

PHILADELPHIA CULTURAL
LEADERSHIP PROGRAM



A Program of The Pew Charitable Trusts

Program Description

J U N E 2 0 1 1 G R A N T C Y C L E

WHAT'S NEW THIS YEAR



- New minimum eligibility requirements are listed on page 4.
- Any organization that is not a current grant recipient of PCLP must speak with a Culture Program staff member before applying to the program.
- In response to feedback from the arts and culture community, the *Index of Organizational Health* is included to help applicants better understand the review process.
- A revised description of how the Trusts define unrestricted working capital is provided both in the Program Description and the Application Guidelines for New and Renewing Applicants to help organizations assess whether they meet the program's minimum working capital requirements.
- There are changes to the wording of the tax certification letter that confirms your organization's tax status.



The goal of the Philadelphia Cultural Leadership Program (PCLP) is to stimulate leadership and best practices within the cultural community by providing multiyear operating support to organizations that meet high standards of programmatic, fiscal and management performance. PCLP is complemented by the Philadelphia Cultural Management Initiative, housed at the Pew Center for Arts and Heritage, which provides resources to help organizations attain and maintain those standards.

PCLP grants, which provide multiyear unrestricted support, are awarded through a highly competitive process to a limited number of high-performing organizations. The Philadelphia Cultural Management Initiative (PCMI) provides professional development opportunities and project grants which are targeted to address specific challenges related to marketing, governance, financial management and other operational areas. Both programs aim to advance best management and programmatic practices among cultural organizations. Interested applicants in the five counties of Southeastern Pennsylvania are encouraged to consult with Culture Program staff to determine which program is best suited to their particular needs. Guidelines for PCMI can be found at www.artshelp.org.

The Trusts is deeply committed to helping artists and arts organizations provide the public with a wide variety of high-quality programs on a sustained basis. The Artistic Initiatives at the Pew Center for Arts and Heritage (www.pcah.us) aim to encourage and support outstanding music, theatre and dance presentations, visual arts and history exhibitions, heritage programs and exemplary historic preservation projects. PCLP, in collaboration with PCMI, is designed to complement these Artistic Initiatives by developing and rewarding strong management practices that provide the institutional platform on which successful, exciting and innovative programming can be built. In addition to PCLP, PCMI and the Artistic Initiatives, the Trusts supports various efforts to increase audience participation and public support. Notable among these programs is the Engage 2020 (www.philaculture.org/campaign/campaign.htm) which is managed by the Greater Philadelphia Cultural Alliance. This three-part strategy called the Philadelphia Program seeks to strengthen both management practices and artistic quality while helping artists and cultural institutions reach out to audiences.



While PCMI attempts to enable organizations to develop good management and programmatic practices, PCLP rewards those that can demonstrate that they have done so in an exemplary way with unrestricted multiyear support. Since 1997, the Trusts has made 177 PCLP grants totaling just below \$56 million to 58 organizations. PCLP currently supports 30 organizations (listed on page 15) with budgets ranging in size from \$369,000 to \$54,000,000, and which are located throughout Southeastern Pennsylvania. These organizations are among the region's most significant cultural resources, presenting approximately 9,600 exhibitions, performances and other programs to an audience of more than 4.8 million local residents and visitors.

PCLP Applicants are evaluated against an *Index of Organizational Health (Index)*, which has been developed from those practices and standards exhibited by the best-managed arts institutions in the region and nationally. Organizations that meet certain minimum requirements are invited to submit a full application. The application process consists of the submission of a number of documents such as board minutes, strategic plans and financial statements. A team of reviewers then uses these documents and conducts daylong site visits in order to score applicants' levels of accomplishment on the individual components of the *Index* (see pages 5-10).

The application process for PCLP can be time consuming and, if the organization is not fully prepared, it may be a poor use of precious time. For that reason it is important that applicants consult with Culture Program staff months in advance of the application deadline regarding whether or not the timing is right for them to apply.

A more complete description of the application process follows.

The minimum requirements for PCLP are listed below. Any organization that is not a current

MINIMUM REQUIREMENTS for PCLP

recipient of PCLP must speak with a Culture Program grant officer before applying to the program. (NEW) To apply to the program, organizations must:

- Be classified as tax exempt under section 501(c)3 of the Internal Revenue Code and have non-private foundation status under Section 509(a).
- Be located and operate in Bucks, Chester, Delaware, Montgomery or Philadelphia counties.
- Have submitted the four most recent years of operating data to the Pennsylvania Cultural Data Project. This data must indicate that the organization has maintained a minimum of \$300,000 of unrestricted expenses in each of the four years.
- Demonstrate at least a five-year history of strategic planning and possess a board-approved strategic plan that is in active use by board, staff and volunteers and that extends through the proposed three-year grant period.
- Be professionally managed with at least three full-time, paid professional staff members. For applicants new to the program, executive leadership must have been in place for at least one year at the time of the submission of the letter of intent.
- Provide programming that is available to the general public and that attracts a substantial local constituency. Arts service organizations must demonstrate that their programs have a positive impact on audiences by improving the conditions under which direct providers operate.
- Be able to demonstrate a significant history of exemplary programmatic accomplishment. For instance, organizations that are eligible to receive funding from any of the Artistic Initiatives at the Pew Center for Arts and Heritage, evidence of exemplary programmatic accomplishment might include having received a project grant from any one of those Initiatives in the past three years. Evidence might also include accreditation from a national program such as but not limited to the American Association of Museums or the Association of Zoos and Aquariums.
- Demonstrate a history of solid financial practice by showing positive unrestricted working capital in the most recent fiscal year. For more information on how to determine unrestricted working capital please refer to page 16 of this document.

Meeting all these minimum requirements and/or being invited to make a complete application to PCLP is only the beginning of the application process and does not guarantee a grant will be awarded. As stated earlier, organizations are encouraged to take full advantage of the programs and services of the Philadelphia Cultural Management Initiative which, for many organizations, will be a more appropriate avenue for support.



To make the review as fair as possible, the program relies on highly experienced consultants from outside the region who review the documents submitted by applicants and conduct a site visit in order to witness firsthand the organizational dynamics of the institutions they are evaluating. (see Application Guidelines for New or Renewing Applicants) They assess programmatic and operational performance using the *Index of Organizational Health*, a set of indicators that have been developed from the best practices of arts institutions across the country. A second reviewer who is focused on finances will not make the site visit, but in some cases may speak to the organization's staff by phone.

THE INDEX OF ORGANIZATIONAL HEALTH

The *Index* evaluates both the programmatic and managerial components of cultural organizations. It should be noted, however, that the PCLP application process does not involve the reviewers directly experiencing the programming of each applicant. To be accurate and fair to the applicants, this would require multiple site visits by qualified artists and professionals with discipline-specific knowledge over an extended period of time. While that kind of assessment is out of the scope of PCLP, the reviewers will try to determine if the organization has an ongoing commitment to quality by having practices in place that are effective at improving its artistry and programming.

The *Index* is made up of six different sections, each related to different attributes of organizational health, including identity and purpose; leadership at board and staff levels; program quality; financial management; strategic planning; and record keeping and data analysis. Each section is made up of specific indicators that are scored based on evidence the reviewers glean either from the documents submitted by the applicant or during the site review. The number of indicators in each section of the review varies according to the relative weight given to each of the six attributes of organizational health.

The components of the *Index* are as follows:

A. The organization's identity and purpose are clear and reflected in sustained ownership of its mission, values and vision

1. Articulation of an agreed upon mission, organizational values, and a compelling vision for the future
2. Strong ownership of mission, values and vision by board, staff, artists and volunteers
3. Program leadership shows clear vision and direction in program development/enhancement goals and objectives
4. Evidence that program choices display a coherent programming philosophy that is continually informed by mission and vision
5. Evidence that mission and organizational values are upheld, or appropriately revised, during processes of change



B. The organization possesses appropriate leadership to pursue its agreed-upon direction, address needs and challenges, and implement decisions

6. Evidence that the board monitors organizational performance and takes appropriate action as needed
7. Evidence that the composition of the board includes representatives with diverse capabilities from appropriate constituencies, and that the board is being built with purpose
8. Evidence that the structure, training and appraisal of the board are appropriate to organizational needs
9. Evidence that the board manages, appraises and motivates the executive leadership
10. Evidence that the structure, responsibilities and qualifications of staff are appropriate to organizational aims and functions
11. Evidence of effective decision-making processes throughout the organization
12. Evidence of effective management, appraisal, professional development and motivation of staff, volunteers and interns
13. Evidence of effective acquisition, maintenance and/or utilization of facilities
14. Evidence that there are systems, strategies and/or processes for initiating and managing internal transitions and external change in a timely and appropriate fashion

C. The organization is concerned to maintain and improve program quality, and to engage effectively with identified constituencies

15. Clarity of program leadership regarding the desired program impact on identified constituencies
16. Evidence that knowledge of constituencies informs programming
17. Audience/attendance/enrollment/contributions trends indicate appropriate levels of commitment and revenues from participants
18. Collection and analysis of objective audience information and market research findings
19. Evidence that program evaluation is conducted, and that it impacts program planning and quality



- 20. Evidence of engagement with and impact in the local community: roles that board and staff play in local cultural forums, sharing of resources and alliance building with other organizations
- 21. Evidence of ways in which the programming and leadership of the organization impact the relevant field

D. The organization exhibits responsible leadership in financial operations and planning

- 22. Year-to-year fluctuations in operating results and balance sheet figures over the last 2 years are understood and addressed
- 23. The main assumptions underlying operating budget projections for the current year (approved) and at least 2 years ahead are noted
- 24. Evidence of effective board oversight of the organization's assets and financial condition, including review and approval of financial statements
- 25. Evidence of an appropriate level of capitalization in the organization
- 25a. Evidence of effective development and management of a long-term financial strategy
- 26. Evidence of effective financial decision-making processes, including the adoption of suitable corrective actions in light of periodic budget variances

E. The organization has a comprehensive and inclusive approach to planning, with realistic assessments of capacities and resources

- 27. Evidence of broad and effective participation by board, staff, artists and volunteers in strategic planning, including processes of developing and reviewing mission, values and vision
- 28. Understanding among board and staff of the main features and priorities of planning documents
- 29. Planning documents include assessment of the organization's past performance, constituencies, operating environment and organizational capabilities
- 30. Planning documents set a direction for the future of the organization and show attention given to addressing strategically identified areas for development
- 31. Plan includes goals and strategies with outcomes that are prioritized and measurable, and with resources allocated in alignment with goals and financial projections



- 32. Planning documents include an implementation plan with realistic tasks, timelines and responsibilities
 - 33. Evidence that current year and future operating assumptions are consistent with past performance and trends
 - 34. Evidence of use made of planning documents on an ongoing basis, including consistent plan monitoring, effective evaluation activities and ongoing planning as needed
 - 35. Evidence that the organization has assessed the feasibility of accomplishing its plans, and has appropriate contingency plans
- F. The organization's record keeping and data analysis support comprehensive planning and demonstrate whether the organization is meeting its goals**
- 36. Evidence that the organization gathers, interprets and makes use of operating and financial data that are appropriate to organizational management and planning
 - 37. Description of the extent to which the organization has met quantified goals

THE INDEX OF ORGANIZATIONAL HEALTH: ORGANIZATIONAL RATING SYSTEM



Each of the individual indicators in the Index is given a score based upon a whole-number grading, from a low of 1 to a high of 5. The system is based on assessing whether the organization demonstrates, through the documents submitted or during the site visit, evidence of accomplishment on each of the individual indicators. The sum of these ratings is used to rank organizations against those currently receiving funding to determine whether the organization meets the standards of the program.

Each of the preceding indicators is scored as follows.

not evident 1 weak 2 adequate 3 strong 4 outstanding 5

Not evident- There is no evidence that the organization's current needs with regard to this indicator are being met

Weak- The evidence presented with regard to this indicator suggests that the organization's performance is insufficient to meet its current needs

Adequate- The evidence presented with regard to this indicator suggests that the organization's performance is adequate to meet the its current needs

Strong- The evidence presented with regard to this indicator suggests that the organization's performance is well-developed, beyond the its current needs, in ways that appropriately reflect planned/anticipated future needs

Outstanding- The evidence presented with regard to this indicator suggests that the organization's performance is exemplary to the field.



After the numerical grading for each indicator, reviewers are asked to comment, as needed, on additional information that may have bearing on the reasons a particular score was given. These comments generally fall into the following categories and are included to indicate cases in which an indicator was interpreted in a specific way for a particular organization.

Rationale: *Reasons for the choice of numerical grading, if the assessor believes this might be unclear in relation to other scores or evidence about the organization.*

Anomaly: *Unusual characteristics of the organization that have informed the grading are noted.*

Salience: *It may be necessary to record that a particular indicator has more or less than normal relevance and importance for the organization. The degree of salience should not affect the numerical grading, but may be reviewed in the case of borderline applicants.*



The site visit allows the reviewers to experience the people, environment, culture and work of the organization firsthand.

Who are the reviewers?

The reviewers are seasoned professionals experienced in working with arts and culture organizations across the country. Two reviewers will work with each applicant organization—one will look at leadership, plans, operations and programming and another fiscal consultant will do an in-depth analysis of each organization's finances. Only the organizational reviewer conducts the site visit.

When will the site visit take place?

Organizations will be contacted by one of the reviewers early in October. The reviewer will want to schedule a four to eight-hour site visit to meet with various people, talk about the organization and clarify questions that emerge from reading the materials submitted. The reviewer will schedule the site visit at a time that is as convenient as possible for your board and staff. Normally, you will have several choices of dates. However, the reviewer will be simultaneously scheduling visits with many other organizations, and coordinating schedules can become difficult. The faster you can settle on a date, the more choices you will have. The site visits for applicants will be conducted during December 2010 and January 2011.

Who will participate in the site visit, and what should I expect?

You and the reviewer will jointly decide who in your organization will be part of the site visit. The artistic director, executive director, board chair and the people who manage the organization's finances, marketing, fund-raising/development and/or human resources are likely to be included, sometimes in groups. For example, the reviewer might have one meeting with the board and finance committee chairs and another with the marketing and development directors. If possible the reviewer may want to tour your facility to see the context in which programming is produced and delivered to the public. You will be responsible for scheduling meetings with the board and staff for that day and for letting the reviewer know what the schedule will be. Based on our experience in prior years, we have found that lunch meetings at restaurants do not work well but the consultant may appreciate an informal lunch in your offices. Prior to the site visit, reviewers will confirm the schedule and let you know if they have any particular questions they would like to discuss with you. Although the fiscal reviewer will not be present at the site visit, the organizational reviewer will ask specific questions about your finances. In some cases, the fiscal reviewer may call after the site visit to clarify any remaining questions. The organizational reviewer may also call after the site visit to clarify information for a final report. The reviewers submit their reports to Pew staff in February.

How are the final decisions made?

Pew staff, not the reviewers, are responsible for making recommendations to the Trusts' board for funding approval. However, staff relies heavily on the results of the review in making those recommendations. At the end of March, after discussion with the Trusts' board, all applicants are notified of their preliminary status. Applicants who are not being recommended for funding are notified of that decision at this time. Final decisions regarding grant applications will be made by The Pew Charitable Trusts' board at the June 2011 meeting. At this time, the program staff will be happy to meet with all applicants to go over the results of the review of their organization.



1. How many grants will be made?

The Culture Program staff expects to recommend funding for all applicants that meet the same standards as existing PCLP grantees. In real terms that means successful applicants will be operating from a very high platform of accomplishment and excellence.

2. Are certain types of organizations more likely to be funded?

PCLP provides funds to a wide variety of organizations. Based on the make-up of the current grantees, there is no discernable bias in the review criteria for or against organizations based on size, constituency, discipline or geography.

3. Will it hurt our application if we talk about areas of weakness?

Candor and honesty are highly valued in the review process. The reviewers very much appreciate those organizations and individuals who are as frank about their shortcomings as their strengths. Likewise, it is usually quite apparent when there has been an attempt to gloss over problems or when documents have been created especially for the application (without acknowledging such).

4. We were turned down last year. What are our chances this year?

Improvements in review ratings from one year to the next are likely to be marginal. Culture Program staff strongly advise against back-to-back applications. For that reason, all applicants are urged to realistically assess whether or not the time is right to apply, since waiting a year could significantly improve the organization's chances of success.

5. Should we send more materials than those requested?

Sending too much material may make it difficult for the reviewers to find what they really need. It is best to send what you think is reasonable and ask the site reviewer at the time the appointment is set up if they need additional information.

6. We are in transition (new director, restructuring, etc). How will that affect our application?

Organizations that have a long history of strong management tend to do well in the PCLP review regardless of recent leadership changes or other transitions. However, those organizations without such a strong record should think hard about whether or not the moment is right for an application. It is important to keep in mind that even though you may feel that you have made significant progress over recent years in updating your management practices, these year-to-year gains, laudable as they may be, do not guarantee success in the program. Culture Program staff can help potential applicants determine whether or not a particular transition may result in lower scores on the *Index*.

7. Does meeting the unrestricted working capital threshold mean that we are likely to get a grant?

Meeting the unrestricted working capital threshold requirement is only the beginning of the review process. The full review includes a substantial look at the organization's bottom line, as well as its financial management practices. Any meaningful financial vulnerability is likely to affect the evaluation negatively. In addition, even organizations with strong finances will not be successful if equally robust programmatic acumen and success are not similarly evident.



8. How much work is involved in the application?

The process of putting together the application is often time consuming and if the organization is not adequately prepared may take many hours of time for a number of key people. Before deciding to apply, you should decide if the potential reward justifies dedicating such valuable staff resources to the application.

9. What if we have questions or concerns about our application?

Talking and meeting with the Culture Program staff is encouraged. We are available to talk with you at any time about any aspect of the PCLP application.

10. When should we get started on the application?

Get started now. Much of the application involves tracking down and copying documents that should already exist within your files. It would be wise to begin the gathering of those materials as soon as possible. Many successful applicants have taken years to prepare themselves for the process.

11. Can we expect an increase in the size of our grant upon renewal?

There were no increases in 2010, and it is unlikely that there will be increases in 2011.

12. Is it possible for a renewing organization to be turned down?

Renewing organizations will undergo the same review as new organizations and will be required to meet the same standards of excellence as those new to the program.

ORGANIZATIONS ELIGIBLE TO APPLY FOR PCLP FUNDS



- Museums of any kind
- Visual and media arts organizations
- Performing arts and literary organizations
- Arts education organizations
- Arts service organizations
- Living collections (zoos and arboreta)
- Community and/or multidisciplinary arts centers
- Cultural service organizations
- Private special collections libraries

Training institutions that are degree granting or organizations whose work is not primarily in cultural activity are not eligible for PCLP support. However, autonomous programs of degree-granting institutions may apply.

THE APPLICATION PROCESS

Application to the Philadelphia Cultural Leadership Program (PCLP) begins with a Letter of Intent (LOI) in September. Within two weeks, the Culture Program staff will review the LOI materials and advise applicants whether or not they are eligible to submit a full proposal. During January 2011, proposals and accompanying materials will be evaluated by program staff and external reviewers.

Grant recommendations will be presented to the Trusts' board in June of 2011.

THE PHILADELPHIA CULTURAL LEADERSHIP PROGRAM STAFF

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Please do not hesitate to contact us with any questions or concerns. Office hours are Monday through Friday, 8:30 a.m. to 5:00 p.m.

CURRENT PHILADELPHIA LEADERSHIP GRANTEES (AS OF JUNE 2010)



Abington Art Center	John J. Tyler Arboretum
The Academy of Vocal Arts	The Library Company of Philadelphia
Arden Theatre Company	Main Line Art Center
Art Reach	Opera Company of Philadelphia
Asian Arts Initiative	Pennsylvania Ballet Association
Astral Artistic Services	The People's Light and Theatre Company
The Brandywine Conservancy, Inc.	Philadelphia Chamber Music Society
Bucks County Historical Society	Philadelphia Folklore Project
The Clay Studio	Philadelphia Museum of Art
Center for Emerging Visual Artists	The Philadelphia Zoo
Conservation Center for Art and Historic Artifacts	Philadelphia Young Playwrights Festival
The Franklin Institute	Samuel S. Fleisher Art Memorial
Greater Philadelphia Cultural Alliance	Settlement Music School
James A. Michener Art Museum	University of Pennsylvania, Morris Arboretum
	The Wilma Theater

DETERMINING UNRESTRICTED WORKING CAPITAL

Having a positive unrestricted working capital (UWC) balance is a minimum requirement for organizations applying to PCLP. Please note that in order to determine unrestricted working capital (UWC) the Trusts uses a common definition which is unrestricted current assets less unrestricted current liabilities. This calculation is made from the audit from applicants' most recent fiscal year and using additional data that has been supplied by the grantee through the Pennsylvania Cultural Data Project (PACDP). PACDP provides a breakdown of unrestricted, temporarily restricted and permanently restricted assets and liabilities with a breakdown of which are current and non current. PCLP applicants are encouraged to have their financial staff contact the Culture Program staff for additional information or clarity. There are some exceptions to the basic UWC calculation that are noted in the following section.

To determine the amount of your organization's UWC, subtract unrestricted current liabilities from unrestricted current assets. To do this, you must first determine which assets and which liabilities are "current", with a further breakdown by category of unrestricted, temporarily restricted and permanently restricted. Some statements of financial position (balance sheet) list current assets as a subtotal of total assets, and list current liabilities as a subtotal of total liabilities. However, even when the financial statement makes these distinctions, one must still verify what funds are unrestricted current for our UWC calculation. Specifically, current assets are defined as those that are cash or readily convertible to cash. To qualify as current assets for our UWC calculation, the current assets must be owned and under the control of the organization such that the organization may use the assets as it chooses. Furthermore, these current assets may not be externally encumbered in any way. Examples of current assets are cash and cash equivalents (e.g., short-term treasury bills, short-term certificates of deposit), accounts receivable that are expected to materialize in the coming 12 months, unconditional grants and contributions receivable within one year, inventory, prepaid expenses and liquid investments. On the PACDP form the applicant must further break down these items between unrestricted, temporarily restricted and permanently restricted.

Perhaps a more common restriction for PCLP applicants would be those restrictions on assets that have been imposed by a donor. For example, if a donor has made a grant on the condition that the grantee undertakes certain projects, then those grant funds/assets are not available to be used in any way that the grantee chooses. Thus, there is an offsetting liability, which is the obligation to expend the funds in the manner prescribed by the donor. Typically these funds should be accounted for as temporarily restricted and would not enter into the calculation of UWC.

Short-term/current investments are considered unrestricted working capital, though this might not be apparent from the balance sheet. To be considered for UWC, an organization's investments must be (1) marketable securities, (2) legally owned and controlled by the organization, (3) an unrestricted asset and (4) not encumbered in any way.

Some balance sheets classify investments as "current" or "long-term." These classifications can be misleading because "current" investments may not necessarily be available for UWC and some "long-term" investments may be available for UWC. The PACDP form clearly delineates between those long-term assets that are unrestricted and current and those that are restricted either permanently or temporarily.



On the other hand, an example of investments classified as current but not available as a current asset might be equity securities (marketable and liquid) that are encumbered by a bank as collateral for a credit facility. Conversely, an example of investments classified as long term but that would be considered as working capital might be unencumbered marketable securities, classified as long term only because they are designated by the organization's board for long-term or future use. Regardless of such a board designation, unrestricted liquid investments are usually considered available for working capital. Although investments designated by the board as long term may be considered current assets for the purposes of determining UWC, investments that have been designated as permanently restricted by the donor are most emphatically not.

Current liabilities are obligations of the organization that must be met within the 12 months following the balance sheet date. Examples of common current liabilities would be accounts payable and accrued payroll. Some liabilities will have a current portion and a long-term portion. For instance, a mortgage typically is shown on the balance sheet with both a current portion, the amount which must be repaid over the next 12 months, and a long-term portion to be paid in subsequent fiscal years.

Temporarily restricted net assets (TRNA) are one of the three classes of net assets defined by FAS 117. TRNA are net assets (temporarily restricted assets minus temporarily restricted liabilities) that are restricted by donors for a specific purpose or for use during a specific time period. In some cases, a portion of an organization's temporarily restricted net assets may be considered to be available as UWC. This typically occurs when the only restriction on a grant is a time-based one, often resulting from having received a pledge of operating funds that are to be used in the next year but which do not come with any countervailing obligation to spend the money in a particular way. If using the standard definition of unrestricted working capital does not result in a positive number, applicants may provide additional information from their auditor to substantiate that a portion of their temporarily restricted net assets should be added to the UWC calculation. Contact the Culture Program staff with any questions or for clarification.

Permanently restricted net assets (PRNA) are assets that must be maintained by the organization in perpetuity. They are most often composed of an organization's permanently restricted endowment funds (i.e., funds contributed by donors who have explicitly stipulated that the principal may never be spent). The appreciation of and income generated from these permanently invested assets may be either unrestricted or temporary restricted depending on the wishes of the donor. Occasionally, the donor requires that the appreciation or the income be permanently restricted and reinvested with the principal. If PRNA are commingled with the organization's investments, they must be deducted from any investments included in working capital.