ANNUAL REPORT

2018 to 2019

Strong Start

James B. Duke
THE DUKE ENDOWMENT
We believe that a good beginning for children bodes well for their lives as adults and for their communities.

In the document that established The Duke Endowment in 1924, our founder charged his Trustees to attend to the needs of North Carolina and South Carolina “along physical, mental and spiritual lines.” The critical issues that Mr. Duke identified nine decades ago remain the focus of our Child Care, Health Care, Higher Education and Rural Church program areas. But as we strive to honor his intent and follow his mandate, we must continuously adapt to today’s world to make the greatest impact with our resources. The complex challenges of our society require it.

In this Annual Report, we invite you to learn about the Endowment’s new strategic emphasis on early childhood. With modern advances in brain science showing us the importance of a strong start, we believe our new emphasis on prenatal to age 8 promises a more effective approach to addressing the issues that confront today’s families and communities. We are convinced that prevention and early intervention will help us produce greater impact across our grantmaking and pave the way for better outcomes for children and their families.

As you will discover, this attention to early childhood amplifies the existing strategies and initiatives in our four program areas. Our approach honors program area priorities and grantees, building upon each area’s expertise. While the Endowment has long made early childhood grants, now we are working more systematically and collaboratively across the program areas to incorporate this emphasis into our work. In addition, our emphasis on early childhood moves us into place-based work in several communities, giving us greater opportunity to effect systems change.

We believe that a good beginning for children bodes well both for their lives as adults and for their communities, thus fulfilling Mr. Duke’s vision for the Carolinas. We are excited about exploring this important path and sharing what we learn along the way.

In closing, we want to pay tribute to a colleague who played a major role in developing our early childhood emphasis and served as an exceptional leader across our organization. Arthur Morehead, the Endowment’s vice president and general counsel, passed away on February 8, 2019. From the time he joined our staff in 2007, Arthur’s wisdom, tireless commitment and good-natured guidance made him indispensable. All of us miss him deeply.

MINOR M. SHAW, BOARD CHAIR
RHETT N. MABRY, PRESIDENT
A Powerful Lever

By focusing on child care, health care, higher education and rural churches, James B. Duke wanted his philanthropy to enrich lives across the Carolinas.

Our new strategic emphasis on early childhood issues is rooted in that vision. By helping families become emotionally tight-knit, physically healthy, educationally prepared and spiritually strong, we believe this can be a powerful lever to help us honor Mr. Duke’s intent.

Why now?

As Dr. Jack Shonkoff, director of Harvard’s Center on the Developing Child, said during a speech at Duke University, an “exploding revolution in biology” is before us. New discoveries and techniques in neuroscience are leaving little doubt about the value of intervening early. Thanks to cutting-edge imaging, we can see how the brain develops in real time.

We now know that in the earliest years of life, the brain is developing rapidly and is especially sensitive to all kinds of experiences. Constant, unrelenting negative experiences in the absence of supportive relationships with adults can trigger excessive stress system activation — termed “toxic stress” — which can disrupt the development of brain circuitry and increase the risk for a lifetime of academic challenges, alcoholism, depression and even heart disease. Conversely, we know that stable, nurturing environments stimulate the development of neural connections critical to getting along with others and developing the executive function skills needed for effective learning and problem-solving.

Every child deserves a chance to succeed in school and in life. However, research shows that children born to wealthy families tend to become wealthy adults, while those born to poor families tend to remain tethered to poverty. Perhaps nowhere is that reality starker than in North Carolina’s Piedmont Triad region, where children of families at the bottom of the economic ladder stand less than a 5 percent chance of rising to the top as adults — one of the worst rates of upward mobility in America.

The Duke Endowment is supporting an ambitious, 10-year strategy that uses large, targeted investments in early childhood to break the cycle of intergenerational poverty in Guilford County, a major population center of the Triad.

Called the Get Ready Guilford Initiative, the strategy is spearheaded by the Endowment and Ready for School, Ready for Life, a leading early childhood organization in the county. Get Ready Guilford seeks to improve individual and population-level outcomes among 55,000 children, prenatal through age 8, across five areas: planned and well-timed pregnancies; healthy births; on-track infant and toddler development at 12, 24 and 36 months; school readiness at kindergarten; and success by third grade.

The Get Ready Guilford Initiative is to create a roadmap for success that can serve as a model for other community efforts across the country.
“The exceptionally strong influence of early experience on brain architecture makes the early years of life a period of both great opportunity and great vulnerability for brain development,” says a report by the National Scientific Council on the Developing Child, chaired by Shonkoff.

Biological evidence increasingly demonstrates that chaotic or traumatic childhood experiences unbuffered by responsive adult relationships undermine brain development in young children. Positive early experiences set the foundation for learning, good health and resilience. By mitigating or preventing negative experiences and maximizing positive ones, we pave the way for better adult outcomes.

Research also points to a clear return on investment in moving to upstream solutions. James Heckman, a Nobel Prize-winning economics professor at the University of Chicago, shows that high quality birth-to-five programs for disadvantaged children can deliver a 13 percent per year return on investment. Those gains are realized through better outcomes in education, health, social behaviors and employment.

As the Center on the Developing Child puts it, getting things right the first time is easier and more effective than trying to fix them later.

Two Avenues

The Duke Endowment is using two avenues to carry out its emphasis on early childhood: through its four program areas and through select “place-based” initiatives. With both, our goal is to work collaboratively to make early childhood a greater focus within our broader mission.

Program areas

In each of our program areas — Child Care, Health Care, Higher Education and Rural Church — program officers are exploring ways to increase our emphasis on early childhood. In many cases, that has meant building on grantmaking already underway.

Child Care, for example, sees replicating evidence-based models as an effective way to support this age group. The program area has focused on expanding evidence-based programs — such as The Incredible Years, Parent-Child Interaction Therapy and the Strengthening Families Program — since 2008. Rural Church’s primary focus is in church-based outreach programs such as the summer literacy initiative, which began in 2012.

This early childhood emphasis is not a fifth program area for us. Nor does it affect current grantmaking commitments or diminish our interest in funding projects with other populations. The work of our Child Care program area — including its efforts to help teens who are aging out of the foster care system — continues. Other program areas will keep funding programs supporting adults and seniors.

We’re also developing newer initiatives to target early childhood. The Endowment’s oral health initiative, for instance, seeks to support system reform and policy change, integration of oral health into general health care, and school-based oral health services.

Place-based

Through our place-based work, we are partnering with communities that are expanding and aligning services for children prenatal to age 8. Our Special Initiatives team is focused on developing this strategy.

Placed-based grantmaking is a philanthropic concept that pursues lasting social change at the community level by weaving local resources and programs into a cohesive system. This concept is especially appealing for the prenatal to pre-K population, for whom services are often fragmented.

The Endowment continues to fund the Northside Initiative in Spartanburg, S.C., and the Renaissance West Community Initiative in Charlotte, N.C. These two place-based efforts follow the Purpose-Built Communities model, which strives to revitalize urban neighborhoods by supplying high quality affordable housing, a cradle-to-college education pipeline and community wellness programs.
If students aren’t learning during the summer, they can lose ground academically — and once children fall back, the gap in achievement can grow with each year. The Duke Endowment is working with rural United Methodist churches in North Carolina to combat learning loss in their communities through evidence-informed summer literacy programs for rising first- through fourth-graders. The goals are to improve literacy outcomes for students who are at risk for reading failure and encourage churches to play an effective role in helping children and families.

In 2016, an external evaluation found that:

- Regarding reading comprehension, on average, students gained three months of learning, as measured by pre- and post-assessments administered by the outside evaluator.
- On average, students improved their reading accuracy, moving from a “frustration level” of reading fewer than 90 percent of words accurately, to an “instructional level” of reading 90–94 percent of words correctly.

Students improved their reading speed by an average of 33 seconds per reading selection.
- Students reported positive changes in their reading behaviors and attitudes.
- The programs addressed a community need and engaged volunteers in meaningful work.

Along with three congregations already involved, nine new churches will implement a summer literacy program in 2019. Long-term plans include conducting a rigorous impact evaluation and potentially replicating and scaling the model to help struggling readers in rural areas across the state.

In Guilford County, N.C., we are supporting the Get Ready Guilford Initiative, a joint effort of the Endowment and Ready for School, Ready for Life, a community-based organization focused on Guilford County’s youngest children and their families. By expanding proven programs, improving service quality and bringing disjointed early childhood resources into a seamless system of care, Get Ready Guilford aims to ensure that critical developmental needs are identified and met.

This work represents the Endowment’s largest and boldest foray into place-based grantmaking.

Promoting Learning

As interest in early childhood issues continues to build throughout the Carolinas and the country, the Endowment is also investing in ways to promote learning in the field.

Both the Northside Initiative and the Renaissance West Community Initiative are giving us valuable insights into successful community-level efforts.

In addition, we awarded a $90,000 grant to The Hunt Institute in Durham to help state leaders in North Carolina and South Carolina understand the importance of child development and the need for creating robust early childhood systems. The Institute hosted a summit in June 2018 that brought together education policy advisors, agency and department heads, community, business and philanthropic leaders and legislators from eight states. National funders included the BUILD Initiative, the Pritzker Children’s Initiative, the Bill and Melinda Gates Foundation and the Bezos Family Foundation.

Other support, to the Institute for Emerging Issues housed at N.C. State University in Raleigh, is aimed at strengthening early childhood outcomes in four North Carolina counties.
At the Table

As this work unfolds, an internal Zero to Eight team continues to shape our early childhood strategy and develop recommendations for our Board.

Using expertise from Duke University’s Center for Child and Family Policy, the team created a list of shared outcomes to steer our grantmaking toward programs with the highest potential for impact. The outcomes reflect our “whole child” approach, encompassing domains of physical, cognitive and social-emotional well-being, and they are strong predictors of later success in school, the workplace and the community.

The team’s long-term goal is to identify “signature initiatives” that reach high standards for impact, scalability and sustainability.

Our Zero to Eight team includes Special Initiatives, Communications, Evaluation and the program areas, and each representative brings expertise to the group. Collaborating has helped us learn more about each other’s work and share challenges across departments. We’re also learning how important it is to make the most of our time together at the table, and we’ve adopted Endowment-wide guidelines for holding effective meetings.

As we build a culture that emphasizes trust, accountability, clarity of purpose, respectful dialogue and a strong commitment to learning and outcomes, Zero to Eight is another avenue for engaging constructively.

BUILDING A STRONG FOUNDATION

Child development experts tell us that the first years of life matter because early experiences affect the architecture of the maturing brain. For healthy development, children need nurturing relationships with caregivers.

The Incredible Years is an evidence-based parenting program designed to help build that strong foundation. The curriculum focuses on five protective factors: parental resilience, social connections, concrete support in times of need, knowledge of parenting and child development, and social/emotional competence of children. Research shows that when those protective factors are present, the likelihood of abuse and neglect decreases, and positive child and youth development occurs.

The Duke Endowment, the N.C. Division of Social Services and the N.C. Partnership for Children fund the program in North Carolina as part of a commitment to implementing evidence-based programs that increase child and family resilience and reduce abuse and neglect. Multiple randomized trials over the past 25 years support The Incredible Years as an effective program.

In 2018, a year-end evaluation of the nearly 1,000 participants showed that 76 percent reported a decrease in harsh discipline; 71 percent reported a decrease in inconsistent discipline; 68 percent reported an increase in appropriate discipline; 77 percent reported an increase in positive parenting; and 72 percent reported a decrease in the intensity of problem behaviors. “Creating safe, stable and nurturing environments for children and supporting families is essential to preventing child abuse,” says Sharon Hirsch, president and CEO of Prevent Child Abuse North Carolina. “Years of research show us that The Incredible Years helps build stronger families and gives children the strong start they need.”

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Lasting Impact

We believe this new emphasis on early childhood issues will be an important part of Mr. Duke’s legacy. By attacking childhood challenges before they grow into adult-sized social problems, we can improve learning, behavior and health — and enhance life for families and communities.

Investing in a strong start for children and their families won’t make problems vanish overnight, but we are convinced it will give us a broader reach and greater impact. We ease the strain on our child welfare systems. We send our educational institutions better-prepared students. We strengthen the families who fortify our rural churches so that the churches can meaningfully engage their communities. And, we boost the health of the Carolinas by improving wellness outcomes for children.

We are seeking evolutionary, not revolutionary change, and will strive to implement this new strategic focus with the same thoughtful, results-oriented approach we have championed for many years.

We’ve made a strong start. By moving upstream, investing strategically in effective programs and research, we are advancing our commitment to the Carolinas and furthering our founder’s dream.

Many children and families face legal barriers when it comes to health care. In South Carolina, a new statewide effort aims to improve health outcomes by eliminating those daunting challenges. Supported by a $1 million grant from The Duke Endowment, the work connects two medical-legal partnerships in the state: CHAMPS (a partnership of the University of South Carolina Schools of Law and Medicine, Prisma Health Midlands and Prisma Children’s Hospital) and the Greenville Medical-Legal Partnership, which includes Prisma Health Upstate, South Carolina Legal Services and Furman University.

In medical-legal partnerships, known as MLPs, doctors and lawyers work together to address the underlying causes of poor health. The holistic process starts at the doctor’s office, where screening questions cover housing, the availability of nutritious food, and other social and environmental determinants of health. If a pediatrician learns that substandard housing is aggravating a child’s asthma, for example, the MLP will contact the landlord.

“What’s more, if we see 10 children with health problems and discover they all live in the same apartment complex, we can begin to think about policy-level changes,” says Eli Hestermann, executive director of Furman’s Institute for the Advancement of Community Health. “We’re not just bailing out the boat as it’s leaking, but patching it.”

The free legal services might also address access to government-provided benefits or guardianship issues. CHAMPS and the Greenville MLP serve pediatric patients and their families through a care team comprised of lawyers, health providers and students. One objective of the new effort is to study how MLPs benefit communities by lowering health care costs and reducing health disparities. Another goal is to study how two distinct MLP models can work together.

Furman, which has been involved with the Greenville MLP since 2016, will help manage the evaluation.

“Physicians must rethink the concept of preventive health, especially now that we know the long-term impacts of toxic stress and adverse childhood experiences on the developing brain,” says Dr. Kerry Sease of Prisma Health Children’s Hospital-Upstate, which helped pioneer MLPs in Greenville. “Routine screening for vulnerability is only useful if collaborative relationships exist to address these needs.”
2018
Financials

Investments
During 2018, the investment return on the Endowment’s portfolio was 5.6 percent. Investment performance benefited from increases in hedged strategies and private investments. The Endowment’s assets decreased in value from $3.69 billion to $3.61 billion from December 31, 2017, to December 31, 2018, due to investment returns, grants and expenses.

For the 10-year period ending December 31, 2018, the Endowment’s investment portfolio, net of fees, returned 9.5 percent annualized, outperforming its policy benchmark, which was up 6.6 percent, and a 70 percent MSCI All Country World Index/30 percent Bloomberg Barclays U.S. Aggregate Bond Index benchmark, which was up 79 percent annualized over the same period.

Grants & Expenses
Since James B. Duke’s death in 1925, the assets of The Duke Endowment have achieved significant growth, from $107 million to $3.61 billion. During the same time, approximately $3.8 billion has been distributed in grants.

2018
Grantmaking

Child Care
$17.7M
$15,086,258 in new grants approved

Health Care
$43.2M
$56,729,311 in new grants approved

Higher Education
$63.5M
$99,200,000 in new grants approved

Rural Church
$16.6M
$20,634,391 in new grants approved

Cross Program/Special Opportunity
$19.2M
$29,664,500 in new grants approved

$184.1M*
$160.2M*
$221.3M*

$160.2M
392
198

*May not sum to total due to rounding

Find more information about our grantmaking and audited financial statements at dukeendowment.org.
Leadership

TRUSTEES

Our Trustees elected Dr. Clarence G. Newsome to the Board, succeeding Mary D.T. Jones, who retired in December 2017 after serving for three decades. Dr. Newsome is the former president of the National Underground Railroad Freedom Center in Cincinnati, Ohio, and former president of Shaw University. Born to a family of educators in northeast North Carolina, he is a triple alumnus of Duke University, receiving a bachelor’s degree in religion in 1972, a Master of Divinity in 1975 and a Ph.D. in religion in 1982. Dr. Newsome joined the Board in May.

STAFF

Laura A. Peres  Project and Facilities Manager
Charity L. Perkins  Director, Communications
Philip H. Redmond Jr.  Director, Child Care
Kristen R. Richardson-Frick  Associate Director, Rural Church
Karen H. Rogers  Chief Financial Officer/Treasurer
Meka S. Sales  Director, Special Initiatives
Brittany L. Schwartz  Fellow
Matthew D. Sharp  Director, Information Technology
Gillian L. Small  Fellow
Natalie C. W. Smith  Senior Accountant
Eric D. Stevens  Administrative Specialist
K. Todd Walker  Managing Director, Investments
Kristi K. Walters  Program Officer, Higher Education
Stacy E. Warren  Program Officer, Health Care
Kimberly M. Webb  Executive Assistant, President’s Office
Robert R. Webb III  Director, Rural Church
Anita W. West  Accounting Manager
Tamika D. Williams  Associate Director, Child Care
Lily H. Zhang  Associate Director, Data & Analytics
Diana Zilberdrut  Project Specialist, Communications/Investments

TWO RETIREMENTS

We said goodbye to two long-time staff members in 2018 and wished them well in retirement. Nancy Edwards, administrative specialist in Health Care, joined the Endowment in 1999 and served more than 19 years. Janet Haas, senior administrative specialist in Evaluation, came on board in 2002 and served more than 16 years. We are grateful for their many contributions.
RECOVERY AND REBUILDING
After Hurricane Florence made landfall in North Carolina in September 2018, parts of North Carolina and South Carolina suffered extensive flooding and billions of dollars in damage. The death toll across both states climbed to more than 50. To support communities impacted by the storm, the Trustees of The Duke Endowment approved $5 million. Initially, $2 million will help the United Methodist Committee on Relief (UMCOR) address immediate recovery needs in North Carolina and South Carolina. Later, the Endowment will distribute the additional $3 million to support rebuilding efforts long term.

FOCUSING ON NUTRITION
In the spirit of continuous improvement and learning, we’re looking at how we can use evaluative thinking at the Endowment to work better. We invited two experts — Virginia Tech Professor Tom Archibald and Jane Buckley of JCB Consulting — to conduct a series of workshops to help us understand the process. Archibald and Buckley explained that evaluative thinkers are proactive, seeking evidence and asking questions to inform action. Skills in their toolbox include the discipline of identifying assumptions, posing thoughtful, targeted questions, engaging with stakeholders to understand what is — or isn’t — working, and applying evidence in real time to make better decisions.

“It really all comes down to aligning evidence to action so that we can maximize impact,” Buckley says.

ADVANCING SCIENCE AND RESEARCH
At Duke University, a $50 million grant from The Duke Endowment is supporting the hiring of faculty in fields of science, medicine, technology, engineering and mathematics and helping the university prepare students for current and emerging professions. The new scientist-scholars will work with colleagues in multiple disciplines in Duke’s Trinity College of Arts & Sciences, Pratt School of Engineering and School of Medicine.

“This transformational grant will allow us to recruit the brightest and boldest thinkers and provide them with the infrastructure they need to solve the world’s most pressing challenges,” said Duke President Vincent E. Price.

IMPROVING CLERGY HEALTH
Spirited Life was a two-year wellness intervention and holistic health study — and now that it has ended, we know that the 1,100 United Methodist pastors enrolled experienced meaningful physical health improvements. The percentage of clergy with metabolic syndrome dropped from 35 to 29, 53 percent had high blood pressure at the start, compared with 47 percent at the end. Cholesterol indicators also improved, and were completely sustained for 18 months after the program concluded. Most impressive, participants who began with the highest levels of obesity not only lost weight, but were able to sustain their weight loss (an average of 13 pounds) for 18 months afterward.

There was, however, no significant improvement in stress symptoms during Spirited Life. With a grant from The Duke Endowment, the research team is now exploring practical ways to promote psychological well-being by testing stress interventions tailored to clergy. The pilot will test four interventions based on findings, the most promising two to three will be tested using a randomized trial.

BUILDING POSITIVE PARENTING
Backed by extensive research, Triple P is designed to help build parenting skills and promote positive child development. But like all evidence-based prevention and intervention strategies, it’s most effective when the right supports are in place to ensure quality service delivery and results. Without that infrastructure, it’s harder for evidence-based programs to work the way they were designed.

In South Carolina, Children’s Trust is expanding Triple P across the state — and it’s partnering with implementation experts at the Impact Center at the Frank Porter Graham Child Development Institute at UNC Chapel Hill. The Duke Endowment is funding the work. Children’s Trust is a statewide organization focused on the prevention of child abuse, neglect and injury. The Impact Center has been involved in North Carolina’s Triple P implementation.

“This investment is a watershed moment for how the state approaches the prevention of child maltreatment,” said Children’s Trust CEO Sue Williams. “For the first time ever, South Carolina will have a countywide, coordinated system of prevention that gives us a population-level approach to parenting and preventing child abuse and neglect.”
The Duke Endowment in Charlotte, North Carolina, is a private foundation established in 1924 by industrialist and philanthropist James B. Duke. We seek to fulfill his dream for the Carolinas by enriching lives and communities through children’s services, health care, higher education and rural churches. Mr. Duke’s legacy endures today in every life touched, every institution advanced and every innovation discovered.

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