

Executive Message

“Be an opener of doors for such as come after thee” —Ralph Waldo Emerson

This phrase is used often to describe what master teachers do for their students. It also depicts the efforts of community leaders to open doors of opportunity for others in order to sustain the civic culture and values that underlie strong, vibrant communities. The full results of their efforts often unfold many years after their contributions of time and resources are made.

In last year’s annual report, we put forward the notion of a “virtuous circle of community” to describe the interconnectedness of various sectors of community life—business, governmental, charitable, religious and educational. We observed that prosperous businesses employ talented people who give their time and resources to strengthen nonprofit organizations such as museums, United Way agencies, schools and universities, and religious congregations. Those organizations in turn enhance a community’s quality of life and foster a new generation of talented residents, encouraging businesses to locate and expand there, thus perpetuating the virtuous circle.

In this annual report, we tell the stories of dedicated individuals and institutions that are building on the virtuous circle of community by opening doors for others through education. They strive daily to improve the quality of education in Indiana. Time and again we hear business leaders say that the most important predictor of success for their businesses is the quality of Indiana’s workforce. For the virtuous circle of community to persist, Indiana must redouble its efforts to educate its population to be competitive in the global economy.

We believe it is important for Lilly Endowment to persevere in its efforts to nurture a virtuous circle of community and to help continue the legacy of civic engagement and commitment. In 1937 when Lilly Endowment’s founders—J.K. Lilly Sr. and his sons, J.K. Jr. and Eli—established the Endowment, they began opening doors for those who came after them. We strive to ensure that the resources they provided so generously to this foundation are used to open as many doors as possible to help prepare our communities and state for prosperity and fullness of life. Education is the best way to do this, and we are grateful for the many imaginative and committed people and institutions that use Endowment grants to pursue crucial educational objectives. We are pleased to highlight the work of a number of them here.

The Endowment’s founders also recognized the

important role religion plays in the quality of life of citizens. Most of our funding in religion is national in scope and will be reported through other channels. This report, however, includes a story about the development of the Indianapolis Center for Congregations and its expansion in Indiana. We believe that flourishing congregations are essential components of the virtuous circle of community, and we appreciate all the ways the center supports and inspires them. A full listing of all the Endowment’s 2008 grants, including the religion grants, can be found in the Grant Approvals section of this report or on the Endowment’s Web site, www.lillyendowment.org.

Disaster relief

2008 was an extraordinary year for natural disasters in Indiana: flooding in January, flooding and tornadoes in June, more flooding and high winds in September. More than 80 of Indiana’s 92 counties were declared disaster areas, 28 of them twice. As many as 8,400 evacuations and water rescues were counted. More than 45,600 homes, 650 roads and 100 dams and levees were damaged or destroyed. The Federal Emergency Management Agency dispensed \$55 million to flood victims. Federal aid for repairs to homes and public infrastructure totaled more than \$213 million.

Despite the significant government assistance, substantial needs remained. Consequently, the

Endowment in June awarded \$50 million in grants for Indiana disaster relief: \$2.5 million to the American Red Cross, \$2.5 million to the Salvation Army and \$45 million to the Indiana Association of United Ways (IAUW) for the 2008 Indiana Natural Disaster Fund. IAUW worked with local United Ways, community foundations and other civic groups to distribute the funds quickly and fairly. By year's end, IAUW had spent or allocated more than \$17.5 million and had announced plans for at least two additional grant rounds. We all hope for calm weather in 2009.

Economic crisis

2008 brought more than just weather challenges.

Along with the rest of the country, we in Indiana read the same increasingly depressing headlines about the economic crisis: jobs vanishing, unemployment skyrocketing, home prices plummeting, financial giants disappearing, and the auto industry teetering on collapse. Indiana is not immune to these challenges.

To help respond to those in need, the United Way of Central Indiana established an Economic Relief Fund in December, to which the Endowment contributed \$2 million. The fund's dollars support agencies that provide direct assistance to individuals and families. The Endowment and other contributors will monitor the demand for resources in the coming months to determine whether additional contributions are warranted.

Support for veterans and military families

The current economic conditions present special challenges to many veterans of the military conflicts in Iraq and Afghanistan. Building on the efforts to support veterans outlined in last year's report, the Endowment awarded a \$5.8 million grant in 2008 for a project of Purdue University's Military Family Research Institute (MFRI) to strengthen the support that Indiana's higher education institutions provide for military-service members and veterans who are or will become their students. MFRI, the only academic center of its kind in the country, will inform Indiana colleges and universities about the needs of students who are veterans or in the military, as well as possible

strategies for addressing them. Funds also will be made available to other Indiana universities to help them develop related support programs.

We know it may be many months before our economic picture looks brighter. But then we think back to 1937 when three members of the Lilly family established the Endowment. The headlines then spoke of what we now call the Great Depression. Unemployment stood at 14.1 percent; World War II loomed. What vision and faith the founders showed in creating this institution at such a bleak time in our nation's history. Their generosity under such circumstances inspires us to ensure that Lilly Endowment's grantmaking stays focused on its highest priorities—education, religion and community development—centered primarily on its founders' home state and true to the causes and ideals its founders valued.

Personnel changes. We are pleased to note the election to the Endowment's board of directors of Charles E. Golden, executive vice president and chief financial officer of Eli Lilly and Co. from 1996 to 2006. We also note the addition to our staff of Richard O. Ristine Jr. as a program director in the Endowment's Community Development Division and the promotions of Patricia R. Villars and Barbara S. DeHart as program directors in the Endowment's Education Division.



Thomas M. Lofton
Chairman



N. Clay Robbins
President