**

The Duke Endowment approved **$99.4 million** in new grants, some of which will be paid in future years. More than **$127.7 million** was distributed through grants, some of which were approved in previous years.

**$99,426,562** TOTAL NEW GRANTS

**$127,729,045** DISTRIBUTED IN 2013

**205** NEW GRANTS

**DUKEENDOWMENT.ORG**

Get more information about our grantees and their work, along with a full list of our grants.
Since James B. Duke’s death in 1925, the assets of The Duke Endowment have achieved significant growth, from $107 million to $3.4 billion. During the same time, over $3.2 billion has been distributed in grants.

**INVESTMENTS**

The Duke Endowment’s investment portfolio is managed by DUMAC, Inc., a professionally-staffed investment organization governed by Duke University.

During 2013, the investment return on the Endowment’s portfolio was 17.1 percent. Investment performance benefited from increases in global equity, hedged strategies, private capital, real estate, natural resources, commodities and fixed income. Impacted by investment returns, grants and expenses, the Endowment’s assets increased in value from $2.9 billion to $3.4 billion from December 31, 2012 to December 31, 2013.

For the 10-year period ending December 31, 2013, the Endowment’s investment portfolio, net of fees, returned 8.9 percent annualized, outperforming its policy benchmark by 2.3 percent and a 70 percent MSCI All Country World Index/30 percent Barclays Capital Aggregate Bond Index benchmark by 2.2 percent annualized over the same period.

**GRANTS AND EXPENSES**

Almost 83 percent of the Endowment’s total spending goes directly to grantmaking. This compares favorably to foundations of similar size. The figures below show our grantmaking in the context of other spending. This grantmaking volume depends on our ability to invest assets wisely.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Grants paid</td>
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<tr>
<td>Administrative expenses</td>
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<td>Provisions for taxes</td>
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<tr>
<td>Investment expenses</td>
<td>$7,966,896</td>
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<tr>
<td>Program expenses</td>
<td>$6,105,977</td>
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82.6% of the total spending goes directly to grantmaking.

**FINANCIALS**
TRUSTEES

Minor M. Shaw
Chair
Greenville, S.C.

Ravenel B. Curry III
New York, N.Y.

Thomas S. Kenan III
Chapel Hill, N.C.

Harris E. DeLoach Jr.
Hartsville, S.C.

Charles C. Lucas III
Charlotte, N.C.

Wilhelmina M. Reuben-Cooke
Fairfax Station, Va.

Judy Woodruff
Washington, D.C.

Guiding Principles

Follow James B. Duke’s philanthropic intent, using the discretion he gave us to address current circumstances and emerging issues.

Maintain a commitment to the Carolinas through grantmaking that strengthens organizations, replicates successful programs and tests innovative approaches.

Direct resources where they will produce the best results and hold ourselves and our grantees accountable for achieving them.

Provide ethical leadership by seeking diverse opinions, fostering new ideas and strategies, and taking appropriate risks.

Build effective relationships with grantees by listening with respect and understanding, learning about their communities and challenges and working together to identify potential solutions.

Create opportunities to share information about successes, failures and lessons learned.
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