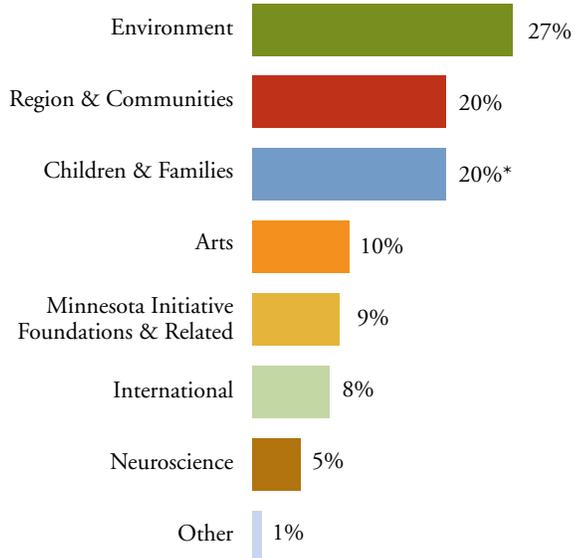


# 2009

## ANNUAL REPORT

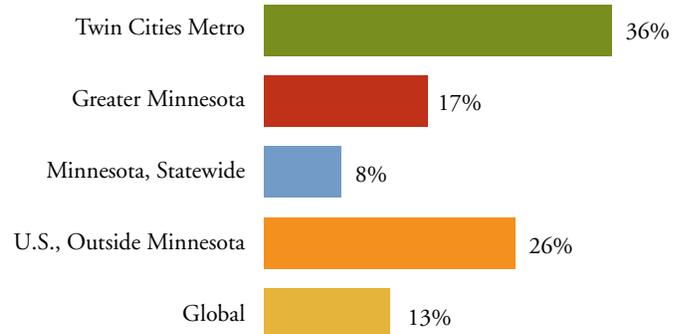
INSIDE: HIGHLIGHTS | 2009 GRANTMAKING | FINANCIAL REVIEW | BOARD AND LEADERSHIP

FUNDING BY PROGRAM AREA



\*Program discontinued in 2010.

FUNDING BY GEOGRAPHIC AREA



# THE MCKNIGHT FOUNDATION,

a Minnesota-based family foundation, seeks to improve the quality of life for present and future generations. Through grantmaking, coalition-building, and encouragement of strategic policy reform, we use our resources to attend, unite, and empower those we serve.

The Foundation was created in 1953 by William L. McKnight and Maude L. McKnight. Their daughter, Virginia McKnight Binger, established our formal grantmaking and community-based approach. Today, we invest in efforts to strengthen and sustain communities through support for education and learning, youth development, the region and communities, the arts, the environment, and scientific research in selected fields. Our primary geographic focus is the state of Minnesota, with significant support also directed to strategies throughout the U.S. and in Africa, Southeast Asia, and Latin America.

## ARTS



### **INTERNATIONAL** Jane Maland Cady, program director

In our international grantmaking efforts, we use our resources to promote strong rural livelihoods and food security for people with limited opportunities. McKnight's Collaborative Crop Research Program supports cross-sector, collaborative efforts. In 2009, the program's various "communities of practice" met regularly to discuss their work and to address issues cutting across all projects—such as climate change, and links between agriculture and nutrition. On the heels of one such meeting in southern Africa, a team of grantees and partners in Malawi launched an innovative research project using integrated soil fertility management to strengthen legume crops. Their project shows potential to address the significant agricultural and nutritional challenges in the southeast African nation.

## INTERNATIONAL



### **ARTS** Vickie Benson, program director

According to a recent study, Minnesota is home to roughly 20,000 individual artists that contribute to our quality of life, community well-being, and economy (Minnesota Citizens for the Arts, 2007). In 2009, McKnight announced support for an environment in which artists are valued leaders in our community, with access to the resources and opportunities they need to succeed. Although McKnight has funded the arts in Minnesota for decades, this marks the first time the program's goal has explicitly referenced the powerful role and needs of artists as community builders. The board and staff identified the new goal through research into our state's unique cultural context and interviews with over 150 artists, arts professionals, community leaders, and funders statewide and around the country.

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### **Board & Staff Changes**

*Several transitions among The McKnight Foundation's board and staff took place in 2009. Robert J. Struyk completed his inaugural year as board chair, and Bill Gregg joined the board of directors as its 11th member. The Foundation also hired three new staff members over the course of the year: Nan Jahnke, program administrator; Kaia Ellis, administrative assistant; and Sarah Marquardt, program assistant.*

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### **Distinguished Artist Bain Boehlke & Artist Fellowships**

*The McKnight Foundation named Bain Boehlke as the 2009 McKnight Distinguished Artist, in recognition of his artistic contributions to the cultural life of Minnesota as an actor, director, and theater artist. As the founding artistic director of the Jungle Theater in Minneapolis, Boehlke has been a constant, catalytic leader in the Twin Cities theater scene for decades. In 2009 the Foundation also celebrated 45 artists who received McKnight artist fellowships and residencies.*

# HIGHLIGHTS

## ENVIRONMENT: MISSISSIPPI RIVER

Ron Kroese, program director

In 2009, McKnight concluded an assessment of its Mississippi River grantmaking program, resulting in board approval of a restated program goal **to restore the water quality and resilience of the Mississippi River**. Aligned with the goal, we now employ new strategies to expand floodplains and wetlands, reduce agricultural pollution along the river's northern half, and foster cross-boundary and interagency coordination. The program also continues to build on a history of collaborative work to build capacity within and among organizations. In one example over the past few years, the McKnight-funded Water Quality Collaborative has helped gain protections to improve the water quality of rivers, lakes, and streams in several states along the Mississippi's corridor, and helped implement better policies to ensure ongoing protection of surface waters currently identified as high quality.

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### Out-of-School Time Programs

*In addition to academic success, young people need physical, social, emotional, and civic development to thrive. In 2009, McKnight's board of directors approved commitments totaling more than \$4 million to support 53 grants for high-quality after-school and summer youth programs; professional development for adults who work with youth to improve programming; and advocacy efforts to raise awareness and unite stakeholders behind improved outcomes for youth.*

**Concept and Design:** 5 by 5 Design, **Printing:** Bolger, **Photos:** Front and back cover—*Cryptic Crop Circles* by Nancy Eha. Part of McKnight's 2009 lobby gallery exhibition "Focus on Fibers: Selections from the Textile Center."; Arts—Erik Saulitis, James Sewell Ballet; Education & Learning—Scott Strebler, Minnesota Reading Corps; Region & Communities—Metropolitan Council

## ENVIRONMENT



## EDUCATION & LEARNING

Bonnie Houck, program director

It is estimated that 41 percent of Twin Cities third graders read below grade level, an important early indicator of potential success later in life. After more than a year of planning and research, we announced in 2009 that McKnight will invest in a new goal **to increase the percentage of Twin Cities students reading at grade level by the end of third grade**. Building on over a decade of support for early childhood and kindergarten readiness in Minnesota, the program extends a pathway from pre-kindergarten through third grade to improve early literacy. Although no grants were awarded under the new Education & Learning goal last year, related grantmaking continued for efforts to prepare our youngest for kindergarten.

## EDUCATION & LEARNING



## MINNESOTA INITIATIVE FOUNDATIONS

Neal Cuthbert, VP of program

Since 1986, McKnight has worked **to make Greater Minnesota stronger and more prosperous** through support for the six Minnesota Initiative Foundations. As elsewhere around the country, 2009 was a year of economic rebuilding and recovery in our home state, and the Initiative Foundations did their part to help Minnesotans pull themselves out of the worst economic recession of the past 75 years. From Roseau to Rochester, and from Grand Marais to Granite Falls, the Initiative Foundations helped create and maintain jobs, approved loans, and made grants to crucial nonprofit service providers. In just shy of a quarter century, the six foundations have collectively distributed about \$185 million in loans and over \$130 million in grants.

## REGION & COMMUNITIES Lee Sheehy, program director

To encourage efficient development within the Twin Cities region that creates livable communities and opportunities for all to thrive, McKnight's program interests include neighborhood and regional development, open space preservation, affordable housing statewide, and access to transit opportunities. In 2009, we strengthened our participation with the Central Corridor Funders Collaborative, which comprises local and national foundations dedicated to unlocking the transformative potential of the Central Corridor Light Rail Line. The work aligns well with federal "livability principles" for sustainable communities and vital metropolitan regions nationwide. By promoting learning, building shared solutions, and investing capital, the Collaborative creates and implements corridor-wide strategies to ensure those working and living along the corridor enjoy its benefits. Among its accomplishments, the Collaborative helped leverage government funding to make possible three additional light rail stops along the Central Corridor—making the most of the group's combined resources and flexibility to move quickly when opportunity knocked.



### Virginia McKnight Binger Awards in Human Service

*The 25th annual Virginia McKnight Binger Awards in Human Service honored Minnesota residents who give selflessly of their time to improve the lives of people in their communities. Among our 2009 awardees were a mentor and tutor to Minneapolis students; an advocate for victims of domestic abuse; a program provider to the Twin Cities immigrant community; a former POW who volunteers as a barber at a St. Paul homeless shelter; a public policy expert and advocate for indigenous language revitalization; and a dedicated social activist who uses storytelling to motivate and educate. While inspiring others to take part in their own communities, the annual awards also celebrate the compassion, humility, and generosity of former board chair Virginia McKnight Binger.*

### Global Climate Change

*Early last year, McKnight announced a \$100 million commitment over the next five years to support a comprehensive strategy to prevent dangerous climate change by reducing heat-trapping greenhouse gas emissions from key regions and sectors around the world. Our multifaceted approach includes partnering with the Hewlett and Packard foundations to support the ClimateWorks Foundation, an international network of philanthropists, policy and clean technology experts dedicated to achieving low-carbon prosperity; ongoing support for longtime partner the Energy Foundation of San Francisco; and select support for policy reform and other related efforts to help the Midwest region thrive.*

## NEUROSCIENCE RESEARCH

Eileen Maler, program manager

Last year, 46 of the country's leading young and mid-career scientific researchers received McKnight support to bring science closer to the day when diseases of the brain and behavior can be accurately diagnosed, prevented, and treated.

Since establishing The McKnight Endowment Fund for Neuroscience in 1976, we have invested over \$70 million in the promising research associated with more than 400 projects targeted to bring hope to those suffering from brain injury or disease and cognitive impairment. Following the completion of a comprehensive program evaluation in 2009, which resulted in strategic changes to the program's structure, McKnight's board of directors committed \$45 million to support the ongoing mission of the Endowment Fund over the next 13 years.

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### Affordable Housing: Program-Related Investments

*There were over 23,000 foreclosures in Minnesota in 2009, making it the second highest year on record; high unemployment and loss of unemployment benefits suggest even greater housing challenges to come in 2010. To help stabilize communities impacted by the crisis statewide, McKnight invested \$10 million toward loan funds to be administered by the Family Housing Fund and the Greater Minnesota Housing Fund. McKnight's investment provides money for organizations working in neighborhoods statewide threatened by foreclosure to acquire vacant, boarded homes to repair and sell to responsible homeowners. Loans also support opportunities for individuals and families to make purchasing newly rehabilitated energy-efficient homes an affordable reality. These housing loan funds mark McKnight's first major program-related investments, through which foundations invest in activities that, unlike grants, offer a potential modest return of capital within an established time frame.*

## 2009 GRANTMAKING

Total Amount of Grant Funding	\$98,939,191
Total Number of Grantee Organizations Receiving Funding	738
Portion of Funding Paid for Efforts in Minnesota	61%
Portion of Funding That Includes Support for General Operations	30%
Portion of Funding Tied to Multiyear Commitments	91%

## FINANCIAL REVIEW

### STATEMENTS OF FINANCIAL POSITION—December 31, 2009 and 2008 (in thousands)

	2009	2008
<b>ASSETS</b>		
Cash	\$ 4,332	\$ 201
Investments	1,822,115	1,549,581
Investment Collateral	42,205	61,136
Interest and Dividends Receivable	2,718	3,353
Grants Receivable	17,918	24,482
Other Assets	3,465	4,425
Total Assets	<u>\$1,892,753</u>	<u>\$ 1,643,178</u>
<b>LIABILITIES AND NET ASSETS</b>		
Grants Payable	\$ 91,460	\$ 108,775
Payable Under Investment Loan Agreement	42,205	61,136
Federal Excise and Miscellaneous Taxes	7,685	—
Other Liabilities	5,732	4,545
Total Liabilities	<u>147,082</u>	<u>174,456</u>
Unrestricted Net Assets	1,726,983	1,443,244
Temporarily Restricted Net Assets	18,688	25,478
Total Net Assets	<u>1,745,671</u>	<u>1,468,722</u>
Total Liabilities and Net Assets	<u>1,892,753</u>	<u>\$ 1,643,178</u>

### STATEMENTS OF ACTIVITIES—December 31, 2009 and 2008 (in thousands)

	2009	2008
<b>INVESTMENT INCOME</b>		
Interest and Dividends	\$ 35,787	\$ 51,127
Net Realized and Unrealized Gain (Loss)	357,522	(687,430)
Other	4,660	866
Total Revenues and Gains (Losses)	<u>397,969</u>	<u>(635,437)</u>
<b>EXPENSES</b>		
Grants Appropriated (Net) and Other Program Related Expense	82,812	90,569
Investment Management	10,779	11,431
Administrative and Program Expense	12,192	10,321
Federal Excise Tax	8,081	(4,266)
Miscellaneous Tax	366	(299)
Total Expenses	<u>114,230</u>	<u>107,756</u>
CHANGE IN UNRESTRICTED NET ASSETS	283,739	(743,193)
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Grants Income	198	26,231
Loss on Contract Amendment	(2,500)	—
Release from Restriction	(4,488)	(753)
Change in Temporarily Restricted Net Assets	<u>(6,790)</u>	<u>25,478</u>
CHANGE IN NET ASSETS	276,949	(717,715)
NET ASSETS AT BEGINNING OF YEAR	<u>1,468,722</u>	<u>2,186,437</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,745,671</u>	<u>\$ 1,468,722</u>

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