



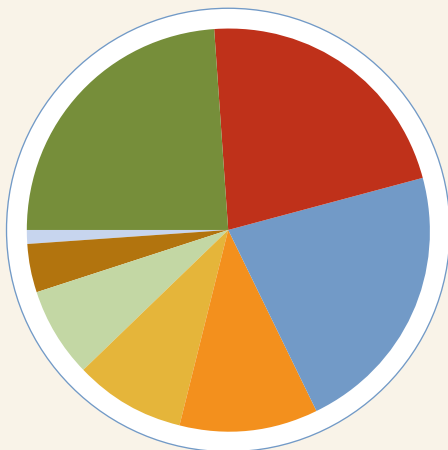
THE MCKNIGHT FOUNDATION

2008 Annual Report

OUR YEAR AT A GLANCE

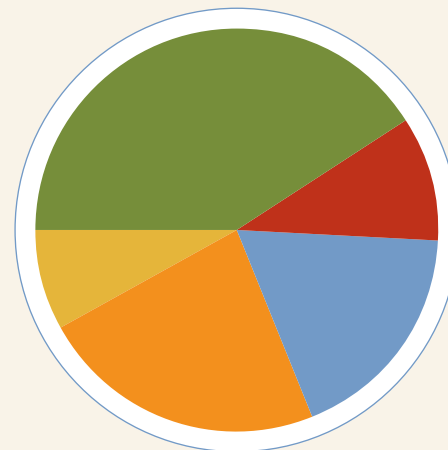
Inside: [OVERVIEW](#) | [PROGRAM SUMMARIES](#) | [HIGHLIGHTS](#) | [2008 GRANTMAKING](#) | [FINANCIAL REVIEW](#)

FUNDING BY PROGRAM AREA



- 24% Children & Families
- 22% Region & Communities
- 22% Environment
- 11% Arts
- 9% Minnesota Initiative Foundations & Related
- 7% International
- 4% Neuroscience
- 1% Other

FUNDING BY GEOGRAPHIC AREA



- 41% Twin Cities Metro
- 10% Minnesota, Statewide
- 18% Greater Minnesota
- 23% U.S., Outside Minnesota
- 8% International

The McKnight Foundation was created in 1953 by William L. McKnight and Maude L. McKnight. Their daughter, Virginia McKnight Binger, established the formal grantmaking program and community-based approach that remain the Foundation's legacy today.

Since the Foundation's early days, investing in smart people with good ideas has guided our work across diverse programs, geographies, and economies. Now facing unprecedented challenges tied to social services, community development, the environment, and more, it is more important than ever to discover the untapped potential in all of us, individually and collectively.

As always, we will continue to seek the best opportunities to gather and share insights among our colleagues, pool good ideas, and support effective work. Doing so, we believe, will help McKnight and all our partners to realize our missions and sustain vibrant, resilient communities.

MISSION STATEMENT

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.

A 10-member board of directors establishes McKnight’s grantmaking priorities. The Foundation makes grants in seven program areas:

ARTS

Vickie Benson, Program Director

To improve the quality of the arts in Minnesota and to improve access to the arts for all Minnesotans.

CHILDREN & FAMILIES

Christine Ganzlin, Program Director

To provide children and families with the skills, knowledge, and resources necessary for children to thrive and transition successfully to adulthood.

ENVIRONMENT

Gretchen Bonfert, Program Director

To maintain and restore a healthy environment in the Mississippi River basin; and to mitigate global climate change by supporting policies and practices that promote low-carbon prosperity.

INTERNATIONAL

Jane Maland Cady, Program Director

To promote strong rural livelihoods in Cambodia, Laos, Tanzania, Uganda, and Vietnam; and to promote food security through applied crop research in Africa, Asia, and Latin America.

MINNESOTA INITIATIVE FOUNDATIONS

Neal Cuthbert, Vice President of Program

To make Greater Minnesota stronger and more prosperous through support of the six independent Minnesota Initiative Foundations and related projects.

NEUROSCIENCE

Eileen Maler, Program Coordinator

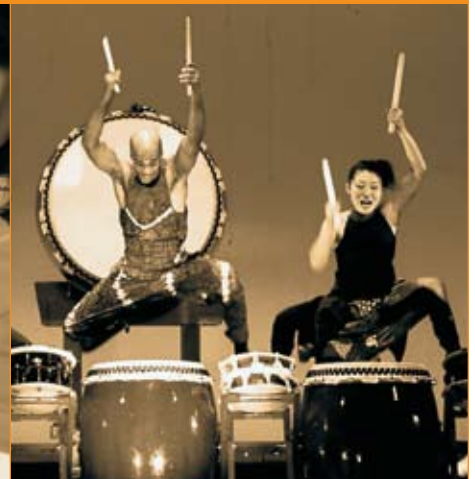
To support innovative research working to understand and cure diseases of the brain and memory, through three competitive annual awards.

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.

For program guidelines visit: www.mcknight.org/howtoapply





Arts Capacity-Building Collaborative. McKnight joined four other funders to launch ArtsLab, an innovative \$1.8 million capacity-building program for Minnesota arts nonprofits. Beyond financial support, ArtsLab provides participant organizations with tools to maximize the stability of small arts organizations in urban and rural communities; strengthen the arts leadership pool for tomorrow; and improve quality of life using the power of the arts in community development.

Board Transitions. Erika L. Binger's three-year term as chair of McKnight's board of directors concluded. During her tenure, the Foundation approved more than 2,300 grants to over 1,000 nonprofit organizations in Minnesota and around the world; pursued an internal reorganization and increased staff size by about 20%, to more effectively manage operations and giving; and introduced a set of guiding values and a refined mission statement for the Foundation. At the close of the year, Robert J. Struyk was elected chair of The McKnight Foundation board of directors.

Climate Change. McKnight pledged \$100 million over the next five years to support a comprehensive strategy to mitigate dangerous climate change by reducing heat-trapping greenhouse gas emissions from key regions and sectors around the world. The multifaceted approach includes partnering with other foundations to launch and fund the ClimateWorks Foundation; ongoing regional 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, including grants in 2008 to two regional organizations, RE-AMP and the Midwestern Governors Association, totaling \$3 million.

Collaborative Crop Research Program. The McKnight Collaborative Crop Research Program received \$26.7 million over five years from the Bill & Melinda Gates Foundation. Complementing McKnight's core commitment of \$4.7 million annually, this funding allows McKnight to make the most of both foundations' investments in the field of crop research, and to capitalize on its own 25-year history strengthening a network of scientists, organizations, and communities working for food and nutritional security in Latin America and Africa.

Distinguished Artist Bill Holm and Artist Fellowships. The McKnight Foundation named Bill Holm as the 2008 McKnight Distinguished Artist, in recognition of his artistic contributions to the cultural life of Minnesota as a writer, poet, and essayist. Holm, who passed away in early 2009, was the author of 10 books of both poetry and essays, including *The Heart Can Be Filled Anywhere on Earth* and *The Windows of Brimnes: An American in Iceland*. In 2008 the Foundation also celebrated 45 artists who received McKnight artist fellowships and residencies, and transferred administration of the photography fellowships program to martists.org, an artist service online community housed at the Walker Art Center.

Minnesota Initiative Foundations. In 2008, McKnight approved a three-year, \$3 million grant to expand the Minnesota Early Childhood Initiative. Aimed at promoting public policy that ensures every child in Minnesota has the best possible start in life, the project is a collaboration among the Initiative Foundation, Northland Foundation, Northwest Minnesota Foundation, Southern Minnesota Initiative Foundation, Southwest Initiative Foundation, and West Central Initiative. Also this year, McKnight extended its partnership with the Northwest Minnesota Foundation with a \$7.2 million grant over five years. The six independent Minnesota Initiative Foundations were established by McKnight in 1986.

Nobel Prize Winners. A past McKnight Endowment Fund for Neuroscience award winner, Martin Chalfie, and a member of the fund's technology awards committee, Roger Tsien, were among the recipients of the 2008 Nobel Prize in Chemistry. The prize was given for research leading to the discovery of the green fluorescent protein, which has been used to make biosensors in the field of molecular biology.

Program Evaluations. In 2008, McKnight initiated comprehensive program evaluations in its arts, children and families, and Mississippi River grantmaking areas. This type of evaluation is integral to the Foundation's ongoing effort to ensure we make the most of our goal-focused investments. Evaluation findings and recommendations are expected in late 2009.

Regional Growth Publication. In October 2008, the Foundation released *RE:Focus: Making Decisions for Future Generations*, highlighting the possibilities for growth and development in the Twin Cities' outer-ring suburbs. With the report, which addresses the importance of decisions with long-term implications for our shared civic future, we hope to spark a call to action for thoughtful planning and to connect people with tools to improve the way our region grows.

Staff Changes. The Foundation hired three new staff members over the course of the year: Jane Maland Cady, international program director; Eileen Maler, program coordinator for grantmaking to support neuroscience research; and Lee Sheehy, program director of region and communities.

Virginia McKnight Binger Awards in Human Service.

The 24th 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 the 2008 recipients were a program provider to the Twin Cities immigrant community; a former gang member who mentors at-risk youth; sisters who teach nutrition through hands-on learning; and a community organizer who fosters home ownership among low-income families. The awards pay homage to the compassion, humility, and generosity of Virginia McKnight Binger, former board chair.

Total Amount of Grant Funding	\$99,486,687
Total Number of Grant Payments	1,062
Portion of Funding Paid to Support Efforts in Minnesota	69%
Portion of Funding That Includes Support for General Operations	33%
Portion of Funding Tied to Multiyear Commitments	80%

STATEMENTS OF FINANCIAL POSITION—December 31, 2008 and 2007 (in thousands)
ASSETS

Cash	\$ 201	\$ 47
Investments	1,549,581	2,309,330
Interest and Dividends Receivable	3,353	4,415
Grants Receivable	24,482	—
Other Assets	4,425	3,082
Total Assets	\$1,582,042	\$2,316,874

LIABILITIES AND NET ASSETS

Grants Payable	\$ 108,775	\$ 117,692
Federal Excise and Miscellaneous Taxes	—	4,869
Other Liabilities	4,545	7,876
Total Liabilities	113,320	130,437
Unrestricted Net Assets	1,443,244	2,186,437
Temporarily Restricted Net Assets	25,478	—
Total Net Assets	1,468,722	2,186,437
Total Liabilities and Net Assets	\$1,582,042	\$2,316,874

STATEMENTS OF ACTIVITIES—December 31, 2008 and 2007 (in thousands)
INVESTMENT INCOME

Interest and Dividends	\$ 51,127	\$ 68,336
Net Realized and Unrealized Gain (Loss)	(687,430)	153,693
Other	866	156
Total Revenues and Gains (Losses)	(635,437)	222,185

EXPENSES

Grants Appropriated, Net of Returns	90,569	111,652
Investment Management	11,431	8,781
Administrative and Program Expense	10,321	9,199
Federal Excise Tax	(4,266)	3,927
Miscellaneous Tax	(299)	155
Total Expenses	107,756	133,714

CHANGE IN UNRESTRICTED NET ASSETS

(743,193) 88,471

CHANGE IN TEMPORARILY RESTRICTED NET ASSETS

Grants Income	26,231	—
Release from Restriction	(753)	—
Change in Temporarily Restricted Net Assets	25,478	—

CHANGE IN NET ASSETS

(717,715) 88,471

NET ASSETS AT BEGINNING OF YEAR

2,186,437 2,097,966

NET ASSETS AT END OF YEAR

\$1,468,722 \$2,186,437

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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 environment-friendly inks. This annual report was printed on paper containing 100% post-consumer fibers. Additionally, we use printers and papers that are Forest Stewardship Council (FSC) certified. The FSC standards represent the world's strongest social and environmental systems for guiding forest management and the use of paper resources toward sustainable outcomes.

We welcome your anonymous feedback on this report's content, design, and layout. Please post comments online at: www.mcknight.org/annualreport. Thank you in advance for your input!