

EXECUTIVE MESSAGE

BUILDING MOMENTUM

Every foundation wants to achieve as much impact as it can with the grants it makes. Grants to individual institutions can cause great things to happen, but to maximize a foundation's impact, its grants should have a cumulative coherence and converge with the efforts of others to build momentum toward ultimate objectives.

Momentum has to do with the properties of weight and speed. As players and partners share goals and work together, the process takes on weight, the speed quickens, and momentum increases – like a snowball rolling down a mountain. Achieving the goal seems much more possible.

Lilly Endowment is pleased to have the wherewithal to help others make the differences that will – with their continued energy, determination, vision and cooperation – add to the momentum we are so delighted to see building in various arenas of our grantmaking. You will read about several of these efforts in this annual report.

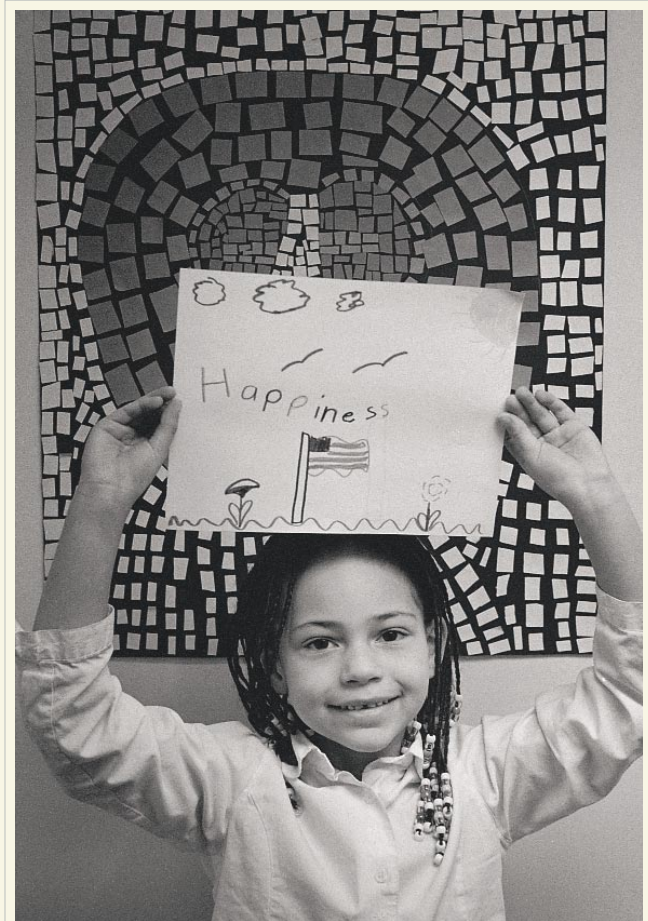
Education: K-16 and beyond

It is a “given” that education is the indispensable key to a better future for individuals, communities, states and nations. Thus, we have been especially troubled in Indiana by the disheartening statistics that place our state near the bottom on the list of 50 states and the District of Columbia in the percentage of adults with a baccalaureate degree and in the percentage of its workforce in professional positions or specialty occupations.

After the Sept. 11 tragedy, Kiera Moss, a second-grader at Holy Cross Central School in Indianapolis, focused on “happiness” with puffy clouds, birds, flowers and the American flag.

A new study from the Indiana Fiscal Policy Institute indicates that from 1965 to 2000 Indiana's per capita income ranking fell from 17th to 33rd place, the largest drop of any state in the country. The economic well-being of the state is in jeopardy.

About five years ago the Endowment began looking for ways to encourage more Indiana young people to attend college, obtain a bachelor's degree and find





employment in Indiana. Every four-year Indiana college and university received Endowment funding to address all or some of these goals.

In 1998 we established the Lilly Endowment Community Scholarship Program, which offers full-tuition scholarships awarded by Indiana community foundations to Indiana students attending Indiana colleges and universities. The first class, the Class of 2002, will graduate this spring. This year the Endowment upped the number of scholarships to 363. At this writing, nearly 950 Lilly Endowment Community Scholars are studying on 37 different campuses in Indiana.

Transformative grantmaking

Then in 1999 we began making a series of major, transformative grants to selected Indiana colleges and universities to advance each institution or a key component of its curriculum to a whole new level of distinction. More than \$103 million was granted in this effort through 2000 to the Indiana University Foundation, Rose-Hulman Institute of Technology, Indiana Wesleyan University, St. Mary's College and Wabash College.

Besides the grants in this effort, the Endowment in 2000 was pleased to make an exceptional grant to the I.U. Foundation of \$105 million for the Indiana Genomics Initiative (INGEN), which capitalizes upon the strengths of the I.U. School of Medicine and its School of Informatics.

This year the Endowment was pleased to continue the work: \$26 million to Purdue University for its Discovery Park; \$20 million to DePauw University for 361° (a national e-learning initiative), nearly \$15 million to the University of Indianapolis for a new Center of Excellence in Leadership of Learning (CELL), and \$20 million to Ball State University for an iCommunications initiative and a Center for Media Design.

The accumulation of intellectual capital and the continued attraction of talent needed to forge these programs into national models should have a positive impact on Indiana's educational attainment statistics and help foster an image of Indiana as a progressive state that values knowledge, innovation and the entrepreneurial spirit.

Purdue University graduate students Tom Huang (left) and Raphael Gomez insert a biochip into a vacuum microscope.

Building community support

From the outset, we knew that change would not happen immediately, that many others – civic, political, education and business leaders – had to recognize the severity of the situation and resolve to change it. By the end of 2001 several important institutions and leaders in the state had mobilized concerted efforts to call for fundamental restructuring of the way Indiana promotes its economic development, education and quality of life.

A study by the Battelle Memorial Institute emphasized one arena where central Indiana, especially, has a strategic advantage and could make a strong bid for future success: the life sciences. The area has a concentration of major research universities (including one of the country's largest medical schools) and several large pharmaceutical and life sciences-related companies.

The study also cited advanced manufacturing and logistics as two other promising industry clusters for the region and state. Central Indiana's capacity in information technology and the Indianapolis location of the network operations center for Internet II should significantly enhance the prospects for each of these clusters.

A key facilitator of these promising new developments is the new Central Indiana Corporate Partnership (CICP), whose membership comprises the chief executives of many of central Indiana's major businesses and the presidents of Indiana's two research universities. The Endowment was pleased to support CICP's educational, charitable and scientific efforts through a \$5 million grant to its foundation. Momentum is building.

Massive effort needed

The Endowment fully appreciates that higher education institutions cannot by themselves address Indiana's educational challenges. It will take concerted and heroic efforts from K-12 institutions, community groups, parents and political, business and civic leaders.

Accordingly, in 1999 we announced CAPE (Community Alliances to Promote Education), a competitive initiative through which we invited Indiana's community foundations

Residents and visitors can survey the city's cultural scene and even buy tickets by entering indyarts.org, the Web site of the Arts Council of Indianapolis.

to initiate efforts to seek broad local input in identifying their areas' most compelling educational needs and then propose ways to address them. Through three iterations, CAPE now is active in 44 counties with an Endowment investment of \$186 million. Of this amount, \$113.6 million was approved in 2001 for grants covering 25 counties.

We also looked at ways specifically to improve K-12 education in Indianapolis and devised two competitive initiatives for Marion County's 11 public school districts and its nearly 70 private schools. The results were grants of \$24.1 million to 14 accredited private schools and the Archdiocese of Indianapolis and grants totaling \$44.3 million to seven public-school districts.

Their impressive plans include "personalizing" the educational experience, integrating cultural history into the curriculum, broadening and strengthening the use of computer technology, encouraging education as a life-long process, developing effective programs for professional development for teachers and administrators, and involving parents and community leaders.

An inviting hometown

To increase the number of college-educated people who live in our state, there must be a high quality of life in Indiana communities – and people must know about that quality of life. On our home turf, we have long realized the excellence of the cultural amenities that

The screenshot shows the homepage of the Arts Council of Indianapolis website. At the top, there is a navigation menu with links for Arts Organizations, Artists, TicketCentral, ArtsGarden, Indy Arts Calendar, Grants & Services, About the Arts Council, News, Map, Send an E-Postcard, Visitor Info, Contact Us, and Home. The main content area is divided into several sections: 'SEARCH EVENTS' with a search box and filters for month and year; 'FEATURED EVENTS' listing 'Hillard Lyons Spring Pops Series - Pops Goes British!' and 'Opera Ball'; 'BUY TICKETS' with a 'BUY TICKETS NOW' button; and 'E-LIST SIGN-UP' with a 'SIGN-UP' button. The website also features a 'WELCOME' message and a 'Translate this site?' option.



Indianapolis offers – a fine symphony orchestra, an excellent art museum, a world-class Children’s Museum, a wonderful regional theater, a pace-setting museum of Western and Indian art and culture, an exciting zoo, a spectacular new state museum – the list goes on. Many of these attractions thrive in a newly revitalized downtown Indianapolis or in the downtown White River State Park.

Indianapolis has so much to offer, but we felt the full story wasn’t being told. That is changing. For instance, the Indianapolis Museum of Art used the occasion of the “Gifts to the Tsars” exhibition to collaborate with many other arts and educational organizations in the city. Indianapolis was the one and only stop in the country for “Tsars,” a treasure of fabulous artifacts from the Armory Museum in Moscow that were gifts to the Russian tsars from the 16th to the 18th century.

Other arts organizations – from the Indianapolis Symphony Orchestra to Dance Kaleidoscope to Conner Prairie Living History Museum – chimed in with Russian-related programs of their own. A full-blown marketing blitz brought thousands of visitors to the city. The Endowment was pleased to support the collaborative and promotional activities.

Young dinosaurs for young people

Continuing its tradition of excellence, the Children’s Museum – which already draws more than 1 million people a year – announced the formation of “Dinosphere,” set to open in 2004. Funded in part by a \$15 million Endowment grant, it will be a comprehensive dinosaur display unlike any other in the country. It will be what museum people call an “immersive environment” with the centerpiece being juvenile dinosaurs and dinosaur families. The main attraction will be Bucky, a teenage T-rex.

With cultural momentum building, the Endowment supported a new cultural development initiative with a \$5 million grant to Marion County’s Capital Improvement Board, which also designated \$5 million for the effort. Indianapolis Mayor Bart Peterson announced the plan at a crammed news conference at the downtown Arts Garden.

Young raptor welcomes kids of all ages to the Children’s Museum of Indianapolis, soon to be home to “Dinosphere,” a major exhibit and “immersive experience” for visitors.



A Commission on Cultural Development was formed. The Arts Council of Indianapolis named a director of cultural tourism who is working with the council, Indianapolis Downtown Inc., the Indianapolis Convention and Visitors Association and the mayor's office to build Indianapolis' image as a cultural destination. The initiative is strategically tied into the community's educational and economic development efforts.

An extra boost for human service agencies

In the human service area, the Endowment since its very beginning has strongly supported the United Way of Central Indiana (UWCI) which – along with United Ways all over the country – has reorganized, refocused and refined its efforts into seven major “impact areas” that receive most of its attention and funding. This refocusing has been accomplished over the past few years amid lively debate and broad community input. To assist UWCI in implementing this change as constructively as possible,

the Endowment made a \$50,000 grant for an evaluation of the first allocation process under the new approach.

Building on this long history of support, in 2000 the Endowment established a \$60 million Capital Improvements Fund at UWCI. The idea was to invite human service agencies and organizations from throughout UWCI's six-county service area to apply for funds for their capital needs, ranging from remodeled current facilities to completely new buildings. The first batch of these improvements is taking shape – and the physical upgrades also boost the morale of those who work in the human service area and their clients.

The maturing of Girls Inc.

Through its youth programming, the Endowment funds organizations that will give young people the best chance to grow into responsible adults. One such organization is Girls Inc., which reaches more than 900,000 girls across the country and urges them to become “strong, smart and bold.” The Endowment has supported Girls Inc. since 1967 and took a lead role in establishing the group's National Resource Center in downtown Indianapolis in 1981.

Over the years, Girls Inc. has matured into a major player in youth work of today. The Endowment has helped it with funds to strategize and refine its focus, and the girls of yesterday have grown into women who want to help today's girls achieve their full potential.

This year the Endowment was pleased to make a lead grant of \$6.3 million to Girls Inc.'s \$27 million national campaign. The funds will be used to double the size of the National Resource Center, which should further enhance Indianapolis' reputation as a community that values youth.

Funds also will help create a comprehensive Internet strategy that will allow Girls Inc. affiliates and others to gain access to program and research resources through an enhanced, interactive Web site. Momentum is building.

Part of the “Gifts to the Tsars” exhibition, this 19th century portrait shows Tsar Alexei Mikhailovich, who became tsar in 1645 after the death of his father, Tsar Mikhail Romanov. Alexei, who ruled until 1676, was described as “a goodly person ... charitable ... very kind to his sisters and Children ... strict in his Devotions.”

A GIFT for all ages

Building healthy, responsible communities throughout the state has been the goal of the GIFT (Giving Indiana Funds for Tomorrow) Initiative since it was announced June 24, 1990. Community foundations seemed to be logical vehicles for citizens to support philanthropic projects in their home areas, but there were fewer than a dozen viable community foundations in Indiana in 1990, with aggregate assets of about \$100 million.

Over 10 years – with significant technical assistance provided by the Indiana Grantmakers Alliance – that number has grown to more than 90 with aggregate assets of more than \$1 billion. Obviously, a huge momentum bolstered their growth.

After 10 years and four phases of GIFT, it was time for reflection, so in 2000 the Endowment proposed “Taking Stock,” a program of self-assessment for the community foundations. As a result of this assessment, we learned that their No.1 concern was raising unrestricted funds so they could better address the needs in their own communities. These funds are always difficult to raise, especially in a less-than-robust economy. The Endowment, accordingly, proposed GIFT Phase V, a nearly \$190 million challenge grant program that encourages Indiana citizens from South Bend to Evansville to give unrestricted funds to their community foundations. Phase V also includes matching dollars for operating funds.

The whole history of GIFT is synonymous with “building momentum.” We are certain it will continue.

Strong leaders for congregations

Another long-standing commitment at the Endowment is focused on the quality of pastoral leadership for American congregations. This commitment fuels our concern about the declining number of young people entering the Christian ministry and the consequent loss of an intergenerational clergy to lead our churches.

The numbers of mainline Protestant ministers and Roman Catholic priests under the age of 35 are not encouraging. Research indi-

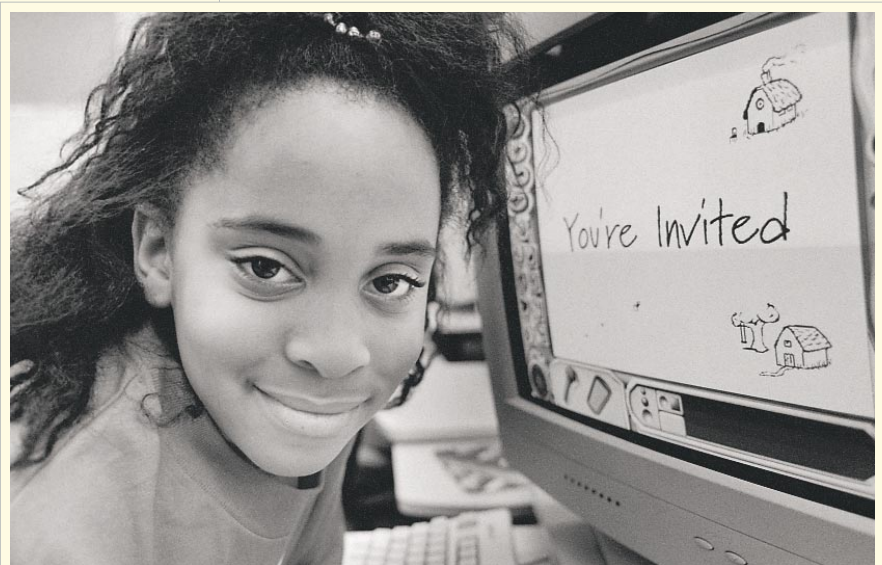
cates that less than 7 percent of Presbyterian ministers and only 4 percent of Episcopal priests are under 35. Far too few young people are encouraged to explore the possibility of the ministry as their life’s work.

Capturing the imaginations of youth

Looking for new ways to introduce young people to the ministry, the Endowment made a grant 10 years ago to the Candler School of Theology at Emory University to create its summer Youth Theology Institute (YTI). Beginning with 60 students in 1992, this annual, intensive, monthlong program has challenged more than 500 youth to view their worlds through a theological lens. The experience has led many to college majors and minors in religion and then to enroll in seminaries as ministerial candidates.

Encouraged by the success of YTI, the Endowment in 1998 offered other theological schools the opportunity to launch similar programs. Many seminaries responded enthusiastically and were funded. In 2001 the Endowment made renewal grants to 22 of these schools to continue their programs. Also, eight more schools received grants to begin new programs, and 23 received planning grants. If all receive implementation grants in 2002, the Endowment will have invested just over \$50 million in

Rebecca explores graphic design on a computer at Girls Inc. center in Indianapolis.



youth theology programs, and more than 50 seminaries will welcome talented high-school-aged youth from across the country to their campuses.

Each program has a distinctive character and format so that young people can choose which suits them best. Some are intensive summer institutes. Others are year-round programs that combine leadership development retreats and projects undertaken in their home congrega-



tions. Most involve study, worship, community service and even travel abroad.

The youth programs capture young people at a time when they are eager to ask deeply theological questions about the world and God. They are at a point in their lives when they are beginning to make decisions about their futures.

Exploring vocation with college students

Another effort to encourage young people to examine the relationship between their faith commitments and their future vocations and to explore the possibility of entering the ministry targets students on church-related college campuses. The Endowment's "Programs for the Theological Exploration of Vocation" has provided more than \$93 million to 48 church-related, liberal arts colleges. Now the initiative is in its third phase, and an additional 50 schools have received planning grant awards and will submit implementation proposals in 2002.

The early results of these programs are highly encouraging. College presidents and project directors report that the programs have broken a "culture of silence" about discussing religion on campus. Many admit that they were surprised at first by the strong student response. Students have jumped at

opportunities to make connections between their faith commitments and their future work, to visit seminaries and to try out the ministry.

Supporting pastors serving congregations

Our focus on pastoral ministry leads us to a second long-standing commitment – honoring and supporting good pastors already faithfully serving their congregations. Today's pastors are called upon to play many roles in guiding their congregations – from preacher to community organizer, from scholar to spiritual guide, from fundraiser to counselor. The demands are many, the hours long, the pay low, and the tangible rewards few.

Preliminary findings from the "Pulpit & Pew" project at the Duke University Divinity School are providing a mixed portrait of the challenges faced by ministers at the beginning of the 21st century.

On the one hand, most ministers are deeply committed to their calling and find many satisfactions in their work. On the other hand, these same pastors express concerns about their effectiveness in a rapidly changing culture. And in an environment that lacks sufficient support structures, the majority feel they are professionally and personally isolated.

Far too few have ample opportunities to step away from the daily demands of parish life for study and conversation with colleagues, for honing their leadership skills or for refreshment and renewal.

To respond to this need, we established two ongoing programs: the Clergy Renewal Program for Indiana Congregations and the National Clergy Renewal Program.

Since 1999 more than 300 grants have been given to congregations to enable their pastors to engage in an intentional program of renewal. Ministers have walked the steps of Jesus in the Holy Land, toured the homelands of the Reformers, visited missionaries in Third World countries, taken spiritual retreats and pilgrimages and strengthened their leadership skills at national workshops and international conferences.

The Rev. Sue Reid of St. Alban's Episcopal Church in Indianapolis and her congregation received a grant in the 2000 Indiana clergy renewal program.

These grants allow pastors to gain new perspective on their ministries. They return to their congregations re-energized. Most important, we hope these grants recognize and honor the faithful and tireless work of pastors.

We know that others share our concern for pastors. We recently announced a new competitive grants program, "Sustaining Pastoral Excellence," which invites organizations of all sorts to propose programs to provide pastors with the various kinds of experiences necessary to sustain good ministry over the long haul. These programs will enable many other congregations and religious organizations to strengthen their own efforts to support pastoral ministry.

How do we sing the Lord's song?

Our concerns also focus on the vitality of congregational life. One of the most vexing challenges facing congregations today surrounds the worship experience. Many local faith communities find themselves caught in "worship wars" and must negotiate among diverse constituents who have different views about traditional and contemporary liturgies.

To help congregations move beyond these skirmishes, the Endowment since 1998 has made three grants totaling \$9.5 million to "Vibrant Worship, Healthy Congregations: A National Ecumenical Worship Renewal Initiative," hosted by Calvin College's Institute of Christian Worship in Grand Rapids, Mich.

The project sponsors a series of national training events to teach worship leadership skills to pastors and congregational leaders. Other components include a small-grants program to support congregations in worship enhancements and a Web site to provide access to worship resources.

The gathering momentum

We could continue to list what we think are momentum-building grants and describe the potential they offer to strengthen congregations, schools, universities, communities and civic organizations. But perhaps the best consequences are those we cannot predict or quantify.

They are the informal networks established among pastors, educators, civic leaders and hosts of others. They are the relationships created between individuals who discover each other's work and find ways to provide

encouragement and sustenance for the journey. They are the young people whose minds are awakened to endless possibilities offered by an attainable education – and in the future their children who will likewise learn the value of education from their parents.

All this we cannot see, yet our experience tells us that when inspired people talk to each other, their inspiration spreads. Momentum builds, and the whole becomes much greater than the sum of its parts.

Postscript

We all harbor the horrible images of Sept. 11 when the unimaginable became all too real. Those acts of incomprehensible barbarism shattered any image of "fortress America." It also made us realize that it could happen again – and that acts of terror do indeed occur all over the world every day. It was apparent that thousands of people were going to need help fast. Within 24 hours, the Endowment's Board of Directors had approved grants of \$10 million each to the Salvation Army, the American National Red Cross and Community Funds in New York (the September 11th Fund). In the midst of sadness, we saw acts of heroism and love that live long after the flames have died. We were pleased that the Endowment could help the caregivers at the scenes of such tragedy.



Thomas M. Lofton
Chairman



N. Clay Robbins
President