

**The
M^cKnight
Foundation**

2004 Annual Report



concept



into reality.

Solutions that work in the real world come in two parts: a concept of where you're headed, and the means to get there. It's important to help people find solutions. But then they need the power to make those solutions fly.

Our convening work at The McKnight Foundation emphasizes the two parts necessary for successful solutions: gathering and doing. This approach takes the idea of meeting a step further: What if we gathered not simply to move apart again but to move forward together to turn our ideas into realities?

This expanded definition of convening allows the best ideas to soar. When ideas spiral upward into actions, drought-resistant crops prevent starvation in developing countries, dancers enter a new era in the Twin Cities, rural Minnesotans discover unique paths to growth, and economically stressed urban neighborhoods become magnets for all kinds of good things.

All by redefining a word and giving the best solutions lift.

| | |
|---|---------------|
| Total # of grants paid | 810 |
| Total \$ of grants paid | 85,740,960 |
| Largest grant paid (Family Housing Fund) | \$6.5 million |
| Percentage of grants paid that were less than or equal to \$100,000 | 34 |
| Percentage of grants paid that remained in Minnesota | 78 |
| Total assets | \$2 billion |

in 2004.

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letter from the board chair

Ask. Listen. Learn. Practice. Act.

That's the mantra of a coach building a winning team...and maybe of a foundation gathering together partners.

Before I became board chair at McKnight, I was athletic director at a Boys & Girls Club in the Twin Cities. When I began to think about the Foundation's convening work—the theme of this report—that experience immediately came to mind.

Sure, there are obvious differences between organizing a group of young people into an effective basketball team and catalyzing groups into a coalition capable of changing public policy, but there are also many similarities. To be successful, both efforts have to go through the same evolution—coalescing into a team, practicing, then moving forward together.

The first step is creating opportunities for individuals to gather, to get acquainted, and most important, to build trust and mutual respect. In these initial team-building gatherings, people begin to ask questions, listen carefully, and learn from each other. They discover the unique skills and history each brings to the table, and where each fits into the achievement of a collective goal. They begin to share the same expectations. Eventually, they unite into a team and the whole becomes greater than the sum of its parts.

From the beginning, it's important to pay attention to who's on the

team. If you fail to cover a range of skills, a sports team will be less effective. If you fail to invite people with differing views and strengths, the result of your convening may not be as powerful in the long run. It's essential to include a wide spectrum of perspectives and talents that can help the team overcome all kinds of obstacles on the way to success.

As important (and enjoyable!) as the act of coming together is, no team should be satisfied with just that. Trust and unity are accomplishments in and of themselves, but there are still greater goals. In sports and in social change, the ultimate aim is collective action and success.

We hope that what transpires in McKnight's convenings doesn't end when people push their chairs from the table. We want organizations to leave knowing the shared vision and strategy, understanding their roles in the action, and prepared to take the next steps.

Once roles and goals are defined, skills have been honed, commitment and motivation are high, and a game plan is set—the rubber meets the road. Strategy and tactics become real: Plans are acted upon, players mobilize, and policies and paradigms are changed. In short, things get done. Once in a while, we may even score a touchdown!

Achieving a winning season and promoting societal change are both long-term undertakings. They involve process as much as outcome, and we need to appreciate the small successes along the way. Both require tremendous patience—a willingness to accept that the fruits of one's labor may not be fully realized for years. And both require unrelenting hope—hope that underdog teams can triumph after all, and that small, organized groups of passionate people still have the power to change society for the better.



Erika I. Binger

erika i. binger, board chair

letter from the president

Getting together around issues is something Minnesotans do well and often. We have political caucuses, town meetings, faith group gatherings, PTA meetings, days on the Hill, rallies, parades, marches, walkathons, vigils, and a host of other civic gatherings for people interested in particular social or cultural issues.

The act of gathering reflects our belief that people can achieve much more working together than they can working separately—something we've seen proven again and again. Whether it's the small group of women who first championed environmental conservation in Minnesota or a much larger movement like civil rights that's capable of shifting national and state policies, the coming together of hands, heads, and hearts can produce stunning results.

These days, it's worth reminding ourselves of that fact at every opportunity. In a nation where distrust is epidemic and individualism reigns, where more and more focus is put on personal success and security at the expense of the common good, we need to articulate to ourselves and to others the value of concerted effort. We need to exemplify the power of people working together, even making sacrifices, for a larger purpose.

On some fundamental level, each of us still understands—despite the primacy of competition in our culture—the absolute necessity of cooperation. We're more than a century removed from pioneer life, but if we squint hard we can still make out the distant silhouette of a barn raised not by one family but by a whole town.

Today, even when we do gather with purpose, we often settle for less. We settle for the satisfaction and invigoration of hearing new ideas, and for the efficiency of sharing information. Whatever momentum gets built up around an issue tends to dissipate when we leave the meeting room. We go our separate ways feeling better but lacking a strategy for using our collective strength to accomplish our goal. We content ourselves with the blueprints when we need to push for the barn.

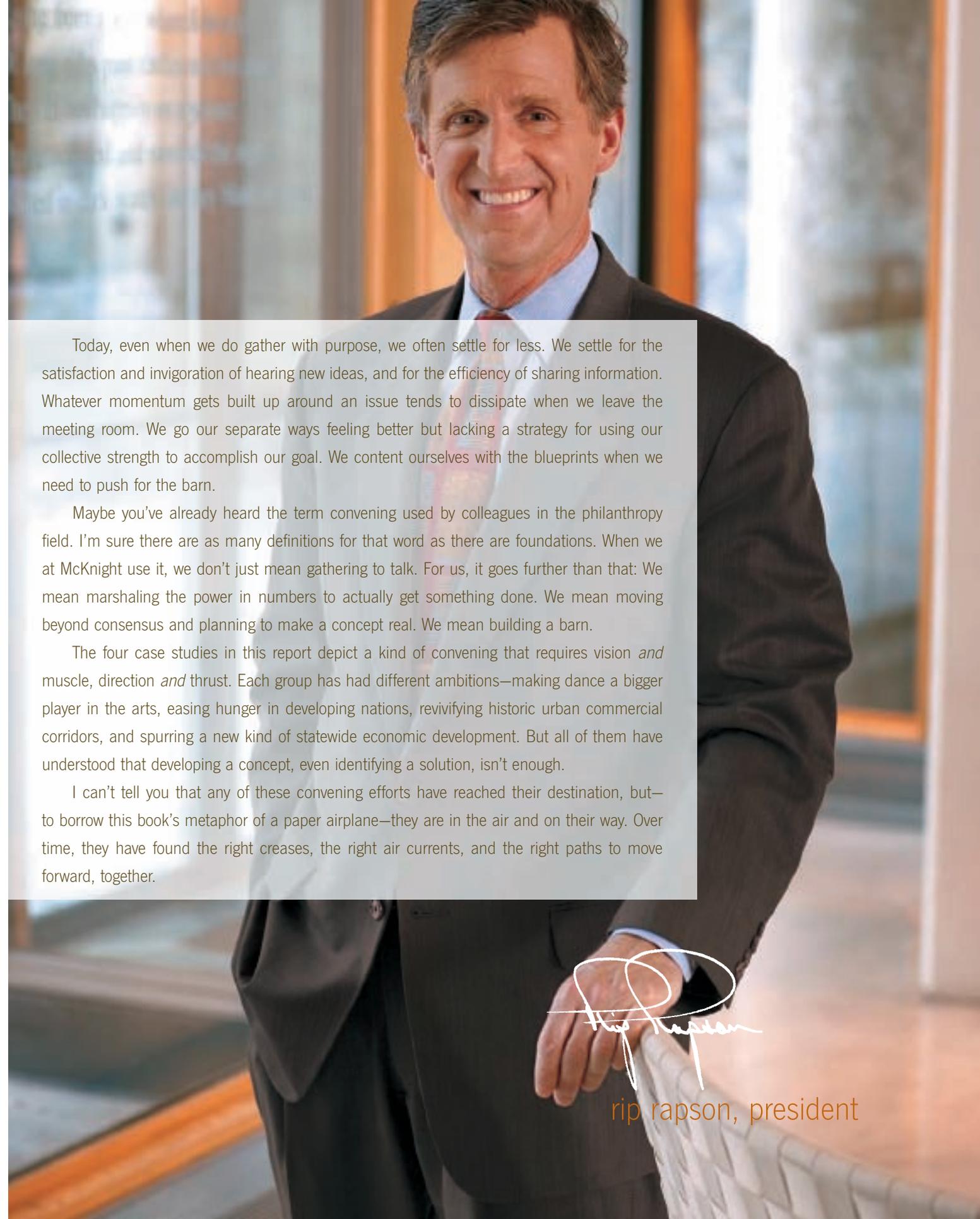
Maybe you've already heard the term convening used by colleagues in the philanthropy field. I'm sure there are as many definitions for that word as there are foundations. When we at McKnight use it, we don't just mean gathering to talk. For us, it goes further than that: We mean marshaling the power in numbers to actually get something done. We mean moving beyond consensus and planning to make a concept real. We mean building a barn.

The four case studies in this report depict a kind of convening that requires vision *and* muscle, direction *and* thrust. Each group has had different ambitions—making dance a bigger player in the arts, easing hunger in developing nations, revivifying historic urban commercial corridors, and spurring a new kind of statewide economic development. But all of them have understood that developing a concept, even identifying a solution, isn't enough.

I can't tell you that any of these convening efforts have reached their destination, but—to borrow this book's metaphor of a paper airplane—they are in the air and on their way. Over time, they have found the right creases, the right air currents, and the right paths to move forward, together.



rip rapson, president





concept

As we see it, convening is a powerful propellant.
The four case studies that follow demonstrate the
positive change possible when communities and
organizations gather to move forward together.

into reality.



gathering

As communities, we often wait in the wings for decisions to be made for us, hoping that new leadership, an event, or even dumb luck will move us to a better spot. Not surprisingly, waiting is often the very reason we stay put.

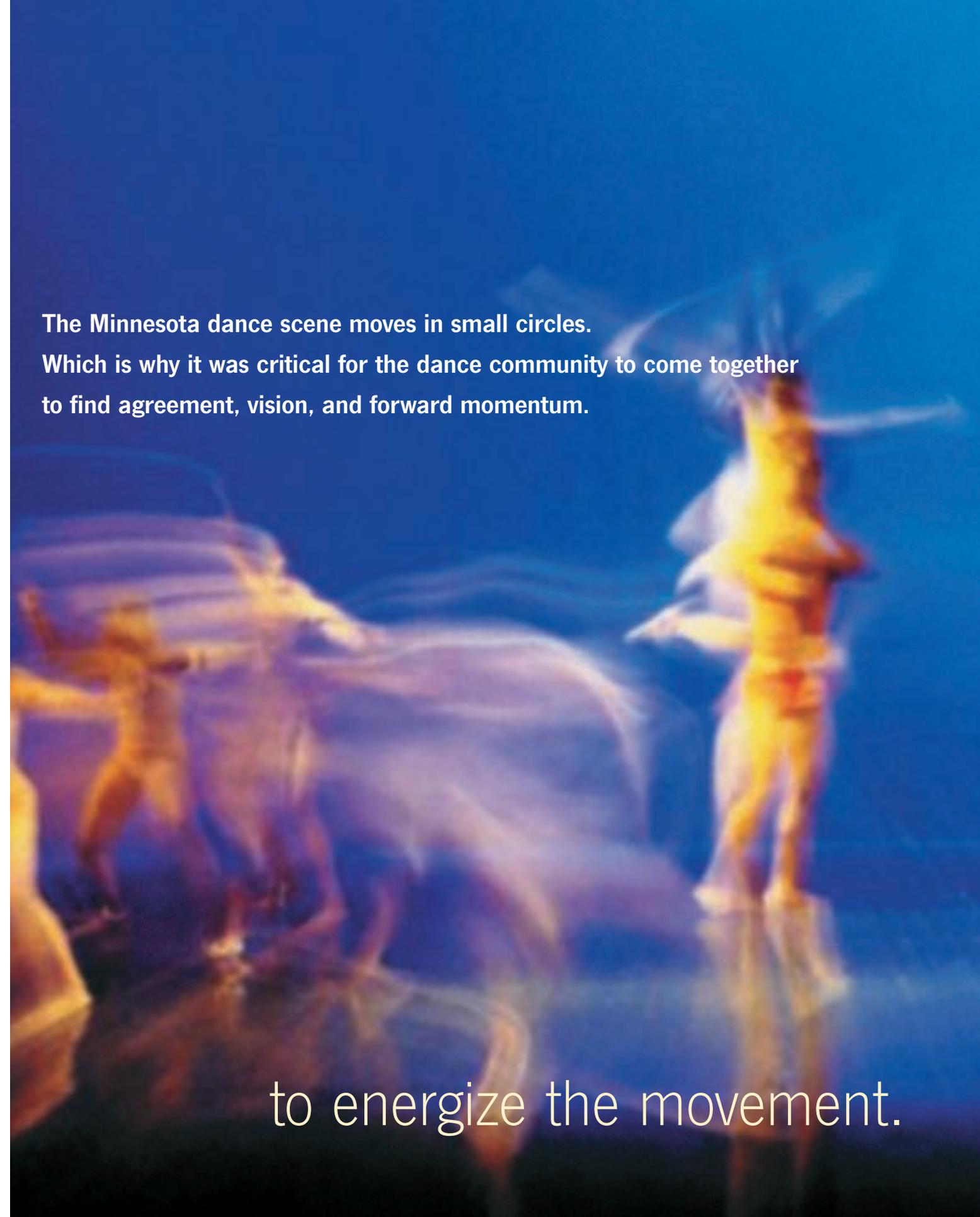
When McKnight gathered the dance community in March 2004, however, a new stage was set. More than 150 participants accepted our invitation to a daylong conversation to address this question: How can we collectively enhance and support our efforts to make dance and dance artists thrive in Minnesota?

Using Open Space Technology, a process in which the participants themselves develop the agenda at the start of a meeting, the group decided on a schedule of 20 breakout sessions to seek some answers. The outcome was a new vision for dance in Minnesota, ranging from ideas for giving dance a louder voice and a wider audience to plans for creating a performance center. One attendee even contributed a spontaneous gift of \$35 in seed money. The sessions also revealed that raising both awareness and funds will require greater cooperation.

By the end of the day, the dance community had gained a new self-awareness and a fresh sense of purpose. A follow-up gathering planned for mid-2005 will encourage these talented dancers, teachers, choreographers, entrepreneurs, writers, and theater representatives to continue moving forward as one.



The Minnesota dance scene moves in small circles. Which is why it was critical for the dance community to come together to find agreement, vision, and forward momentum.



to energize the movement.



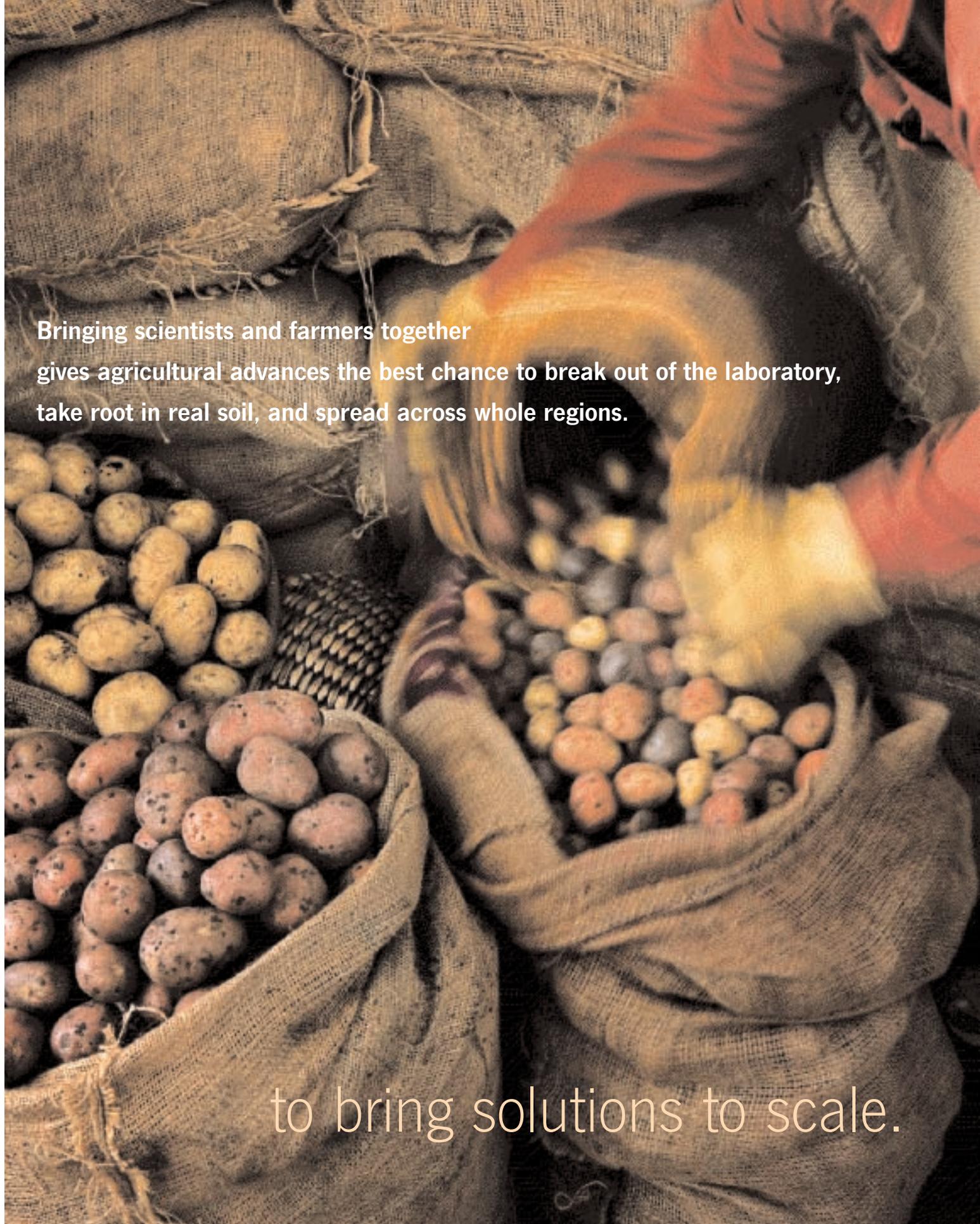
sharing knowledge

It's not easy these days to stop the rush of activity and share advice with those who could benefit. That's even harder to do in developing countries, where transportation and communication systems can be unreliable and where local university researchers seldom cross paths with farmers in villages hundreds of miles away. Even farmers in neighboring villages may not have the chance to meet.

Yet what scientists and farmers learn about growing pest-free potatoes in a remote valley in the Andes could have enormous benefit for scientists, farmers, and villagers on the other side of the mountain. What one village in India discovers about increasing chickpea yields could transform the fate of many other villages in that country of rising population and scarce land.

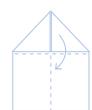
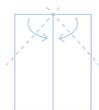
This is about sowing and growing seeds—yes, real seeds in real soil, but also conceptual seeds. It's about helping scientists understand the age-old, practical wisdom of farmers and helping farmers appreciate the value of incorporating new science into their agricultural customs. Convening helps scatter these seeds more widely than ever. So where there used to be just one village growing robust crops despite pests, adverse weather conditions, and eroding soil, now there are 10.

Bringing crop researchers from all over the world together with local farmers and nonprofit leaders in South America and Africa provides a rare opportunity to raise isolated local successes to a regional scale. This meeting of knowledge and know-how, of theory and practice, contributes to the widespread adoption of new, culturally sensitive ways to help more people feed themselves.



Bringing scientists and farmers together gives agricultural advances the best chance to break out of the laboratory, take root in real soil, and spread across whole regions.

to bring solutions to scale.





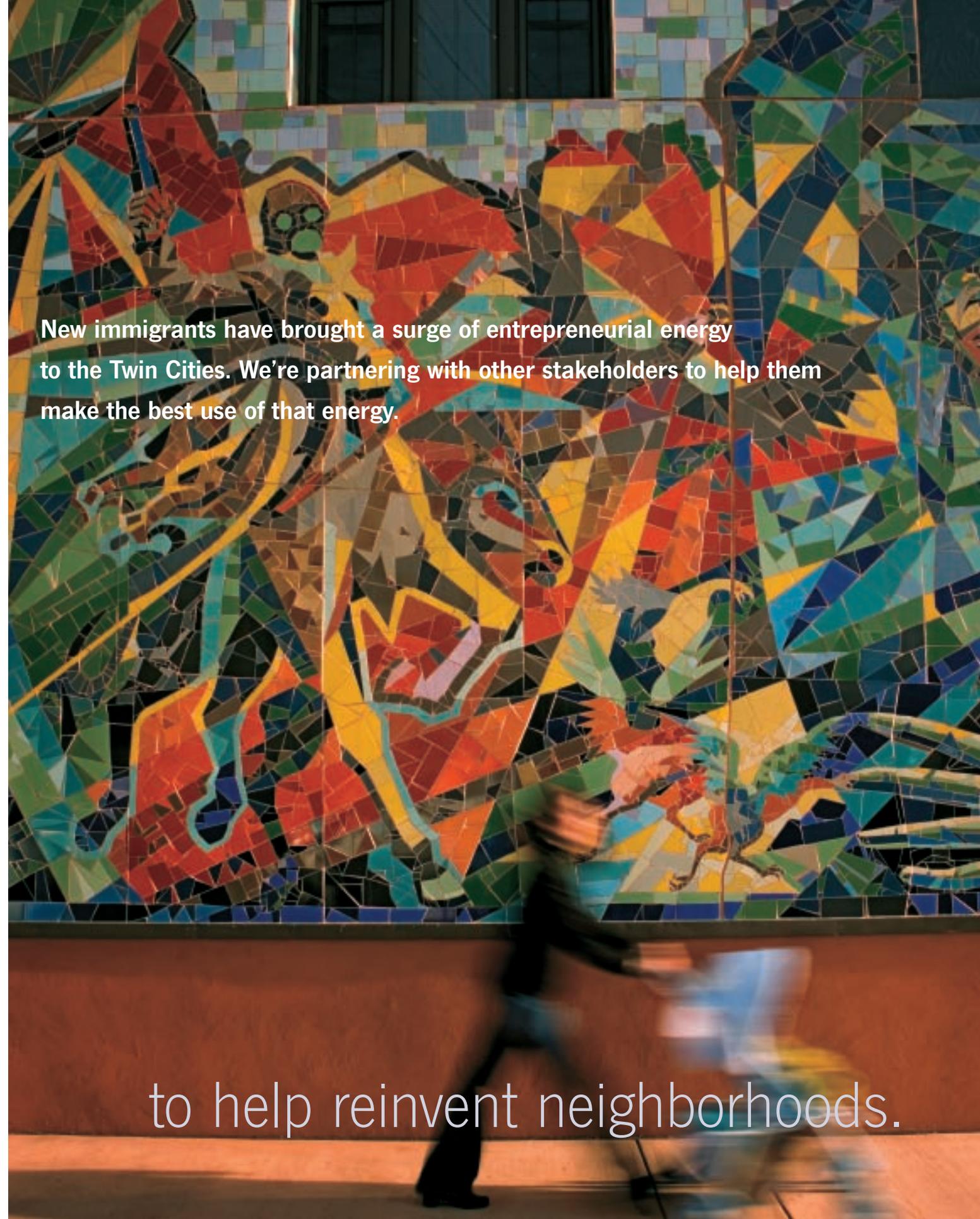
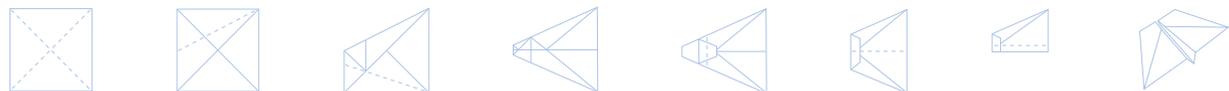
partnering

Lake Street in Minneapolis and Payne Avenue in St. Paul have seen nearly a century of progress—and regress. Over the years, sections of both streets have become run-down. But that’s changing, as enthusiastic new immigrants and other entrepreneurs work to reshape the streets and the surrounding neighborhoods into vital hubs of commerce and family life.

Still, there’s a lot left to do. Affordable housing remains scarce. Venture capital is needed for existing and new small business. Small-business incubation centers are needed to nurture great ideas into good livings. Cultural and environmental assets in the neighborhoods and on the streets need to be enhanced.

That’s where Living Cities comes in. This national group of foundations, financial institutions, nonprofits, and federal agencies has taken on large-scope urban revitalization projects in six U.S. cities. Payne-Lake Community Partners (PLCP) is the group’s project in the Twin Cities.

The sponsors of the project may be national, but what drives PLCP is the excitement generated by partners here in the Twin Cities. Their convenings have provided a structure and an outlet for this energy, and have connected stakeholders to institutional players that shape larger economic trends. The gatherings have also spawned many smaller meetings that can quickly target opportunities and solve problems—from getting community voices into street design projects to developing marketing strategies to attract business customers throughout the region.



New immigrants have brought a surge of entrepreneurial energy to the Twin Cities. We’re partnering with other stakeholders to help them make the best use of that energy.

to help reinvent neighborhoods.



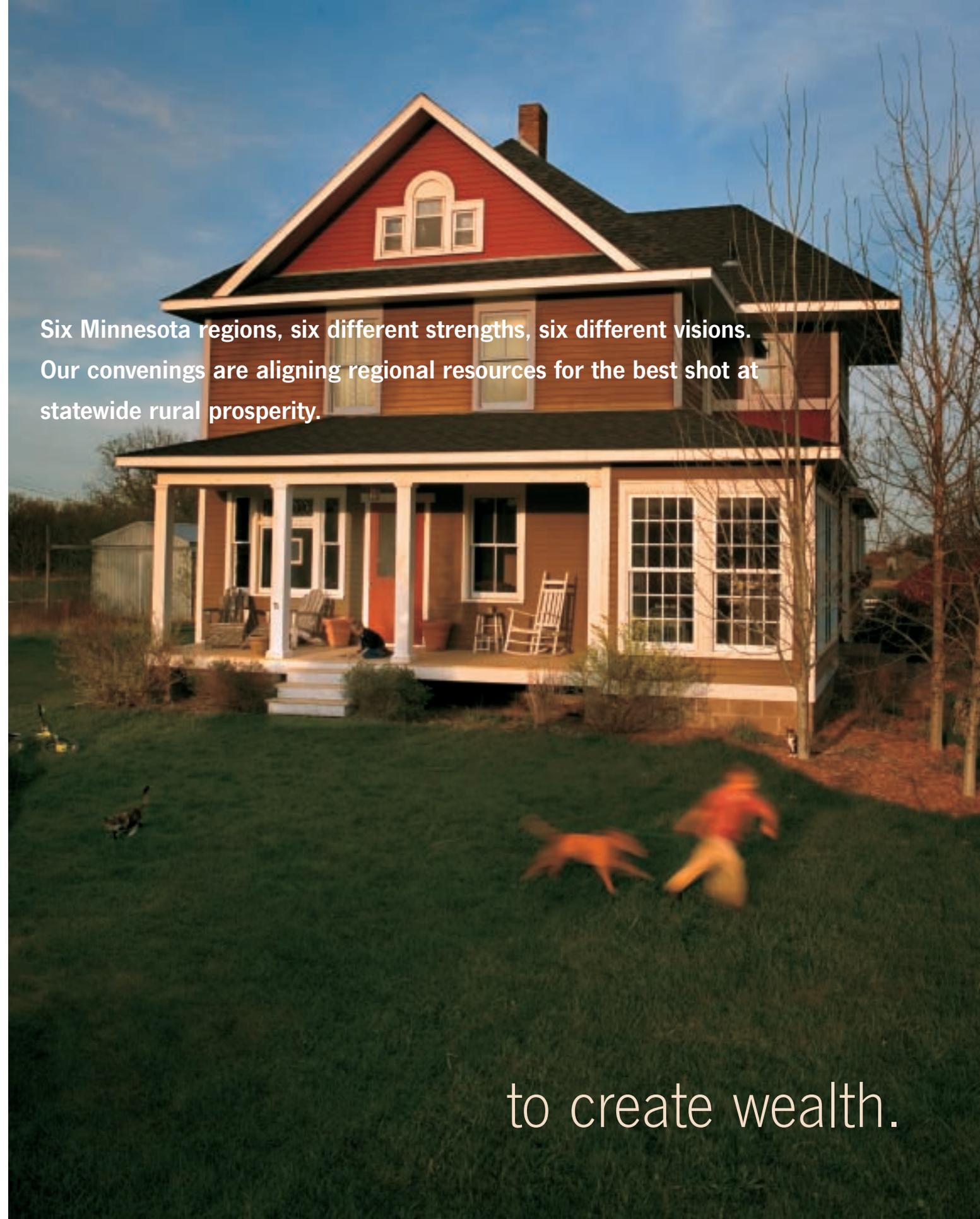
aligning

Rural Minnesota is changing fast. The small-town life and values that many of us cherish are disappearing. Rural residents are becoming fewer and older as more young people leave their hometown for education and career opportunities. Shrinking school and health systems are struggling to serve larger geographic areas. Regions less reliant on farming and mining have yet to reach their competitive potential as centers of manufacturing and commerce. Finding qualified workers isn't easy.

Rather than launch another statewide one-size-fits-all rural development effort to address these problems, we're working with the six regional Minnesota Initiative Foundations, the Blandin and Bremer foundations, and other sectors to try a new approach. We think it makes a lot more sense to tailor specific economic development plans to each of Minnesota's six unique regions.

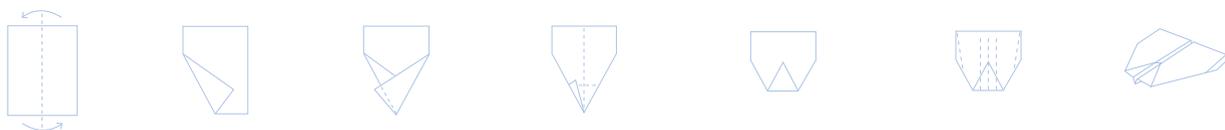
Our convenings have helped each region identify its best chance for economic growth, whether it's biosciences in the southeast or alternative energy in the southwest or technology in central Minnesota. Each region has unique assets that can be used to build industries and community vitality.

Now the task is coordinating public and private resources to support those six priorities. Colleges and universities are retooling their training programs, local business leaders are creating a more entrepreneurial culture, state agencies are realigning their strategies and workforce—all to help these regions realize their individual potential. Ultimately, that means invigorated towns, prosperous residents, and a thriving rural economy across Minnesota.



Six Minnesota regions, six different strengths, six different visions. Our convenings are aligning regional resources for the best shot at statewide rural prosperity.

to create wealth.





2004 highlights

In Memoriam

James H. Binger was a valued Foundation board member from 1974 to 1996. His wife, Virginia McKnight Binger, who passed away in 2002, was the Foundation's first president and the daughter of its founders. Mr. Binger was instrumental in shaping the Foundation's early international and arts-related work, and he served with enormous distinction on its Finance Committee. His assistance, energy, and wisdom over the years will long be remembered.

Virginia McKnight Binger Awards in Human Service

Twelve Minnesotans with long records of service to their communities received the 2004 Virginia McKnight Binger Awards in Human Service, which since 1985 have honored Minnesota residents who give time and energy to improve the lives of people in their communities. Each year, a small committee of people working in human services across the state selects award finalists from nominations.

New Board Chair

Erika L. Binger was elected chair of the Foundation's board of directors. Binger has been a member of McKnight's board since 1994 and serves as its fourth chair since 1953. She succeeds Noa Staryk, who served as board chair since 1999. Both are great-granddaughters of Foundation creators William L. and Maude L. McKnight.

City and Neighborhood Vitality

The Foundation approved a grant of \$3.6 million over three years to the funders collaborative Living Cities, Inc., of New York City. Living Cities aims to improve the lives of people in distressed urban neighborhoods by promoting greater and more effective investment in those neighborhoods. McKnight's funding will support coordinated work and resources to improve the vitality of the Twin Cities and its neighborhoods.

Prevention of Child Maltreatment

For a pilot program to provide parenting support for families at risk of child maltreatment, McKnight's board granted \$3 million over three years to the State of Minnesota. The program will target a portion of the 9,000 families with young children who are reported to the counties each year by community members, schools, and churches for suspected child abuse and neglect, yet who fall outside the child welfare system's standard definition of child maltreatment.

Open Space Protection

A production of Twin Cities Public Television and the Embrace Open Space campaign, and funded by McKnight, *The Last 6% Treasuring Our Open Spaces* premiered on the Minnesota Channel in early October. The half-hour program reminds Minnesotans that public decisions are made daily about land protection, and encourages them to get involved in those processes.

McKnight Distinguished Artist

Stanislaw Skrowaczewski, an internationally renowned orchestra conductor and composer, received The McKnight Foundation's Distinguished Artist Award for 2004. The award is given each year to a working artist whose long career has made a significant impact on the arts in Minnesota and beyond. McKnight also honored 46 artists and ensembles in 2004 as McKnight Artist Fellows.

Community Engagement

A report copublished by McKnight and the Annie E. Casey Foundation, *End of One Way* profiles three organizations in south Minneapolis, challenging assumptions about how to work with and for communities. The stories demonstrate how these organizations help people and communities make positive change by working in partnership with them.

Early Childhood Initiative

McKnight and the Minnesota Initiative Foundations announced the selection of 12 communities that joined the work of 24 others as part of the Minnesota Early Childhood Initiative. The selections were based on established local partnerships, existing early childhood education programs, and an expressed interest in strengthening the health of young children and families. The initiative helps ensure that all young children have a healthy life of learning, achieving, and succeeding.

Neuroscience

For the second year in a row, a former awardee of The McKnight Endowment Fund for Neuroscience program has received a Nobel Prize. Linda Buck (Scholar Award, 1992), a member of the Basic Sciences Division at the Fred Hutchinson Cancer Center and an affiliate professor at the University of Washington, Seattle, is the corecipient of the 2004 prize in physiology or medicine.

Environmental Advocacy

Funded in part by the Foundation, the booklet *Defining "We" in Environmental Advocacy* explores the importance of language in explaining and advancing advocacy work. The booklet is designed to help advocates more effectively say what they mean when they're speaking out for positive change in environmental policy.

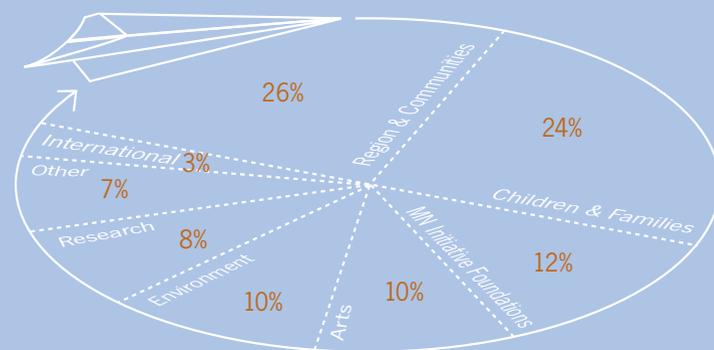
Note: More information about the publications, programs, and people listed above can be found on the Foundation's website at www.mcknight.org.





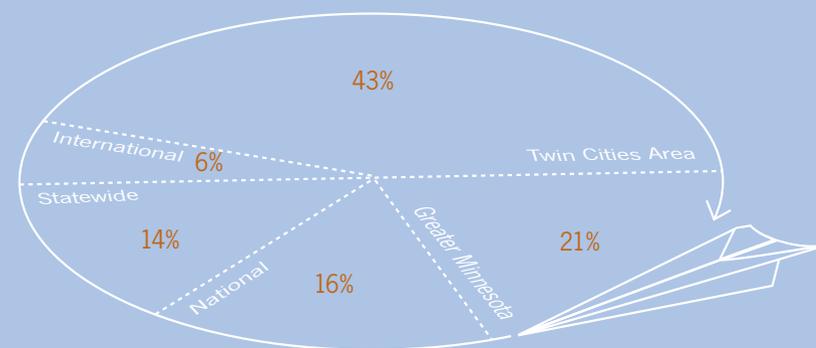
grants paid by program area

| | |
|----------------------------------|-----|
| Region & Communities | 26% |
| Children & Families | 24% |
| Minnesota Initiative Foundations | 12% |
| Arts | 10% |
| Environment | 10% |
| Research | 8% |
| Other | 7% |
| International | 3% |



grants paid by geographic area

| | |
|-------------------|-----|
| Twin Cities Area | 43% |
| Greater Minnesota | 21% |
| National | 16% |
| Statewide | 14% |
| International | 6% |



financial review

statements of financial position

December 31, 2004 and 2003 (in thousands)

| | 2004 | 2003 |
|-----------------------------------|-----------|------------|
| Assets | | |
| Cash | \$ 86 | \$ 86 |
| Investments | 2,065,523 | 1,907,772 |
| Interest and Dividends Receivable | 5,231 | 2,126 |
| Other Assets | 2,914 | 4,019 |
| Total Assets | 2,073,754 | 1,914,003 |
| Liabilities and Net Assets | | |
| Grants Payable | \$ 86,203 | \$ 109,318 |
| Federal Excise Taxes | 6,078 | 5,260 |
| Other Liabilities | 59,485 | 3,416 |
| Total Liabilities | 151,766 | 117,994 |
| Unrestricted Net Assets | 1,921,988 | 1,796,009 |
| Total Liabilities and Net Assets | 2,073,754 | 1,914,003 |

statements of activities

December 31, 2004 and 2003 (in thousands)

| | 2004 | 2003 |
|--|--------------|--------------|
| Investment Income | | |
| Interest and Dividends | 39,488 | 36,186 |
| Net Realized and Unrealized Gain | 167,110 | 403,778 |
| Other | (1,251) | 9,924 |
| Net Investment Income | 205,347 | 449,888 |
| Expenses | | |
| Grants Appropriated, net of returns | 62,667 | 55,406 |
| Investment Management | 5,394 | 5,324 |
| Administrative and Program Expense | 7,777 | 6,888 |
| Federal Excise Tax | 3,059 | 5,547 |
| Miscellaneous Tax | 471 | 161 |
| Total Expenses | 79,368 | 73,326 |
| Change in Unrestricted Net Assets | 125,979 | 376,562 |
| Unrestricted Net Assets at Beginning of Year | 1,796,009 | 1,419,447 |
| Unrestricted Net Assets at End of Year | \$ 1,921,988 | \$ 1,796,009 |



board and staff

Directors

Benjamin M. Binger
 Erika L. Binger
 James M. Binger
 Patricia S. Binger
 Peggy J. Birk
 Cynthia Binger Boynton
 Meghan Binger Brown
 Zeke Brown
 Noa Staryk
 Ted Staryk

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Erika L. Binger
 Board Chair
 Rip Rapson
 President
 Carol Berde
 Executive Vice President
 James M. Binger
 Treasurer
 Benjamin M. Binger
 Assistant Treasurer
 Richard J. Scott
 Vice President for Finance and Administration, and Secretary
 Patricia S. Binger
 Assistant Secretary

Staff

Jeannine Balfour
 Program Officer
 Daniel Bartholomay
 Program Director
 Kristin Batson
 Director of Organizational Development
 Carol Berde
 Executive Vice President
 Gretchen Bonfert
 Program Director
 Erin Christman
 Program/Communications Assistant
 Neal Cuthbert
 Program Director
 Stephanie Duffy
 Grants Administration Manager
 Christine Ganzlin
 Program Officer
 Jamie Hagerty
 Accountant
 Tim Hanrahan
 Communications Production Manager

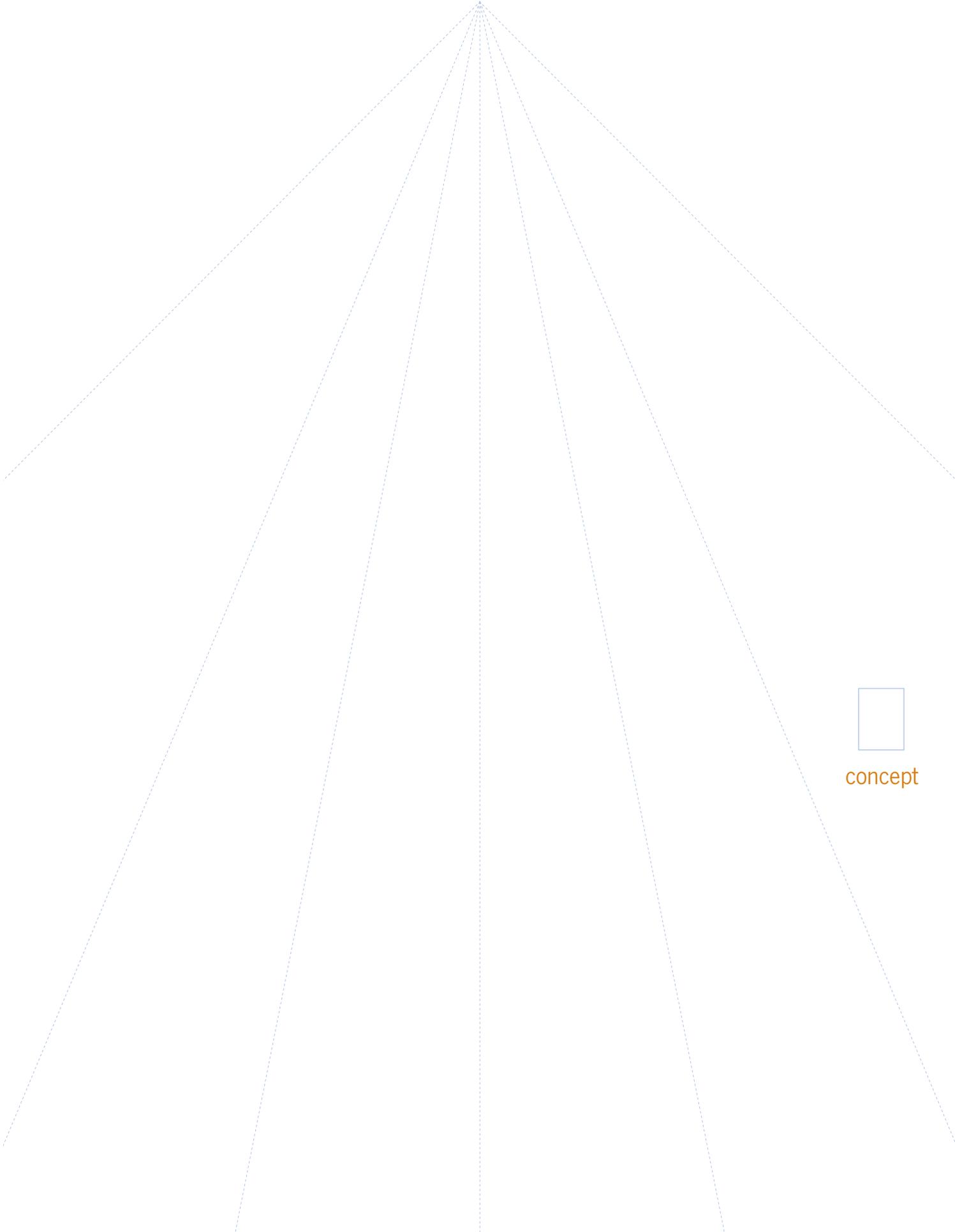
Sarah Hernandez
 Program Officer
 Louis Hohlfeld
 Senior Program Officer
 David Kennedy-Logan
 Program Assistant
 Shawn Kinniry
 Operations Manager
 Kathryn Koenigsmark
 Executive Assistant
 Brenda Krotzer
 Grants Administration Associate
 Nancy Latimer
 Senior Program Officer
 Cosandra Lloyd
 Assistant Operations Manager
 Sarah Lovan
 Program Assistant
 Mariam Mohamed
 Program Officer
 Kevin Overson
 Program Assistant
 Rip Rapson
 President

Kathleen Rysted
 Director of Information Technology and Research Programs
 Jodi Sandfort
 Program Director
 Karyn Sciortino
 Program Assistant
 Richard J. Scott
 Vice President for Finance and Administration
 Shelley Shreffler
 Program Officer
 Therese Simmons
 Controller
 Gayle Thorsen
 Communications Director
 Alla Vaynberg
 Accountant
 Laura Zimmermann
 Program Officer

Matching Gifts

The Employee Matching Gift Program, initiated in June 1996, encourages employee philanthropy and volunteerism. Under the program, The McKnight Foundation will match employee gifts up to \$2,000 annually per employee on a two-for-one basis. The Foundation will also match each 40 hours volunteered by an employee at a qualifying organization with a \$500 gift to the organization. During 2004, 25 employees donated time or money to 88 organizations, which resulted in The McKnight Foundation contributing \$40,360 to those organizations.

tear along perforation to create your own airplane

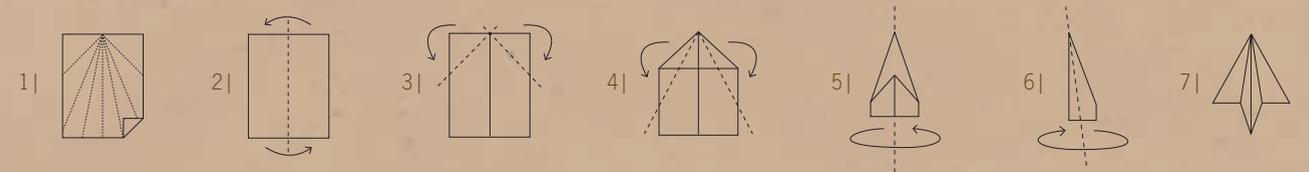


concept



into reality.

concept



into reality.

- 1 | Tear paper at left on perforation and lay flat in front of you, blue side up.
- 2 | Crease center of paper lengthwise.
- 3 | Make two 45 degree folds toward the center crease as shown.
- 4 | Now make two more folds toward the center crease as shown.
- 5 | Fold the plane in half along the center crease.
- 6 | Fold down wings in half to meet bottom edge (center fold) of plane.
- 7 | Open wings out into plane shape.
- 8 | Make it fly.

The McKnight Foundation is committed to the protection of our environment, a philosophy that underlies our practice of using paper with post consumer waste content, and wherever possible, environmental-friendly inks. Additionally, we partner with printers who participate in the PIM Great Printer Environmental Initiative. This annual report was printed on Wausau Royal Fiber and Domtar Solutions Recycled paper, both containing 30 percent post-consumer waste.

Credits

ThinkDesign Group, concept & design Gayle Thorsen & Jonathan Wiese, writers Steve Niedorf, photography Diversified Graphics, printing

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