



*An Evaluation  
of the  
JazzNet Program*

*October 2005*

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# Executive Summary

JazzNet was a five-year funding initiative of the Doris Duke Charitable Foundation (DDCF) and the National Endowment for the Arts (NEA). The initiative was managed by the Nonprofit Finance Fund (NFF). It was designed to strengthen regionally significant jazz presenting organizations, primarily through building endowments. In addition to endowment funding through matching grants, JazzNet provided annual program grants, sponsored annual convenings of grantees, and offered other forms of technical assistance. Over \$7.4 million<sup>1</sup> was provided to 14 very diverse organizations from 2000 until 2005 (two additional organizations dropped out after two years). The strategy was that at the end of the grant period, annual program grants would be replaced with endowment earned interest.

Wolf, Keens & Company was hired to conduct a comprehensive evaluation of the program in 2005. Utilizing both quantitative and qualitative research, the consultants assessed the degree to which the grantees met JazzNet's goals and also evaluated the program's design. In addition, the funder convened a meeting of grantee organizations subsequent to the submission of an initial draft of the report. Comments from that meeting are incorporated into this report.

Findings related to the participants include the following:

- **With respect to the goal of building endowments, the program proved to be an unqualified success.** By the end of the fifth year, the participants had placed more than \$8.1

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<sup>1</sup> This total includes \$4.58 million in endowment matches and \$2.89 million in programming and administrative grants.

million in jazz endowments – contributing to an increase in endowment for participating organizations of over 1,200 percent. This figure included \$3.6 million of match (not including excess contributions beyond the required amount). Beyond dollars, the endowment component of the program built organizational credibility (as well as credibility for the field of jazz), fostered confidence of the participants, and increased their experience in critical areas of fund raising and financial management. For larger multidisciplinary presenters, it enhanced the profile of their jazz portfolios for the future.

- At the same time, **jazz audiences grew substantially**. The majority of organizations reported increases and the group as a whole more than tripled its audiences during the five years of the program (with two organizations accounting for a large share). Interviews indicate that not all of the growth is attributable to participation in JazzNet. But the results are significant none-the-less since the rest of the performing arts industry was struggling to maintain its audiences during a period of crisis and large numbers of organizations were losing audience.
- Overall, **grantees' experiences were uneven with respect to increased opportunities for jazz artists as measured by commissioning of new work, artist residencies, community-based projects, and collaborations**. Based on information gathered at a meeting of grantees convened after an initial draft of this report was submitted, there was no clear expectation of increased programming conveyed to grantees. However, selected organizations did see increases in one or another of these areas. In addition, certain organizations reported using funding as risk capital to plan bolder and riskier programming, reach new audiences, or develop new programming directions. At the meeting of grantees, organizations reported that the funding was invaluable in a period of great economic instability with respect to performance and work opportunities.

- **Participants' experience in achieving the goal of strengthening jazz presenting organizations was mixed.** All the organizations' endowments increased, as has been noted. However, when looking at other financial indicators such as deficits, long term debt, and net assets, some of the trends were less positive. A few organizations cited the technical assistance component of the program as helping them substantially in this area, although the majority did not. In thinking about this goal of strengthening organizations, it is critical to take into account the extraordinary five-year period in which JazzNet was active. It included the September 11<sup>th</sup>, 2001 terrorist attacks and the severe (and related) economic downturn. Many arts organizations suffered tremendously during this time (some went out of business entirely), and **the relative success of the JazzNet organizations in one of the most stressful periods in recent history is a true achievement in its own right.**

As to program design, the consultants have concluded that:

- **Focusing JazzNet on building endowment as a significant way to facilitate positive long-term organizational change proved extremely sound.** That such a high percentage of participants reached the endowment-building goal is an indication that the approach was warranted. Somewhat greater flexibility in the use of the endowments might be a consideration for future programs of this kind. The organizations that participated in JazzNet were extremely varied in budget size, stage of organizational maturation, and many other attributes. Yet all were required to utilize the endowment for programming only. Providing other options that retain some restriction but acknowledge unique needs might have promoted sound organizational development and sustainability for some.
- **Annual program grants eased the burden of focusing so much attention on building endowments and helped sustain, secure, or expand jazz programming, depending on the**

**organization's project.** As mentioned above, program support provided a predictable pool of risk capital for participants. There was, though, some misunderstanding about expectations for the use of program grants. While the funder saw these grants as an opportunity to assist participants in a general way, program guidelines suggested that specific outcomes related to increasing opportunities for jazz artists were expected. While interviews conducted by the consultants did not reveal this, at the subsequent meeting of grantees convened by the funder, the majority indicated that it was clearly understood that there was no expectation of increased programming due to this grant.

- **Administering a complex, five-year program like JazzNet is a challenging task and NFF designed and performed that function well.** This was in part due to the early involvement of senior NFF staff in program conceptualization and design, which provided them with a nuanced understanding of the goals and fed their structuring of administrative systems. Areas for improvement in administration were data definition, collection, and editing, minor issues that could be easily addressed in the future.

One of the greatest strengths of the JazzNet program is the extent to which it sheds important light on some of the persistent questions about practice in arts philanthropy. A close study of the JazzNet experience can prove useful in the design of future effective grants programs in the arts.

# Introduction

## ***Background of the Assessment***

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In February 2005, the Nonprofit Finance Fund (NFF) engaged Wolf, Keens & Company to conduct an evaluation of the JazzNet program. This five-year funding initiative of the Doris Duke Charitable Foundation (DDCF) and the National Endowment for the Arts (NEA) was designed to strengthen regionally significant jazz presenting organizations through the mechanism of endowment match combined with multi-year program funding totaling over \$7.4 million. NFF managed the program, providing re-granting services, overseeing annual convenings of grantees, and offering other forms of technical assistance.

## ***Key Tasks and Methodological Approach***

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The key tasks of this evaluation were:

- To assess the experiences of grantees in key goal areas:
  - endowment growth
  - artistic programming (which also included jazz audience growth)
  - organizational management and financial health
- To assess the effectiveness of the JazzNet program design.

The consultants employed two distinct methodological approaches for the assessment:

1. A detailed review and analysis of quantitative, annual data from JazzNet participant organizations. An early draft of these findings was submitted in March of 2005, was revised, and is included as Part II of this report.
2. A series of confidential telephone interviews and group meetings with representatives of participating organizations – including key staff and board – as well as senior program staff of DDCF and NFF. (A complete list of all interviewees is provided in Appendix A of this report.)

In addition, in July 2005, DDCF and NFF convened grantee organizations as the final annual gathering of program participants. At this meeting, grantee organizations discussed a draft of this evaluation report and comments from that session are incorporated in this version of the report.

## **Strengths and Weaknesses of the Methodology**

Though the consultants believe that the methodological approach was sound, it had both advantages and disadvantages.

- On the positive side, there was a wealth of financial data and other quantitative information about JazzNet participants for each of the years of the program beginning in 2000. However, the sample was small and there was not assured consistency from year to year. This made it difficult to present a statistically-reliable picture of the JazzNet program as will be described in more detail in Part II of the report.
- Again on the positive side, JazzNet participants were generous in providing time for in-depth interviews. However, in some cases key staff and board members were no longer affiliated with the organization and some details of participation were missing. In addition, the five-year length of the program made it difficult for some to remember all the fine points of their involvement.

The acknowledged limitations of the methodology have been addressed by linking the two research tracks together. By matching qualitative and quantitative findings, the consultants have been able to provide more reliable answers about the success of the program and the effectiveness of the program design.

## ***Contents of the Report***

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This report is organized into five major sections as described below:

- **Part I** provides brief background on the JazzNet program.
- **Part II** presents a detailed analysis of quantitative measures.
- **Part III** offers an overall assessment of the experiences of JazzNet participants using several different definitions of “success.”
- **Part IV** evaluates the effectiveness of the JazzNet program design.
- **Part V** provides further thoughts elicited by the legacy of the JazzNet program.

## *Acknowledgements*

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Much of the consultants' work was based on lengthy interviews with JazzNet participants. All were generous in providing their time, describing their experience, and sharing their knowledge of the field. We are grateful to them – and to the staff of both NFF and DDCF – for their willingness to assist in this important project.

# Part I

## Overview of the JazzNet Program

### *The DDCF Jazz Initiative*

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The JazzNet program was designed to be part of the Doris Duke Charitable Foundation's *Jazz Initiative*, which was designed to:

- Support and strengthen significant regional jazz presenting organizations
- Increase commissioning and residency programs for jazz artists in cities throughout the United States
- Increase jazz programs aimed at younger audiences
- Increase exposure for jazz artists and the art form itself.

### *The JazzNet Approach*

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#### **Goals and Strategies**

The goals of the JazzNet program were to:

- Increase opportunities for jazz artists to create and perform their work
- Strengthen jazz presenting organizations.

The specific strategies developed to help selected organizations achieve these goals included providing mutually reinforcing financial incentives and technical assistance throughout the five years of the program.

The financial incentive for selected jazz presenters from around the country was to raise restricted endowments, specifically and *only* for jazz programming. Money was to be directed into specially managed endowment accounts set up for each organization.

Two categories of organizations participated, each with differing guidelines for building the accounts:

- For most (ten) of the JazzNet participants, the program provided three dollars of match for every two dollars the organizations deposited into their accounts. A maximum of \$60,000 could be deposited each year to create a total endowment potential of \$500,000 over the life of the program. The organizations also received annually \$40,000 in grant support for jazz programming and related administration of their JazzNet projects as well as \$11,000 from the National Endowment for the Arts
- For six participants (two partnerships and two organizations with greater capacity), the program matched every dollar on a dollar-for-dollar basis up to a maximum of \$100,000 each year to create a total endowment of \$1 million over the life of the program. These organizations also received \$50,000 annually in grant support for JazzNet programming and related administration as well as \$15,000 from the NEA.<sup>2</sup>

In addition to funding, NFF provided ongoing technical assistance through two primary means:

- Each organization was assigned a coach who assisted the organization with the development of their fund-raising plans and achieving financial-related workplan objectives.
- Annual workshops were held for board and staff representatives of participating organizations, coaches, and NFF and DDCF staff. One day of each workshop focused on capitalization issues, and there were also sessions on fund raising and other financial management areas.

## **Entry into the Program**

In July 1999, DDCF invited 25 regionally recognized jazz presenters to submit their organizations' qualifications to participate in JazzNet. A national peer review panel was convened to review the applications. To aid in the selection, NFF visited all applicants, meeting with executive directors and board members and learning more about the organizations' programming, board, management, finances, and other specifics. NFF provided panelists with a narrative summary and a four-year financial summary for each applicant.

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<sup>2</sup> Note that the NEA funding shifted in FY 2004-2005 to support via the JazzMasters on Tour program.

Once decisions were reached on the 16 recipient organizations in late 1999, NFF worked with participants to develop a budget and schedule for fund raising and financial-related workplan objectives.

## **Portfolio Management**

To manage the endowments, DDCF established a relationship with Bank of America. JazzNet participants were the owners of their endowment accounts and they worked with a Bank of America Portfolio Manager to develop an investment plan and make asset allocations. One organization was required to use a different portfolio manager as a condition for the matching funds.

## **Ongoing Evaluation**

During the first two years of the program, NFF received semi-annual reports from the participants that addressed their activities, provided financial data, and described what aspects of the program were most effective for the groups and where and how improvements might be made. These reports were submitted on an annual basis for the final three years of the program.

## ***Participating Organizations***

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The sixteen participating organizations and their locations are listed below.

American Jazz Museum, Kansas City, MO  
Asociación de Músicos Latino Americanos (AMLA), Philadelphia, PA  
Artists Collective, Inc., Hartford, CT  
Cityfolk, Dayton, OH  
Contemporary Arts Center, New Orleans, LA  
Earshot Jazz, Seattle, WA  
Flynn Center for the Performing Arts, Ltd., Burlington, VT  
Manchester Craftsmen's Guild, Pittsburgh, PA  
New Orleans Jazz & Heritage Foundation, New Orleans, LA  
Newark Public Radio, Inc. (WBGO FM), Newark, NJ  
Outpost Productions, Albuquerque, NM  
Painted Bride Art Center, Philadelphia, PA  
San Francisco Jazz Organizations (Jazz in the City), San Francisco, CA  
Thelonious Monk Institute of Jazz, Washington, D.C./Los Angeles, CA  
Tri-C JazzFest, Cleveland, OH  
University Musical Society, Ann Arbor, MI

The two funded partnerships were AMLA/Painted Bride (Philadelphia) and Contemporary Arts Center/New Orleans Jazz & Heritage Foundation (New Orleans).

# Part II

## Detailed Analysis of Quantitative Measures

### *Overview of the Quantitative Research*

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This section presents an analysis of the data provided by JazzNet organizations to NFF over the five years of the program. The findings provide important insights about the organizations and their ability to meet program goals. However, there are important caveats about using this data alone to draw definitive conclusions about the program.

- The data on JazzNet participating organizations reflect a very small sample so it is difficult to establish statistically reliable conclusions or trends.
- There were many variables that affected JazzNet organizations, so in many cases it is impossible to posit causal links between the data and any specific result. Even where changes are observed, it is not always possible to determine whether they are a result of the JazzNet program, other factors, or both.
- The impact of the World Trade Center terrorist attacks was undoubtedly a factor in the trends observed. This program began in 2000 and all organizations were burdened to some extent by the economic downturn following September 11, 2001. Thus when statistics reveal a reversal of the initial positive financial trends established in the first two years of the program, this tracks with national findings for the arts industry as a whole and should probably not be attributed to the program.
- There were some large organizations among JazzNet grant recipients including the Flynn Center for the Performing Arts, the University Musical Society, and Manchester Craftsmen's Guild. For these groups, jazz presenting

was only a component (sometimes a small component) of their programming. Therefore, revenue and expense, balance sheet, and endowment data are not attributable to the jazz program alone and it is more difficult to isolate JazzNet results in a definitive way.

- Interviews with representatives of participating organizations and review of their progress reports revealed that, given the diverse types of organizations, many grantees focused on one or another type of activity to build audiences or expand jazz programming, rather than focusing on the four types of strategies identified as measures. Others chose to extend offerings that currently existed rather than add new ventures. Thus it is not always most revealing to look at all measures across all organizations.
- Finally, there was some inconsistency in data reporting caused by staff changes and misunderstandings about data definitions.

All of these factors contribute to the consultants' reluctance to draw definitive conclusions based solely on the data analyzed in this part of the report. Reviewing the balance of the report will be critical to a full understanding of what occurred.

### ***Summary of Selected Significant Findings***

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Based on the annual financial data from participating organizations, the following represent the most significant findings:

- Aggregate jazz audiences among participants increased during the JazzNet program, from just over 600,000 in 1998 to over 2.2 million in 2004, although growth is most pronounced in just two organizations.
- Endowments grew 1,200 percent during the period from 1999 to 2004. This is a reliable finding and reflects tremendous success for a key goal of the program.
- Because of the type of data collected, it was not possible to demonstrate statistically significant increases in opportunities for jazz artists to create and perform. However, anecdotal evidence does indicate growth in jazz programs.
- The number of organizations with deficits grew from 5 in 1999 to 7 in 2004 (of 13 reporting). In addition, deficit as a percent of operating budgets increased from 8 percent in 1999 to 9 percent in 2004. This increase appears

consistent with national trends for arts organizations during a difficult economic period.

- Current liabilities grew by 29 percent between 1999 and 2004. Long-term liabilities grew by 319 percent in the same period, over half of which is the result of two planned capital projects.
- While total net assets grew during the period between 1999 and 2004 by 25 percent, unrestricted and temporarily restricted net assets suffered an 11 percent reduction.

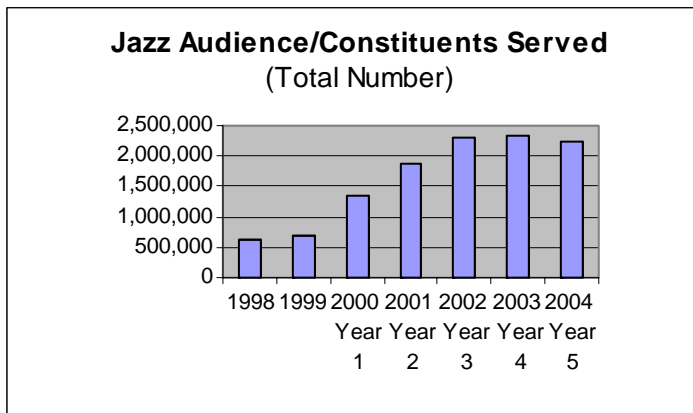
### ***Increase in jazz audience/constituents served***

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***The chart and graph below and on the following page provide one of the few definitive trends in this analysis: aggregate audiences more than tripled during the five years of this project.***

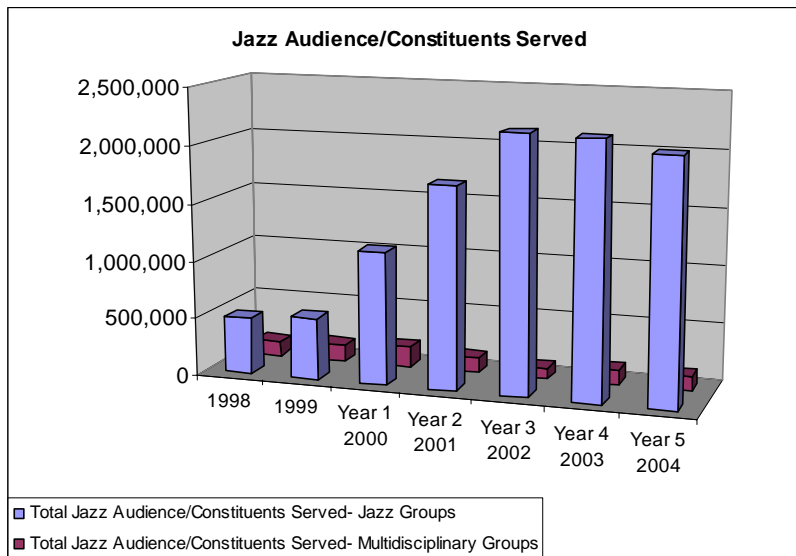
Interviews with participating organizations indicate that some of this growth may not directly be attributable to participation in JazzNet. Nevertheless, it is significant that these positive trends were occurring at a time when the rest of the performing arts industry was struggling to maintain its audience and many organizations were even losing audience.

In order to provide a quantitative basis for determining whether JazzNet assisted with increases in audience, the analysis relied on specific metrics provided by JazzNet participants in the area of audience numbers.



			Year 1	Year 2	Year 3	Year 4	Year 5
	1998	1999	2000	2001	2002	2003	2004
Total On-Site Jazz Audience/ Constituents Served	626,993	684,584	1,331,884	1,878,150	2,301,567	2,324,769	2,217,027

It is important to note that audience growth was not consistent for all participants. Two organizations reported huge increases (from 3,200 to 381,000 for one and from 344,000 to 1,377,000 for another). Six organizations reported audience declines or no growth. However, these trends were occurring during a period of crisis in the arts field where most organizations were losing audience. Thus, *while there is some ambiguity among the results, the overall trends in the area of audiences indicate success.*



			Year 1	Year 2	Year 3	Year 4	Year 5
	1998	1999	2000	2001	2002	2003	2004
Total Jazz Audience/ Constituents Served- Jazz Groups	494,100	535,134	1,152,080	1,746,801	2,213,056	2,191,833	2,089,293
Total Jazz Audience/ Constituents Served- Multidisc. Groups	132,893	149,450	179,804	131,349	88,511	132,936	127,734

Another way to look at this data is to divide the grantees between multidisciplinary organizations and jazz-only organizations. There were seven

organizations in each of these categories. Since both of the groups that sustained huge growths in audiences were jazz groups (see comment above), the numbers in this analysis show significant growth for jazz groups and not for multidisciplinary groups. For both of the jazz groups with huge growth in audiences, the growth was not entirely the result of participation in JazzNet (although of course participation helped with this growth), but were rather the result of long-planned changes that happened to coincide with participation in the JazzNet program.

## ***Increasing opportunities for jazz artists to create, perform***

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### **Overview**

*Overall, the analysis does not indicate significantly increased opportunities for jazz artists to create and perform. The results are mixed and the aggregate totals are not consistently positive or negative.*

In order to provide a quantitative basis for determining whether JazzNet increased opportunities for jazz artists, the analysis relied on specific metrics provided by participating organizations, including:

- commissions of new work
- artists residencies
- community-based projects
- collaborations.

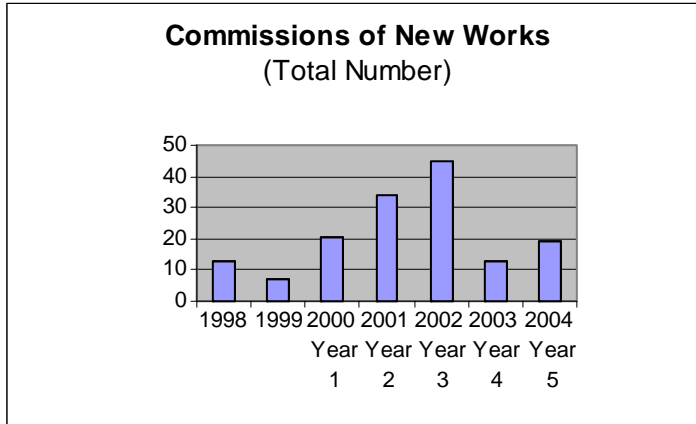
It is worth noting that, according to interviewees, while the number of commissions, for example, may be a clear indicator of best practices in multidisciplinary presenting organizations, it is much less so in the area of jazz. Indeed, according to an NEA representative, neither residences nor commissions are widely deployed in the jazz world, where economic survival depends more on high volume touring. Other metrics such as the number of presentations and artists engaged were not reporting requirements for the JazzNet program.

Data on several metrics were gathered throughout the granting process from participating organizations. The consultants have examined this data in aggregate and at the level of individual organizations. The latter review indicates that some organizations achieved success on many measures while others did not.

In interviews with representatives of the funders, it is clear that in the short term, there was no expectation that an increase in these areas was a criterion for the success of the program. However, in looking at guidelines and other materials about the program, it is easy to infer that this was an expectation, and several

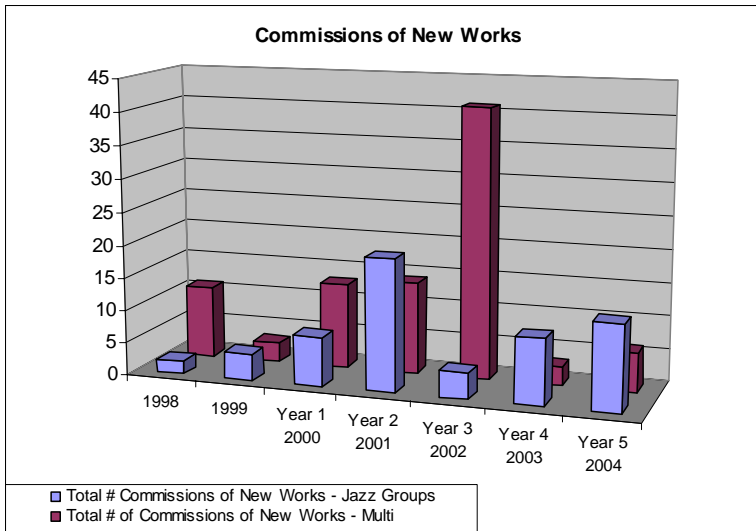
grantees reported to the consultants that they strived to expand their activities in these areas. As will be observed later, very clear expectations must be consistently communicated if they are to be understood by those receiving funds.

**Increase in number of commissions of new works**



	1998	1999	Year 1 2000	Year 2 2001	Year 3 2002	Year 4 2003	Year 5 2004
Total # Commissions of New Works	13	7	20.5	34	45	13	19

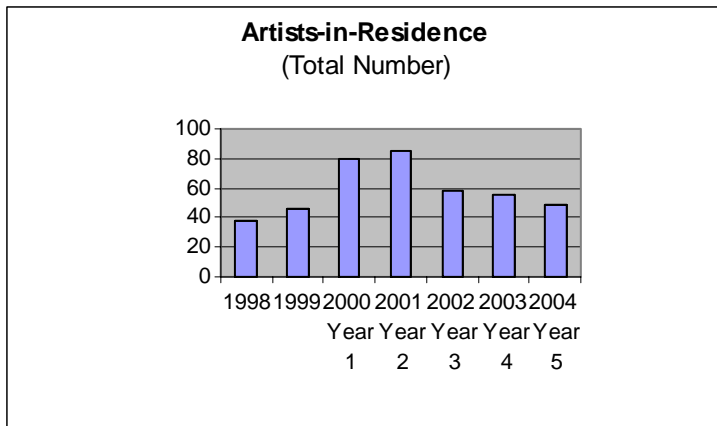
*The table and graph above indicate mixed experiences in increasing the number of commissions. Six of the 14 organizations reported commissioning more works in Year 5 than they did prior to funding, and three of the six reported more than one additional commission. While one can comfortably make the case that funding encouraged commissioning of new works, especially in the initial years of the program, it appears that the increased level of new commissions was not sustained through the latter years of funding. As noted previously, according to the NEA, while the number of commissions may be a clear indicator of best practices in multidisciplinary presenting organizations, it is much less so in the area of jazz.*



	1998	1999	Year 1 2000	Year 2 2001	Year 3 2002	Year 4 2003	Year 5 2004
Total # Commissions of New Works - Jazz Groups	2	4	7.5	20	4	10	13
Total # of Commissions of New Works – Multidisc.	11	3	13	14	41	3	6

As with the audience data, another way to look at this data is to divide the grantees between multidisciplinary organizations and jazz-only organizations. Not unexpectedly, organizations devoted to jazz programming show generally higher levels of activity on all artistic metrics selected for reporting since these metrics measure levels of activity for jazz events. In this instance, it is clear that *among the exclusively jazz grantees, the number of commissions was generally greater during the five years of funding than prior to such funding*. The results are less definitive among multidisciplinary grantees.

## Increase in number of artists-in-residence

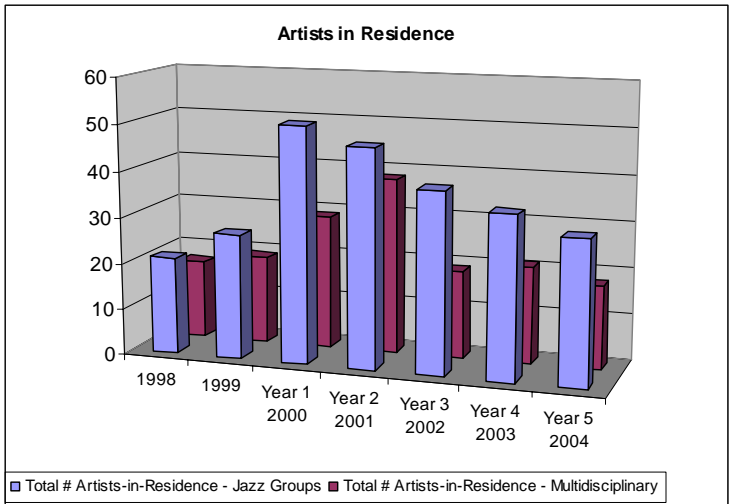


			Year 1	Year 2	Year 3	Year 4	Year 5
	1998	1999	2000	2001	2002	2003	2004
Total # Artists-in-Residence	38	46	80	85	58	56	49

*The table and chart above indicate that participating organizations did increase the number of artists-in-residence programs over the period of funding, although this growth was not sustained for all of the years of the program. Year 5 indicates a return to a level quite similar to that prior to the inception of the program.*

*Six of the 14 organizations reported a sustained increase in the number of residencies over what they provided prior to funding. Two of the organizations (including a radio station) reported no residencies either before or during the funding program<sup>3</sup>, and one reported two residencies during the five years of funding.*

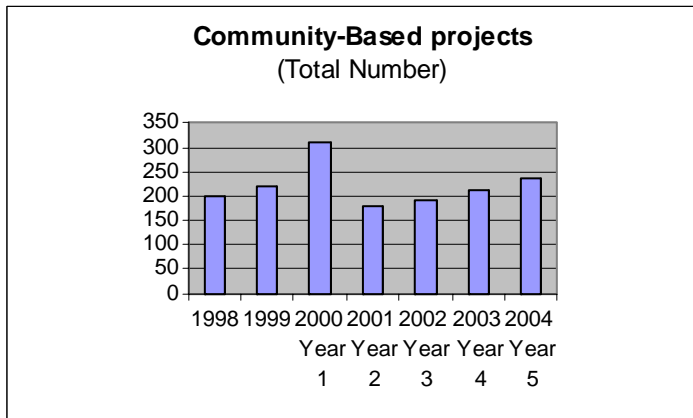
<sup>3</sup> It should be noted that one of these two organizations had not planned to sponsor artists-in-residence during the JazzNet program.



			Year 1	Year 2	Year 3	Year 4	Year 5
	1998	1999	2000	2001	2002	2003	2004
Total # Artists-in-Residence - Jazz Groups	21	27	51	47	39	35	31
Total # Artists-in-Residence – Multidisc.	17	19	29	38	19	21	18

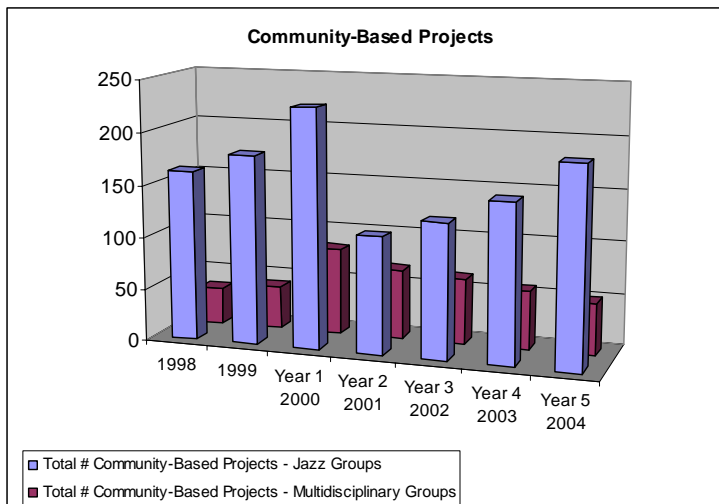
If this same analysis is performed looking at jazz groups compared with multidisciplinary groups, it indicates that *jazz groups increased the number of residencies at a greater rate than did multidisciplinary groups*. However, after an early growth in residencies, both groups show a decrease over the five years of the JazzNet program, to the point where by Year 5, little or no growth is indicated over what was offered prior to the JazzNet program.

### Increase in number of community-based projects



			Year 1	Year 2	Year 3	Year 4	Year 5
	1998	1999	2000	2001	2002	2003	2004
Total # Community-Based Projects	198	222	311	179	192	210	238

*The table and chart above and on the previous page indicate no sustained increase in number of community-based projects.* For two years of funding, there were *fewer* community-based projects than each of the two years prior to funding. A review of organizational data indicates a more complicated pattern. Six of the participating organizations report a significant *increase* in number of community-based projects (a 300 percent increase from 25 to 102 such events per year). Four organizations reported a significant *decrease* in such events (a 35 percent decrease from 182 to 118 such events). The remaining organizations showed either no growth or one additional such project than reported prior to funding.

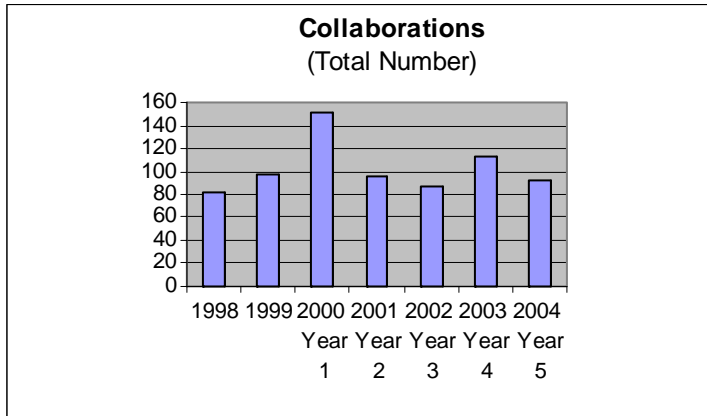


			Year 1	Year 2	Year 3	Year 4	Year 5
	1998	1999	2000	2001	2002	2003	2004
Total # Community-Based Projects - Jazz Groups	163	181	228	112	129	152	189
Total # Community-Based Projects - Multidisciplinary Groups	35	41	83	67	63	58	49

If this same data is examined breaking out jazz-only organizations, it shows that the multidisciplinary groups were more successful in sustaining an increased number of community-based projects throughout the granting period than were jazz organizations (although obviously the overall level of such activities was less for these groups). For jazz groups, two of the five years showed a higher level of

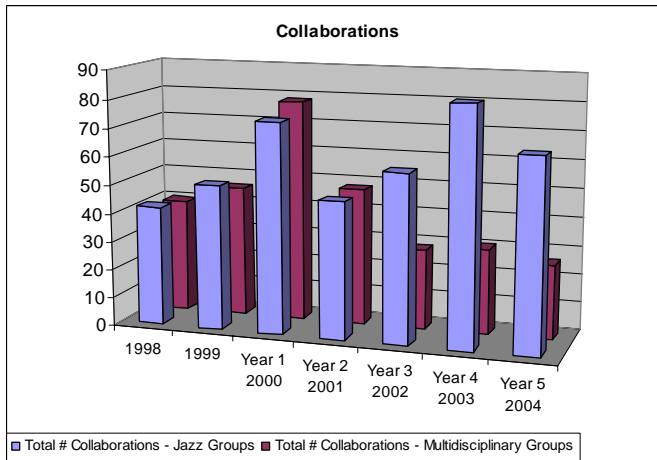
activity than occurred prior to the program; for multidisciplinary groups, a higher level of such activity was sustained for all five years of the program.

### Increase in number of collaborations



	1998	1999	Year 1 2000	Year 2 2001	Year 3 2002	Year 4 2003	Year 5 2004
Total # Collaborations	82	97	152	96	87	113	93

*Aggregate data for number of collaborations also reveals mixed experiences in terms of increased numbers of collaborations.* While the totals for two years (Years 1 and 4) exceed that for each of the two years prior to funding, three of the five years do not show any significant increase over the years prior to JazzNet. On the level of individual organizations, eight of the organizations indicated more collaborations than before funding – six reported fewer.



			Year 1	Year 2	Year 3	Year 4	Year 5
	1998	1999	2000	2001	2002	2003	2004
Total # Collaborations - Jazz Groups	42	51	74	48	59	83	67
Total # Collaborations - Multidisciplinary Groups	40	46	78	48	28	30	26

As with the other measures, jazz groups have a higher level of reported community collaborations than do multidisciplinary groups. These same groups also were better able to sustain a higher level of activity over the five years of the granting period. *Multidisciplinary groups reported fewer collaborations for the last three years of the grant period than they did prior to receiving funding.*

### ***Strengthening jazz presenting organizations***

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#### **Overview**

***Overall, this analysis provides a mixed message. In some instances, such as growth of endowment, there were dramatic increases; in other cases, such as increase of deficits, the story is different.*** Once again, it cannot be assumed that the JazzNet program was the only operative factor in either the positive or negative metrics.

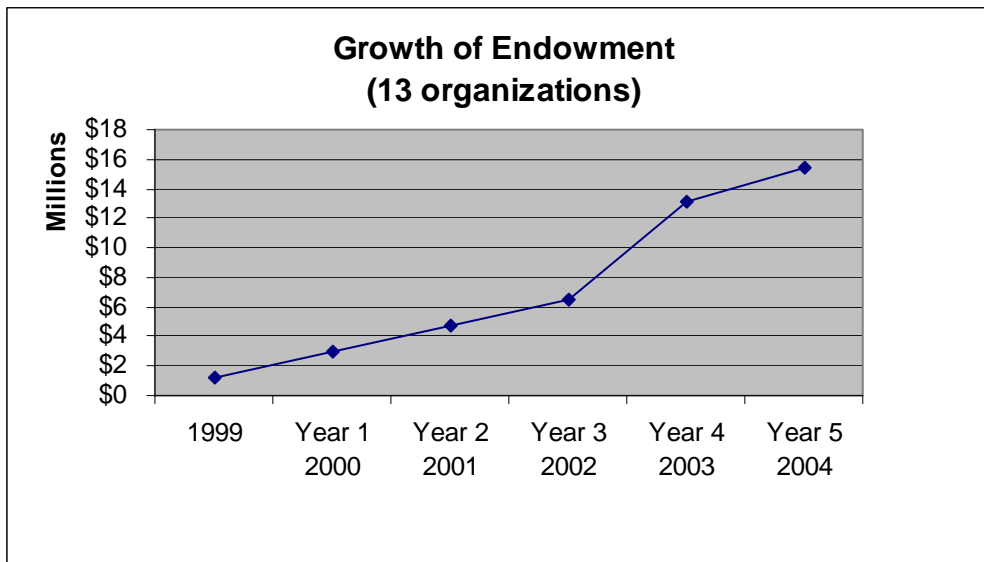
In order to provide a quantitative basis for determining whether JazzNet strengthened participating organizations, the analysis relied on specific metrics provided by JazzNet participants through audited statements, including:

- growth of endowment
- growth in operating budget
- increase/decrease in operating deficits
- increase/decrease in long-term debt
- composition of net assets.

It has proved challenging to assess these factors. For instance, while all organizations must report permanently restricted assets separately, it is not always clear whether these assets are in fact endowment. Notes to audited statements were used to clarify the interpretation of the numbers to the extent possible. In addition, a few organizations changed auditors and/or accounting methods during the five years of the project, and categorization of funds changed accordingly.

## Growth of Endowment

One of the goals of JazzNet was to strengthen jazz presenting organizations by building endowment. A measure of the effectiveness of this effort is the building of a permanently restricted endowment on the balance sheet (statement of financial position) of organizations. For several organizations, participation in JazzNet was their first opportunity to develop an endowment campaign.

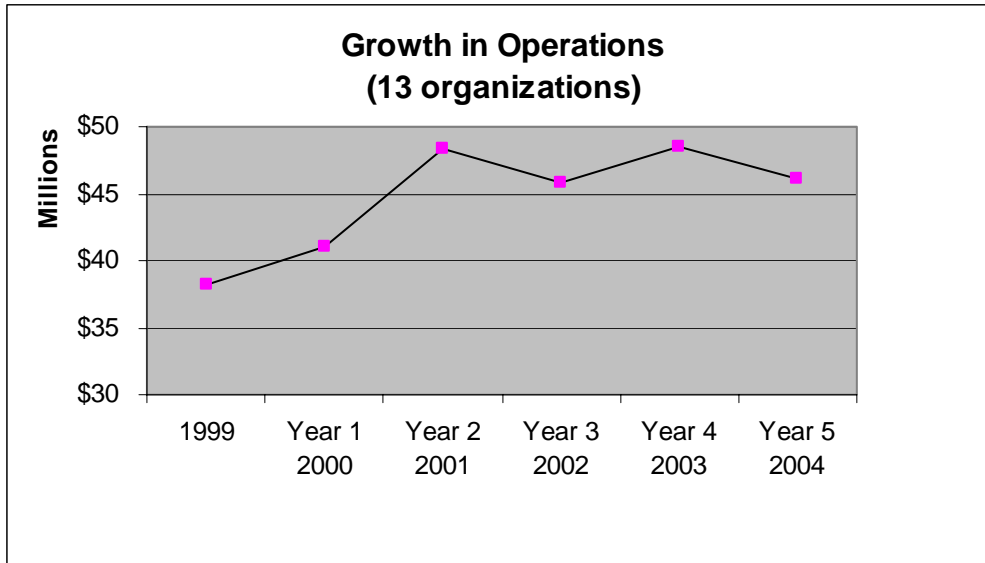


Growth in endowment over six years (13 organizations) <sup>4</sup>							
	1999	Year 1 2000	Year 2 2001	Year 3 2002	Year 4 2003	Year 5 2004	% growth
Endowment	1,203,353	2,919,857	4,715,237	6,455,731	13,079,897	15,490,947	1187%

*Except for the two organizations that withdrew after Year 2, all participants saw endowment growth and achieved their five-year annual fund-raising goal. Five organizations reported significant growth in endowment that exceeded the funds contributed and matched for JazzNet endowment. For these organizations, the JazzNet initiative was part of a larger effort to build endowment for the organization, some of which happened because of JazzNet and some of which simply happened simultaneously.*

<sup>4</sup> Note that one organization was part of a college and the financial reports that were submitted were for the college and therefore were not comparable to the others. Accordingly, all findings in this section are drawn from data submitted by 13 organizations.

## Growth in Operations



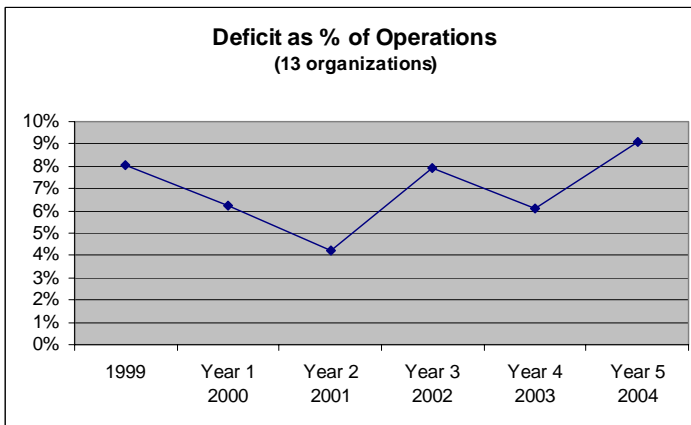
Growth in operations over six years (13 organizations)							
		Year 1	Year 2	Year 3	Year 4	Year 5	
	1999	2000	2001	2002	2003	2004	% growth
Operating expense	38,172,648	41,112,601	48,410,453	45,782,513	48,451,102	46,074,907	21%
% growth		8%	18%	-5%	6%	-5%	

***In aggregate, the rate of growth in operations exceeded the rate of inflation.*** Eleven of the 13 organizations reported growth in operations during the grant period.

While there is no control group to which this small group can be compared, the consultants can say that the trends indicated above track fairly closely what they have seen among other arts organizations. Between 1999 and 2001, there was a culmination of the rapid growth that had been initiated during the so-called “economic bubble” of the 1990s. The bubble burst in 2001 leading to a decline in 2002 and some recovery in 2003.

## Operating Deficits

Another measure of organizational health is the presence and level of operating deficits. The following data report the surplus/deficit history of 13 participating organizations during the granting period.



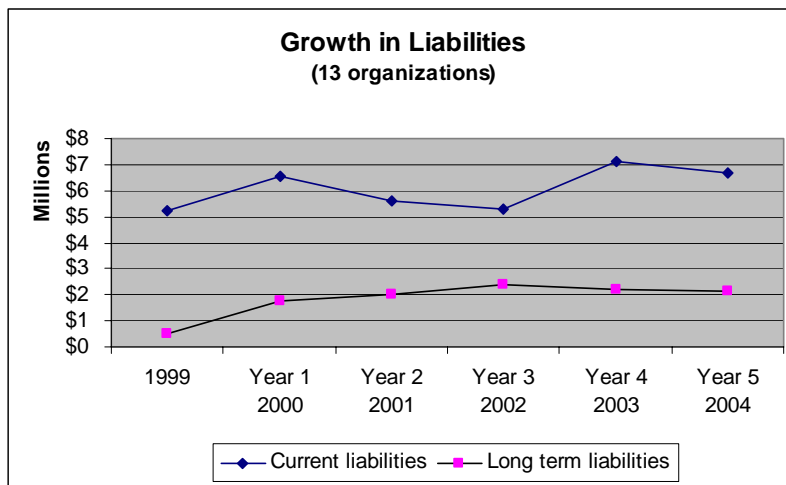
<b>Number of organizations with operating deficits (of 13 organizations)</b>						
	<b>1999</b>	<b>Year 1 2000</b>	<b>Year 2 2001</b>	<b>Year 3 2002</b>	<b>Year 4 2003</b>	<b>Year 5 2004</b>
# with deficits	5	5	5	6	9	7
Total deficits	(758,224)	(1,019,758)	(974,810)	(2,309,482)	(2,446,438)	(2,731,375)
Total operations*	9,383,979	16,275,691	22,952,982	29,215,591	39,998,589	30,074,132
Deficit as %	8%	6%	4%	8%	6%	9%

\*For this chart, total operations means total operations for all organizations reporting deficits.

*The data indicate an increase in the number of organizations with operating deficits during the grant period, although for three years, the deficits were a smaller portion of total operations. One participating organization reported operating deficits each of the five years; three reported operating deficits in four of the five years.*

While this would normally be a troubling finding, it once again tracks fairly closely to problems for all nonprofits. In some ways, these organizations may have fared better than their peers, especially those, like symphony orchestras, heavily reliant on endowments. For these organizations, as the corpus of the investments declined, income from endowment also declined – in some cases precipitously – and the deficits were far more severe.

## Current and Long-term Liabilities



	1999	Year 1 2000	Year 2 2001	Year 3 2002	Year 4 2003	Year 5 2004	% growth
Current liabilities	5,207,450	6,555,883	5,590,816	5,299,364	7,105,494	6,696,334	29%
Long term liabilities	515,130	1,788,454	2,030,166	2,419,151	2,185,878	2,157,542	319%

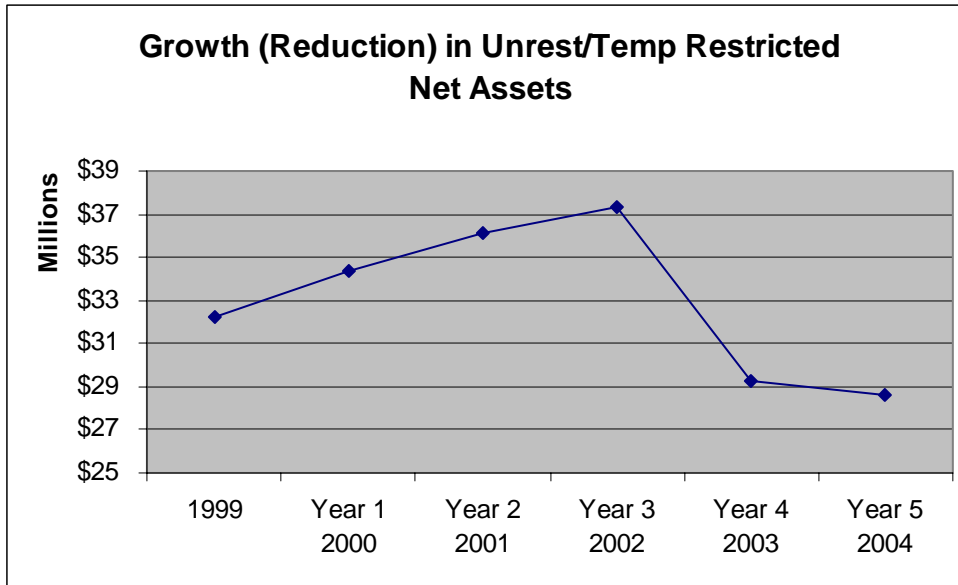
### *Participating organizations' level of debt increased over the granting period.*

While five organizations reported no long-term debt, five reported acquiring long term debt during the grant period and three increased their level of long-term debt. For two organizations, this increased long-term debt is related to carefully planned facility projects and represents a healthy investment. However, for others, this acquisition of debt is in part a reflection of the difficult economic times. In both cases, it is important to note as it indicates a loss of flexibility in allocation of annual operating funds, whether planned or not.

## Net Assets

The picture that one gets by analyzing net assets is mixed. The significant growth in endowment reported by participating organizations is reflected by a growth in

net assets. The 13 organizations that provided data show an aggregate growth rate of 25 percent from 1999 to 2004 in total net assets. However, this growth rate disguises a reduction in unrestricted and temporarily restricted net assets, shown in the table below.



Growth (Reduction) in Unrestricted /Temporarily Restricted Net Assets (13 organizations)							
	1999	Year 1 2000	Year 2 2001	Year 3 2002	Year 4 2003	Year 5 2004	% growth
Total Unrest/Temp Rest. Assets	32,252,935	34,336,809	36,097,051	37,363,912	29,239,301	28,630,776	-11%

While this chart indicates a gradual growth in unrestricted and temporarily restricted assets until Year 3, it also indicates a substantial drop in Years 4 and 5. This is because eight of the thirteen organizations indicated a drop in these assets in that year. Four of the 13 organizations reported steady growth in unrestricted and temporarily restricted net assets during the five-year reporting period.

Growth in total net assets of an organization is generally a positive indicator. However, to the extent that that growth does not contribute to an organization's ability to operate effectively, its value may be lessened. Growth in certain restricted endowment funds is a case in point. If the restriction places excess burden on an organization or requires it to find more capital to run a particular program not central to its mission, then it does not contribute to organizational health and stability. Growth in net assets may suggest greater liquidity when in fact this may not be true if net assets are largely permanently restricted.

It is clear from this and the preceding debt analysis that some organizations may have been less flexible financially at the end of the grant period than they were at the outset.

## **Funding Awards Relative to Operations**

### ***Operating Grants as Percent of Operations***

The annual grant for operations was either \$40,000 or \$50,000 for each of the participating organizations (or partnerships). Because the size of the organizations varied greatly, the percent of annual revenues represented by the operating grant also varied greatly – from a low of 0.4% to a high of 9%. The chart below summarizes the aggregate results for FY 2004.

<b>Operating Grant as Percent of Total Revenue</b>			
	<b>FY 04 Total Revenue</b>	<b>FY 04 Total Operating Grants</b>	<b>Grant as % of Revenue</b>
All grantees (13 orgs)	45,232,114	510,000	1%

### ***Endowment as a Percent of Total Assets***

As of the end of June 2004, JazzNet grantees had raised – and received matching funds for – nearly \$6 million in permanently restricted endowment. The following analyses show what percent of total operations this endowment represented.

As noted earlier, total endowment (including JazzNet endowment and other endowment) for participating organizations grew by nearly 1200% during the period of the JazzNet program. Thus is it not surprising that endowment as a percent of operations grew from 3% of operations in 1999 to a much healthier 34% of operations in 2004.<sup>5</sup>

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<sup>5</sup> In the 1990s, National Arts Stabilization refined standards for the percent of operations that a healthy organization would hold in both cash reserves and endowment. These standards have served as a rough benchmark for cultural nonprofits even though the majority of organizations have not achieved them. According to these standards, a healthy nonprofit would hold 10 to 25% of annual operations in a cash reserve fund and 200 to 500% of annual operations in permanent endowment. It is clear by these standards that JazzNet participants are undercapitalized with respect to endowment but that the program helped them come closer to the endowment benchmark.

*Over one third of this growth is represented by the JazzNet endowment, which represented 13% of operations in 2004.*

<b>JazzNet Endowment as Percent of Operations</b>			
	<b>FY 04 Total Operating Exp.</b>	<b>FY 04 Total JazzNet Endowment*</b>	<b>JazzNet Endowment as % of Operations</b>
All grantees (13 orgs)	46,074,907	5,936,375	13%
* This amount is less than the total awarded by NFF because this analysis does not include one partnership that received some matching funds prior to dropping out of the program and one organization that did not provide audited statements.			

<b>Total Endowment as Percent of Operations FY 1999</b>			
	<b>FY 1999 Total Operating Exp.</b>	<b>FY 1999 Total Endowment</b>	<b>Endowment as % of Operations</b>
All grantees (13 orgs)	38,172,648	1,203,353	3%

<b>Total Endowment as Percent of Operations FY 2004</b>			
	<b>FY 2004 Total Operating Exp.</b>	<b>FY 2004 Total Endowment</b>	<b>Endowment as % of Operations</b>
All grantees (13 orgs)	46,074,907	15,490,947	34%

***Endowment Award and Total JazzNet Endowment as Percent of Total Assets***

As of the end of June 2004, NFF had awarded a total of \$3.6 million in matches to endowment contributions by grantees. The following analysis shows what percent of total assets this match represented. As with the prior analysis, because of the varying size of participating organizations, the percent of total assets represented by this award and by the total endowment varied tremendously from organization to organization. It is also important to keep in mind that three organizations had negative unrestricted net assets at the end of 2004, which means that their total net assets may in fact be less than the value of the endowment. The charts below summarize the aggregate results for FY 2004.

<b>Endowment Match as Percent of Total Assets</b>			
	<b>FY 04 Total Assets</b>	<b>FY 04 Total Matching Funds*</b>	<b>Match as % of Total Assets</b>
All grantees (13 orgs)	52,791,723	3,321,585	6%
* This amount is less than the total awarded by NFF because this analysis does not include one partnership that received some matching funds prior to dropping out of the program and one organization that did not provide audited statements.			

<b>Total JazzNet Endowment as Percent of Total Assets</b>			
	<b>FY 04 Total Assets</b>	<b>FY 04 Total JazzNet Endowment*</b>	<b>Endowment as % of Total Assets</b>
All grantees (13 orgs.)	52,791,723	5,936,375	11%
* This amount is less than the total awarded by NFF because this analysis does not include one partnership that received some matching funds prior to dropping out of the program and one organization that did not provide audited statements.			

### ***Potential Revenue from Endowment***

The following chart shows a projection for revenue from JazzNet endowment accrued as of the end of 2004 (the most recent year for which organization revenue actuals are available). This chart indicates the percent of total revenue that this endowment income will potentially represent. As with the above analyses, there is a range of percentages represented by the various organizations, from 0.3% to 4.6%, depending on the size of the grantee budget.

<b>Potential JazzNet Endowment Revenue as Percent of Total Revenue</b>				
	<b>FY 04 Total Revenue</b>	<b>Total JazzNet Endowment as of 6/30/04*</b>	<b>5% Revenue Projected From Endowment</b>	<b>% of Total Revenue</b>
All grantees (13 orgs.)	45,232,114	6,336,375	296,819	0.7%
* This amount is less than the total awarded by NFF because this analysis does not include one partnership that received some matching funds prior to dropping out of the program and one organization that did not provide audited statements.				

# Part III

## Qualitative Assessment of the Success of Grantees

### *Defining “Success”*

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As was suggested in Part II, underlying the complexity of the JazzNet program is the complexity that comes from the diversity of participating organizations. This cohort is very diverse – it includes small and large budget organizations; those that focus on presenting mostly jazz and those that present in a multitude of disciplines; young organizations and older groups; an educational institution and a radio station that do not count presenting as their primary mission.

Grantees reported to the funder at a meeting convened after the first draft of this report was submitted that this diversity was a positive factor in terms of increasing their own knowledge of the field of jazz presenting and the consultants would not disagree. It does, however, create a challenging situation for the funder. Can success be defined narrowly in a way that addresses the interests, priorities, and current conditions of this group? We believe that several distinct definitions of success are required.

In order to conduct this assessment, the consultants established several key criteria that can be most useful in evaluating success. Based on a review of the history of the program, as well as interviews with key staff members of NFF and DDCF, we identified the following three criteria.

- 1. Did grantees meet the endowment challenge?** Since the key component of the project was a challenge grant to build a programming endowment, an obvious measure of success is whether grantees met the endowment challenge.

2. **Did grantees improve or expand their jazz programming significantly?**  
Another important aspect of the JazzNet program was to expand opportunities for jazz artists by building strong jazz programming. It is important to assess whether grantees improved or expanded their jazz programming in significant ways *as a result of the JazzNet program*.
3. **Did grantees financial health and organizational management improve?**  
The third part of the JazzNet program was the provision of technical assistance. Along with organizational financial health, another measure of success is whether grantees had stronger administrative and management practices.

## ***1. Meeting the Endowment Challenge***

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In many ways, this definition of success is the simplest to evaluate and by this measure the program was a resounding success. By the end of Year 5 of the JazzNet program, 14 out of 16 grantee organizations had met their endowment goal (two of the organizations – a partnership – left the program during Year 2) and \$8.1 million of DDCF and organizational match dollars had been placed in endowment – contributing to an increase in endowment for participating organizations of over 1,200 percent. This figure includes \$3.6 million from 16 participating organizations (not including excess contributions beyond the required amount).

***According to many interviewees, the endowment challenge was the most valuable component of the JazzNet program***, in ways that go well beyond the reality of having a restricted pool of dollars available to support programming. Some of the most frequently mentioned benefits of the endowment challenge – and specifically *meeting* that challenge – include:

- **Building credibility for participating organizations.** As one interviewee explained, “When we went to foundations and corporations in our community and explained that we were building an endowment, it provided a degree of credibility to our approach. They took us more seriously, especially when we described the national program we were part of.”
- **Building credibility for the field.** As one observer commented, “The whole jazz scene is... a grass roots, hardscrabble, seat-of-your-pants affair, with very few exceptions.” One key contribution of the JazzNet program was the validation of the *entire field* – to corporate and civic leaders, to funders, and, indeed to audiences.

- **Building confidence.** Many of the smaller budget organizations involved in the program found great support in the fact that they were selected to participate in the endowment match program. One participant confided, “We write all sorts of grants that sound really confident. Do we believe them all? Maybe not. But when Duke and NFF voted with their dollars, it was a major motivation for us!”
- **Building experience.** For many of the organizations – again especially the smaller budget groups – the various training experiences that focused on what endowments were and how they could be used were significant. More than simply educating these participants, they provided insight into the way corporations and foundations think about investing. “Being in the room with the big guys helped us to understand that we too could speak that language – we learned the lingo and that was critical.”
- **Building jazz priorities.** For some of the larger budget presenting organizations, some of which had already established endowments, the benefit of the program was that they were able to bring fund-raising resources to bear on jazz programming. This raised the priority given to this programming both in terms of having dollars specifically earmarked for it but also in that its visibility – among funders, community leaders, *and* audience members – was significantly heightened.

## Conclusions

The consultants find that this component of the program was an unqualified success. Not only did all but two of the 16 initial participating organizations reach their endowment goals, most reported significant benefits in conjunction with that goal.

## ***2. Improving or Expanding Programming***

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The quantitative data on the “artistic indicators” provide a decidedly mixed picture relative to JazzNet organization’s experiences in increasing or improving jazz programming. On the positive side, aggregate jazz audiences among participants increased during the JazzNet program, from just over 600,000 in 1998 to over 2.2 million in 2004, although growth is most pronounced in just two organizations. Beyond this finding, the data is less clear:

- ***Six organizations reported commissioning more works in Year 5 than they did prior to funding, and three of the six reported more than one additional commission.*** While one can comfortably make the case that funding encouraged commissioning of new works in the initial years of the program,

it appears that the increased level of new commissions was not sustained through the latter years of funding. In fact, the level of commissions in Year 4 is the same as the level of commissions prior to the program's inception. As mentioned previously, context information suggests that while the number of commissions may be a clear indicator of best practices in multidisciplinary presenting organizations, it is much less so in the area of jazz. Indeed, neither residencies nor commissions are widely deployed in the jazz world, whose economic survival depends more on high volume touring.

- ***Six of the 14 organizations reported a sustained increase in the number of residencies over what they provided prior to funding.*** In keeping with their business focus, two of the organizations (including one radio station) reported no residencies either before or during the funding program, and one reported only two residencies during the five years of funding. Thus while data indicate greater sustained improvement than commissions, the results are still mixed, in part because of the diversity of business operations.
- ***The data indicate mixed experiences with respect to increased numbers of community-based projects.*** Six of the participating organizations report a significant *increase* in number of community-based projects (a 300 percent increase from 25 to 102 such events per year). Four organizations reported a significant *decrease* in such events (a 35 percent decrease from 182 to 118 such events).

A closer examination of individual participants adds considerable insight into these ambiguous trends and suggests that problems in data collection may be at the heart of the problem. Groups were required to submit data semi-annually for the first two years and thereafter annually about their JazzNet audience size, the number of residencies, commissions, community-based projects, and collaborations. Many participants noted specific issues that caused their data reporting to be somewhat less than completely reliable. Most significantly, they said there were no clear guidelines or definitions that listed what ought to be included in each of these categories. As one interviewee commented, "We're a community-based organization and everything we do is collaborative – how do we figure out what was the result of JazzNet and what is our business-as-usual?"

Thus, in some cases, organizations were left to devise definitions themselves. This was further complicated by the use of a reporting year that varied from the one used by participants, which meant that data had to be specially aggregated for the JazzNet report. It is clear from the interviews that given the turn-over in personnel over the five years of the program, there were inevitable inconsistencies in reporting from many if not most participants.

*Despite the ambiguity that the quantitative data findings provide, it is clear from the interviews that JazzNet did have an impact on increasing or improving programming among participants.* The interviews unearthed a rich array of ways in which programming was positively affected by the JazzNet program.

- **Building bolder programs.** Many participants commented that having the programming grant allowed them greater freedom to take risks in programming artists who were more challenging to their audiences. Risk meant different things to different participants, however. In some instances, it took the form of more thoughtfully curated programming that reached deeper into the discipline. In other cases, it meant that higher visibility regional or national talent could be brought in. In still other cases, it meant that more contemporary and challenging work could be presented.
- **Building new audiences.** For many participants, working collaboratively with other local groups or designing artist-in-residency programs meant that they reached individuals whom they would not otherwise have come in contact with. For example, one interviewee noted that, "...no one in our area was doing Latin jazz so we decided to go for it. And what an audience that has become for us."
- **Building new initiatives.** In some cases, programs that were designed to fulfill JazzNet requirements for residencies or collaborations sparked entirely new initiatives for participants. One organization designed a residency with jazz artists working with high school students, which was a new direction for them. According to a board member, "It was eye-opening! The musicians were great and the kids loved it. It really changed how we think about our role – we are more into education now, not just presenting!"

## Conclusions

As to the "artistic indicators," the results for grantees were more mixed. While the quantitative data do not show a consistent trend toward increases in these indicators, anecdotal information shows a positive impact in many cases. There were many ways in which JazzNet funding enhanced and expanded what was possible for participants in building audiences, taking risks, and trying new things. With the tremendous undercapitalization of most of these organizations, risk capital or capital for program investments would have been virtually unavailable at this difficult economic time and one can conclude that this funding was an important component of improving or expanding programming in a number of cases.

### ***3. Improving Financial Health and Organizational Management***

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#### **Financial Health**

The data available to assess financial health of participants at the conclusion of the five-year JazzNet program does not suffer from some of the problems of the artistic indicators. There are, however, two major challenges in evaluating the data. They are:

1. Sorting out the impact of the *national economy* on these groups and assessing, without a control group, how these organizations might have fared during this stressful period without the support of JazzNet.
2. Working with a *small cohort* and thus having limited ability to discount those trends that are skewed by dramatic changes for one or two organizations.

With those factors in mind, it is not surprising that the picture is somewhat ambiguous. Some of the key points that emerge include the following:

- ***The significant growth in endowment reported by participants (described earlier in this report) is reflected by a growth in net assets.*** The 13 participants that provided data show an aggregate growth rate of 25 percent from 1999 to 2004 in total net assets. Growth in total net assets of an organization is generally a positive indicator.
- ***However, to the extent that that growth does not contribute to a participant's ability to operate effectively, its value is lessened.*** Growth in restricted endowment funds is a case in point. There is some evidence that the restrictions placed an excessive burden on some participants and minimized the positive short-term impact on organizational health and stability.
- ***There was an increase in the number of participants with operating deficits, although for three years the deficits were a smaller portion of total operations.*** One participating organization reported operating deficits each of the five years; three reported operating deficits four of the five years. While this would normally be a troubling finding, it again tracks with problems for most nonprofits during this period.
- ***Overall, participating organizations' level of debt increased over the granting period.*** While five organizations reported no long-term debt, five reported acquiring long term debt during the grant period and three increased

their level of long term debt. In at least two cases, this increase in debt was planned and was a healthy reflection of growth. In other cases, increase in debt may well be a reflection of the difficult economic times encountered by most nonprofits during the five-year period of JazzNet.

## **Organizational Management**

Beyond the endowment challenge and the programming grant, JazzNet provided a range of technical assistance services to participants. Reactions to these services was extremely varied – almost half of those interviewed (mostly the lower budget organizations) indicated that components of the technical assistance played a role in the improvement of their management and the ways in which they viewed and planned their financial future. Others (mostly larger budget organizations) did not feel that these services were especially beneficial.

Among the most common positive comments were the following:

- **Annual convenings.** Many participants found the annual convening of JazzNet grantees to be of great value. Some considered the value primarily as a way to meet and learn from their peers, but there were a number of participants that found the workshops – especially the “nuts and bolts” sessions organized by NFF – of great value.

There was a general sense among many participants that more frequent and more thoughtfully structured opportunities to network with their peers would have been appreciated. As one participant said, “I wish we had been able to leverage the knowledge and connections of JazzNet groups more effectively. It felt like a missed opportunity.”

- **Coaches.** For some groups, the coach made a dramatic difference in how the organization coped with difficult situations. For others, the coach was less important and thus was not a significant part of the program. It should be noted that funds were limited for this component since the funders wanted the bulk of the resources to be awarded directly to the grantees in the form of programming and administrative support, as well as matching endowments.

## **Conclusions**

Any review of the quantitative data around the goal of improving financial health must be tempered by recognition of the extraordinarily difficult economic times that existed during the five-year JazzNet period. Most significantly, 9/11’s toll on the national economy and in the arts in particular is well documented. Fund raising for many arts organizations was

challenged for a couple of years. This being said, one cannot conclude that the grantees as a whole are significantly better off financially even though their endowments have grown. This is one area where a return in five years would be revealing.

Several JazzNet organizations did experience organizational growth during the five-year period and the interactions with the NFF-provided consultants and the training sessions did resonate with some. The technical assistance component, for which funds were limited, shows the least definitively positive results. This assistance was least relevant to larger budget organizations.

# Part IV

## Assessment of Program Design

### *Defining “Effectiveness”*

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Criteria for evaluating the effectiveness of the JazzNet program grew out of the key components of the program and include:

- **Endowment.** Does this turn out to be a realistic and useful mechanism to achieve the desired changes in jazz organizations? Is a restricted endowment for programming appropriate given the overall goal of the program?
- **Program support.** Was support for programming and related administration an appropriate way to allow grantees to build and compensate for the shift in fund-raising priority while they grew the endowment? Did programming change in meaningful and sustainable ways as a result of JazzNet operating support?
- **Technical assistance.** By providing a range of technical assistance components over the five-year term of the program, JazzNet aimed to help grantees build financial and administrative strength. Did the specific mechanisms help organizations as intended? Were some approaches more effective than others?
- **Administration.** NFF was responsible for the management of the JazzNet program, including providing technical assistance. Were procedures established and implemented effectively? Were the grantees able to communicate easily with NFF?

## ***Endowment Challenge***

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A review of the history of the design of the JazzNet program indicates that the endowment challenge was a key component of the program from the inception of its planning. Virtually every participant organization felt that building the endowment provided significant value, in some cases even beyond its dollar value. Indeed, several participants used the same word to describe their assessment of this component: “brilliant.”

However, especially among the smaller budget organizations, there were questions about inflexibility. These questions revolved around the relative merits of a board-restricted fund as opposed to a permanently restricted program endowment. In several cases, participants noted the value of having the permanently restricted funds but felt that their long-term financial health would be better served by greater flexibility. As one interviewee commented, “Having an endowment is great but the money is locked away. In times of crisis, I like having more flexibility. I’m confident our board would act responsibly with a board-restricted fund.”

For a few of these smaller organizations, the stress of focusing their fund-raising activities on generating dollars that would not immediately support their on-going operations created a challenging dynamic. One might make the case that a stronger focus on readiness on the part of the panel during the selection process might have eliminated these groups, and indeed they are among the last to complete their endowment challenge. Nevertheless, they *did* complete the program and report important benefits from it. Even groups that were forced to leave the program vouched for the value of their participation.

## **Conclusions**

The consultants concur with most of the interviewees who believe that focusing JazzNet on building endowment was a significant way to facilitate positive long-term organizational change. That such a high percentage of participants reached the goal is an indication that the approach was warranted – and successful.

However, somewhat greater flexibility in the use of the endowment should be an important consideration for future programs of this kind. Organizations of all types, budget sizes, and stages of organizational maturation were involved in JazzNet; providing them with options other than a strict endowment for programming might have provided greater

assistance in the long term to promote sound organizational sustainability and programming growth.

With respect to the desire of some grantees to allow the funds to be board-restricted as opposed to permanently restricted, the consultants have grave concerns about such a shift without a structure that limits how – and to what extent – dollars can be taken. With the best intentions in the world, board-restricted funds are simply too tempting when times are tough, and permanently restricted endowments remain the vehicle of choice for ensuring on-going availability of programming support.

### ***Program Support***

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The decision to provide funding for programming and related administration was certainly helpful to organizations. It offered them a predictable flow of dollars to offset the shifting of development resources from on-going operating support to building endowment. It also provided an immediate opportunity to strengthen jazz programming while simultaneously working on building the endowment. From these perspectives, most participants felt that the annual grant was an extremely important component of the JazzNet program.

Interviews suggest that many groups used this grant support to plan “riskier” programs. In some cases, this meant less immediately popular or more expensive artists and in many it allowed for a more consistent, curatorial approach to presenting jazz. In all these cases, having the \$40,000 or \$50,000 annually for five years opened up possibilities that might not otherwise have been there.<sup>6</sup>

While JazzNet participants made good use of the grant support, it appears that for many groups its importance was less central to the success of JazzNet than the endowment-building portion.

It should be noted that during Year 5 of the program, the ground rules surrounding the NEA’s portion of the programming grants changed. Funds that had been available under the same rules as the DDCF money could now only be used in conjunction with the NEA’s *JazzMasters* program and only for certain artists. This caused a short-term problem for some organizations, reducing the impact of some activities. The situation was later offset when the NEA provided special access to JazzNet grantees for support through the *JazzMasters* program.

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<sup>6</sup> The additional \$11,000 or \$15,000 of National Endowment for the Arts support that these organizations received was also helpful in opening up possible program options.

## Conclusions

JazzNet was designed to foster permanent organizational change. The programming support – which will be replaced in part by endowment earnings – was an effective way both to strengthen current programming and to help secure jazz programming in the future.

Perhaps there were differing expectations placed on what these funds would accomplish. On the one hand, interviews with representatives of the funders indicate that there was no expectation for increases in residencies, commissions, and community-based projects. On the other hand, printed materials may have suggested otherwise. Without a specific narrow focus and a clear plan for the use of the money, the funds were often absorbed within the general operational and programming activities of the organization. An alternative approach would either be to clarify the expectation or explicitly tie the funds to more carefully planned projects with specific targeted outcomes.

The NEA's change in guidelines for the use of its share of the money for these grants was awkward in the short-term, although JazzNet participants ended up receiving more support than originally expected. In hindsight this change must be recognized as a reflection of the difference between government and foundation funding. Foundation funding is often provided over multiple years, while government commitments are renewed annually and can thus change.

## *Technical Assistance*

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The JazzNet technical assistance component had two major elements:

1. An on-going relationship with a “**coach**” assigned by NFF to work with a particular organization. The coach relationship was conceived as a way to provide assistance and structure for organizations to address the challenges of building an endowment. Coaches were asked to work with their organizations to, among other things, create an endowment contribution plan, develop financial-related workplan objectives, and monitor the organizations' progress over the course of the entire program, submitting at first semi-annual and, for the last three years of the program, annual progress reports.
2. Annual **convenings** for all participants with workshops and training sessions, such as the workshop on capitalization, a session held in the first year of the

program. The convenings were two days in length with one day devoted to artistic issues and the other spent on financial issues.

In many ways, the technical assistance components of JazzNet have proven to be the most difficult to evaluate. Given the variations among participating organizations, designing a single program that would benefit all groups is a daunting task. The interviews suggest that the value of both of these elements varied greatly from one organization to another. There was no single factor that the consultants were able to identify that predicted when the assistance would be valuable for an organization, although the smaller-budget organizations were more likely to find it useful.

Comments from participants on the value that **coaches** had for their organizations were extraordinarily varied:

- At one extreme, there was the participant who asked, “Coach? Were we assigned a coach?” and when prompted replied, “Oh yes, that person came by early in the program and called from time to time but that was about it.”
- At the other extreme, a participant said, “I don’t know how we could have succeeded without our coach. They were with us throughout the process and understood our organization from the very start.”

Among those who found the coaches of little value, a common reason given for the lack of impact included a lack of familiarity with their business model or scale of operation. Another reason was more elusive: “chemistry.” As one individual commented, “We just didn’t hit it off.”

As for the **convenings**, some participants most valued NFF’s technical workshops; others preferred the opportunity to address artistic issues; still others enjoyed the opportunity to get to know colleagues. Given the various levels of knowledge and experience among participating individuals, this is not surprising and suggests that the program mix provided something for everyone.

However, more might have been done, according to participants. Many felt that the convenings in particular might have been more valuable had they been more focused or provided different “tracks” based on the individual’s skill level or allowed for more structured interaction among participants.

## **Conclusions**

The resources that were available for technical assistance were relatively limited, compared to other aspects of the program. Representatives of some

groups found little of lasting value in the assistance, while others had significant and transformational experiences.

Since JazzNet was designed to have significant and long-term impacts on participating organizations, this component could have been more central to program effectiveness. The assistance with the “nuts and bolts” for endowment fund-raising filled an obvious need. But more targeted assistance customized to the needs of each organization or targeted only to those organizations requesting it might have led to greater impact in more organizations. One model utilized by some funders is to have a general consultant who works with organizations whose main role it is to help the specialized expert who can assist with the specific area where they need or desire help.

## ***Administration***

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According to interviewees, the administrative aspects of the JazzNet program were reasonable and easily fulfilled. They reported excellent relationships with the NFF staff members who were described as responsive and helpful. If some participants found the reporting requirements “a bit much” (as one interviewee put it), they seemed to understand why it was important and appreciated the shift from a six-month to an annual reporting schedule. Some interviewees commented on the organization of the convenings, suggesting that they might have been run more smoothly. But all such comments were described as “quibbles” in a program that was well run.

In the course of reviewing JazzNet materials and conducting the analysis of program data, the consultants did note some areas of concern:

- **Review of participants’ goals.** When organizations were invited to apply to participate in JazzNet, they were asked to define a set of goals. When they were accepted into the program, they were required to refine or revise those goals. Throughout the five-year course of the program, coaches were asked to report on progress toward these and other goals for each organization. The consultants’ review of the applications and subsequent progress reports suggests that throughout the program these goals were rewritten sometimes several times as revised planning documents and therefore did not provide an effective tool for evaluation. Perhaps a greater focus on a consistent set of goals might have produced more definitive outcomes in some areas of the program.

- **Data definitions.** The lack of clear definitions and guidelines on the data to be collected and how to report it meant that the data was not as useful as it might have been. All participants were required to submit reports each year on the number of residencies, collaborations, community-based programs, and commissions. There was little guidance for participants on how to categorize events within those categories. For example, were they to include only programs that used JazzNet funding? How should they list a residency with a concert that was co-sponsored with a local social service organization?

Another important issue relates to the time period for which data was collected. The fact that participants were required to use a March 1 through February 28 reporting period (which varied from standard fiscal years of virtually all participating organizations) created considerable additional work for them.

- **Data collection and editing.** Much information and data was gathered during the course of the project. While summary reports of this data were created when it was submitted, there were a number of instances where a review of the data over time showed inconsistencies that could have been cleared up at the time. For example, one participant reported frequent community-based projects in both Year 1 and Year 3, but none in Year 2. Another reported nearly tripling residencies in Year 2 and a return to previous levels thereafter. A question at the time – and a note in the file regarding reasons for this unusual level of activity – would have eliminated the need to try to reconstruct reasons for these variations when an in-depth analysis was undertaken years later. In addition, interviews with grantees revealed a lack of clarity with respect to the kinds of activities that were to be included in the different reporting areas, which further contributed to the inconsistencies revealed in the analyses. Specifically, the following actions are suggested:
  - Data should be gathered according to a protocol that has clear and concise definitions and procedures.
  - Data should be gathered for a common fiscal year period and for consecutive years. If there is a gap in data because an organization did not report for a time period, an effort should be made to fill the gap.
  - Data should be examined for consistency at the time it is submitted with immediate follow-up where there seem to be inconsistencies.

## Conclusions

Administering a complex, five-year program such as JazzNet is a challenging task and NFF performed that function well. This is in part due to the early involvement of senior NFF staff in the conceptualization and

design of the program. This provided them with a nuanced understanding of the goals of the program, which in turn fed their structuring of administrative systems. Minor issues in areas relating to goals and data definitions, collection, and editing could be easily addressed.

# Part V

## Further Thoughts on JazzNet

Since the Ford Foundation invented the modern arts grant in the 1950s, the funding community has developed ever more sophisticated ways to provide assistance to its constituents. Ford itself developed the precursors of the matching grant, the program grant, the challenge grant, the stabilization/endowment-building grant, and it also developed early forms of technical assistance. All of these techniques, in an evolved form, found their way into the design of JazzNet, just as many of them have found their way into most of the leading funding programs that exist today.

Yet, after so many years, many questions that Ford faced over a half century ago still persist.

- Can a funder expect to see systemic change in a field as a result of a modest investment of grant money provided for a relatively short time?
- Can a funder even expect substantive development and change within a single organization given the same limitations?
- Do good ideas and practices “bubble up” from the field and should funders allow for them? Or should they structure their grant programs tightly to ensure success?
- Should funders support mature, well-run organizations that they know will execute well even though these recipients may not need the funds as much as others that are less well prepared and may not perform as well?
- Is the incentive of dollars and targeted short-term technical assistance sufficient to change organizational behavior?

- When an entire industry is under stress, can funders really expect grantees to focus on anything but a “survival” mentality?
- What is sustainability in arts organizations and how important is it to effective philanthropy?
- How can arts funders carry out effective evaluation and secure the quantitative data they require to support such evaluation?

## *Lessons from JazzNet*

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One of the greatest strengths of the JazzNet program is the extent to which it shed important light on these questions. While informed people may disagree in the lessons that can be derived from JazzNet, the following represents at least one body of opinion that can be taken away from the JazzNet experience.

- *Can a funder expect to see systemic change in a field as a result of a modest investment of grant money provided for a relatively short time?*  
Probably not if the investment is on the scale of JazzNet over a five-year period and the discipline is as large as jazz presenting. Arts disciplines tend to change in response to grantmaker initiatives only when a consortium of funders works together and invests substantial dollars in a targeted way. For example, the massive shift from home-based to touring-based production in the dance field in the 1960s and 1970s was the result of a coordinated effort between public and private funders. So was the shift toward building endowment for stabilization and sustainability in the 1970s and 1980s. In the 1980s and 1990s, the shift from supply side to demand side program initiatives within cultural institutions grew out of an effort by funders to address the looming audience crisis in the arts. In all these cases, an investment was substantial, it was coordinated, and it lasted a long time.
- *Can a funder even expect substantive development and change within a single organization given the same limitations?*  
Here the answer is probably yes so long as the scale of investment is sufficiently large relative to the size of the organization. It is likely that the larger organizations that were funded through JazzNet will continue to operate overall as they have in the past although the grants can help secure quality jazz programming. For smaller organizations, there has been a significant shift in how they operate, the way they program, and the way they think about sustainability.
- *Do good ideas and practices “bubble up” from the field and should funders allow for them? Or should they structure their grant programs tightly to*

*ensure success?*

Most good ideas do not emerge because of the opportunity created solely by funding. Funding follows good ideas, it does not create them. Too many funders hope that if money is provided with few restrictions, the field will respond by creating new paradigms. This is rarely true and JazzNet is a case in point. Where it provided a good deal of structure, it met with success (the endowment-building components). Where it provided less structure, success was more individually determined (the program grants). Mostly, JazzNet's success was fostered by experienced grantmakers designing a carefully structured program.

- *Should funders support mature, well-run organizations that they know will execute well even though these recipients may not need the funds as much as others that are less well prepared that may not perform as well?*

It depends. Some grantmakers want to reward and invest in excellence and can tolerate very little “messiness” or lack of success among its grantee pool. Others believe that funding is all about risk and helping organizations stretch toward maturation. JazzNet funded both established and less established organizations, although it favored stable, well-run institutions. In one case where it took some risks, it was forced to drop two partnering organizations midway through the program, although other, equally “risky” organizations did in fact succeed. With its emphasis on high-quality organizations, the likelihood of success was increased.

- *Is the incentive of dollars and targeted short-term technical assistance sufficient to change organizational behavior?*

Probably not. Organizations and the leaders within them tend to change – in some kind of substantive way – when there are strong incentives to do so. In the case of JazzNet, technical assistance was most valuable where it was focused on developing expertise around endowment building. This was an area where people could see the tangible benefits so they were clearly motivated to learn and develop. Where the benefit was less clear, there was less inclination to change.

- *When an entire industry is under stress, can funders really expect grantees to focus on anything but a “survival” mentality?*

Having experienced the most serious funding crisis of modern times during and immediately after the September 11, 2001 terrorist attacks, it became clear to most in the funding community just how difficult it can be to shift the attention of organizations dealing with survival issues to some other agenda. JazzNet's experience shows how important a funder can be to organizations during a period of stress. But it also demonstrates how important it is to be flexible and to be able to have realistic expectations.

- *What is sustainability in arts organizations and how important is it to effective philanthropy?*

Sustainability in arts organizations is not a single attribute but many – including clarity about mission, strong leadership, financial viability, responsiveness to constituencies and markets, and realistic and achievable goals (among others). It is a key requirement for effective philanthropy and many grantmakers have discovered, to their dismay, that unstable institutions and organizations in crisis rarely make good partners. Those that designed the JazzNet program understood this and designed the program with organizational health and viability very much in mind.

- *How can arts funders carry out effective evaluation and secure the quantitative data they require to support such evaluation?*

Evaluation of grants programs in the arts has often suffered from a lack of good, reliable data. Even when grantees are asked to collect data – as was the case with the JazzNet program – it often ends up being inconsistently gathered and reported. Good evaluation also suffers from not having field control data against which a particular sample of organizations can be assessed. In the arts field, only symphony orchestras have developed a comprehensive, longitudinal database, and this has been an invaluable tool for individual organizations and the field itself.

In dealing with the challenge of data, there are some cosmetic strategies that grantmakers can employ; but a real fix would take time, money, commitment and cooperation. In the short-term, programs like JazzNet have to establish better protocols for defining both the data required and how it is collected. They also have to assign the coordination and organization of that data to a representative of the grantmaker during the life of the program so that the sifting and cleaning of data can take place promptly. In the long term, however, grantmakers must work on a coordinated database that is linked to their application and final reporting processes such that data is routinely collected in a coordinated fashion. Arts organizations, knowing that the data is required by many major funders, would be more motivated to supply it conscientiously. A large database, similar to that maintained for symphony orchestras, could be maintained thus facilitating sound evaluation and advocacy.

## ***Recommendations***

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In light of the experiences of the JazzNet program, the consultants propose a few specific recommendations:

1. ***Be consistently clear with grantees about expectations.*** There were aspects of the JazzNet program about which there appeared to be some confusion, especially with respect to expected outcomes of the program grants. While one message may have been communicated in workshops and conversations with grantees, guidelines and other printed materials seemed to offer the possibility of other interpretations. Grantees like to please their funders, so it is important to convey what is expected and, just as important, what is not.
2. ***Consider funding for cash reserves and unrestricted endowment.*** Restricted program endowments provided a valuable asset for grantee organizations and focused attention on expanding opportunities for jazz artists. But for some organizations that had little or no operating reserve or general endowment, such grants may not contribute to their long-term ability to carry out the programming. A more careful analysis of an organization's stage of development and financial needs might suggest a more multifaceted approach to providing cash assets.
3. ***Develop a nuanced understanding of the nature of earned and contributed income as well as debt in nonprofit organizations.*** Many funders believe that organizations grow healthier as their percentage of earned income increases. They also believe that the less debt in a nonprofit organization, the better. In fact, evidence shows that as many nonprofit organizations grow and mature, their percentage of earned income actually decreases while contributions and endowment income play an ever-larger role. Successful organizations also often use debt in innovative ways to become stronger and to grow. It is crucial to understand these dynamics and to help grantees understand them.
4. ***Consider convening JazzNet participants for networking and technical assistance beyond the grant period.*** One of the valuable aspects of the JazzNet program from the participants' point of view was the opportunity to convene and to learn from one another and from resource people on an annual basis. This component of the program was not especially expensive and would have considerable value in the years ahead as the pay-off of the program grows.
5. ***Develop clear definitions, protocols, and staffing for data collection.*** Many grantee organizations do not make data reporting a priority and are fairly casual about the accuracy of the data they do provide. If a funder is relying on data to make policy decisions, it is important that it be reliable. Staffing for this component of the program, making sure the groups receive technical assistance with clear instructions and definitions, and managing and analyzing the data in a timely way are crucial.

6. ***Make evaluation a more integral part of the program both before and after it is completed.*** A summative evaluation like the one provided in this document certainly has value in assessing the success of a program like JazzNet. However, it might have greater value if it is commenced earlier in the program's life cycle and could provide formative recommendations during the course of the program. In addition, looking at the pool of grantees three to five years hence could offer insight into the value of the program in the long term.

## ***Conclusions***

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Good grants programs in the arts contribute to the field in many ways. They can provide support for specific organizations. They can raise awareness and establish credibility for organizations that they support. And, through self-analysis, they can add to the considerable body of knowledge about the arts and philanthropy. JazzNet did all of these things, a great credit to those who designed the program and those who benefited from it.

# Appendix A

## List of Interviewees

<i>Jay Albert</i>	Interim Director, Tri-C Jazz Fest
<i>Marty Ashby</i>	Executive Producer, Manchester Craftsmen's Guild
<i>Dave Barber</i>	Director of Programs, Cityfolk
<i>James B. Borders IV</i>	President, J.B. Borders & Associates; Board member, New Orleans Jazz & Heritage Foundation
<i>Cephas Bowles</i>	General Manager, WBGO
<i>Wayne Brown</i>	Director, Music and Opera Division, National Endowment for the Arts
<i>Thomas Carter</i>	Executive Director, Thelonious Monk Institute of Jazz
<i>Brianne Chase</i>	Board member, Flynn Center for the Performing Arts
<i>Wells Chen</i>	Associate, Nonprofit Finance Fund; JazzNet Manager
<i>Sharon Combs</i>	Vice President, National Alliances, Nonprofit Finance Fund

<i>Adrian Ellis</i>	Founder and CEO, AEA Consulting; Consultant to Nonprofit Finance Fund
<i>Kenneth Fischer</i>	President, University Musical Society
<i>Andrea Freedman</i>	Vice President of Finance, Method Products, Inc.; former CFO, San Francisco Jazz Organization
<i>Olga Garay</i>	Program Director for the Arts, Doris Duke Charitable Foundation
<i>John Gilbreath</i>	Executive Director, Earshot Jazz
<i>Renee Govanucci</i>	Associate Producer for MCG Jazz, Manchester Craftsmen's Guild
<i>Juliana Grenzeback</i>	Independent Consultant; JazzNet Technical Assistance Coach
<i>Tom Guralnick</i>	Executive Director, Outpost Productions
<i>John Harris</i>	Executive Director, Cityfolk
<i>Tom Horning</i>	Professor, Cuyahoga Community College; former Executive Director, Tri-C Jazz Fest
<i>Mark Jacobson</i>	Jazz Curator and Programming Manager, University Musical Society
<i>David Kleiser</i>	CFO, Brooklyn Museum; JazzNet Technical Assistance Coach
<i>Randall Kline</i>	Executive Director, San Francisco Jazz Organization
<i>Bill LeBoeuf</i>	Board member, Cityfolk
<i>Dollie McLean</i>	Executive Director, Artists Collective

<i>Don Marshall</i>	Executive Director, New Orleans Jazz & Heritage Foundation
<i>Clara Miller</i>	President and CEO, Nonprofit Finance Fund
<i>Arnie Malina</i>	Artistic Director, Flynn Center for the Performing Arts
<i>Juanita Moore</i>	Executive Director, American Jazz Museum
<i>Laurel Raczka</i>	Executive Director, Painted Bride Art Center
<i>Andrea Rogers</i>	Executive Director, Flynn Center for the Performing Arts
<i>Marc Wancer</i>	Senior Financial Associate, Nonprofit Finance Fund; JazzNet Technical Assistance Coach
<i>Jay Weigel</i>	Executive Director, Contemporary Arts Center