

---

the **James Irvine** foundation  
*Expanding Opportunity for the People of California*

2009 ANNUAL PERFORMANCE REPORT

FEBRUARY 2010

---



---

## TABLE OF CONTENTS

INTRODUCTION	1
<b>PROGRAM IMPACT</b>	<b>3</b>
GRANTMAKING	4
OUTCOMES	11
RESULTS, LEARNING AND REFINEMENT	17
PROGRAM CONTEXT INDICATORS	20
<b>INSTITUTIONAL EFFECTIVENESS</b>	<b>27</b>
EXERCISING LEADERSHIP	29
CONSTITUENT FEEDBACK	35
FINANCE AND ORGANIZATION	36

---

## INTRODUCTION

This Annual Performance Report describes Irvine's activities in 2009, based on a framework approved by the Board of Directors to describe the Foundation's approach to foundation-wide assessment. The report contains selective and targeted information organized in two broad categories: program impact and institutional effectiveness. For each of these broad categories, we developed the following sections and key questions:

### PROGRAM IMPACT

- **Grantmaking:** Where are our grants going?
- **Outcomes:** Are we achieving what we set out to achieve?
- **Results, Learning and Refinement:** How do lessons from our program work improve our approach?

### INSTITUTIONAL EFFECTIVENESS

- **Exercising Leadership:** How is the Foundation exercising leadership in the field?
- **Constituent Feedback:** How do key stakeholders perceive us, and how do their perceptions inform our work?
- **Finance and Organization:** How are we performing along measures of financial health and organizational effectiveness?

Based on a request from the board in previous years, we also include a section called Program Context to present selected indicators used by program staff to track the broader context that our programs operate in. By tracking these measures, we do not intend to suggest that there is direct relationship between our work and these indicators, but they are important for us to stay attuned to. We have placed them in a separate section to make this distinction clear.

Finally, it is important to review several assumptions that inform Irvine's Performance Assessment Framework. As mentioned above, we have been selective in our measurement, and have not set out to assign a letter grade or pass/fail judgment on our work. This report seeks to be consistent with Irvine's overall approach to evaluation and assessment, which embraces organizational learning and ongoing refinement as key values at the same time as we remain focused on results and impact. We hope this year's edition of the APR helps to stimulate a rich discussion with the board about our work in 2009 and how these results will inform our strategies going forward.



---

**PROGRAM IMPACT**

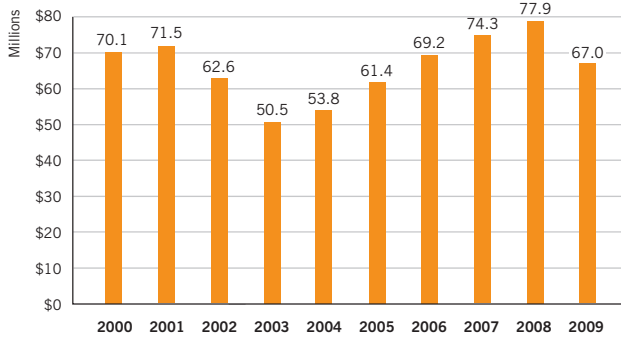


## GRANTMAKING

The report begins with a review of Irvine’s grantmaking in 2009, based on several ways we track and analyze our grantmaking. We provide below an analysis of grantmaking across our program areas and their respective priorities, and we also report on the geographic distribution of grants across California’s regions. Finally, this section reports on populations served throughout Irvine’s grantmaking in terms of ethnicity and economic status.

The chart below shows grants approved by Irvine for each of the past 10 years:

**TOTAL GRANTMAKING, 2000–2009**



Note: Data for this chart is from our grants database. Differences between this and prior years, and compared to audited financials, reflects changes due to conditional grants and rescissions.

The chart follows the downturn in assets in the early part of the last decade and then the steady growth in assets that followed. In 2009, we begin to see the effects of the economic downturn that began in 2008 as grantmaking declined by more than \$10 million.

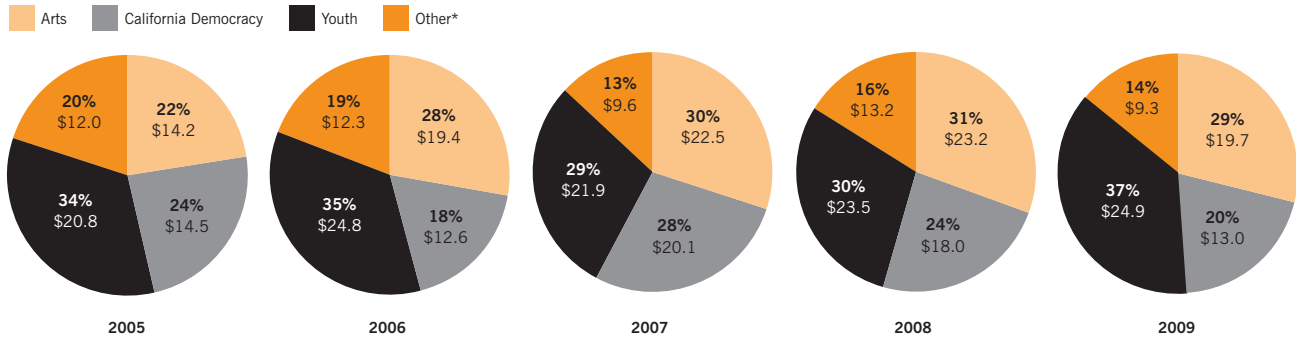
With respect to the past few years, it’s important to note that the Foundation utilizes a “smoothing formula” to determine annual grantmaking and to avoid major fluctuations based on changes in the endowment. However, this formula proved less useful to most foundations in the recent downturn, given the magnitude of the decline. As a result, early in 2009 we proactively decided to reduce our grants budget below what the formula would have suggested in order to avoid a more pronounced reduction in future years. Our primary rationale in taking this action was to ensure we would not compromise the work of our grantees by making commitments in 2009 that would be difficult to sustain in future years. As a result, we have gradually reset our grants budget to the mid-60 million dollar range, and we project \$65 million in grantmaking for 2010.

**TOTAL GRANTMAKING BY PROGRAM AREA, 2009**

Program Area	2009 Grant Dollars	
Arts	\$19,740,674	29.5%
California Democracy	13,015,170	19.4%
Youth	24,940,281	37.2%
Special Initiatives	7,710,108	11.5%
Special Opportunities	330,000	0.5%
Board and Staff Discretionary Grants	824,250	1.2%
Memberships/Sponsorships	440,500	0.7%
<b>Total Grantmaking</b>	<b>\$67,000,983</b>	<b>100%</b>

The table above outlines the allocation of grantmaking across the Foundation’s various programs. We continue to allocate the bulk of our grantmaking budget to the core programs of Arts, California Democracy and Youth. In a period of diminishing resources we awarded very few Special Opportunity grants this past year in order to focus on our core programs. However, we did maintain a commitment to a number of Special Initiative grants (formerly called Cross Program) to support initiatives that are aligned with our other programmatic work and the Foundation’s values. A significant part of Special Initiatives grantmaking this year focused on the Community Leadership Project, an initiative to support organizations serving low-income and minority communities, in collaboration with the Packard and Hewlett foundations.

**TOTAL GRANTMAKING BY PROGRAM AREA, 2005–09**  
(DOLLARS IN MILLIONS)



\* "Other" includes: Special Initiatives grants, Special Opportunities grants, Board and Staff Discretionary grants, and Memberships and Sponsorships

The chart above provides a five-year view of grantmaking across the core programs and shows that we have allocated between 80 percent to 87 percent of our total grantmaking to the three core programs, with some fluctuation. For the past four years, the total dollars allocated to the three programs range between \$57 million and \$64 million, which suggests that in spite of our reduced grantmaking levels going forward, we are likely to avoid having to make major adjustments in our core program allocations based on anticipated resources available.

At the same time, we will also assess carefully our future plans for Special Initiatives so that we sustain important grantmaking work in that area that serves to support our work across the state. Finally, while this analysis suggests we do not anticipate major reductions in the core programs, we are certainly entering a period where smart, strategic choices must be made, even within each of these core programs.

In the paragraphs that follow, we describe some of the reasons for the fluctuations in each of the core programs shown in the above chart; as you will read, much of the variability relates to the timing of certain clusters of grants that are part of strategic initiatives.

- **Arts:** There was a slight decline in Arts grantmaking because 2008 included a cluster of grants to community foundations in the Communities Advancing the Arts initiative.
- **California Democracy:** Grantmaking in this program has historically fluctuated more due to the timing of initiatives and other major commitments. This year saw a relative decline because of the timing of major grants and initiatives in other years, notably the \$6 million commitment to California Forward in 2007. In addition, we now classify The James Irvine Foundation Leadership Awards, to which we allocated \$1.5 million in 2009, as Special Initiative grants rather than California Democracy grants.
- **Youth:** Youth program grantmaking grew as anticipated in 2009 due to the launch of a major district-level demonstration of the Linked Learning strategy. Many of these activities will continue in 2010 as additional districts join the initiative and new opportunities associated with state and federal actions in the education field.

The majority of "Other" grants in the chart above are for Special Initiatives, which include a number of projects that advance the Foundation's mission and goals and that serve to complement our work in other areas. Initiatives funded in this area include the Community Foundations Initiative II, the Community Leadership Project and the Fund for Financial Restructuring.

PROGRAM GRANTMAKING BY PRIORITY

The following tables provide detailed analysis of grants and dollars awarded within each of our core program areas by programmatic priority and initiative. This section also includes details on Special Initiatives grantmaking.

In making decisions about the allocation of resources, program directors consider the goals for each priority and initiative, progress towards outcomes, the potential to leverage our resources, and the level of investment required relative to the scale of impact. Each program also reserves some allocation for special projects that respond to opportunities that advance the broader goals of the program but may not necessarily align with specific priorities or initiatives.

ARTS

GRANTMAKING BY PRIORITY AND INITIATIVE, 2009

Priority	Number of Grants	Amount (Millions)	
<b>Arts Leadership</b>	<b>24</b>	<b>\$8.8</b>	<b>45%</b>
Arts Regional Initiative	18	5.1	
Arts Innovation Fund	6	3.7	
<b>Artistic Creativity</b>	<b>29</b>	<b>2.8</b>	<b>14%</b>
Core Artistic Creativity Grants	8	2.0	
Creative Connections Fund	21	0.8	
<b>Cultural Participation</b>	<b>55</b>	<b>4.4</b>	<b>23%</b>
Core Cultural Participation Grants	18	3.0	
Creative Connections Fund	37	1.4	
<b>Special Projects</b>	<b>21</b>	<b>3.7</b>	<b>18%</b>
Arts Service Organizations	6	0.8	
Next Generation Arts Leadership	4	0.3	
<b>Total</b>	<b>129</b>	<b>\$19.7</b>	<b>100%</b>

Grantees of the Arts program represent the broad ecology of arts activities in California and 2009 was particularly challenging for nonprofit arts and cultural organizations. In this context, the Arts program maintained grantmaking levels in Arts Leadership and Cultural Participation priorities to continue our commitment to strengthen leading arts organizations across the state and support work that actively engages

Californians from all socioeconomic and ethnic backgrounds. Of particular note, we launched the second phase of the Arts Regional Initiative with grants to organizations across Southern California, several of whom were new to the initiative. Building on evaluation findings from phase one, we have refined the initiative’s focus on increasing cultural participation and improving financial sustainability. We also launched a new evaluation to assess progress towards those goals.

The Arts Innovation Fund added another cluster of grants to support new projects and directions at California’s premier cultural institutions. Several of the 2009 grantees are continuing work that was launched with their first Arts Innovation Fund grant, and we look forward to sharing more in 2010 about what has been learned from their innovations.

The Creative Connections Fund (CCF), which targets small and midsized arts organizations statewide through an open, competitive review process, had its second year of grantmaking in 2009. These organizations constitute a third of the nonprofit arts field and are particularly important to the inland regions that lack large cultural institutions. By offering organizations multiyear support for projects that align with our priorities of Artistic Creativity and Cultural Participation, CCF is used to identify potential organizations for the core portfolio. Last year, proposals to the Creative Connections Fund increased by 16 percent, demonstrating the need for arts funding of this type. As a result, CCF funding was increased by 22 percent from the prior year.

Special Projects within the Arts program aimed to address financial management and leadership needs of arts organizations now and in the future. A cluster of grants to arts service organizations are intended to build the cultural infrastructure through programs that support the sector. In partnership with colleagues at the Hewlett Foundation, we also made grants to expand three grassroots networks that are developing the next generation of arts leadership.



**CALIFORNIA DEMOCRACY**

GRANTMAKING BY PRIORITY AND INITIATIVE, 2009

Priority	Number of Grants	Amount (Millions)	
Governance Reform	18	4.8	37%
Redistricting Outreach	9	2.1	
Civic Engagement	20	\$5.6	43%
Special Projects	8	2.6	20%
Census Outreach	3	0.9	
<b>Total</b>	<b>46</b>	<b>\$13.0</b>	<b>100%</b>

In 2009, we introduced a refined framework for the California Democracy program based on past progress, opportunities in the current environment and our understanding that a reflective and responsive democracy is comprised of two interrelated features: an effective, accountable governing system and broad civic engagement. These features are reflected in the program’s two priorities, Governance Reform and Civic Engagement. In Governance Reform, our grantmaking is focused on improving state and local budget and fiscal systems, election policies and practices, and the state redistricting process. Our Civic Engagement grantmaking aims to increase opportunities for civic engagement among traditionally underrepresented communities, including low-income, ethnic and immigrant populations.

Within the Governance Reform arena, the enactment of a new redistricting system in November 2008 presented a significant window of opportunity in 2009 to promote public involvement in the process of determining political jurisdictions for the decade ahead. Irvine supported public education and outreach to encourage underrepresented communities to participate in California’s new independent redistricting commission. Beyond this new set of grantmaking, the California Democracy program team worked closely with California Forward in its efforts to build partnerships and communicate to key audiences about a bipartisan governance and fiscal reform agenda.

Within the Civic Engagement arena, Irvine made a set of new grants to create sustained structures for resident involvement in various regions of the state.

In the San Joaquin Valley and Central Coast, grants have focused on cultivating constructive dialogues between diverse residents and public officials on issues of concern. As these projects proceed, we anticipate sharing successful models across regions of the state.

The California Democracy program also advanced a set of Special Projects grants in 2009 to support outreach to “hard-to-count” communities (e.g. low-income, ethnic and immigrant populations) to encourage participation in the 2010 census. Because resident participation in the upcoming census will determine California’s political representation and amount of federal funding we receive in the next decade, Irvine joined other California funders in supporting a set of coordinated census outreach activities.

**YOUTH**

GRANTMAKING BY PRIORITY AND INITIATIVE, 2009

Priority	Number of Grants	Amount (Millions)	
Linked Learning Practice	11	\$20.5	82%
CA Linked Learning District Initiative	2	\$11.9	
Public Will for Linked Learning	4	0.5	2%
Linked Learning Policy	9	3.6	15%
Special Projects	5	0.3	1%
<b>Total</b>	<b>29</b>	<b>\$24.9</b>	<b>100%</b>

Linked Learning is the new name for the educational approach formerly known in California as “multiple pathways.” After extensive public opinion research, the schools and organizations implementing this approach selected the Linked Learning name to more clearly convey its unique benefits to students, educators, parents and policymakers.

As the chart above indicates, the vast majority of our grantmaking supports direct demonstration of the Linked Learning strategy across the state. A key priority at the outset of 2009 was launching a district-level initiative to implement comprehensive systems of pathways in school districts across California. Six districts were awarded implementation grants through ConnectEd and four more continued planning efforts. We also provided additional core operating support for ConnectEd to provide the initiative with complementary technical assistance and related policy analysis and advocacy.

In addition to direct support for the initiative, additional grants in Linked Learning Practice focused on developing related tools and resources to bring the work to scale with fidelity. These grants include continued funding for district leadership development trainings and research and dissemination to support adoption of the Linked Learning approach.

Grants related to advancing Public Will for Linked Learning Alliance were focused on regional coalition building efforts and ongoing leadership for the statewide Linked Learning Alliance. We also made grants for strategic communications activities to build public support for the Linked Learning approach.

Concurrent with the start of the initiative, we also launched a major evaluation to help guide the work and gather evidence of the impact of the Linked Learning approach on student outcomes for policymakers and stakeholders in the field. This evaluation accounts for a majority of the Linked Learning Policy grantmaking, which also supported analysis of key challenges to advancing the Linked Learning approach statewide.

**SPECIAL INITIATIVES**

GRANTMAKING BY INITIATIVE, 2009

Priority	Number of Grants	Amount (Millions)	
Community Leadership Project	31	\$4.3	56%
The James Irvine Foundation Leadership Awards	14	1.5	20%
Fund for Financial Restructuring	8	1.1	14%
Fund for Leadership Advancement	6	0.4	5%
Community Foundations Initiative II	1	0.2	3%
Other Special Initiatives	4	0.2	2%
<b>Total</b>	<b>64</b>	<b>\$7.7</b>	<b>100%</b>

Since the adoption in 2004 of our three core program areas, the Foundation has budgeted resources for a number of initiatives that serve to complement the work of our core programs, to advance other Foundation priorities, and to remain responsive to opportunities aligned with Irvine’s broad mission and goals. All of these efforts are funded under our Special Initiatives area (formerly called Cross Program).

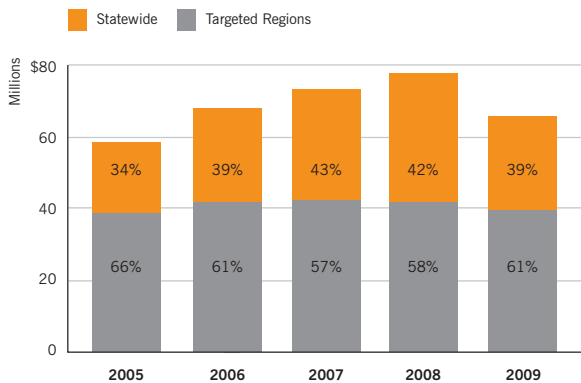
In 2009, the most significant portion of our Special Initiative grantmaking supported the Community Leadership Project (CLP), a grantmaking partnership between the Packard, Irvine and Hewlett foundations to build the capacity of organizations serving low-income communities and communities of color in California. The project builds on Irvine’s long history of engagement with these target communities across California and also represents our commitment to addressing a broader concern that philanthropy is not sufficiently attuned to supporting nonprofits that serve these communities. CLP grants support technical assistance and organizational and leadership development to build the capacity of organizations serving low-income communities and communities of color.

In 2009, we also launched the Fund for Financial Restructuring, created in response to the economic downturn and focused on supporting Irvine grantees that had developed proactive responses to the downturn. The grantees in this area are pursuing strategic alliances to increase efficiency or revenues, testing revenue innovations, and seizing timely opportunities to make operational changes that would not have otherwise been possible.

**REGIONAL DISTRIBUTION OF GRANTMAKING**

One of the Foundation’s core grantmaking principles is a focus on place. While we support organizations throughout California, we are particularly aware of the unique needs of different regions. Therefore we make a point of tracking the amount of grant resources directed to targeted regions of the state.

**REGIONAL VS. STATEWIDE GRANTMAKING, 2005–2009**



Note: Excludes memberships, sponsorships and discretionary grants

The chart to the left shows that we have generally awarded 60 percent of our grantmaking in specific regions of California, in contrast to grants that address statewide goals. This regional emphasis results from both regionally targeted initiatives such as the Arts Regional Initiative and attention on the staff’s part to engaging with organizations serving particular regions in California. As part of this effort, we also work with intermediary organizations to focus on regions where we do not have extensive networks.

**GRANTMAKING BY REGION**

Region	2009 Grantmaking		Active Portfolio (as of 12/31/09)		Population
North Coast and North State	\$370,000	1%	\$1,438,750	1%	1%
Sierra Range	72,333	0%	245,833	0%	1%
Bay Area	9,225,445	23%	21,507,664	19%	19%
Central Coast	1,895,168	6%	7,220,158	7%	4%
North Valley	58,666	0%	433,665	0%	2%
Sacramento Metro	1,906,279	5%	5,715,723	5%	5%
San Joaquin Valley	6,279,939	15%	17,210,542	15%	10%
Los Angeles Metro	13,955,354	34%	39,462,202	36%	38%
Inland Empire	2,234,395	6%	9,996,063	10%	11%
San Diego and Imperial	4,015,421	10%	7,836,089	7%	9%
<b>Total Regional Grants</b>	<b>\$40,013,000</b>	<b>100%</b>	<b>\$103,816,689</b>	<b>100%</b>	<b>100%</b>

Note: Excludes memberships, sponsorships and discretionary grants

The table above provides more detail on the Foundation’s regional grantmaking for 2009 alongside the active portfolio at year end. The active portfolio is a more complete representation as it captures grantmaking over a multiyear period.

This analysis demonstrates our continued commitment to the priority regions of the San Joaquin Valley and the Inland Empire, which are experiencing considerable demographic change, have a significant number of low-income Californians, and have been traditionally underserved by philanthropy. These two regions represent almost a quarter of our regionally focused grantmaking, with an additional 36 percent focused on activities in the Los Angeles metropolitan region, which includes Ventura and Orange counties.

We have discussed in the past many of the challenges associated with working in these priority regions. While those challenges remain, and may be exacerbated by the recent economic downturn, we sustained a significant level of grantmaking in the San Joaquin Valley through grants to increase civic engagement and through the Community Leadership Project. Grants in the Inland Empire included those awarded in 2009 through the Arts Regional Initiative, which will build the capacity of arts organizations across the Inland Empire and Orange and San Diego counties, making them more financially sustainable and increasing their engagement with local communities.

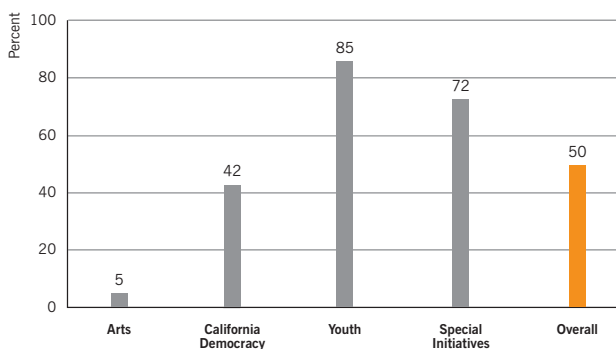
GRANTMAKING BY POPULATION SERVED

By virtue of our focus on the state of California and our mission to expand opportunity, the Foundation maintains a deep commitment to working in partnership with organizations that serve low-income and communities of color.

The economic status and race/ethnicity of the population that will be served by a grant are two indicators that we monitor in relation to this commitment and our mission. We do not set targets for these measures. A grant is coded as serving low-income Californians or a specific racial/ethnic group only if the grant activities described in the grant proposal explicitly or exclusively target that population, hence those categories are necessarily limiting. Grants that are not coded as serving specific populations are also likely to benefit low-income and diverse Californians by virtue of our state’s demographics, but the goals and strategies may not specifically address diversity factors or population-specific needs. Despite imperfections in the data we collect, we believe there is value in conducting this analysis in view of our mission and goals.

To provide context for this data, the statewide poverty rate is 13 percent, and 57 percent of California’s residents are people of color.

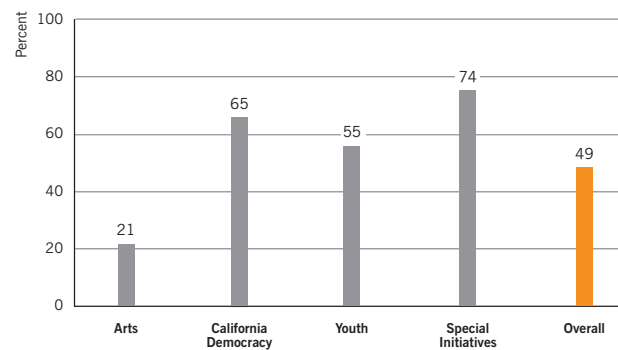
2009 GRANTMAKING FOCUSED EXCLUSIVELY ON LOW-INCOME COMMUNITIES



Note: Excludes foundation-administered projects, special opportunities, memberships, sponsorships and discretionary grants

The chart shows that half of our grantmaking in 2009 focused exclusively on low-income populations in California, an increase from the 30 percent figure we reported last year. The chart following shows that overall, the proportion of grants serving communities of color exclusively matches the proportion benefitting low-income populations.

2009 GRANTMAKING FOCUSED EXCLUSIVELY ON COMMUNITIES OF COLOR



Note: Excludes foundation-administered projects, special opportunities, memberships, sponsorships and discretionary grants

As in past years, we observe variations in populations served across our program areas. The Civic Engagement priority in our California Democracy program aims to increase civic engagement among traditionally underrepresented communities, resulting in grants that more often target low-income, ethnic and immigrant populations. Grants to expand the Linked Learning District Initiative and for the Community Leadership Project are important factors for the high proportion of grant resources in the Youth and Special Initiatives programs that serve low-income populations.

While broadening cultural engagement is a key priority for our Arts program, it remains the case that many of the cultural institutions we support aim to serve the broadest population possible. This is well aligned with our belief in the potential for the arts to build social bonds in our communities and create a sense of common experience across cultures.

## OUTCOMES

Each grant that the Foundation awards includes an explicit set of goals and objectives, and we track progress toward these milestones on an ongoing basis in collaboration with our grantees. As such, we monitor our grants comprehensively, but we evaluate selectively. At Irvine, formal evaluations generally involve the use of an outside evaluator and, given the cost and time required, we limit formal evaluations to key program initiatives or signature grants.

Evaluation advances Irvine's mission in several ways. It demonstrates accountability and provides direct measures of the effectiveness of our program work, helping us identify promising approaches and effective solutions. We share evaluation findings with our grantees, which they may use to refine and sustain their work. The practical information provided by evaluations can also be used by others in the field, so we make salient findings available to other foundations, policymakers, practitioners and others.

The table below provides an overview of our evaluations with timing of reports we anticipate receiving in the upcoming year. This year we received two early formative reports or memos on newer long-term efforts, California Forward and the California Linked Learning District Initiative. These reports do not offer findings about outcomes at this early stage of the work, but they have proven useful for helping us and our partners confirm the direction of our work, show signs of progress and provide an external validation of some of the challenges that grantees face. We concluded major evaluations for the ConnectEd Network of Schools (discussed in the 2008 performance report) and the California Votes Initiative. We await reporting on student outcomes from the Concurrent Courses initiative due to delays evaluators face in accessing student achievement data and the time required to implement program changes in a high school context.

Evaluation	Evaluation Period	REPORTING ACTIVITIES	
		2009	2010
<b>ARTS</b>			
Arts Innovation Fund	2006–2010	Interim report	Interim report (April)
Arts Regional Initiative	2006–2011	Interim report on Central Valley cohort	Interim report on Central Coast cohort (June)
Communities Advancing the Arts	2007–2011	Annual benchmarks	Annual benchmarks (June)
<b>CALIFORNIA DEMOCRACY</b>			
California Forward	2008–2010	Formative memo	Final report (July)
California Votes Initiative	2005–2009	Final report	
<b>YOUTH</b>			
Concurrent Courses	2007–2010		Interim report (July)
California Linked Learning District Initiative	2009–2012	Formative memo	Formative memo (June) Annual report (August)
<b>SPECIAL INITIATIVES</b>			
Community Foundations Initiative II	2006–2011	Interim report	Interim report (June)

## ARTS INNOVATION FUND

### INTERIM EVALUATION

**GOAL:**

Support the state's premier cultural institutions as they advance their artistic vision and deliver innovative, aspirational programming.

**EVALUATION PERIOD:**

2006–2013

**BUDGET:**

Grants: \$16.1 million

Evaluation: \$735,000 (4.6% of initiative budget)

**GRANTEES:**

Sixteen large arts organizations across California received grants in the first three years of this ongoing initiative

**KEY FINDINGS:**

With just two years of data available for analysis, an interim report on the Arts Innovation Fund offers several useful preliminary conclusions:

- Arts Innovation Fund grantees are shifting away from the traditional “supply-side” orientation and becoming more aware and responsive to community needs and California’s changing demographics. Several museums have sought to increase attendance by audiences new to their institutions, particularly younger people. At least one theater group has initiated school and community partnerships to help develop new programming.
- Grantees better understand that sustainable innovations are built on growth in artistic competency and travel through the artistic core of the organization. Though many proposed innovations focus on constituency engagement, the most innovative projects consider impact on artistic capacity and organizational management as well.
- The strongest Arts Innovation Fund projects involve internal “innovation teams” that are integrated both vertically and horizontally. Vertical integration includes engagement at all levels of the organization, specifically the board, artistic staff, and senior and junior administrative staff. Horizontal integration includes working across traditional departmental boundaries to engage representatives from marketing, development, artistic, finance, technology and operations.

**CHALLENGES AND NEXT STEPS:**

Evaluators attribute some internal resistance to change to the conservative nature of operations staffs at the institutions (i.e., the people responsible for the physical, logistical and craft labor related to executing a performance or exhibit). This likely represents a structural impediment to innovation across the field. Arts Innovation Fund grantees have generally succeeded in working with this dynamic, often led by the innovation teams mentioned earlier that bring together staff from multiple roles and report directly to top management. Doing so requires that both management and board leadership support and promote the vision for change.

**DISSEMINATION:**

The interim report is intended for internal use to inform Irvine and the Arts Innovation Fund grantees. We are working with Fund evaluators to identify themes that merit broader dissemination via publication of a report or other means.

**ARTS REGIONAL INITIATIVE (PHASE ONE)**

## INTERIM EVALUATION

**GOAL:**

Increase cultural participation and improve the financial sustainability, management and governance capacities of leading arts organizations located in select regions of the state.

**EVALUATION PERIOD:**

2006–2011

**BUDGET:**

Grants: \$14.4 million

Evaluation: \$265,000 (2% of initiative budget)

**GRANTEES:**

Fifteen midsize and large arts organizations in the Central Valley assessed for an interim progress report

**KEY FINDINGS:**

The Central Valley cohort is the second group to receive grants in the Arts Regional Initiative. Many of the improvements in governance, management and technical capabilities witnessed during the evaluation of the first Southern California cohort were echoed by this more recent group:

- Organization leaders are more aware of their organizations' strengths and weaknesses, and motivated to address them. Executive directors and board members observe that the grant provided the clout and imperative to confront longstanding weaknesses in financial management, board governance and leadership.
- Grantees report improved adaptive capacity, leading them to be better equipped to navigate challenges inherent in the economic downturn.
- The plans that grantees developed through the Arts Regional Initiative for overall strategy, cultural participation and/or development are useful decision-making tools as these organizations address the economic downturn.
- Grantees are implementing programming changes to broaden their audiences and make their artistic products more relevant to changing demographics in their communities.

**CHALLENGES AND NEXT STEPS:**

The interim progress report highlights the challenge of leading organizational change amid a severe economic downturn, which could impair grantees' ability to focus on the capacity building objectives of the initiative. We have identified additional technical assistance supports such as financial management training to help grantees respond to emerging challenges.

Phase two of the Arts Regional Initiative launched in Southern California in 2009. The application process is open to both existing and new grantees and continues to be a highly competitive grants program. Criteria for selection in phase two included readiness for capacity building, community connectedness, financial stability, demonstrated impact and artistic leadership.

**DISSEMINATION:**

The interim progress report is intended for internal use to inform Irvine and initiative grantees, so it was not disseminated to the field. The evaluator presented findings to the initiative's Central Valley cohort in September 2009.

## COMMUNITIES ADVANCING THE ARTS

### INTERIM EVALUATION

**GOAL:**

Increase individual giving to the arts and build community foundations' ability to exercise leadership in the arts.

**EVALUATION PERIOD:**

2004–2011

**BUDGET:**

Grants: \$9.2 million

Evaluation: \$129,000 (1.5% of initiative budget)

**GRANTEES:**

Nine community foundations in the counties of Los Angeles, Monterey, Sonoma, Orange, Sacramento, San Diego, Ventura, with a collaboration of two in the Bay Area

**KEY FINDINGS:**

This analysis is being conducted by Irvine staff based on data from the community foundation grantees about arts assets, number of donors and arts grants. The findings represent a time period up to the end of 2008, when organizations in the initiative began to experience the impact of the economic downturn, showing dramatic changes from year-end 2007.

- Community foundations are finding it more difficult than anticipated to raise assets for a specific field, stretching these institutions beyond their traditional role of facilitating donor interests. Nonetheless, cohort members are showing impressive commitment to the arts and making tangible progress toward the initiative's goals in the context of an economic downturn.
- Cohort members are gaining traction in their efforts to engage individual donors. Collectively, 121 more donors gave to the arts in 2008 than in 2004, and 82 new arts funds were opened since 2004. However, results varied widely between community foundations. For example, one community foundation attracted 48 new arts donors while another community foundation had a net loss of three donors.
- Donors have consistently increased their giving to the arts. Individuals gave \$8.3 million more to the arts through these community foundations in 2008 than in 2004, an increase of 14 percent. And, amid the onset of the economic downturn in 2008, donors increased their giving to the arts from \$27.5 million in 2007 to \$32.5 million in 2008. These numbers suggest that community foundations are able to inspire donors and highlight the importance of the arts, even as the demand for support of basic needs has increased.

**CHALLENGES AND NEXT STEPS:**

As the initiative enters its final year, cohort members are considering strategies such as:

- how to take appropriate policy positions on the arts
- how to support the arts without being perceived as diverting donors that might otherwise give directly to arts institutions
- how to make the case for an arts endowment in light of weak investment performance

Data on the initiative's results for 2009 will be submitted to Irvine in early 2010 and communicated in next year's Annual Performance Report. In the meantime, cohort members have already shared news of several high-profile six-figure gifts to the arts.

**DISSEMINATION:**

Participants in this initiative are sharing what they are learning with other organizations and stakeholders working to increase individual giving to the arts through an Irvine-sponsored Web site, [AdvancetheArts.org](http://AdvancetheArts.org). The site features the success stories and challenges of the community foundations involved in this initiative and offers a variety of tools, templates, case studies and lessons learned.



## CALIFORNIA VOTES INITIATIVE

### FINAL EVALUATION

#### GOAL:

Improve voting rates among infrequent voters — particularly those in specific low-income and ethnic communities.

The Foundation also seeks to learn lessons about effective approaches to increasing voter turnout among these populations and share these lessons with the civic engagement field in California and across the country. Finally, it aims to encourage increased policymaker and political candidate attentiveness to low-income and ethnic communities by demonstrating a growth in voter participation among these groups.

#### EVALUATION PERIOD:

2006–2009

#### BUDGET:

Grants: \$7.86 million

Evaluation: \$825,000 (10.5% of initiative budget)

#### GRANTEES:

Nine community organizations in the San Joaquin Valley and the Southern California counties of Los Angeles, Orange, Riverside and San Bernardino

#### KEY FINDINGS:

This final report sums up dozens of voter mobilization field experiments conducted by community organizations participating in the California Votes Initiative (CVI). All of the experiments used randomly assigned treatment and control groups, allowing for robust statistical evaluation of their impact. The report identifies five best practices for significantly increasing voting rates in ethnic and low-income communities, which include:

- Two-round phone banks: Improve the impact of phone bank calling with follow-up calls to likely voters.
- Canvasser training and supervision: Increase canvasser effectiveness with training and supervision.
- Social networks: Increase trust and effectiveness of campaigns by using canvassers who are either from the same neighborhood or are personally known to targeted voters.
- Campaign timing: Improve campaign effectiveness by visiting/calling voters within four weeks of an election.
- Personal contact: Maximize resources by using mobilization tactics that involve live, personal contact.

The findings show how specific approaches for contacting potential voters can raise participation rates. One of the most notable findings is that phone banking can be made more powerful than door-to-door canvassing if follow-up calls focus on individuals who indicated an intention to vote during the first call. This approach increased turnout by 10 to 13 percentage points, well exceeding the 3 to 5 percentage points that would be expected from an otherwise well-conducted phone bank campaign.

By observing trainings and canvassing sessions, the evaluators documented key aspects of training and supervision that lead to effective turnout campaigns.

Groups that provided more interactive training (including role playing) and that concluded canvassing sessions with debriefings were able to increase turnout by 11 to 43 percentage points.

Earlier data showed that local canvassers were more likely to be trusted and thus more effective in motivating potential voters. Canvassers who worked their own neighborhoods increased turnout by 3 percentage points more than outside canvassers. The final round of experiments also examined the relevance of social networks. People canvassing among friends or acquaintances were more successful by 4 percentage points.

The evaluators also assessed the enduring effects of these mobilization efforts by tracking voting patterns for individuals across multiple elections. The analysis showed that one-third of targeted individuals continued to participate in later elections without further encouragement, a figure that can be generalized to other mobilization efforts that utilize the best practices from the CVI.

#### CHALLENGES AND NEXT STEPS:

CVI concluded in 2009, but Irvine continues to support the dissemination of the insights and best practices captured through this evaluation.

#### DISSEMINATION:

Irvine sought to reach various audiences for this evaluation, including civic organizations, funders, policymakers and political candidates. Evaluation findings were disseminated to target audiences via mailings, online communications and presentations at funder conferences.

## COMMUNITY FOUNDATIONS INITIATIVE II

### INTERIM EVALUATION

**GOAL:**

Accelerate the growth and leadership of selected small and emerging community foundations in rural areas of California.

**EVALUATION PERIOD:**

2005–2011

**BUDGET:**

Grants: \$11.7 million planned; \$11.4 million to date  
Evaluation: \$650,000 (5.5% of initiative budget)

**GRANTEES:**

Seven community foundations in the counties of Fresno, Kern, Mendocino, Napa, Placer, San Luis Obispo and Shasta

**KEY FINDINGS:**

This interim evaluation reports on community foundation assets and grantmaking as of the end of 2008, as well as research on grantee activities and accomplishments throughout 2009:

- Despite mounting challenges related to the economic climate, initiative participants have maintained many of the gains in assets and overall capacity since the start of the initiative. Current assets are more than double the assets in 2004, and other indicators such as increasing fee revenue point to a growing resilience among these foundations.
- While total assets for the cohort were down 10 percent from 2007 to 2008, from \$128 million to \$115 million, cohort members fared better than like-sized community foundations across the country, which experienced asset declines of 16 percent.
- The cohort has made progress toward increasingly sustainable financial models. Fee revenue remained strong, increasing from 2007 to 2008 at each of the seven foundations, an indication of foundations' growing ability to cover operating costs.
- Progress on the foundations' ability to engage in high-quality, community-based grantmaking over the past two years has been dramatic — which is striking given that this was an area where the least progress had been made before 2007. The impact of the Community Foundations Initiative focus on grantmaking in recent years — through Irvine's regranteeing dollars, convening content and technical assistance — is apparent: community foundations have leveraged these resources as a critical learning opportunity to improve and refine their grantmaking processes, with better organization, improved transparency and more collaboration observed across the cohort.

- Cohort members increased their grantmaking by nearly 12 percent in the past year (excluding Irvine regranteeing dollars) from \$11.8 million to \$13.2 million, a change that is consistent with other like-sized community foundations across the field.
- Amid the economic downturn, community foundations participating in the Initiative have assumed increased leadership roles, serving in particular as informers and conveners.
- A bright spot of the economic crisis has been increasing levels of board engagement. At some community foundations, board members are making increased personal efforts to reach out to contacts and donors within the community. At others, board members have responded with increased engagement on the community foundation's economic circumstances.

**CHALLENGES AND NEXT STEPS:**

The change in the economic environment since 2008 has presented CFI II community foundations with multiple dilemmas. Cohort members are struggling to balance long-term strategic priorities such as asset development and board composition with opportunities to respond to increasingly urgent community needs.

**DISSEMINATION:**

Cohort members were the primary audience for evaluation findings in 2009. Irvine shared findings with grantees in a convening, and each community foundation received an individual dashboard-style report of its particular performance. As we enter the final 18 months of the Community Foundations Initiative, we are assessing a substantial list of lessons, tools and resources that have been developed for cohort members. In 2010, we will conduct market research to identify the most valuable content, and understand how best to package and share that information.

## RESULTS, LEARNING AND REFINEMENT

The goals for our core programs in Arts, California Democracy and Youth were established in 2004 following an intensive strategic planning process. At the time, we committed to these broader goals over a multiyear time horizon, and we quickly acknowledged that the specific strategies would evolve as our work deepened, as the environment changed and as we learned from our efforts. This section discusses how the work summarized in the prior sections on grantmaking and evaluations has shaped ongoing program improvement and helped us refine our programmatic strategies and grant initiatives.

### NUMBER OF CORE PROGRAM GRANTS, 2005 TO 2009

	2005	2006	2007	2008	2009	Total
Arts	138	106	143	135	129	651
California Democracy	57	62	76	46	46	287
Youth	61	71	64	49	29	274
<b>Total</b>	<b>256</b>	<b>239</b>	<b>283</b>	<b>230</b>	<b>204</b>	<b>1,212</b>

In the past five years, we have had the opportunity to learn from our grantees about issues and potential strategies in each of our program areas based on more than 1,200 grants in our program areas. This accumulated experience has led each of our program teams to engage in a program review and refinement over the past two years, providing opportunities to assess progress and consider how goals and related strategies should evolve. We started 2009 with a board retreat to review each program area and in this section we review the status and result of these program refinements.

#### ARTS

We started the process of reviewing and focusing the Arts program framework and strategy at the board retreat in March 2009. However, we decided to pause this work due to the transition in program leadership, allowing a new program director the opportunity to engage in the refinement process and to bring her expertise to this activity.

While the overall program refinement has been on hold, we have continued to make improvements to our major Arts initiatives based on grantmaking experience and evaluation findings. In 2009, we refined the goals for the second phase of the Arts Regional Initiative to focus on two outcomes of increasing cultural participation and improving financial sustainability. In anticipation of current grantees applying to phase two of this initiative, we organized a joint convening of the Central Valley and

Central Coast cohorts to provide in-depth explanation of the financial sustainability and cultural participation goals.

The Arts Innovation Fund has evolved as we learn alongside grantees about the challenges inherent in changing practices in major arts institutions. The successful innovations we have witnessed to date and the decreasing availability of “risk capital” due to the economic downturn has solidified our commitment to the initiative. In order to increase the likelihood of more innovations succeeding, in 2009 we offered longer grant terms of up to four years to allow grantees the long-term perseverance to institutionalize the new practices. Institutionalizing practices is a particular emphasis for grantees receiving their second Arts Innovation Fund grant.

#### CALIFORNIA DEMOCRACY

The California Democracy program review started in 2008. We engaged in a series of informative discussions with grantees, other key partners and the Irvine board, which led to a revised program framework approved by the board in March 2009. This program refinement sought to clarify Irvine’s priorities within the multifaceted area of improving California’s democratic processes.

We determined that the program would conduct grantmaking in two primary areas, Governance Reform and Civic Engagement, and selected specific priorities within these two areas. Within Governance Reform, we assessed a range of potential priority issues.

We considered their impact on low-income and ethnic communities, opportunities for progress given current public opinion and civic leadership in these arenas, and the extent to which Irvine could make a unique contribution. We determined we would focus on budget and fiscal issues, electoral policies and practices, and the redistricting process. Within Civic Engagement, we decided to prioritize efforts that not only engage traditionally underrepresented communities in civic affairs, but that also promote new mechanisms for ongoing resident engagement in public decision making.

The new program framework highlights ways that grantmaking in the two primary areas reinforce and complement one another. Additionally, in order to more accurately reflect the program's work, the board approved a new program name, changing the "California Perspectives" program to the "California Democracy" program.

#### YOUTH

The Youth program framework is predicated on our belief that students must be offered education options that address their diverse interests and abilities, and that prepare them for both college and career. We decided to focus our grantmaking on promoting the Linked Learning approach based on several factors: promising evaluation findings and outside research about the effect of a Linked Learning approach on student success; a field analysis that documented how leaders are aligned on the core elements of the approach; and an appetite for high school reform among policymakers.

In order to advance the Linked Learning approach we identified three program priorities — Practice, Policy and Public Will — as key ingredients to making Linked Learning available to youth throughout California in a consistent and credible form. With this framework in place in the end of 2008, our 2009 Youth grantmaking focused on addressing recommendations from the field assessment: create systemic district-level demonstrations of the effectiveness of the Linked Learning approach; promote more supportive state policy and systemic reforms; and develop a clearer definition of the approach that leaders and stakeholders agree on as a common goal.

The California Linked Learning District Initiative launched in 2009 also is informed by lessons from the ConnectEd Network of Schools. In particular, the initiative design addresses evaluation findings about the need for:

- Recruitment and placement processes that provide students with more choices
- Integrated academic and technical curriculum and instruction
- Work-based learning opportunities that are authentic and sustained
- A team of teachers with both academic and technical expertise who are willing to collaborate on developing curricula and ensuring student success
- Facilities and equipment and other specialized supplies to support the industry focus of the pathway program
- Other support services for students including counseling, transportation and tutoring services

We also continue to react to needs as they become apparent. When the initiative launched in June, ConnectEd and its partners quickly began to collaborate on a pathway certification process to address the importance of insuring high-quality pathways and fidelity of implementation.

#### SPECIAL INITIATIVES

In 2009, Irvine granted its fourth round of awards through The James Irvine Foundation Leadership Awards program. The Leadership Awards highlight innovative and effective solutions to inform policymaking and practice on significant issues facing California. Since beginning the program in 2006, we made adjustments based on feedback from recipients, the independent Selection Committee and our own reflections on how we could best reach the program goals.

This past year we sought to enhance communications to policymakers about the effective program models recognized through the awards in the following ways:

- We expanded the award announcement from a traditional media release to add a luncheon near the state Capitol. In June 2009, about 170 policymakers and other stakeholders attended the announcement event.

- Over the next two years we will shift the nomination and award process so that our announcement occurs earlier in the calendar year when policy leaders and staff are in the initial stage of the legislative session and looking for new ideas.
- In addition to offering consulting assistance on their general communications approaches, we began offering assistance on effective methods for sharing program models and policy ideas with policymakers and other key audiences.

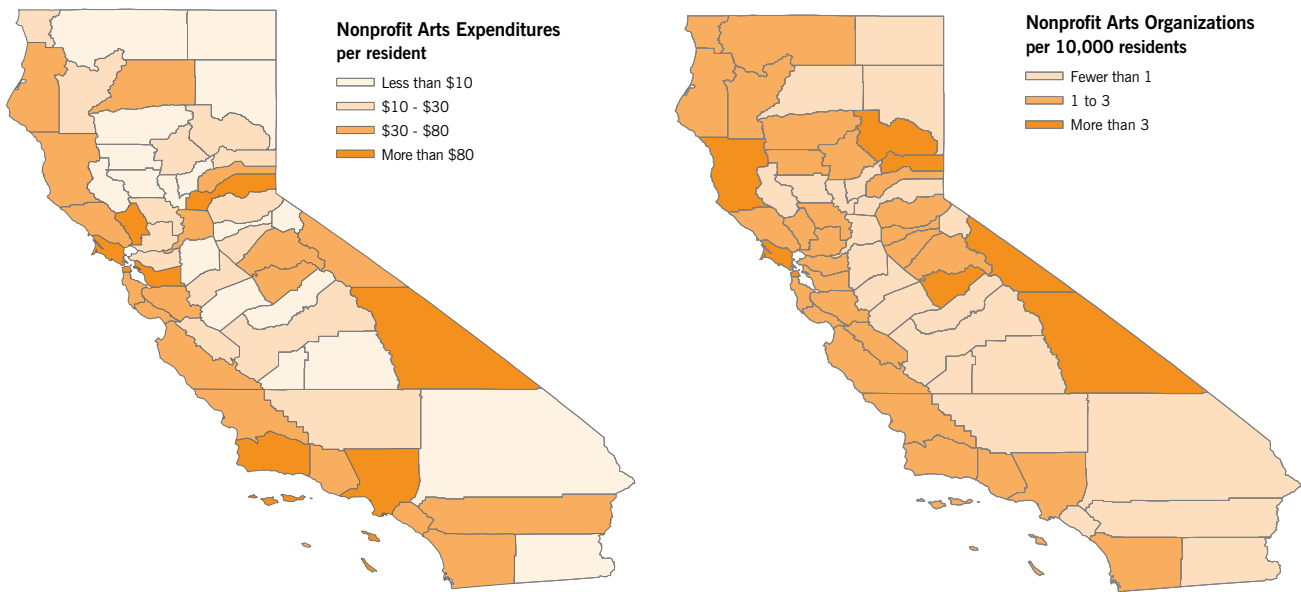
Looking ahead, we will continue to explore other ways in which we might most effectively leverage the award recognition to inform policymaking and practices to address critical state issues.

## PROGRAM CONTEXT INDICATORS

The program context indicators presented in this section inform our work by describing the general conditions and statewide trends in our program fields in California. These indicators are typically drawn from publicly available data that has been reported in publications relevant to our programmatic fields. In addition, several grants in our active portfolio support the data collection needed to track these indicators, including efforts to refine and improve the accuracy of available data, particularly in the Arts.

### ARTS

#### NONPROFIT ARTS ACTIVITY AND ACCESS



Source: National Center for Charitable Statistics

The map of nonprofit arts expenditures per resident on the left provides a measure of formal arts activity supported by nonprofit organizations. This map illustrates distinct regions of greater arts activity in metropolitan regions with major institutions such as Los Angeles, Sacramento and the Bay Area. Viewed alongside the distribution of expenditures, the map of nonprofit organizations per resident further illustrates the lack of organizations in the Central Valley and Inland Empire, two regions that are the focus of the Arts Regional Initiative.

The relatively high number of expenditures and organizations per resident in several counties in the Sierra Range and North Coast is a function of the very small populations in those rural areas rather than an overall high amount of arts activity.

**STATE GOVERNMENT FUNDING FOR SELECTED STATE ARTS AGENCIES**

State	Arts Agency Revenue from State FY2009	State Funds Per Capita	Ranking
Connecticut	\$9,441,926	\$ 2.70	2
New Jersey	22,134,000	2.55	4
New York	49,810,350	2.58	3
Minnesota	10,227,000	1.97	10
Massachusetts	12,658,827	1.96	11
Louisiana	7,259,344	1.69	12
Pennsylvania	14,578,000	1.17	21
Illinois	15,958,900	1.24	18
Florida	7,159,766	0.39	46
Washington	2,554,500	0.39	45
California	4,286,000	0.12	50

Source: National Assembly of State Arts Agencies, State Arts Agency Funding and Grantmaking

The table above compares state funding for arts agencies for a selection of states that seemed comparable to California in terms of population, demographics and the vibrancy of their arts and culture sectors. Government support for California’s state arts council remained flat in 2009 and left the state at the bottom of this ranking of per capita state arts agency funding. States at the top of this ranking spend 22 times more per person on arts compared to California.

**PARTICIPATION IN THE CALIFORNIA CULTURAL DATA PROJECT**

The California Cultural Data Project (CDP) is a two-year-old effort supported by several California funders including Irvine to gather high-quality longitudinal data about the state’s nonprofit arts and culture sector in terms of program activity, audiences and finances. The California CDP now collects data from **2,350** California cultural organizations, which represent half of the target population of California arts and culture nonprofits with annual revenues over \$25,000. This represents a 100 percent increase from the year before.

Organizations are encouraged to submit their data in the course of submitting grants to participating funders. Cultural Data Project profiles are included in application guidelines for 70 grant programs supported by 37 participating funders from arts agencies, foundations and corporations. This is more than double the number of funders that were participating at the end of 2008, and represents approximately a third of the 112 who could use the CDP in their grantmaking.

**PRIVATE FOUNDATION GRANTMAKING TO ARTS AND CULTURE, 2008**

TEN HIGHEST-RANKING STATES

State	Total Amount to Arts and Culture (\$ millions)	Proportion of United States Arts and Culture Grantmaking	Proportion of United States Population
New York	\$392.1	18.4%	6.4%
California	276.7	13.0%	12.0%
District of Columbia	195.3	9.2%	0.2%
Pennsylvania	170.8	8.0%	4.1%
Texas	118.1	5.5%	8.0%
Illinois	116.1	5.5%	4.2%
Minnesota	85.5	4.0%	1.7%
Massachusetts	72.6	3.4%	2.1%
Ohio	62.9	3.0%	3.8%
Michigan	48.3	2.3%	3.3%

Source: Foundation Center Philanthropy In/Sight, U.S. Census Bureau

The table above shows grantmaking information from the Foundation Center based on its data for grants of more than \$10,000 by the 1,200 largest foundations in the United States. California ranks second only to New York in terms of total grant dollars received by arts and culture organizations in the state. Notice that the proportion of grantmaking for states such as New York, Pennsylvania and Minnesota far exceed their proportion of the United States population.

**CALIFORNIA DEMOCRACY**

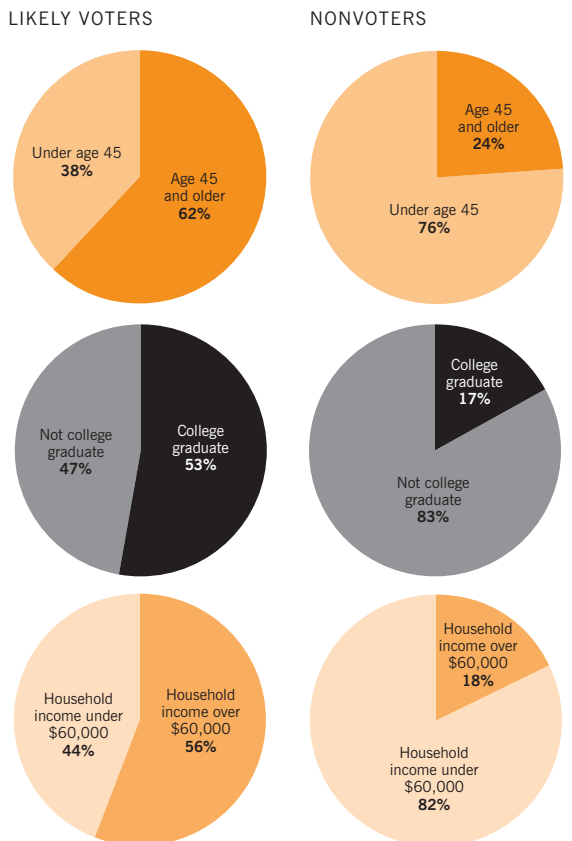
One of the priorities of the California Democracy program is to improve election policies and practices to encourage broad public participation in our democracy. This is important because California’s electorate does not reflect the diversity of California’s population. The data below illustrates the demographic gap between Californians who regularly vote compared to nonvoters. The tables show that nonvoters are more likely to be under age 45 and non-white, less likely to hold a college degree or earn over \$60,000 annually.

**DISPARITY BETWEEN VOTER DEMOGRAPHICS AND STATE'S ELIGIBLE POPULATION**

	Likely Voters	Eligible Population
White	68%	47%
Latino	17%	31%
African American	6%	6%
Asian	6%	13%
Other	3%	3%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Source: Public Policy Institute of California, Just the Facts, September 2009

**LIKELY VOTERS DIFFER IN AGE, EDUCATION AND INCOME**



Source: Public Policy Institute of California, California's Exclusive Electorate, September 2006

**INDEPENDENT REDISTRICTING COMMISSION**

Prior to the passage of the Voters First Act in November 2008, which instituted an independent redistricting commission process for California, seven in 10 likely voters thought changes were needed in the redistricting process and 56 percent thought state legislators would more effectively represent their districts if district lines were redrawn by an independent citizens’ commission.

**APPLICATIONS FOR CALIFORNIA'S CITIZEN REDISTRICTING COMMISSION**

Region	Eligible Applications			
	12/21/09		2/16/10	
North Coast and North State	21	1%	198	1%
Sierra Range	60	2%	339	1%
Bay Area	450	17%	6,322	24%
Central Coast	121	4%	1,070	4%
North Valley	59	2%	431	2%
Sacramento Metro	1,000	37%	3,553	14%
San Joaquin Valley	206	8%	1,646	6%
Los Angeles Metro	515	19%	8,035	31%
Inland Empire	177	7%	2,000	8%
San Diego and Imperial	96	4%	2,127	8%
<b>Race/Ethnicity</b>				
White	2,229	83%	18,596	72%
Hispanic or Latino	214	8%	2,773	11%
African American	85	3%	2,119	8%
Asian and Pacific Islander	93	3%	1,289	5%
Other	84	3%	1,131	4%
<b>Total Eligible Applications</b>	<b>2,705</b>	<b>100%</b>	<b>25,908</b>	<b>100%</b>

The table above displays data from the California State Auditor about the status of applications to serve on the state’s Citizen’s Redistricting Commission after the first two weeks of the application period (December 21, 2009) and at the conclusion (February 16, 2010). The table above shows the significant challenge to making this a representative pool in terms of region, race/ethnicity and age. Tracking this data over time shows notable increases in the number of applicants from the Los Angeles Metropolitan region, the Inland Empire and San Diego and Imperial counties. The applicant pool also grew more diverse by the end of the first phase of the process, suggesting the impact of numerous outreach efforts.

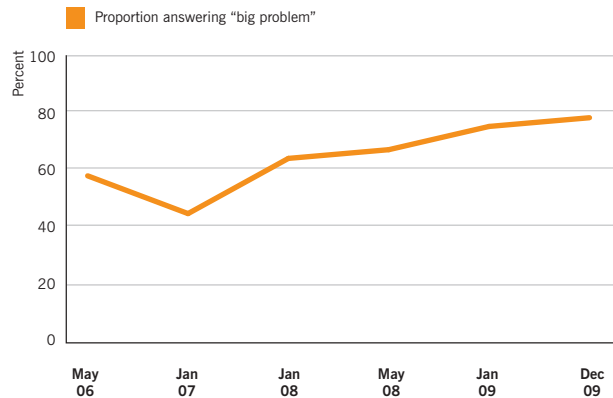


**CALIFORNIANS' VIEWS ON GOVERNANCE REFORMS**

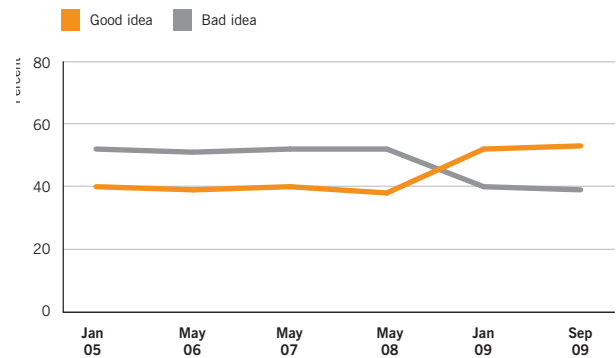
Statewide Survey data from the Public Policy Institute of California's Californians and Their Government series provide useful indicators of public policy preferences. Below we share public opinion from surveys conducted in the past year on attitudes towards government and interest in specific governance reforms which inform our understanding of opportunities for reform. These indicators show widespread recognition of the need for governance reform to improve the budget process and make government more accountable to Californians.

**VIEW OF THE STATE BUDGET**

“DO YOU THINK THE STATE BUDGET SITUATION IN CALIFORNIA IS A BIG PROBLEM FOR THE PEOPLE OF CALIFORNIA TODAY?”

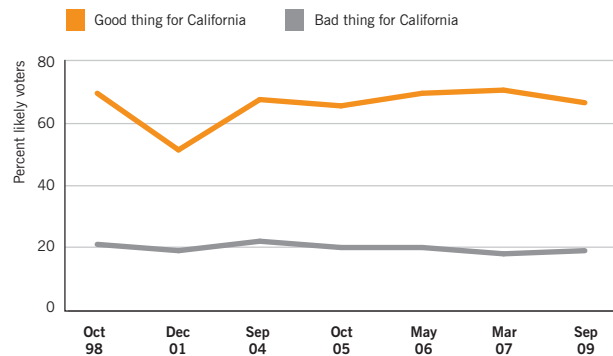


“SHOULD THE BUDGET PASSAGE VOTE REQUIREMENT BE CHANGED FROM TWO-THIRDS TO 55 PERCENT?”



Last year we noted a lack of public support for changing term limits. The chart below shows that this continues to be the case, while the following survey question suggests that some incremental change may be viewed favorably by voters.

**PERCEPTIONS OF EXISTING LEGISLATIVE TERM LIMITS**



Source: Public Policy Institute of California, Statewide Survey

“Some people have proposed reducing the total amount of time a person may serve in the state legislature from 14 years to 12 years and allowing a person to serve a total of 12 years either in the assembly, the senate or a combination of both. Do you think this is a good idea or a bad idea?”

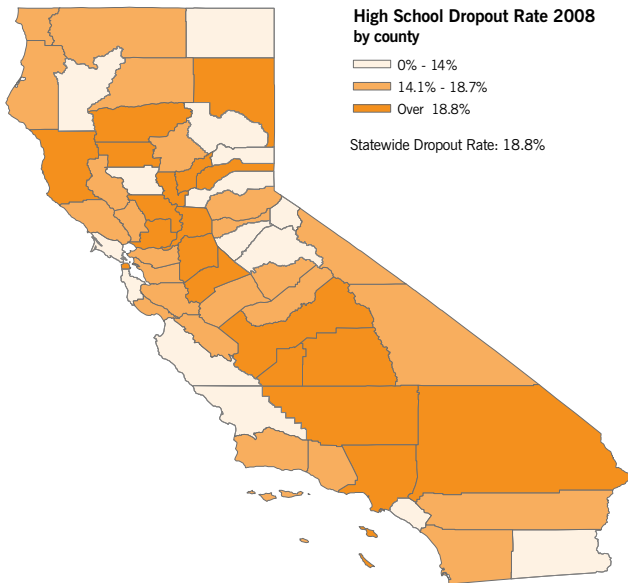
Good idea	Bad idea	Don't know
63	29	8

Responses from likely voters, September 2009

YOUTH

HIGH SCHOOL DROPOUTS

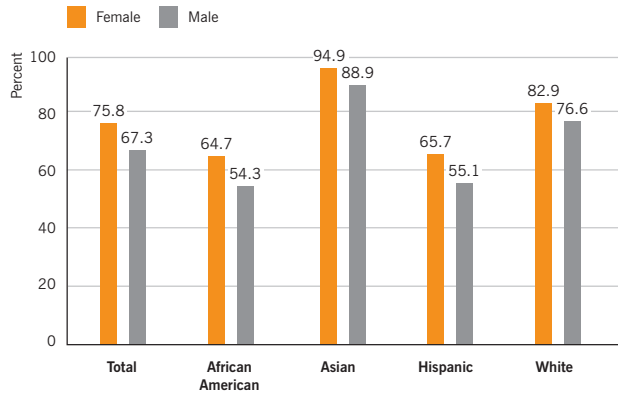
Last year the state began using a new longitudinal data system, CALPADS, to track high school students and provide more accurate reporting on dropouts. Based on the new data, the state’s dropout rate was shown to be 5 percentage points higher than previously thought.



Source: California Department of Education

The new data system helps districts more clearly distinguish students who drop out from others who transfer to another school. In some districts this led to a reduction in the dropout rate, and overall in the 2007–08 school year the statewide dropout rate decreased by 2.8 percentage points. However, the map above shows that many counties in the Central Valley and Southern California still see approximately one in every five students drop out of school before graduation.

CALIFORNIA PUBLIC HIGH SCHOOL GRADUATION RATES, 2006–07 BY ETHNICITY AND GENDER



Source: California Dropout Research Project, Statistical Brief 11, March 2009

The chart above illustrates the achievement gap in terms of graduation rates for African American and Hispanic youth in California, which are more than 20 percentage points below the rate for Asian and White students. There is also a difference in the gender gap for African American and Hispanic youth. Overall, female high school graduation rates are about 8.5 percentage points higher than for males. The gender gap is 10 percentage points for African American and Hispanic students, almost twice as large as for Asian and White students.

**BUILDING THE LINKED LEARNING FIELD**

The table below details the depth of interest in the Linked Learning approach in California. This reflects an increase of 101 California Partnership Academies through state-funded grants as well as growth in National Academy Foundation presence in California.

**Career Academies (700+)** — The career academy approach consists of three structural elements:

- A small learning community, comprising a group of students within a larger high school that take classes together for at least two years, taught by a team of teachers from different disciplines
- A college preparatory curriculum with a career theme, enabling students to see relationships among academic subjects and their application to a broad field of work
- Partnerships with employers, the community and local colleges to improve student motivation and achievement

**California Partnership Academies (approximately 465)** — 10th- to 12th-grade career academies consisting of the following components:

- Curriculum focused on a career theme and coordinated with related academic classes
- Voluntary student selection process
- Team of teachers who work together to plan and implement the program
- Motivational activities with private-sector involvement to encourage academic and occupational preparation, such as integrated and project-based curriculum, mentor program, exploration of postsecondary and career options
- Workplace learning opportunities such as job shadowing and student internships

**National Academy Foundation (NAF) (43)** — Two- to four-year programs distinguished by:

- Structured Year of Planning process to align resources and programs prior to implementation
- Fidelity to the Career Academy National Standards of Practice
- Rigorous NAF curriculum validated by industry experts
- Industry advisory boards that provide resources and opportunities to bridge school and community

**ConnectEd Model Programs (16)** — Programs consisting of four core elements:

- An academic core that prepares students to transition to the state's colleges and universities, as well as apprenticeship and formal employment training programs
- A technical core of four or more courses that can give young people a head start on a successful career
- A series of work-based learning opportunities, including mentoring, job shadowing and internships
- Supplemental services, including supplemental instruction that helps students master the advanced academic and technical content

**California Linked Learning District Initiative (6)** — Comprehensive district-wide commitment to Linked Learning, which provides students a choice of industry-themed programs of study. Through the initiative, districts are working to:

- Modify existing Linked Learning pathways and create new policies, structures, and practices that support implementation of high-quality pathways
- Offer at least four certified Linked Learning pathways by June 2011
- Develop leadership capacity among district and pathway leaders to overcome implementation challenges to transform the district's high schools and substantially influence student learning outcomes
- Establish evaluation systems to demonstrate the success of Linked Learning



---

INSTITUTIONAL EFFECTIVENESS





## EXERCISING LEADERSHIP

The Foundation exercises leadership by helping frame understanding of key issues facing California, supporting the formation and implementation of solutions to those challenges, and working collaboratively with others to achieve its mission and goals. We go beyond grantmaking when opportunities arise to highlight grantee activities, share accumulated knowledge and use our access to valued resources beyond funding. In this section of the report we provide illustrative examples of leadership in each of our program fields and across the Foundation.

### ARTS

In the Arts we sought to provide targeted assistance to help grantees thrive in the face of a tumultuous economy. The Arts team conducted a financial analysis of the grantee portfolio to identify organizations that might benefit from targeted financial consulting by the Nonprofit Finance Fund to improve their financial management for long-term viability. Other technical assistance at grantee convenings focused on specific strategies for maximizing earned revenue, monitoring cash flow, and effectively engaging donors. On a broader scale, the *San Francisco Chronicle* published an op-ed by Jim Canales that noted the importance of continuing to support the arts during the downturn.

In addition to these supports for addressing short-term challenges, we also continued to look beyond the immediate crisis and develop responses to long-term issues facing the sector. Building on a finding from our report *Critical Issues Facing the Arts in California*, we commissioned research on the challenges facing future arts managers, also known as next-generation arts leaders. The research highlighted that there is potentially a ready supply of arts leaders in the pipeline, but that these potential leaders have a clear need and strong desire for more training in business and management skills and leadership development to become capable leaders. In response, we partnered with the Hewlett Foundation to create a new cluster of grants supporting investments in organizations and networks to support and retain emerging arts leaders in California and prepare them for future leadership positions.

2009 marked the fourth year of our initiative to support California's premier cultural institutions through the Arts Innovation Fund, through which Irvine provides risk capital to seed innovative projects and directions that are significant advancements for the grantee organization. As innovative projects supported in earlier years have matured, these innovation stories have begun to spread

through the arts field. Most notably, the *Los Angeles Times* wrote an extensive piece on our most recent round of grants, which highlighted Irvine's goal for the Fund and profiled the projects of each of this year's grantees. This followed an earlier piece about the Hammer Museum's Irvine-funded innovation work.

### CALIFORNIA DEMOCRACY

In November 2008, California voters passed Proposition 11, the Voters First Act, which created a new process for redistricting state Assembly and Senate seats. Rather than the state Legislature developing the district lines, an independent redistricting commission is charged with developing the district boundaries for the coming decade. Irvine is exercising a unique role by supporting a set of civic organizations to conduct public education and outreach activities to encourage substantial public involvement in this new process, with a particular focus on outreach to traditionally underrepresented minority communities. Irvine also is supporting a network of technical assistance sites, where onsite staff will help interested residents and civic groups with demographic data analysis and assistance in using mapping software to inform input into the commission's deliberations. Program staff spoke at a funder briefing about this approach, and national foundations and other regional foundations have expressed keen interest and are considering it as a potential model for supporting public involvement in redistricting efforts in other states.

Recognizing that the work of California Forward is integral to advancing our governance reform goals, the California Democracy team has helped the organization develop and refine its plans in anticipation of the various opportunities arising in 2010, which include a potential set of governance reform measures on the November 2010 ballot, a gubernatorial election and interest among legislative leaders and civic groups in advancing reforms. We have helped California Forward staff assess the formative evaluation memo delivered last summer and

provided guidance as they seek to broaden their coalition to include a broader range of diverse communities. As opportunities arise, we have also helped California Forward connect to other grantees in our portfolio to coordinate efforts.

Governance reform is naturally a cause that interests political insiders, but can seem less important to the general public. Jim Canales' op-ed "The State Has Our Attention," published in the *Sacramento Bee*, leveraged the Foundation's voice to make a broad, public case for governance reform.

#### YOUTH

The Youth program leadership work involved multiple strands of activity towards the goal of building a strong and coherent Linked Learning field in California. Our activities included coordinating efforts across key partners in the field, supporting development of a clear and consistent definition and stronger messaging for Linked Learning, and strengthening coalitions to support statewide adoption.

A key recommendation of the field assessment paper was that we develop a clearer definition of multiple pathways and stronger messaging aligned with it. This important step aims to facilitate agreement on common goals and key components for high-fidelity implementation. The challenge extended beyond definition to identifying a new name for the field that would distinguish it from other national programs.

The Youth program, along with our communications department, helped build consensus for the Linked Learning name by convening stakeholders and conducting focus groups. This work also served to further invest these stakeholders in the field as they recognized common goals and shared efforts towards insuring success for all students. This work culminated in a November meeting of the Coalition for Multiple Pathways where the new field name and tagline were introduced to broad support and a commitment to helping with the messaging transition in 2010.

The coalition — now known as the Linked Learning Alliance — is key to building support for the approach among stakeholders and the public. Launched and supported by ConnectEd, all involved recognized the potential for conflicts of interest as more organizations become engaged in high school reform in California. To address this challenge, the Youth program provided resources and guidance for the transition planning to make the alliance an independent organization. In addition to creating a legally distinct organization, this effort energized a broad range of constituents interested in strengthening and sustaining the coalition.

This year marked a step forward in statewide adoption of the Linked Learning approach through enactment of Assembly Bill 2648, which establishes pathways in state education code and requires the California Department of Education (CDE) to develop a report on the feasibility of expanding pathways in California. We supported and helped guide the report development to ensure that it fully captures and aligns with the field-building and demonstration work that has been done to date. We were encouraged by the way that the CDE assumed ownership of the project and has consistently presented Linked Learning as a central element of California's approach to secondary education reform. This was underscored by Superintendent of Public Instruction Jack O'Connell's personal involvement in reviewing the study's progress and soliciting input from coalition members.

Three publications released this year by Irvine or our partners provided additional definition and clarification of the field to broader audiences. A report from EdSource targeted the California education field, while another from the Alliance for Excellent Education addressed a larger national audience. Both external publications were complemented by our public release of the field assessment conducted by The Bridgespan Group, which provides direction on the way forward.



## FOUNDATION-WIDE

In 2009, we sought to craft a response to the economic downturn that was focused on grantees and that balanced short-term issues with a long-term orientation for how the recession would change some basic operating assumptions in the future. We took the following actions based on this objective:

- Established the Fund for Financial Restructuring to help current grantees take a proactive approach to address the new economic reality
- Communicated frequently to grantees about our response to the downturn through direct emails and President's Letters in the Irvine Quarterly
- Worked with grantees to revisit grant objectives and timelines where changes would help them respond to the downturn while remaining accountable to the overall goals of a grant
- Published the report *Convergence: Five Trends That Will Shape the Future of the Social Sector*, to stimulate thoughtful discussion about the implications of the economic crisis for the nonprofit sector

Through the Community Leadership Project, a funding collaboration with the Packard and Hewlett foundations, we deepened our commitment to strengthen grassroots organizations serving low-income communities and communities of color through grants and convenings. Based on the number of high-quality proposals, we added resources to support more partners in the San Joaquin Valley, one of our priority regions. Related to increasing our understanding of the nonprofit sector's capacity in this regard, this fall also saw the publication of a major research report by the Urban Institute about staff and board diversity in California's nonprofit sector.

This year we also had numerous opportunities to share our approach to evaluation and foundation-wide assessment. This included a panel about our Foundation Performance Assessment work at the Center for Effective Philanthropy conference that was attended by more than 100 people. Staff published articles about our evaluation work in the *Foundation Review* journal, *Grantmakers for Effective Organizations* included a case study about Irvine in its report *Evaluation in Philanthropy: Perspectives from the Field*, and Jim Canales was interviewed for the first issue of "Advancing Evaluation," a newsletter from FSG Social Impact Advisors sent to

12,000 people in philanthropy. Irvine's strategic planning work was cited in a *Harvard Business Review* article as an example of practices that lead to greater impact in philanthropy.

## MEDIA COVERAGE

Media coverage is an important means of framing understanding of key issues, highlighting solutions and sharing our results and learning — all aspects of our leadership aspirations. As a result, the Foundation seeks to garner media coverage as a way of furthering our institutional and programmatic goals. Specific examples of how media coverage helped frame understanding of our issues can be found in other sections of this report. This section presents a summary of coverage during the year.

Overall, the Irvine Foundation was mentioned in 114 news articles in 2009, compared with 132 articles in 2008. (These figures exclude calendar listings, and articles published in multiple newspapers were counted only once.) Combining all media coverage in California and nationally into a single statistic is perhaps of limited value, but it does give an indication of Irvine's presence in the media and a broad sense of public recognition of Irvine's programmatic work and as a philanthropic institution.

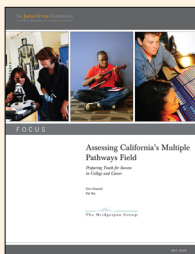
Specifically, Irvine garnered coverage in all major daily newspapers in California (e.g., *Sacramento Bee*, *Los Angeles Times*, *San Francisco Chronicle*, *San Diego Union-Tribune*, *San Jose Mercury News*, *Fresno Bee*, *Bakersfield Californian*, *Orange County Register* and *Riverside Press-Enterprise*). Irvine also appeared in coverage by national print publications (e.g., *New York Times*), industry-specific publications (e.g., *Chronicle of Philanthropy*) and local radio and television news.

As in previous years, most of this coverage consisted of relatively short articles focused on Irvine grants, mostly in the arts. But the coverage also included a number of more substantive pieces, such as an in-depth look by the *Los Angeles Times* at one of our Arts Innovation Fund grants. And the list also included a larger number of op-ed articles authored both by Leadership Award recipients and by Jim Canales, which framed key issues around good governance, effective philanthropy and the importance of the arts.

Because of structural shifts in the media industry, traditional news outlets continued to reduce coverage in 2009, which may account in part for the reduced number of articles about Irvine. Digital media, on the other hand, became an increasingly important — and more direct — means of reaching our target audiences. Irvine was mentioned in a growing variety of blogs related to the Foundation’s program areas, although it would be hard to identify a specific measure of that activity. And the year also saw Irvine’s debut on Twitter, ([www.twitter.com/IrvineFdn](http://www.twitter.com/IrvineFdn)). In future years, we expect to have more to report on our use of digital and social media.

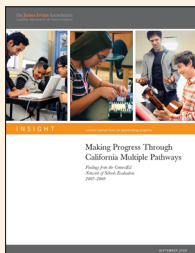
**PUBLICATIONS**

Through the publication of evaluation results and relevant research findings we are able to share our results and learning and frame understanding of key programmatic issues. Below are summaries of significant publications in 2009.



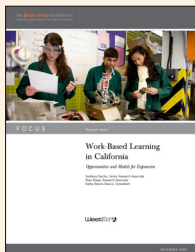
**ASSESSING CALIFORNIA'S MULTIPLE PATHWAYS FIELD**

Commissioned by Irvine, this report by the Bridgespan Group evaluates the multiple pathways field against five key characteristics of strong fields and makes recommendations to strengthen and advance the field.



**MAKING PROGRESS THROUGH CALIFORNIA MULTIPLE PATHWAYS: FINDINGS FROM THE CONNECTED NETWORK OF SCHOOLS EVALUATION**

This report summarizes a 2007-2008 study of the ConnectEd Network of Schools, capturing positive results as well as challenges. The report offers insights to funders, policymakers and practitioners who, like Irvine, see great potential in multiple pathways (now called Linked Learning) to help students build a strong foundation for success in college and career—and life.



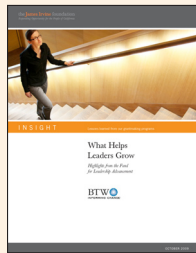
**WORK-BASED LEARNING IN CALIFORNIA: OPPORTUNITIES AND MODELS FOR EXPANSION**

Work-based learning holds particular promise in the context of multiple pathways, an approach to high school reform in California that seeks to prepare more young people for success both in college and the workplace. This report by WestEd takes a broad look at work-based learning in California: how it is practiced, what it looks like when done well and how it could be expanded to engage more students.



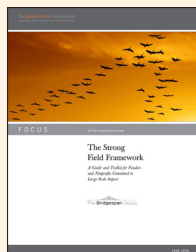
**CONVERGENCE: HOW FIVE TRENDS WILL RESHAPE THE SOCIAL SECTOR**

This monograph by La Piana Consulting highlights five key trends, how their coming together will shape the social sector of the future and discusses ways that nonprofits can successfully navigate the changes.



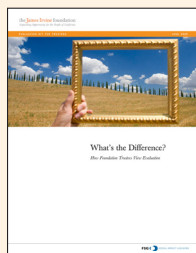
**WHAT HELPS LEADERS GROW: HIGHLIGHTS FROM THE FUND FOR LEADERSHIP ADVANCEMENT**

This report presents key insights from Irvine’s Fund for Leadership Advancement, an initiative to improve the leadership abilities of executive directors of selected grantee organizations. Findings from an external evaluation of the first 20 participating organizations show that relatively small investments in leadership support can yield important gains in organizational effectiveness.



**THE STRONG FIELD FRAMEWORK: A GUIDE AND TOOLKIT FOR FUNDERS AND NONPROFITS COMMITTED TO LARGE-SCALE CHANGE**

The Bridgespan Group developed this framework to provide a guide for building more robust fields. This framework is designed to help foundations and nonprofits prioritize their investments.



**EVALUATION TOOLKIT FOR TRUSTEES**

This toolkit is the product of survey research about trustee perspectives on evaluations. It is designed to help foundation staff engage their trustees in exploring and informing evaluation strategies.



**NEW EXPERIMENTS IN MINORITY VOTER MOBILIZATION: THIRD AND FINAL REPORT ON THE CALIFORNIA VOTES INITIATIVE**

This publication, the third and final report on the initiative, summarizes findings from the entirety of the project’s experiments. It examines the long-term effects of voter mobilization and the effects of specific approaches, such as canvassing and phone calls, on voter attitudes toward politics and political engagement.



**THE INLAND EMPIRE NONPROFIT SECTOR: A GROWING REGION FACES THE CHALLENGES OF CAPACITY**

This report by researchers at the University of San Francisco identifies strengths and challenges in the Inland Empire’s nonprofit sector. It is intended to help civic, nonprofit and philanthropic leaders in the region take action to strengthen the region’s sector.

**STAFF ACTIVITIES**

Consistent with the Foundation’s leadership aspirations, we encourage staff to enhance our presence in philanthropy and our program fields through speaking engagements and by serving on boards and advisory bodies.

Through presentations to organizations in our programmatic fields, we help partners in the field understand our goals and the analysis that informed them. This is one way that we can shape a field such as Linked Learning or attract others to promising grantmaking strategies such as the redistricting outreach we began supporting in 2009. Program staff also make presentations about lessons from our grantmaking and evaluation work. Examples of this include panels on innovation in the arts and a participatory conference session at the annual Grantmakers for Education conference based on the Strong Field Framework paper that we published this year.

The economic downturn was also a topic in philanthropy that challenged operating practices and provoked broader conversations about future expectations. Members of Irvine’s administration and investment teams made several presentations to peers about investment and grant payout strategies. Jim Canales discussed Irvine’s response to the economic downturn at a Commonwealth Club event and moderated the opening plenary of the Independent Sector annual conference entitled Navigating Change Together, where he announced the Convergence monograph describing five factors shaping the nonprofit sector in the future.

Staff from across the Foundation serve on governing and advisory boards of philanthropic trade organizations and other entities relevant to our work. These positions provide opportunities to engage with colleagues in the field and help shape policy and practices that relate to our program goals. An illustrative list is provided below.

<b>BOARD OF DIRECTORS</b>	<b>ADVISORY AND PLANNING COMMITTEES</b>
Grantmakers for Education	Funders Committee for Civic Participation
Southern California Grantmakers	California Statewide P-16 Council (Department of Education)
Foundation Financial Officers Group	BoardSource
Grants Managers Network	Los Angeles Arts Loan Fund
Technology Affinity Group	Center for Effective Philanthropy

## CONSTITUENT FEEDBACK

At Irvine, we gather formal and informal input from key constituencies in order to understand their perceptions of Irvine and our programmatic work. In the earlier section on Results, Learning and Refinement, we discussed how input from Leadership Award recipients influenced our refinements to that program. In 2009, we also had an opportunity to gather extensive feedback from parents and students about their perceptions of high school and a pathways approach by conducting focus groups. We discuss this research below, and foreshadow our plans for soliciting foundationwide feedback in 2010.

### UNDERSTANDING THE EXPERIENCE OF STUDENTS AND PARENTS

As part of the process to refine messaging and communications for the Linked Learning approach, we commissioned focus groups with students currently enrolled in pathways, as well as students and parents without previous experience in a pathway program. Through this effort we heard from 62 students enrolled in pathways at schools in San Diego, Palmdale and Sacramento. A separate set of focus groups for students and parents without personal experience in a pathway program took place in Long Beach, Sacramento and Oakland. Each group included a mixture of household incomes, race/ethnicity, age and gender.

### KEY FINDINGS AND IMPLICATIONS

These focus groups resulted in rich data that enhanced our understanding of student experiences and what students and parents value in their education. Key findings included:

- Real world application of knowledge and skills is valued for the life skills that students gain.
  - Students learn about pathways from peers, while parents want to hear from teachers, principals or counselors. Both parents and students want to know statistics and outcomes data.
  - Students choose to enroll in pathways based on interest in the subject matter and encouragement from trusted relatives or peers.
  - Pathways students perceive the programs to be challenging and of high quality, not remedial education.
  - Industry subject matter focus is important for engaging students to achieve in school.
  - Students enrolled in pathways cited high-quality teachers and administrators as a unique value.
- Flexibility is important to allow students the opportunity to change pathways if they desire.

The findings from these focus groups influenced our efforts to build a strong field in several ways. The insights guided our marketing consultants to develop a name and tagline that connect choice and outcomes (Linked Learning: Pathways to College and Career Success). Beyond messaging, we found tangible insights about the importance of high-quality teachers and other supports and also what students gain from their experience that is directly relevant to our coalition work with partners and stakeholders. Finally, understanding the value that parents and students place on life skills in addition to test scores led us to broaden the type of student outcomes we are assessing in the evaluation of the district initiative.

### 2010 PERCEPTION REPORTS

Looking ahead to 2010, we will commission several surveys to gather constituent feedback.

The Center for Effective Philanthropy's (CEP) Grantee Perception Report provides a comprehensive method for gathering input from our grantees, and because this report is used by a broad array of other foundations, we are able to compare the perceptions of Irvine with perception data on other foundations. In addition, as we have used this instrument in previous cycles (most recently in 2006), we are able to compare 2010 results to baseline data from previous surveys.

We also plan to commission an assessment of stakeholder perceptions in 2010. This report focuses on gathering feedback from other constituents beyond our grantees about perceptions of Irvine and our work.

Finally, we will once again participate in CEP's Staff Perception Report, which will analyze Irvine's effectiveness and operations from the staff's vantage point. Because we conducted this survey in 2005, we will have baseline data for comparison purposes.

We anticipate a report of findings from all three surveys to be shared internally with our staff and board by year's end. Consistent with our past practices and in keeping with our goal of transparency, we will post summaries of the results of the grantee and stakeholder reports on our Web site when finalized.

## FINANCE AND ORGANIZATION

In this section we report on the Foundation’s financial condition and operational effectiveness. The information in this section covers our investment performance, ratios of operating expenses, and board and staff demographics. We also include an accounting of key institutional developments that served to strengthen Irvine’s operations.

### INVESTMENT PERFORMANCE

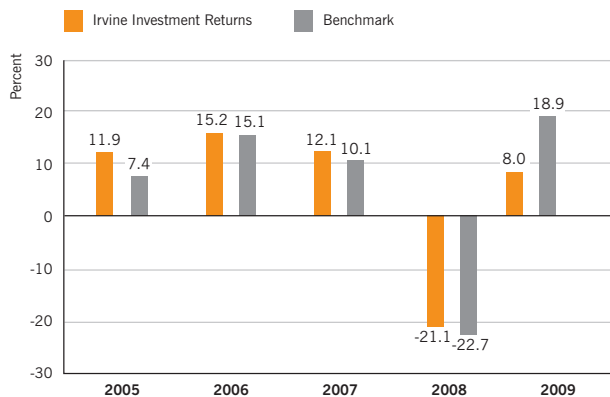
The table below reports on the Foundation’s assets over the past five years. As you can see, it captures the significant decline in our assets in 2008 and some recovery in 2009.

#### OVERVIEW OF ASSETS AND EXPENDITURES, 2005–2009

	2005	2006	2007	2008	2009*
Assets	\$ 1,610,480,320	\$ 1,802,605,768	\$ 1,882,772,223	\$ 1,287,564,990	\$ 1,433,819,000
Expenditures (Grants, Operating and Investments)	75,394,606	80,555,392	94,709,808	93,973,333	83,033,900

\*Unaudited figures

The board receives detailed quarterly statements on investment returns from Callan Associates that analyze Irvine’s performance across various time periods, relative to other foundations and endowments, by specific asset classes, and by individual managers, among other dimensions. Since those reports are reviewed each quarter by the board, we do provide that level of detail in this annual performance report. The chart below shows our investment returns relative to our benchmark for each of the past five years.



Given the material difference in performance for the endowment and its benchmark, several issues deserve a brief explanation. The majority of the underperformance in 2009, approximately 8.5 percent, is attributable to the private equity portfolio. The current value of investments in this portfolio is estimated because the equities are not traded in a public market. The values reported here are conservative estimates by the Foundation’s investment partners and they are delayed by one or more quarters. Furthermore, the benchmark for this asset class is based on a public equity index and reflects the movements on public equities in real time. In 2009, that index was up more than 35 percent, which reflects poorly on the performance of our portfolio. However, over the long term we expect the private equity holdings to be very good investments.

The Foundation also has 8 percent of its assets invested in commercial real estate, which has the same valuation issues as private equity, but we also know that commercial real estate has performed poorly. Significant effort has been and is being expended to recover as much of these investments as possible. For 2009, they contributed approximately 2.5 percent to the underperformance.

**ASSET ALLOCATION**

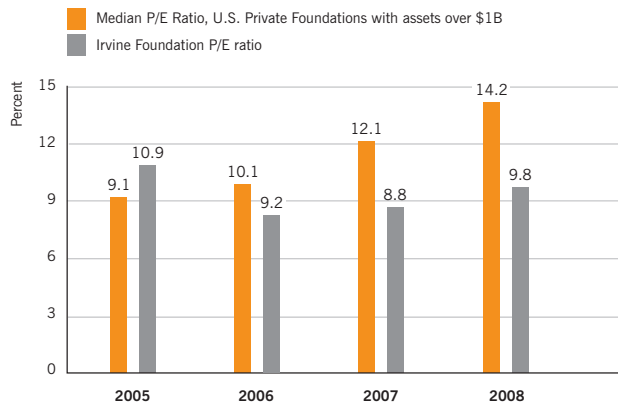
We strive to maintain a diversified investment portfolio in part by investing in a wide range of asset classes. The following table shows both our long-term target allocations for the various asset classes and our December 2009 actual investments. Alternative investments, as seen in the chart below, account for 55 percent of the portfolio.

Asset Class	2009 Actual	Long-term Target
Domestic Equity	17%	18%
International Equity	18%	18%
Fixed Income	10%	14%
<b>Alternative Investments</b>		
Private Equity	22%	18%
Real Estate	8%	10%
Absolute Return Strategies	10%	10%
Special Situations	13%	10%
Real Assets	2%	2%
<i>Alternative Investments Subtotal</i>	55%	50%
<b>Portfolio Total</b>	<b>100%</b>	<b>100%</b>

**GRANTMAKING AND EXPENSES**

The operating efficiency of private foundations can be measured by the Program Expense ratio (P/E ratio), which is the ratio of total operating expenses allocated to program divided by total grantmaking. We examine this data closely because we have access to similar data from other foundations for comparative purposes. Our target has been to maintain a P/E ratio in the range of 10 to 12 percent.

Comparative data on P/E ratios is compiled by the Foundation Financial Officers Group’s (FFOG) administrative costs survey, which provides a benchmark group of approximately 30 private U.S. foundations with assets over \$1 billion.



This chart shows that our P/E ratio has begun to rise as anticipated but at a slower rate than our benchmark comparison. This rise is a function of increasing our internal capacity to advance our programmatic goals and is also affected by the reduction in grantmaking, which provides the denominator for this calculation. Our target P/E ratio range is 10 to 12 percent. In 2009, our P/E ratio was 11.4 percent (not shown in the chart due to lack of available comparison data). The 2010 budget projects a 13.0 percent P/E ratio, which, while higher than our target range, seems appropriate in view of our program plans.

**PERSONNEL**

The demographic data provided below demonstrate Irvine’s continuing attentiveness to maintaining a diverse board and staff. The tables illustrate that we continue to attract a diverse staff, which we view as particularly important given our mission to serve a state as diverse as California.

**STAFF DEMOGRAPHICS**

<b>GENDER</b>	<b>2006</b>		<b>2007</b>		<b>2008</b>		<b>2009</b>	
Female	21	60%	22	58%	25	64%	23	56%
Male	14	40%	16	42%	14	36%	18	44%

**ETHNICITY**

Hispanic	4	11%	4	10%	3	8%	4	10%
Asian	7	20%	9	24%	10	25%	10	24%
African American	4	11%	5	13%	7	18%	6	15%
White	20	58%	20	53%	19	49%	21	51%
<b>Total</b>	<b>35</b>	<b>100%</b>	<b>38</b>	<b>100%</b>	<b>39</b>	<b>100%</b>	<b>41</b>	<b>100%</b>

**BOARD OF DIRECTORS DEMOGRAPHICS**

<b>GENDER</b>	<b>2006</b>		<b>2007-2008</b>		<b>2009</b>	
Female	4	36%	5	38%	5	42%
Male	7	64%	8	62%	7	58%

**ETHNICITY**

Hispanic	2	18%	2	15%	2	17%
Asian	2	18%	2	15%	2	17%
African American	1	9%	1	8%	1	8%
White	6	55%	8	62%	7	58%
<b>Total</b>	<b>11</b>	<b>100%</b>	<b>13</b>	<b>100%</b>	<b>12</b>	<b>100%</b>

Note: This data excludes the President and CEO, who is an ex-officio member of the board. We report two years of data in the second column because we did not have turnover in the board in 2007 and 2008.

**STAFF HEADCOUNT AND TURNOVER**

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Number of Staff	36	38	39	41
Transitions	5	4	5	7
Turnover rate	13.9%	10.5%	12.8%	17.1%

Median tenure of current staff – 3.75 years

With regard to staff turnover, we have generally had a turnover rate in the range of 10 to 15 percent (or four-to-five staff per year). In 2009 we had a modest increase in turnover beyond this range. We remain attentive to the reasons our staff leave the Foundation to ensure we sustain a culture that supports and cultivates the growth and development of Irvine staff members. As noted earlier in this report, in 2010 we will be able to more thoroughly assess staff’s experience at the Foundation through the Staff Perception Report.



## KEY INSTITUTIONAL DEVELOPMENTS

In this final section on institutional effectiveness, we report on several key institutional developments in 2009:

### INCREASED PRESENCE FOR IRVINE IN LOS ANGELES

Given the importance of Los Angeles and the larger Southern California region for our programmatic priorities, we started the year with a goal of enhancing our operational presence in Los Angeles by moving into larger office space within our current building. This new space has provided us with the opportunity to host gatherings of grantees and serves as a tangible demonstration of our commitment to the region. Throughout 2009 we had four staff members in the Los Angeles office and with Josephine Ramirez's appointment in January 2010, we have added a fifth staff member (as well as a member of the senior staff) to the office.

### BOARD ENGAGEMENT IN PROGRAMMATIC WORK

We continued to experiment with ways of engaging the board in our programmatic work and providing direct experience of the work of our grantees. Past years provided opportunities to experience the Linked Learning approach through a visit to a health profession-focused high school in Sacramento. In October, we organized an arts-focused board meeting in Los Angeles that included a range of opportunities to experience the work of Irvine's grantees.

Such site visits and exposure to leaders provides an opportunity to animate many of the theoretical concepts discussed at board meetings. As this approach has been well received by the board, we are planning a similar set of sessions when we go to the San Joaquin Valley in June 2010.

### OUTSIDE ADVISORS TO INVESTMENT COMMITTEE

In 2009, the board modified Irvine's organizational bylaws to allow us to add outside advisors to board committees in order to provide additional consultation. We intend to focus primarily on adding advisors to the Investment Committee. As part of this change, we also split the Investment and Audit Committee into two separate committees, which is more consistent with best practices in the field.