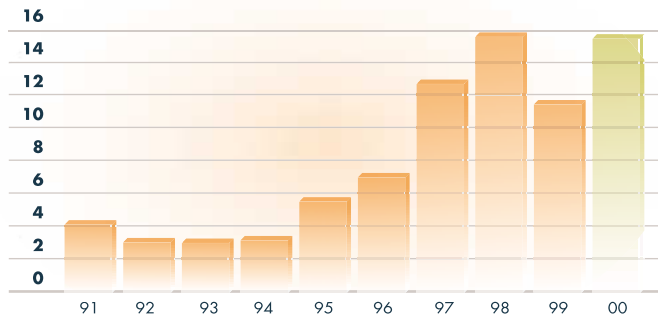


## 2000 Finances & Grantmaking

Lilly Endowment has the ability to encourage and support plans to achieve dreams because of the generosity and foresight of its founders. On Dec. 31, 2000, the Endowment found its assets valued at \$15.6 billion, second only to the \$15.8 billion valuation at the end of 1998 (see chart 1).

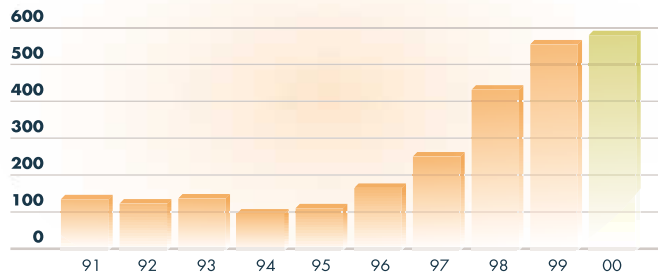
The founders – three members of the Lilly family – contributed gifts of stock in their pharmaceutical company, Eli Lilly and Company, from 1937 to 1971.

**Chart 1**  
10-Year History  
**Market Value of Assets**  
(dollars in billions)



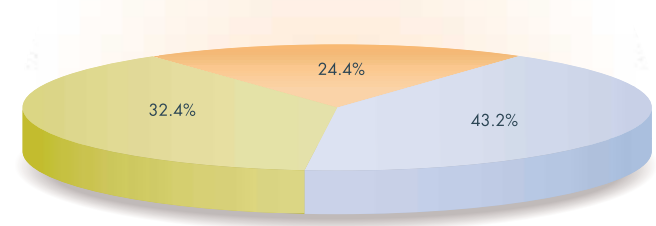
The value of that stock has increased over the years to its present value and has allowed Lilly Endowment to pay more than \$3.5 billion in grants – more than half of that amount (\$1.8 billion) over the past four years.

**Chart 2**  
10-Year History  
**Grants Paid**  
(dollars in millions)



**Chart 3**  
**Grants Paid By Division (2000)**

Education	\$249.9 Million
Community Development	\$187.4 Million
Religion	\$141.5 Million
Total	\$578.8 Million



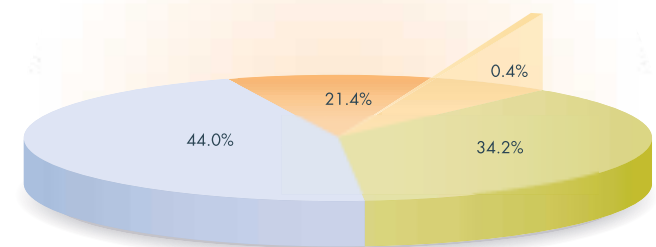
### Grants paid

In 2000 the Endowment paid grants of \$578.8 million (see chart 2), its highest-ever annual total. The 2000 figure put the Endowment's total grant payment since its founding in 1937 at \$3.554 billion.

In the grants-paid category (see chart 3), the Education Division paid \$249.9 million or 43.2 percent; the Community Development Division paid \$187.4 million, or 32.4 percent; the Religion Division paid \$141.5 million or 24.4 percent of the total.

**Chart 4**  
**Grants Paid By Geographic Location (2000)**

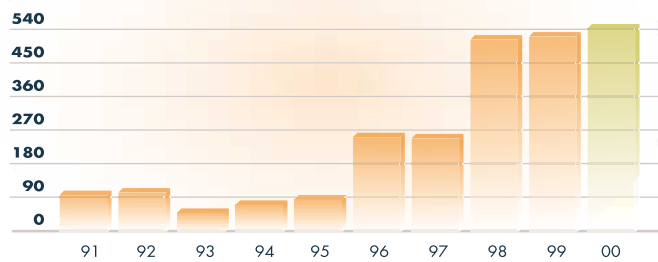
Marion County (Indianapolis)	\$197.6 Million
Indiana (non-Marion Co.)	\$254.9 Million
National	\$123.9 Million
International	\$ 2.4 Million
Total	\$578.8 Million



As in previous years, most of the grants paid went to organizations in Indiana – a total of \$452.5 million or 78.2 percent (see chart 4). Of the grant payment total of \$578.8 million, \$197.6 million or 34.2 percent went to Marion County (Indianapolis)

grantees, and \$254.9 million or 44 percent was paid to other Indiana grantees. Most of these funds came from grants in the Community Development and Education divisions.

**Chart 5**  
10-Year History  
**Grants Approved**  
(dollars in millions)



**Grants approved**

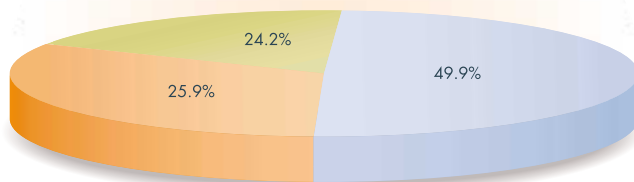
During 2000 the Endowment approved \$544.7 million to 693 grantees, 296 of them new to the Endowment (see chart 5).

Education Division grants accounted for the most dollars, \$272 million or 49.9 percent of the total. Approvals for Community Development grants totaled \$131.8 million or 24.2 percent, while the Religion Division approvals totaled \$140.9 million or 25.9 percent (see chart 6).

The geographic pattern for the grants-approved category is much like the grants-paid category: \$216.5 million or 39.8 percent for Marion County, \$208.2 million or 38.2 percent for Indiana grantees outside Indianapolis (see chart 7). The total approvals

**Chart 6**  
**Grants Approved By Division (2000)**

Education	\$272.0 Million
Community Development	\$131.8 Million
Religion	\$140.9 Million
Total	\$544.7 Million



for Indiana grants amounted to \$424.7 million or 78 percent of the total. The non-Indiana grant approvals totaled \$120 million or 22 percent.

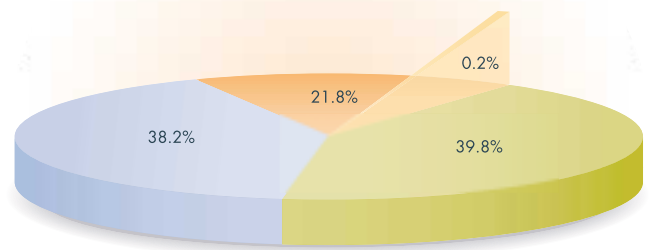
The largest grant approved in 2000 was \$105 million to the Indiana University Foundation. The grant was made to support the Indiana Genomics Initiative.

**Perspective**

Since 1937 the Endowment has paid \$3.554 billion in grants to 5,363 grantees. Of that \$3.554 billion total, Community Development accounts for \$1.528 billion or 43 percent, Education for \$1.272 billion or 35.8 percent, and Religion for \$754 million or 21.2 percent.

**Chart 7**  
**Grants Approved By Geographic Location (2000)**

Marion County (Indianapolis)	\$216.5 Million
Indiana (non-Marion Co.)	\$208.2 Million
National	\$118.7 Million
International	\$ 1.3 Million
Total	\$544.7 Million



Board-approved grants are listed in the back of this report and are divided into the Community Development, Education and Religion divisions. Youth Programming and Leadership Education grants are included with the Education Division and Religion Division, respectively. Discretionary grants of up to \$7,500, authorized by the officers, are listed as a single line item for each division.

The Endowment’s match for the charitable contributions of staff, retirees and Board members is reported as a single line item before the total of all grants approved. “Guidelines & Procedures” are outlined on pages 82-83.

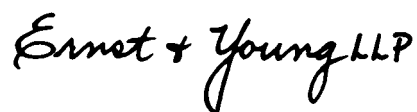
## Report of Independent Auditors

Board of Directors  
Lilly Endowment Inc.

We have audited the accompanying statements of financial position of Lilly Endowment Inc. as of December 31, 2000 and 1999, and the related statements of activities and changes in unrestricted net assets and cash flows for the years then ended. These financial statements are the responsibility of the Endowment's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lilly Endowment Inc. at December 31, 2000 and 1999, and the results of its changes in unrestricted net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.



February 21, 2001

## Statements of Financial Position

AS OF DECEMBER 31	2000	1999
<b>ASSETS</b>		
Cash and equivalents . . . . .	\$ 7,106,070	\$ 5,304,851
Investments – at fair value:		
United States government and agency, bank and corporate interest-bearing obligations – approximates cost . . . . .	342,884,235	325,818,284
Eli Lilly and Company common stock (cost – \$88,744,027 at December 31, 2000, and \$89,222,314 at December 31, 1999) . . . . .	15,241,441,620	11,200,980,966
Other assets . . . . .	305,883	6,121,222
	<u>\$15,591,737,808</u>	<u>\$11,538,225,323</u>
<b>LIABILITIES</b>		
Amounts appropriated for future grants . . . . .	\$ 75,547,280	\$ 115,177,272
Federal excise tax payable . . . . .	124,381	—
<b>UNRESTRICTED NET ASSETS</b> . . . . .	<u>15,516,066,147</u>	<u>11,423,048,051</u>
	<u>\$15,591,737,808</u>	<u>\$11,538,225,323</u>

See accompanying notes.

## Statements of Activities and Changes in Unrestricted Net Assets

YEAR ENDED DECEMBER 31	2000	1999
Income:		
Dividends . . . . .	\$ 173,367,536	\$ 158,137,028
Interest . . . . .	28,588,204	25,905,943
Other . . . . .	—	219,599
Total income . . . . .	201,955,740	184,262,570
Deductions:		
Grants approved . . . . .	542,173,736	498,112,027
Expenses:		
Program support . . . . .	7,445,266	7,071,890
Operational support . . . . .	4,380,994	4,440,169
Federal excise tax . . . . .	5,958,230	5,355,136
Total grants approved and expenses . . . . .	559,958,226	514,979,222
Gain on sale of Eli Lilly and Company common stock (shares – 4,655,000 in 2000 and 5,078,564 in 1999) . . . . .	408,593,312	367,650,552
Increase (Decrease) in unrealized appreciation of marketable securities . . . . .	4,042,427,270	(4,219,822,291)
Increase (Decrease) in unrestricted net assets . . . . .	4,093,018,096	(4,182,888,391)
Unrestricted net assets:		
Balance at beginning of year . . . . .	11,423,048,051	15,605,936,442
Increase (Decrease) in unrestricted net assets . . . . .	4,093,018,096	(4,182,888,391)
Balance at end of year . . . . .	<u>\$15,516,066,147</u>	<u>\$11,423,048,051</u>

See accompanying notes.

## Statements of Cash Flows

YEAR ENDED DECEMBER 31	2000	1999
Cash flows used for operating activities:		
Dividends and interest received . . . . .	\$ 201,955,740	\$ 184,157,282
Grants paid . . . . .	(581,803,728)	(557,301,037)
Program support . . . . .	(7,445,266)	(7,071,890)
Operational support . . . . .	(4,253,502)	(4,313,898)
Federal excise tax . . . . .	(478,164)	(10,710,143)
Net cash used for operating activities . . . . .	(392,024,920)	(395,239,686)
Cash flows provided by investing activities:		
Sale of Eli Lilly and Company stock . . . . .	409,071,599	368,137,007
Purchase of interest-bearing obligations . . . . .	(1,303,868,151)	(1,089,414,606)
Sale of interest-bearing obligations . . . . .	1,288,750,183	1,117,045,273
Investment-related expenses . . . . .	(127,492)	(126,271)
Net cash provided by investing activities . . . . .	393,826,139	395,641,403
Net increase in cash . . . . .	1,801,219	401,717
Cash and equivalents at beginning of year . . . . .	5,304,851	4,903,134
Cash and equivalents at end of year . . . . .	\$ 7,106,070	\$ 5,304,851

See accompanying notes.

# Notes to Financial Statements

December 31, 2000

## 1. Significant Accounting Policies

### Description of Organization

Lilly Endowment Inc. (the Endowment) is an Indianapolis-based, private philanthropic foundation created by three members of the Lilly family through gifts of stock in their pharmaceutical business, Eli Lilly and Company. The stock of Eli Lilly and Company continues to be the Endowment's most significant asset. The Endowment supports the causes of religion, education and community development. The Internal Revenue Service has determined that the Endowment is exempt from federal income tax under Section 501(a) of the Internal Revenue Code. It remains a private foundation subject to federal excise tax on net investment income.

### Income and Expenses

Interest and dividend income is recorded as received, and operating expenses are recorded as paid. The federal excise tax is accrued. Grants are recorded when approved by the Board of Directors.

Realized gains and losses from the sales of Eli Lilly and Company common stock are calculated using the first-in, first-out method of allocating cost.

### Investments

Investments are stated at fair value.

### Facilities and Equipment

Expenditures for facilities and equipment are expensed as paid.

### Use of Estimates

Preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income, expense, and related disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

## 2. Required Distributions

The Internal Revenue Code provides that the Endowment generally must distribute for charitable purposes five percent of the average market value of its assets. The Endowment must make additional qualifying distributions of approximately \$602,000,000, before January 1, 2002, to meet the 2000 minimum distribution requirements.