

Arca

The Arca Foundation *Annual Report 2002*

In Memory
Hubert Humphrey
(1928-2003)

General Counsel of the Arca Foundation, 1984-2003.
You served us well. you will be missed.

ark (ärk) noun [OE, earc<L. arca]

1. bible, the huge boat in which Noah, his family, and two of every kind of creature survived the Flood: Genesis 6 2. formerly, a large, flat-bottomed river boat 3. a place or thing furnishing protection: refuge 4. a) same as ARK OF THE COVENANT b) an enclosure in a synagogue or temple for the scrolls of the Temple 5. a chest or coffer.

With 50 years under its belt, The Arca Foundation took the opportunity to reflect upon and celebrate 50 years of philanthropy. Staying true to the guidance of our founder, Nancy Susan Reynolds, the Arca Foundation's grantmaking in 2003 was on course. From the early grants exploring population policy and toxic waste to organizations working to end the conflicts in Central America and reduce the influence of money on politics, the Arca Foundation celebrated our beginnings in 1952 and looked to the future beyond 2002.

In 2002, Arca grantees had much to celebrate. The Illinois Death Penalty Education Project mounted one of the most successful efforts in two decades to turn back the clock on executions in Illinois. Their public education efforts led Illinois Governor George Ryan to impose the first-ever moratorium on executions in order to study the system. In a landmark move, Governor Ryan concluded that the capital punishment system in Illinois was fatally flawed, and he commuted the sentences of 156 persons on death row and 11 others waiting to be transferred. The Illinois Death Penalty Education Project and their allies around the country proved that exposing flaws in the system can have tremendous results to change lives and minds. We are proud to continue our support of this work throughout the country.

Arca grantees told the stories of workers and families who lost their jobs and life savings in the wake of multiple corporate accounting scandals during the year. The Public Justice Foundation of Texas, USAction Education Fund, and the Institute for America's Future worked tirelessly to keep the faces of those who were affected by these scandals on the front burner.

The tragedy of September 11, 2001, stayed with us in 2002. The work of Arca Foundation grantees reminded us all of the importance of continuing our commitment to freedom and democracy by promoting a less commercial media

system in which we value diverse viewpoints and healthy debate. This commitment was most evidenced by Arca's support of projects focusing on independent journalism and media policy. The Center for Digital Democracy and the New America Foundation explored alternatives to the existing media system to open the airwaves and reclaim them as public assets. Their work is critical in order to serve the public interest and to preserve open and accessible radio, television and Internet for future generations. The Institute for Policy Studies joined with the Interhemispheric Resource Center to produce numerous articles analyzing United States foreign policy, peace and security issues. Search for Common Ground and the Institute for Media Analysis provided a space for independent voices on international and domestic policy issues.

The Arca Foundation enters its next 50 years full of energy and ready to be a catalyst for future good work. We look forward to expanding our exploration of media policy and to promoting independent journalism and vibrant debate.



Smith Bagley, president



Donna F. Edwards, executive director

1952-
2002

At fifty years old, a person can be mature without being moribund. Stable without being staid. The groundwork has been laid for many more years of questioning, learning, evolving and acting.

As it celebrates its 50th anniversary, the Arca Foundation has chosen not to rest on its laurels, but to take up new issues. Ensuring human rights through our work with the United Students Against Sweatshops and The National Labor Committee Education Fund; battling to end the death penalty by working with organizations such as the Illinois Death Penalty Education Project and the ACLUF of Texas StandDown Project; fighting for living wages for workers through such projects as the Los Angeles Alliance for a New Economy; and ensuring a free and open media system that serves and protects the public interest.

At the Arca Foundation, we look back with pride on 50 years of exploring new ideas and helping to inspire and enable courageous action. We look forward to the next 50 years, and more, of continuing to honor the goal set by our founder to better the lot of humankind.

50th Anniversary Awards

Center for Health, Environment
and Justice

Falls Church, VA
\$20,000

Center for Public Integrity

Washington, DC
\$20,000

Clifford Beers Clinic

New Haven, CT
\$20,000

National Security Archive Fund

Washington, DC
\$20,000

People for the American
Way Foundation

Washington, DC
\$20,000

Planned Parenthood Federation
of America

New York, NY
\$20,000

USAAction Education Fund

Washington, DC
\$20,000

Washington Office on
Latin America

Washington, DC
\$20,000

Campaign Reform

Clean Elections Institute

Phoenix, AZ
\$50,000

To implement its activities educating the public about the clean elections system and encouraging participation in the new system.

National Voting Rights Institute

Boston, MA
\$50,000

To support a media campaign related to Landell v. Sorrell challenging a landmark Supreme Court decision on campaign spending limits.

Proteus Fund

Amherst, MA
\$75,000

For the Piper Fund to promote and nurture state campaign reform efforts.

Cuba

Center for Defense Information

Washington, DC
\$25,000

To support the next steps in the U.S.-Cuba Cooperative Security Project.

Center for Defense Information

Washington, DC
\$5,000

To enable a delegation to travel to Cuba for a U.S.-Cuba security project meeting.

Center for International Policy

Washington, DC
\$35,000

For the Latin America Working Group in their work on U.S.-Cuba policy.

Center for International Policy

Washington, DC
\$50,000

For the Freedom to Travel Project, promoting unrestricted travel by citizens of the U.S. and Cuba.

Center for International Policy

Washington, DC
\$3,000

To enable participants to attend a retreat focused on issues of U.S.-Cuba policy.

Fund for Peace

Washington, DC
\$2,500

To enable two Cuban participants to attend a meeting on regional security issues.

Institute for Caribbean and
International Studies

Washington, DC
\$1,695

To enable U.S. participants to attend a conference on Cuba at Wilton Park, UK.

Lexington Institute

Arlington, VA
\$60,000

To support its work to educate the public about U.S.-Cuba policy.

Lexington Institute

Arlington, VA
\$60,000

To organize and sponsor a delegation of policymakers to Cuba.

Lexington Institute

Arlington, VA
\$20,000

For Caribbean Basin Exchange to take a delegation of Alabama policymakers to Cuba.

Medical Education Cooperation
with Cuba

Atlanta, GA
\$75,000

For operational support in its endeavors to bridge the U.S. and Cuban medical communities, promote joint research on health problems, and broaden awareness in the U.S. about the Cuban public health system.

- National Security Archive Fund**
Washington, DC
\$75,000
For its work on accountability for the U.S. involvement in western hemispheric policy issues.
- New School University**
New York, NY
\$60,000
For the World Policy Institute's Cuba Education Project to organize a National Summit on Cuba in Washington, DC.
- Puentes Cubanos**
Miami, FL
\$60,000
To enable a delegation of Cuban Americans to participate in the National Summit on Cuba.
- Puentes Cubanos**
Miami, FL
\$1,300
To enable participants to attend the conference entitled, "The Time is Now to Reassess U.S. Policy Towards Cuba."
- U.S.-Cuba Sister Cities Association**
Pittsburgh, PA
\$3,345
To enable a delegation of Washington, DC policymakers to attend the U.S.-Cuba Sister City Association Conference.
- Domestic**
- American Civil Liberties Union Foundation of Texas**
Austin, TX
\$50,000
For work to educate the public about the capital punishment system in Texas.
- American Civil Liberties Union Foundation**
Washington, DC
\$25,000
For the Capital Punishment Project to work on death penalty reform.
- Bluewater Network**
San Francisco, CA
\$40,000
To support the Scorched Earth initiative to reduce the impact of global warming on U.S. public lands.
- Center for Digital Democracy**
Washington, DC
\$50,000
To support work to preserve the openness and diversity of the Internet in the broadband era, and to encourage development of public interest policies and independent programming.
- Center for Labor Research and Training**
San Francisco, CA
\$30,000
For the Young Worker Project to launch a new campaign to organize and educate young workers in the mid-sized food service chains in the San Francisco Bay area.
- Center for Public Interest Research**
Los Angeles, CA
\$75,000
To support a watchdog project promoting regulatory reforms to make corporations accountable to the public.
- Community Service Program**
Houston, TX
\$5,000
To cover travel costs for workers to educate the public, policymakers and the media about corporate abuses and the impact of corporate accounting scandals on the lives of working families.
- Consumer Federation of American Foundation**
Washington, DC
\$60,000
To support a coordinated campaign of citizen participation in the policymaking process at the national and local level on media issues.
- Delaware State University**
Dover, DE
\$2,360
To enable two independent journalists to attend the 2002 convention of the National Association of Black Journalists meeting in Milwaukee.
- East Bay Alliance for a Sustainable Economy**
Oakland, CA
\$30,000
For the Worker Education and Leadership Development Program to educate, mobilize and develop leadership among workers affected by living wage ordinances.
- Fair Trial Initiative**
Durham, NC
\$25,000
To train lawyers to litigate death penalty cases and to raise awareness of the crisis in capital representation.
- Foundation for Taxpayer and Consumer Rights**
Santa Monica, CA
\$50,000
For research and public education efforts concerning the causes and appropriate solutions to the energy crisis facing the state of California.
- Front Range Economic Strategy Center**
Denver, CO
\$25,000
To forge a partnership between workers and progressive community organizations.
- Georgetown University**
Washington, DC
\$75,000
For the Constitution Project to continue public education work on reforms in the implementation of capital punishment.

Illinois Death Penalty Education Project

Chicago, IL
\$50,000

For a statewide public education campaign concerning serious flaws in the administration of capital punishment in Illinois.

Immigrant Workers Citizenship Project

Las Vegas, NV
\$50,000

To support the Immigrant Workers Freedom Ride to generate public awareness about exploitation of immigrant workers and to press the case for immigration policy reform.

Institute for America's Future

Washington, DC
\$75,000

For its research project looking at the myriad of reforms needed to make corporations accountable to the public and for general support.

Institute for Media Analysis

New York, NY
\$100,000

For Democracy Now! to produce its daily news and information program.

Institute on Taxation and Economic Policy

Washington, DC
\$50,000

For its Good Jobs First project to bring together activists in the subsidy accountability movement and continue their education efforts.

Los Angeles Alliance for a New Economy

Los Angeles, CA
\$50,000

For its efforts on behalf of workers in the Los Angeles area to achieve living wages, health benefits and livable communities.

National Interfaith Committee for Worker Justice

Chicago, IL
\$50,000

To support its core Capacity Building Plan.

New America Foundation

Washington, DC
\$50,000

To support the Public Assets Program and its campaign to reclaim the airwaves.

Pension Rights Center

Washington, DC
\$20,000

To launch an initiative promoting reforms in the pension system in the wake of the collapse of corporations involved in accounting scandals.

Public Citizen Foundation

Washington, DC
\$50,000

To support the Critical Mass Energy Project's work on political and economic reform made necessary by deregulation as demonstrated in corporate accounting scandals.

Public Justice Foundation of Texas

Austin, TX
\$75,000

To support work organizing former workers and shareholders of corporations involved in accounting scandals to tell their stories to the public.

Quixote Center Incorporated

Hyattsville, MD
\$50,000

For an intensive training retreat for state moratorium campaigns and general support for the Equal Justice USA Moratorium Now! campaign.

USAction Education Fund

Washington, DC
\$75,000

For its work to educate the public about corporate accounting scandals and needed reforms.

Working Partnerships USA

San Jose, CA
\$40,000

To support the San Jose living wage education efforts.

International

Alliance for Global Justice

Washington, DC
\$60,000

To support the United Students Against Sweatshops and its efforts to enforce worker rights.

Berkana Institute

Provo, UT
\$3,500

For travel costs for participants to attend the Pioneers of Change meeting in Mexico.

Center for International Policy

Washington, DC
\$2,500

For travel costs of an educational and fact-finding trip to Brazil.

Delaware State University

Dover, DE
\$50,000

For the Institute for Advanced Journalism Studies' research project to measure the impact of the U.S. military invasion of Grenada and the resulting Caribbean Basin Initiative on the politics and economic development of the eastern Caribbean region.

EcoLogic

Cambridge, MA
\$5,000

For travel costs to the World Summit on Sustainable Development in Johannesburg, South Africa.

Guatemala Human Rights Commission

Washington, DC
\$1,990

To cover travel costs for participant plaintiffs and attorneys to file FOIA litigation in order to declassify U.S. documents on human rights abuses in Guatemala.

Institute for Policy Studies

Washington, DC
\$3,500

To cover travel costs to conduct research on the emerging global manufacturing system.

Institute for Policy Studies

Washington, DC
\$50,000

For a joint project with Interhemispheric Resource Center for the Foreign Policy in Focus project.

International Forum on Globalization

San Francisco, CA
\$25,000

For the Blue Planet Project to bring participants to the 3rd World Water Forum in Kyoto.

Mexico Solidarity Network

San Francisco, CA
\$2,500

A matching grant to cover travel costs for a delegation of policymakers to Mexico for a comprehensive overview of Mexican human rights issues.

National Labor Committee

New York, NY
\$25,000

To support the Hong Kong Christian Industrial Committee's research and education campaign on workers' rights in mainland China.

People of Faith Network

Brooklyn, NY
\$125,000

For a new campaign to abolish sweatshops and child labor.

Search for Common Ground

Washington, DC
\$50,000

To expand the Common Ground News Service and its independent media initiative to help promote peace in the Middle East.

South Africa Development Fund

Boston, MA
\$40,000

For its Discretionary Grants program to support an array of public policy programs in South Africa on the issue of HIV/AIDS treatment and advocacy.

Support Team International for Textileras

Washington, DC
\$20,000

To strengthen the voices of women in Central America within the industries and factories that exploit their labor and to unite the issues of women in Central America with those of women activists in the U.S.

Tides Center

Washington, DC
\$5,000

To enable participants to attend the Grantmakers Without Borders conference on global social change philanthropy in Washington, DC.

TransAfrica Forum

Washington, DC
\$25,000

To support its initiative to improve sweatshop conditions in Africa, the Caribbean and Latin America and for outreach to college campuses, including historically black colleges.

Vital Voices Global Partnership

Washington, DC
\$40,000

To support a three-week training for 20 emerging Latin American leaders at the Georgetown Leadership Institute.

United States Association for United Nations High Commissioner for Refugees

Washington, DC
\$37,500

For a project to improve the legal status of undocumented Haitians in the Caribbean by creating a documentation protocol between Haiti and the Dominican Republic.

Worker Rights Consortium

Washington, DC
\$50,000

To support factory investigations and remediation projects to aid apparel workers throughout the world.

Musgrove

Center for Digital Democracy

Washington, DC
\$25,000

For a seminar on media concentration titled, "Building a Movement for Democratic Media in the Digital Age."

Philanthropy

Council on Foundations

Washington, DC
\$7,590

Foundation Center

New York, NY
\$2,000

Funders' Committee for Civic Participation

Washington, DC
\$2,500

National Committee for Responsive Philanthropy

Washington, DC
\$3,000

National Network of Grantmakers

San Diego, CA
\$150

Neighborhood Funders Group

Washington, DC
\$500

Grantmaking Guidelines

The Arca Foundation is committed to the principle that all persons have a right to a secure and dignified life. The foundation is dedicated to the pursuit of social equity and justice, particularly given the growing disparities in our world. Moreover, it has been said before but bears repeating that a vibrant democracy requires speaking Truth to Power. In pursuit of these principles, the foundation has adopted experimental, strategic, and innovative approaches that give voice to the unheard and raise unasked questions. While the foundation's specific program focus may change from time to time, we achieve our fundamental purpose by supporting efforts that can affect public policy. Furthermore, we trust that with adequate information, an organized and informed citizenry will make the right choices.

The Arca Foundation has no standard application form. Please send a clear, concise proposal (one copy only) that includes the following elements in the following order:

Cover Letter

A cover letter that describes the project in a brief paragraph, states its total cost and requests a specific grant amount from Arca. The letter should be signed by the Executive Director and/or Project Director of the tax-exempt organization requesting the grant.

One-page summary

A one-page summary — separate from the body of the proposal — highlighting the project's purpose and goals. A proposal narrative that summarizes the policy issue being addressed; presents the organization's approach to the problem and specific goals; provides background on the organization's history, current range of activities, and qualifications for carrying out the specific project. The shorter the better — maximum ten pages.

Staffing

Short bios or resumes of project staff and key consultants. Board of Directors list, including affiliations.

Financial information

All past Arca grants to the organization (year, amount and project); All grants received by the organization for the current fiscal year (amount, source and project); Line-item organizational budget, for current and previous fiscal year (please show individual staff salaries and allocations); Line-item project

budget, income and expenses for 2002 (or current fiscal year); Project grants received in 2002 (amount and source); Potential funding sources for the project (amounts requested and contact persons); and IRS documents confirming the organization's status as a tax-exempt [501(c)(3)], or publicly supported [509(a)] nonprofit organization. Please make sure these are current. Fiscal sponsors must submit a letter on their letterhead assuming full fiscal, legal and programmatic responsibility for the applicant.

While we prefer project-specific proposals, we realize that in some instances, the project is the organization. In short, we are not dogmatic. Please note that the Arca Foundation no longer accepts unsolicited proposals in the area of campaign finance reform.

Arca's Board of Directors meets twice a year. Proposals must be received by September 1 to be considered at the December meeting, or by March 1 to be considered at the June meeting. When deadlines fall on a weekend or holiday, the deadline will be the following business day. Proposals received after the deadline will not be considered.

Review process

Applicants will receive a postcard acknowledging receipt of their proposal.

We will request further information if needed. Applicants will be informed of the Board's decision shortly after the Board meets. Proposals received via fax or electronic mail will not be considered.

The Arca Foundation does not consider requests in the following categories:

- Scholarship funds
- Scholarly research
- Individuals
- Government programs
- Capital projects/endowments
- Groups outside the US

Proposals should be mailed to:

Donna F. Edwards
Executive Director
The Arca Foundation
1308 19th Street, NW
Washington, DC 20036

Reporting requirements

Current grantees must submit a narrative and financial progress report prior to submitting additional funding requests. Deadlines for such a report are stipulated in the Grant Agreement that every grantee must sign.

Questions

Please call Alesha Daughtrey at (202) 822-9193 with any questions you may have.



In 1952, progress was synonymous with industrialization.

Segregation was enforced by legal statute in the South and unwritten law elsewhere. Much of Central and Latin America was in turmoil, and the Iron Curtain was locked down over much of Eastern Europe. Birth control was still illegal in some states. And a woman's place was firmly in the home.

But Nancy Susan Reynolds had her own ideas—some decidedly modern ideas for a Southern woman, a wife and a mother of four—about what the world should and could be. She put those ideas into action in 1952, by founding the Nancy Reynolds Bagley Foundation, which later became the Arca Foundation. She wrote at the time, “I have been troubled and dissatisfied with the manner in which I have given to charitable enterprises. Each cause may be worthy in itself, but such isolated giving does not achieve the results that the same amount could realize if concentrated in one field or a few related ones.

Foundations do not work in such a haphazard fashion. The natural diversity of opinion found in any group leads to more thorough planning and eventually achieves more continuity and sustained interest.”

In 1968 Mrs. Reynolds renamed the foundation Arca, from the Latin word for treasure chest and the Italian word for ark, a vessel affording safety and protection. She felt strongly that foundations should not attempt to substitute for government; they should avoid taking the safe path. “Foundations need

to be experimental. They need to take risks... and face some of the more critical and controversial issues. We must be prepared to venture into areas of uncertainty if we are to remain a vital instrument in the field of philanthropy.”

Over the years, the Arca Foundation has looked to activists, academics, policy makers, and intellectuals to inform its grant making. Many of these individuals have served on the board, helped to educate trustees, and introduced the foundation to a wide arena of philanthropy. Trustees of the Arca Foundation have embarked upon educational journeys, often at the height of conflict, to learn first hand of the challenges confronting the world. Whether in El Salvador, South Africa, the former Soviet Union, Cuba, or the Middle East, the Arca Foundation has shown a desire that its philanthropy is deliberate and focused.

Throughout its 50-year history, the Arca Foundation has achieved that continuity and sustained its commitment to experimentation, while helping transform ideas into action. Since 1952, the Arca Foundation has made grants totaling more than \$42 million dollars to over 1,600 organizations. The foundation’s grantmaking has grown from \$100,000 in 1952 to nearly \$3 million in 2002. From population policy to toxic waste disposal, Central American conflicts to campaign finance reform, the Arca Foundation has carefully chosen areas of concentration in which to invest its resources, remaining committed to specific principles:

To use its resources to empower the experts on the front lines.

To ensure transparency and honesty in government and enterprise.

To engage in affecting public policy.

To the pursuit of social justice and equity.

To the essential principle that all persons have the right to a secure and dignified life.

Statement of Activities

Years Ended December 31, 2002 and 2001

| | 2002 | 2001 |
|--|----------------------|----------------------|
| Revenue, Gains and Other Support | | |
| Unrealized losses on investments | \$(11,290,775) | \$(4,840,626) |
| Realized (losses) gains from sale of investments | (663,681) | 963,679 |
| Interest | 784,252 | 1,183,197 |
| Dividends | 780,384 | 780,814 |
| Rental income | 410 | 22,564 |
| Total revenue, gains and other support | <u>(10,389,410)</u> | <u>(1,890,372)</u> |
| Expenses | | |
| Salaries and benefits | 280,800 | 255,745 |
| Investment advisory fees | 80,252 | 91,940 |
| Travel costs | 76,694 | 81,440 |
| Anniversary Celebration | 64,090 | ----- |
| Rent & utilities | 59,506 | 76,643 |
| Board stipend | 57,500 | 37,500 |
| Depreciation | 49,415 | 19,872 |
| Office supplies and expenses | 40,093 | 11,626 |
| Miscellaneous | 33,420 | 34,148 |
| Legal | 20,998 | 19,359 |
| Payroll taxes | 14,583 | 13,007 |
| Dues and postage | 12,523 | 7,605 |
| Auditing and accounting | 11,755 | 15,586 |
| Annual reports | 10,683 | 9,684 |
| Insurance | 8,629 | 11,728 |
| Telephone | 7,674 | 6,839 |
| Taxes - Property | 6,463 | 5,015 |
| Board books | 2,367 | 3,612 |
| Settlement Fees | ----- | 12,902 |
| Total expenses | <u>837,445</u> | <u>714,251</u> |
| Change in Unrestricted Net Assets Before Grant and Federal Excise Tax Expense | (11,226,855) | (2,604,623) |
| Grant expenses | <u>2,944,164</u> | <u>3,060,917</u> |
| Change in Unrestricted Net Assets Before Federal Excise Tax (Expense) Benefit | (14,171,019) | (5,665,540) |
| Federal excise tax (expense) benefit | <u>242,492</u> | <u>43,633</u> |
| Change in Unrestricted Net Assets | <u>(13,928,527)</u> | <u>(5,621,907)</u> |
| Net Assets, beginning of year | <u>67,137,299</u> | <u>72,759,206</u> |
| Net Assets, end of year | <u>\$ 53,208,772</u> | <u>\$ 67,137,299</u> |

The accompanying notes are an integral part of these financial statements

Statement of Financial Position December 31, 2002 and 2001

| | 2002 | 2001 |
|--|----------------------|----------------------|
| Assets | | |
| Cash | \$ 143,246 | \$ 69,273 |
| Accounts receivable | 25,444 | 57,181 |
| Investments | 51,130,265 | 66,167,456 |
| Prepaid expenses | 27,969 | 103,697 |
| Property and equipment | <u>2,140,241</u> | <u>1,278,720</u> |
| Total Assets | <u>\$ 53,467,165</u> | <u>\$ 67,676,327</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ 52,454 | \$ 107,277 |
| Deferred tax liability | <u>205,939</u> | <u>431,751</u> |
| Total liabilities | 258,393 | 539,028 |
| Commitments and Contingencies | ----- | ----- |
| Net Assets - Unrestricted | <u>53,208,772</u> | <u>67,137,299</u> |
| Total Liabilities and Net Assets | <u>\$ 53,467,165</u> | <u>\$ 67,676,327</u> |

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows

Years Ended December 31, 2002 and 2001 Increase (Decrease) in Cash

| | 2002 | 2001 |
|---|--------------------|--------------------|
| Cash Flows from Operating Activities | | |
| Change in unrestricted net assets | \$(13,928,527) | \$(5,621,907) |
| Adjustments to reconcile change in unrestricted net assets to net cash used in operating activities: | | |
| Depreciation | 49,415 | 19,872 |
| Net realized and unrealized losses on investments | 11,954,456 | 3,876,947 |
| Decrease in accounts receivable | 31,737 | 38,817 |
| Decrease (increase) in prepaid expenses | 75,728 | (95,492) |
| Decrease in deposit | ----- | 75,000 |
| (Decrease) increase in accounts payable and accrued liabilities | (54,823) | 94,215 |
| Decrease in deferred tax liability | (225,812) | (96,816) |
| Total adjustments | <u>11,830,701</u> | <u>3,912,543</u> |
| Net Cash Used In Operating Activities | <u>(2,097,826)</u> | <u>(1,709,364)</u> |
| Cash Flows from Investing Activities | | |
| Purchase of investments | (18,396,244) | (22,702,553) |
| Proceeds from sale of investments | 21,478,979 | 25,695,318 |
| Purchases of property and equipment | (910,936) | (1,290,476) |
| Net Cash Provided by Investing Activities | <u>2,171,799</u> | <u>1,702,289</u> |
| Net increase (decrease) in cash | 73,973 | (7,075) |
| Cash, beginning of year | <u>69,273</u> | <u>76,348</u> |
| Cash, end of year | <u>\$ 143,246</u> | <u>\$ 69,273</u> |

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements

1. General Information and Summary of Significant Accounting Policies

General Information

The Arca Foundation, formerly known as the Nancy Reynolds Bagley Foundation (the Foundation), is a private, not-for-profit, charitable organization based in Washington, D.C. The Foundation was established in 1952. The purpose of the Foundation is to support not-for-profit organizations in the United States whose work encourages a more open foreign policy based on respect for international law, human rights and the sovereignty of all nations. The Foundation also supports projects concerned with domestic social change. The Foundation's main source of revenue is investment income.

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

Cash

Cash represents demand deposits on hand at financial institutions.

Investments

Investments are carried at fair value. Unrealized gains and losses on investments are included in the statement of activities. Realized gains and losses on the sale of securities are determined on the basis of cost of certificates delivered from specific lots, or the identified cost basis.

Financial Instruments and Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of investments held at a creditworthy financial institution. By policy, these investments are kept within limits designed to prevent risks caused by concentration.

Furniture and Equipment

Furniture and equipment are recorded at cost. The Foundation capitalizes all expenditures for furniture and equipment over \$500. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. When assets are sold or otherwise disposed of, the asset cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in the statement of activities. Repairs and maintenance are charged to expense when incurred.

Unrestricted Net Assets

Unrestricted net assets are available for use in general operations.

Grants

Grant awards are disbursed to organizations upon approval of the Board, and subsequent notification to the trustee. The Foundation records grants payable upon approval and fulfillment of conditions, if applicable.

Functional Allocation of Expenses

The costs of providing various program and supporting services have been summarized on a functional basis in Note 8 to the financial statements. Accordingly, certain costs have been allocated to program services.

Pervasiveness of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

2. Tax Status

The Foundation is classified as a private foundation exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and the applicable laws of the District of Columbia. As such, the Foundation is not subject to federal or state income taxes, except for federal excise taxes on net investment income. The current excise tax rate is two percent.

A reduction of the tax to one percent can be achieved by meeting qualifications under Section 4940(e) of the IRC. The deferred tax liability arises from unrealized appreciation (depreciation) on investments. The deferred Federal excise taxes on unrealized appreciation (depreciation) is calculated using the two percent tax rate since the qualification for the one percent tax is not determinable until the year in which gains are realized. The deferred portion of income tax expense will only be paid when the unrealized gains become realized.

Federal income tax expense consists of the following at December 31,

| | 2002 | 2001 |
|--------------------------------------|---------------------|--------------------|
| Federal excise tax expense (benefit) | | |
| Current | \$ ----- | \$ 53,183 |
| Deferred | (242,492) | (96,816) |
| | <u>\$ (242,492)</u> | <u>\$ (43,633)</u> |

3. Accounts Receivable

The components of accounts receivable are as follows at December 31,

| | 2002 | 2001 |
|----------------------|------------------|------------------|
| Other receivable | \$ 24,202 | \$ 5,768 |
| Interest receivable | 2,243 | 5,996 |
| Dividends receivable | ----- | <u>45,417</u> |
| | <u>\$ 25,444</u> | <u>\$ 57,181</u> |

4. Investments

The estimated fair value and cost of the Foundation's investments as of December 31, 2002 and 2001 are as follows:

| | 2002 | | 2001 | |
|--------------------------|----------------------|----------------------|----------------------|----------------------|
| | Fair Value | Cost | Fair Value | Cost |
| Short-term investments | \$ 2,979,317 | \$ 2,979,317 | \$ 3,683,004 | \$ 3,683,004 |
| Treasury bonds and notes | 11,568,445 | 11,091,152 | 11,691,790 | 11,263,122 |
| U.S. agency bonds | 2,817,340 | 2,737,225 | 1,771,903 | 1,737,225 |
| U.S. corporate bonds | 480,395 | 484,140 | 468,210 | 484,140 |
| Preferred stocks | ----- | ----- | 562,500 | 526,140 |
| Common Stocks | <u>33,284,768</u> | <u>23,541,474</u> | <u>47,990,049</u> | <u>26,886,094</u> |
| Total | <u>\$ 51,130,265</u> | <u>\$ 40,833,308</u> | <u>\$ 66,167,456</u> | <u>\$ 44,579,725</u> |

5. Property and Equipment

Property and equipment consists of:

| | 2002 | 2001 |
|--------------------------|---------------------|---------------------|
| Land | \$ 218,750 | \$ 218,750 |
| Building | 656,250 | 656,250 |
| Building improvements | 1,234,781 | 415,158 |
| Furniture and equipment | <u>106,774</u> | <u>38,938</u> |
| | 2,216,555 | 1,329,096 |
| Accumulated depreciation | 76,314 | 50,376 |
| | <u>\$ 2,140,241</u> | <u>\$ 1,278,720</u> |

6. Grants

During the years ended December 31, 2002 and 2001, the Foundation made grant disbursements of \$75,000 and \$50,000, respectively, to organizations that have common board members to the Foundation.

7. Commitments

Operating Lease

The Foundation leased office space under a month-to-month operating lease. The Foundation incurred rental expense of \$47,772 and \$73,856 for the years ended December 31, 2002 and 2001, respectively. This lease was cancelled in 2002 because the Foundation purchased a building to be used for office space during 2001 and relocated to the building during 2002.

The Foundation subleased a portion of this office space. Rental income under this sublease was \$410 and \$22,564 for the years ended December 31, 2002 and 2001, respectively.

8. Functional Expenses

The following is a breakdown of the Foundation's functional expenses for the years ended December 31,

| | 2002 | 2001 |
|------------------------|----------------|----------------|
| Grant program | \$ 3,274,159 | \$ 3,555,352 |
| Management and general | <u>264,958</u> | <u>176,183</u> |
| | \$ 3,539,117 | \$ 3,731,535 |

Grant Program

The Foundation's general purpose is to support not-for-profit organizations within the United States whose work encourages a more open foreign policy.

Management and General

This supporting service category includes the functions necessary to secure proper administrative functioning of the Foundation, maintain an adequate work environment, and manage the financial responsibilities of the Foundation.

9. Pension Plan

The Foundation maintains a defined contribution pension plan (the Plan) in accordance with Section 403(b) of the Internal Revenue Code. The Foundation contributes 5% of each eligible employee's annual compensation to the Plan. Foundation employees may also contribute to the Plan. The amount of employer pension expense was \$9,219 and \$8,621 for the years ended December 31, 2002 and 2001, respectively. The Plan is administered by Prudential Securities.



board of directors

Smith Bagley, president

Nancy R. Bagley, vice president

Ellsworth Culver, vice president

Mary E. King, secretary

Eric Sklar, treasurer

Nicole Bagley

Janet Shenk

Margery Tabankin

Michael Lux (not shown)

Hugh Humphrey, legal counsel (deceased)

Donna F. Edwards, executive director

Alesha Daughtrey, program associate (not shown)

Carolyn Gamerman, administrator

Nicole Prichard, administrative assistant (not shown)

Jane Bagley Lehman Conference Room

“It is never too late to chart new directions, but it takes a conscious desire and willingness to do so.”
— Jane Bagley Lehman, President (1970-1980)

As president of the Arca Foundation, Jane Bagley Lehman charted a course for the foundation that survives today – a focus on changing public policy. During her tenure as president, Jane introduced the foundation to such issues as alternative technologies and projects promoting citizen participation.

Under Jane’s guidance, the Arca Foundation made grants to a number of organizations (and their successors) that are regarded as institutions today. Among them are the Arkansas Institute for Social Justice, Center for Science in the Public Interest, Center for Community Change, and the Exploratory Project for Economic Alternatives. Jane understood that a small amount of resources deployed strategically could create monumental change. She proceeded from the principle of risk – nothing is guaranteed, but there must be an attempt. From the early years of organic farming, solar energy, land use, conservation, and progressive economic analysis, Jane led the Arca Foundation to experiment, to take risks, and to invest in smart people.

On the occasion of her death in 1988, her brother, Smith Bagley, said of Jane: “She understood that those who seek to change a community, a state, or a nation must have the courage to enter the moral conflict knowing that many will rally support while others, with great cynicism, will not yield to change.” This is the resolve with which Jane led the Arca Foundation.

Upon its 50th Anniversary, the Arca Foundation dedicates the Jane Bagley Lehman Conference Room. In Jane’s honor, it will be a place in which another generation of leaders will dare to explore new ideas, to experiment, and to be courageous.

Non-profit organizations that would like to make use of the Jane Bagley Lehman Conference Room for meetings may contact the Arca Foundation at 202/822-9193. There may be a modest fee for all-day use or special circumstances.

