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ANNUAL REPORT

LEARNING INTO LEARNING

James B. Duke
THE DUKE ENDOWMENT

LEANING INTO LEARNING

In the nine decades since James B. Duke signed the Indenture of Trust that established his private foundation, the Trustees and staff of The Duke Endowment have had the privilege of working together to honor his extraordinary dream for the Carolinas. Just as our founder did in 1924, we strive to use the Endowment's resources where they have the greatest impact and outcomes. As a foundation, that is our opportunity — and challenge.



MINOR M. SHAW, BOARD CHAIR
RHETT N. MABRY, PRESIDENT



Holding ourselves accountable for strong outcomes takes a commitment to setting clear goals and developing strategies for achieving them. It means measuring and evaluating our progress, and extracting valuable insights from our results. Above all, it takes an eagerness to learn.

We chose *Leaning into Learning* as the theme for our 2017 Annual Report because learning is integral in our drive toward results. We rely on thoughtful research, evaluation and the experiences of our partners in the field to help us shape and sharpen our work. Through learning, we identify what went well, what we could have done better and where we can do the most good.

On the following pages, we highlight efforts from our four program areas that are focused on learning. In Child Care, a retrospective evaluation is helping us gauge the impact of our out-of-home care grantmaking and inform our strategy going forward. In Health Care, ground-breaking research is targeting the opioid epidemic by testing new prescription protocols after orthopedic surgery. In Higher Education, university leaders are studying a new educational model to measure how it helps students succeed. In Rural Church, congregations are using a needs assessment process to discover how they can match their strengths to community challenges.

As an organization, The Duke Endowment is embracing learning to strengthen the way we serve and work. In 2017, we expanded our Evaluation department by hiring an associate director of learning and evaluation who will help us accelerate our efforts to become more intentional about learning. We commissioned a Grantee Perception Report, administered by the Center for Effective Philanthropy, to collect actionable information about our performance. Throughout the year, staff members have been participating in an in-depth program designed to increase our effectiveness as a team. Both Trustees and staff have benefited from diversity training.

We believe that learning together will deepen our understanding and ultimately help us adapt and improve.

Solutions to today's social challenges are always complex. But with strong grantees as our partners, we are "leaning into learning" to make a meaningful and lasting difference for people in the Carolinas.

In closing, we want to pay tribute to a former Trustee, Richard H. Jenrette, who died on April 22, 2018, at age 89. An esteemed leader in the business world, Mr. Jenrette was also known for his work in historic preservation. During his nearly 13 years on our Board, we benefited greatly from his wisdom, friendship and passion for excellence.

Minor M. Shaw

BOARD CHAIR

Rhett N. Mabry

PRESIDENT

2017 GRANTMAKING

In 2017, The Duke Endowment distributed \$132.3 million through 329 grants, some of which were approved in previous years; 169 new grants were approved, totaling nearly \$118.7 million, some of which will be paid in future years.

TOTAL GRANTMAKING

\$132.3M*
DISTRIBUTED

\$118,680,322 IN
NEW GRANTS APPROVED

Find more information about our grantmaking at dukeendowment.org.

**May not sum to total due to rounding*

CHILD CARE

\$12.1M
DISTRIBUTED

\$17,016,778 IN
NEW GRANTS APPROVED

HEALTH CARE

\$37.8M
DISTRIBUTED

\$39,121,789 IN
NEW GRANTS APPROVED

CROSS PROGRAM/SPECIAL OPPORTUNITY

\$12.1M
DISTRIBUTED

\$18,503,000 IN
NEW GRANTS APPROVED

HIGHER EDUCATION

\$56.2M
DISTRIBUTED

\$29,615,000 IN
NEW GRANTS APPROVED

RURAL CHURCH

\$14.3M
DISTRIBUTED

\$14,423,755 IN
NEW GRANTS APPROVED

CHILD CARE

\$12.1M

DISTRIBUTED IN 2017*

*Includes ongoing multi-year commitments approved before 2017

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



\$17,016,778

28 NEW GRANTS



Out-of-home care
\$11,049,251
15 NEW GRANTS



Prevention and early intervention
\$5,967,527
13 NEW GRANTS

CHILD CARE HIGHLIGHT:

SUPPORTING CHILD WELFARE

Across the Carolinas, child welfare systems are reeling. The number of children in foster care has jumped 25 percent in the past five years. Foster parent shortages have reached crisis levels, and social worker caseloads remain stubbornly high.

Against this sobering backdrop, it is more important than ever for The Duke Endowment to seek maximum impact from its child welfare investments. That's why the Child Care program area commissioned a retrospective study aimed at gauging the impact of nearly a decade of its foster care grantmaking.

Conducted by Chapin Hall at the University of Chicago, the evaluation was released in 2017. It concluded that despite the challenges inherent in reforming complex social services systems, the Endowment should continue to support child welfare.

The study scrutinized nearly \$50 million in grants to 80 organizations from 2006 to 2015. It highlighted major themes emerging from the Endowment's child welfare work. Among them: the broadening of the service array beyond residential care, the promotion of higher quality standards via national accreditation and staff competency, engagement with public child welfare systems, and the need for greater alignment of priorities among the Endowment, the states, counties and service providers.



It also showed that the Endowment's shift from awarding unrestricted financial support to children's homes created new challenges and opportunities for providers. The researchers said the Child Care program area should continue using data to drive innovation. The program area should also apply implementation science and promote practice refinement, all while setting clear goals with measurable outcomes.

The review stressed that the Endowment must improve its communication and coordination with public child welfare systems and private providers if it hopes to achieve significant, lasting reform.

Erin Hall, CEO of the Palmetto Association for Children and Families, was among the child welfare experts interviewed for the study. "The Duke Endowment makes a big difference in child welfare in the Carolinas," she said, "but it is always looking to learn from and improve its work."

Given the many challenges facing child welfare reform in the Carolinas, the Endowment's leaders say much work remains.

"With limited resources, The Duke Endowment is focused on both determining best practices and achieving the most effective execution," said Ravenel Curry, chair of the Endowment's Committee on Child Care. "We need better outcomes for our children."

HEALTH CARE HIGHLIGHT:

TESTING NEW PROTOCOLS
FOR PATIENT CARE

Several years ago, before America’s opioid epidemic became front-page news, Dr. Nady Hamid remembers listening to a patient describe his struggle to overcome prescription drug abuse after shoulder surgery. The man was back for a second operation — but this time, he didn’t want opioid painkillers during his recovery.

Dr. Hamid, a surgeon at the OrthoCarolina Shoulder and Elbow Center in Charlotte, prescribed alternative medications. To his surprise, not only did the patient recover well, he recovered faster and with fewer side effects.

Today, Dr. Hamid is leading ground-breaking research on opioid-free pain management in hundreds of orthopedic patients. The goal is to help the medical community target the nation’s drug crisis by learning about improved protocols for patient care. A 2017 grant from The Duke Endowment to the OrthoCarolina Research Institute is supporting the work.

“Opioids have been a cornerstone of pain control for many years now,” Dr. Hamid says. “We want to re-educate patients and doctors, and provide evidence that safer alternatives work.”

Since the mid-1990s, potent opioids have been commonly prescribed as the best way to combat pain, but they are highly addictive and carry a serious risk of overdose. Recent studies show that patients who use



opioid painkillers even briefly after surgery have a 50 percent chance of still using them five years later. In North Carolina, four cities are in the country’s top 25 when it comes to abuse rates; Wilmington is ranked first.

The Duke Endowment is focusing its funding on efforts aimed at limiting opioid use and providing treatment to newborns exposed during gestation.

“With abuse-related problems significantly hurting the health and well-being of our communities, we’re concentrating on where we can have the greatest impact on changing the trajectory of addiction in the Carolinas,” says Charlie Lucas, chair of the Endowment’s Committee on Health Care.

In Dr. Hamid’s research, the Endowment’s grant will help establish evidence-based strategies to eliminate opioid use in five common orthopedic procedures. Physicians, nurses and anesthesia teams — and their patients — will learn about opioid risks and alternative treatments; new guidelines will be published and promoted nationally. Dr. Hamid is using insights from a successful pilot to design the work.

“While other research is focused on minimizing opioids in surgery, this clinical study looks at what happens when they aren’t used at all,” he says. “It’s a bold idea, but I believe we’re poised to change the practice of medicine for the better.”



HEALTH CARE

\$37.8M

DISTRIBUTED IN 2017*

*Includes ongoing multi-year commitments approved before 2017

\$39,121,789

71 NEW GRANTS



Access to health care
\$23,755,955

38 NEW GRANTS



Prevention
\$6,320,000

13 NEW GRANTS



Quality and safety of health care
\$9,045,834

20 NEW GRANTS

Enhancing the lives of
individuals and the vitality
of communities by promoting
prevention, improving the
quality and safety of services and
increasing access to care.

HIGHER EDUCATION

\$56.2M

DISTRIBUTED IN 2017*

*Includes ongoing multi-year commitments approved before 2017

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



\$29,615,000

13 NEW GRANTS



Academic excellence
\$24,875,000

8 NEW GRANTS



Campus and community engagement

\$3,240,000

4 NEW GRANTS



Educational access and success

\$1,500,000

1 NEW GRANT

HIGHER EDUCATION HIGHLIGHT:

CREATING A BLUEPRINT FOR STUDENT SUCCESS

At the heart of the Furman University campus, students crisscross green lawns and manicured sidewalks, weighed down by backpacks as they head to their classes. Over the next five years, researchers will study the way these undergraduates are learning and assess if the university's new approach to education is having its intended impact.

"We're not only trying to prove that The Furman Advantage works, but trying to understand how it works, when it doesn't and why," says President Elizabeth Davis. "Are we contributing to a greater level of well-being for our graduates? This study will hold us accountable and help us work toward our goals."

The Furman Advantage is a personalized, four-year pathway that combines traditional learning with mentoring, advising and "real-world" experiences outside the classroom. Furman guarantees every student the opportunity for engaged learning integrated with academic and professional goals. The high-impact approach is designed to prepare students for successful careers and meaningful lives.

In 2017, with a \$2.5 million grant from The Duke Endowment, the university formed a partnership with Gallup to evaluate The Furman Advantage. Campus officials want to learn which mentoring tactics are particularly successful, for



example, or why some students are drawn to study abroad while others aren't. The information will guide real-time improvements, and document successes — and missteps — over the long-term.

President Davis expects the Furman study to have as broad an impact as the landmark study that Purdue University and Gallup produced in 2014, which identified the emotional support and learning experiences that are correlated with thriving in life and engagement at work. Lessons learned from studying The Furman Advantage will show effective ways to achieve those outcomes.

"This will be one of the most comprehensive and multi-faceted studies ever done in higher education," says Brandon Busteed, Gallup's executive director of education and workforce development. "We have strong data identifying why students thrive — this will provide a blueprint for creating the right environments for making that possible."

Bill Barnet, chair of the Endowment's Committee on Educational Institutions, agrees. "With a shifting landscape in higher education, Furman has made a bold commitment to change the way it prepares students for life beyond graduation, and to share best practices with the field," he says. "Through this in-depth research, The Furman Advantage will be the case study that moves the national conversation forward."

OPENING DOORS TO OUTREACH

On a warm spring morning, a dozen volunteers till the dark earth of Ruby’s Garden at Asbury United Methodist Church, readying it for seedlings and sprouts. Come summer, their work will pay off in fresh squash, beans and tomatoes — and nourishment for neighbors in need.

“This is one way for us to use our resources in ministry that matters,” says the Rev. Jim Reed, pastor of the 80-member church. “We’re small in numbers, but we’re large in energy.”

In rural North Carolina, an intensive training program is helping Asbury and other small congregations build their capacity to become agents of change. Through Project Bountiful, these United Methodist churches are learning about their communities’ challenges, identifying their own strengths, and designing “outward-facing” plans for sharing their gifts. The Center for Leadership Excellence at the North Carolina Conference of the United Methodist Church is leading the work with funding from The Duke Endowment.

The program’s first three years included pastors and lay members from 39 churches before ending in 2017. Retreats allowed time for sharing ideas and setting goals; coaches explored best practices for building teams and engaging in community work.

Evaluation results were promising. Project Bountiful strengthened relationships among church



members, boosted interest and involvement in missions, and increased commitment. Participants said the training provided important skills for outreach and helped them create strategic action plans based on their church’s strengths. One congregation, for example, started a healthful lifestyle program; another offered English as a Second Language. Other efforts included developing a ministry for neighbors with special needs and forming a choir with Latino youth and parents.

At Asbury, in Washington, N.C., the action plan addressed the county’s 17 percent food insecurity rate. The church expanded Ruby’s Garden to stock a local food pantry and shelter with hundreds of pounds of much-needed produce. In 2017, the congregation helped nearly 200 children receive lunch daily when schools were closed for the summer.

“Hospitality is in our DNA,” the Rev. Reed says. “We are out making a difference in the community, and it’s making a difference in us.”

With a new grant from the Endowment, leaders are using insights from the first phase of Project Bountiful to offer it to 30 other rural churches beginning in September 2018.

“We are seeing what can happen when small congregations use their bountiful gifts,” says Dr. Dennis Campbell, chair of the Endowment’s Committee on Rural Church. “By opening doors to outreach, they’re making a meaningful impact both inside the church and beyond.”



RURAL CHURCH

\$14.3M

DISTRIBUTED IN 2017*

*Includes ongoing multi-year commitments approved before 2017

\$14,423,755

44 NEW GRANTS



Clergy leadership
\$6,725,548

20 NEW GRANTS



Congregational outreach
\$1,579,000

7 NEW GRANTS



Rural church development
\$6,119,207

17 NEW GRANTS

Strengthening rural United Methodist churches and the communities they serve by forming church leaders, building congregational capacity and fostering community engagement.

FINANCIALS

Since James B. Duke’s death in 1925, the assets of The Duke Endowment have achieved significant growth, from \$107 million to \$3.69 billion. During the same time, nearly \$3.7 billion has been distributed in grants.



- \$132.3M**
Grants Paid
80.4%
- \$12.3M**
Admin. Expenses
7.4%
- \$10.6M**
Investment Expenses
6.5%
- \$5.6M**
Program Expenses
3.4%
- \$3.8M**
Provision for Taxes
2.3%

*May not sum to total due to rounding

INVESTMENTS

During 2017, the investment return on the Endowment’s portfolio was 11.8 percent. Investment performance benefited from increases in global equity, hedged strategies, private investments, commodities and fixed income. The Endowment’s assets increased in value from \$3.37 billion to \$3.69 billion from December 31, 2016 to December 31, 2017, impacted by investment returns, grants and expenses.

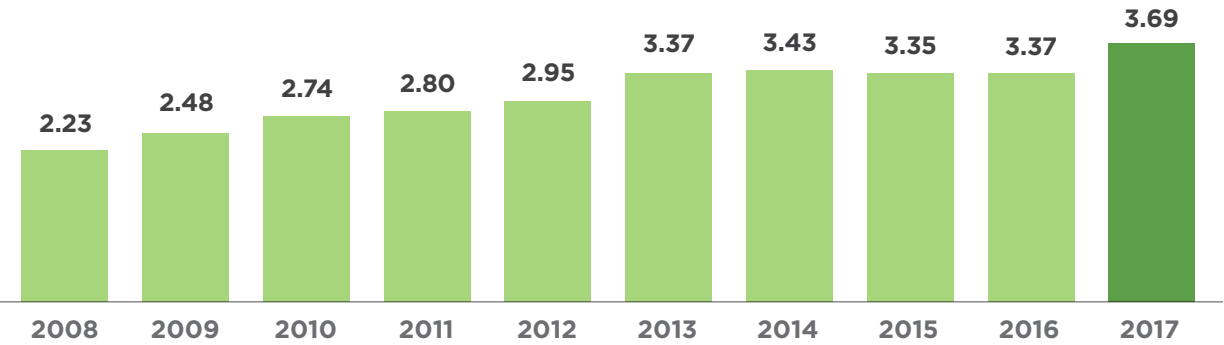
For the 10-year period ending December 31, 2017, the Endowment’s investment portfolio, net of fees, returned 5.9 percent annualized, outperforming its policy benchmark by 2.0 percentage points and a 70 percent MSCI All Country World Index/30 percent Bloomberg Barclays US Aggregate Bond Index benchmark by 1.1 percentage points annualized over the same period.



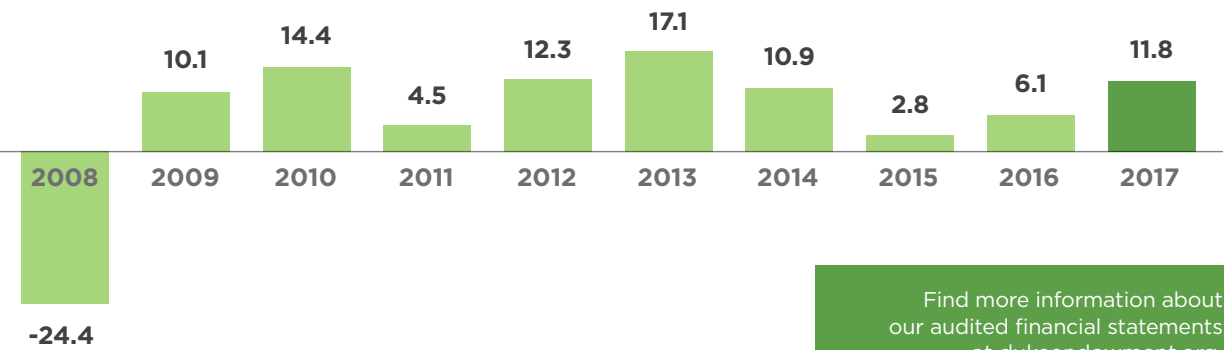
Marking an Anniversary

Since July 2007, The Duke Endowment’s investment portfolio has been managed by DUMAC, a professionally-staffed investment organization in Durham, N.C., governed by Duke University. In 2017, the DUMAC staff visited the Endowment in Charlotte to celebrate the 10th anniversary of our partnership and learn more about our history, our work and our grantees.

TOTAL ASSETS (IN \$ BILLIONS)



INVESTMENT RETURNS (PERCENT)



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



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(Retired December 2017)



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(Retired June 2017)



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Anita W. West
Accounting Manager

Tamika D. Williams
Associate Director,
Child Care

Lily H. Zhang
Controller

Diana Zilberdrut
Project Specialist,
Communications/
Investments



Retirements

We marked the retirement of two longtime Trustees in 2017. Russell M. Robinson II, who served as a Trustee for more than 30 years, retired in June. Mr. Robinson chaired our Child Care, Finance and Health Care committees and was Board Chair from 2001 to 2010.



The Board elected J. Trent Jones, a partner with Hall and Hall Ranch Brokers and a native of Abingdon, Va., as his successor.

Mary D.T. Jones, who also served as a Trustee for three decades, retired in December. Mrs. Jones chaired our Communications Committee since 1999, chaired our Governance Committee in 2009 and was Vice Chair of our Board since 2011.

We are grateful for their many years of extraordinary service.

NEWS



Investing in Early Childhood

In 2017, The Duke Endowment shared with grantees and other stakeholders that we are exploring an exciting new strategic emphasis on early childhood issues, focusing on children ages zero to eight. Initially, this will be seen in special initiatives — such as our work with Blue Meridian Partners, a collaborative effort among 12 national funders seeking to expand evidence-based programs serving economically disadvantaged youth. Over time, we'll be asking our four program areas to incorporate early childhood work into their everyday grantmaking. With brain science offering compelling evidence that early childhood interventions can be the powerful lever we need to maximize our impact, we believe this will help fulfill Mr. Duke's vision for a better life in the Carolinas.



Supporting Oral Health

With strong research connecting dental disease with diabetes, heart and lung diseases, stroke and low birth weight, we know that oral health is a critical part of a person's overall health. We also know that with adequate preventive care and education, dental disease is 100 percent preventable. But many people in the Carolinas, including those with Medicaid coverage, struggle to access dental care. The Duke Endowment has begun funding oral health in North Carolina and South Carolina using a three-part strategy of supporting system reform and policy change; promoting prevention by expanding school-based oral health services; and improving medical-dental integration models.



GreenLight Charlotte

With funding from The Duke Endowment and more than 30 local philanthropic investors, Charlotte has joined six other cities in the GreenLight Fund, a national organization that works to identify and address the challenges facing low-income children and families in urban areas. GreenLight Charlotte will conduct an annual process to identify critical needs; import innovative organizations with proven, measurable results; and galvanize community support to help programs reach and sustain impact. GreenLight aims to grow a national network of sites that learn and work with each other to find and spread effective social impact solutions.

Embracing Community

At the 2017 Convocation on the Rural Church, an annual event sponsored by The Duke Endowment, 200 United Methodist clergy gathered in Myrtle Beach, S.C., to discuss racism and religion and the role that they — and their rural North Carolina congregations — can play. Guest speakers helped them think deeply about inclusion and community; workshops provided ideas and resources. To continue the work, the Endowment is supporting district-level diversity training for clergy and congregations that will help them develop action plans to foster racial healing.



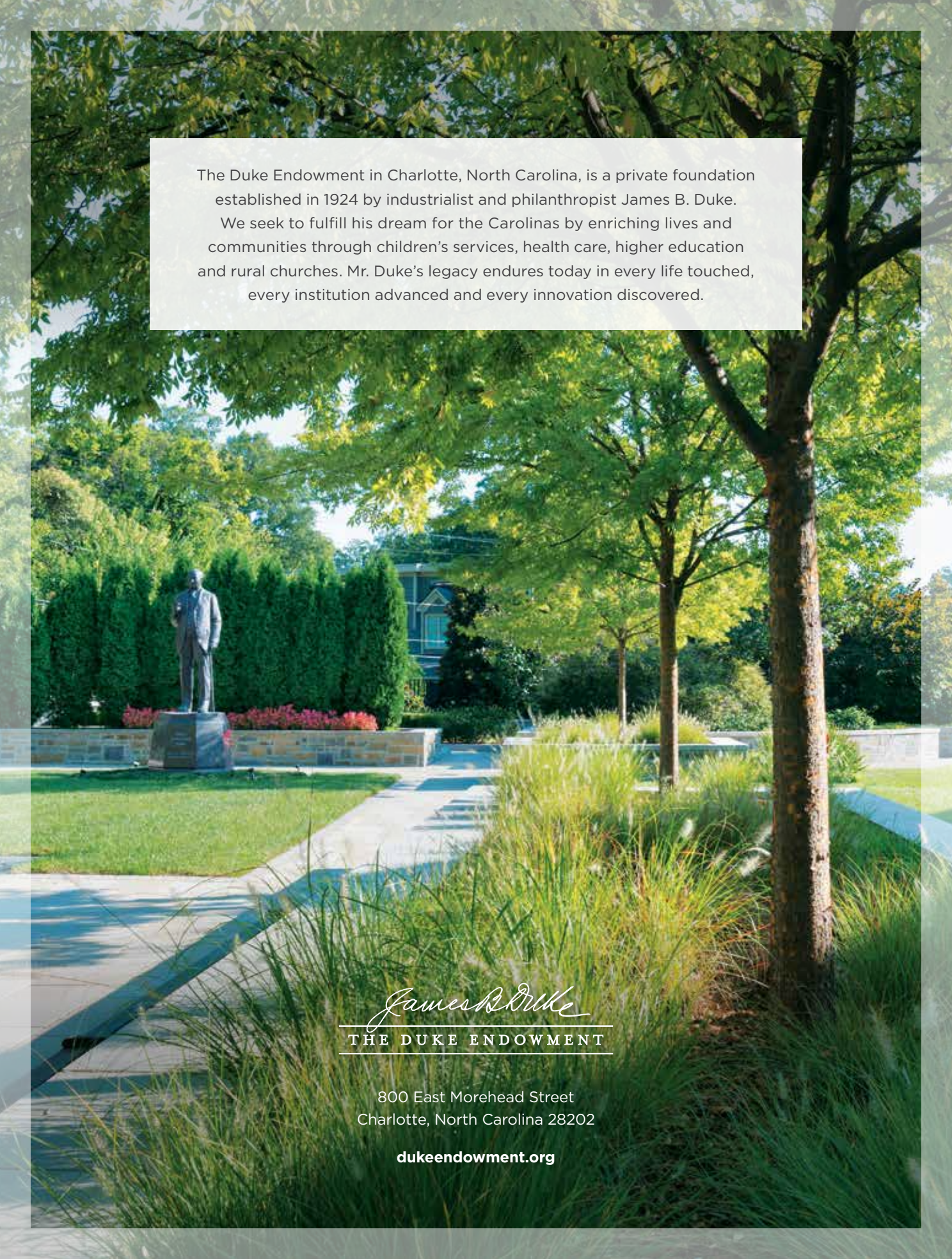
World Food Policy Center

After two years of fact-finding and planning, Duke University has launched the World Food Policy Center to address global food issues and problems such as malnutrition and food safety. A \$5 million grant from The Duke Endowment is supporting the center, which will focus on collaborative problem solving through research, educational programming, conferences and policymaker outreach. "Our intention is to facilitate connections between researchers and change agents," says Kelly Brownell, the director. "It is a two-way street: the needs of policymakers can guide research, and scientific findings can help policymakers make informed decisions."



Keeping Children Safe

At the New Hanover County Department of Social Services in North Carolina, social workers are testing a new analytics tool designed to help them do their jobs. Developed by SAS, a global data and analytics company based in Cary, N.C., the system mines up-to-date data from public records and creates statistical algorithms to give caseworkers vital and timely information. An alerts engine triggers a notification when changes in a child's life signify a possible problem. Social workers can respond with appropriate follow-up. The pilot project, funded by The Duke Endowment, SAS and New Hanover County, has the potential to help other DSS agencies enhance child safety as well.

A photograph of a statue of James B. Duke in a park-like setting. The statue is a bronze figure of a man in a suit, standing on a stone pedestal. In the background, there are lush green trees and a building with a blue roof. The foreground is filled with tall, green grasses and a paved path.

The Duke Endowment in Charlotte, North Carolina, is a private foundation established in 1924 by industrialist and philanthropist James B. Duke.

We seek to fulfill his dream for the Carolinas by enriching lives and communities through children's services, health care, higher education and rural churches. Mr. Duke's legacy endures today in every life touched, every institution advanced and every innovation discovered.

James B. Duke
THE DUKE ENDOWMENT

800 East Morehead Street
Charlotte, North Carolina 28202

dukeendowment.org