

Over the years as we at Lilly Endowment have sought to make the best use of the resources our founders made available to us, we have found that we have the most impact when we ask the right questions. Creative approaches to critical challenges often emerge when we pose the essential questions in a certain area of endeavor and then ask a range of stakeholders to think deeply about how they would use funding from the Endowment to address them. We believe it is important for a foundation to be open to new insights and perspectives derived from others' experiences and reflections.

We also have discovered that there is a greater chance for sustained impact when the Endowment gives a grantee the flexibility to craft strategies that respond to important questions in ways that align with its own institutional mission, interests and resources. This flexibility makes it more likely that a grantee will integrate into ongoing operations whatever new program is launched with the Endowment's grants.

The impact of our grantmaking is further enhanced when our grantees who are addressing common questions are convened to share varied programs and perspectives. The Endowment, therefore, often provides opportunities for its grantees to get together to talk among themselves and with us. The grantees learn a great deal from each other, and we listen and learn much from them. These conversations help us continue to refine our questions.

Sustaining community foundations

In this annual report, some of our grantees show that they have tackled important questions we have posed in our three main areas of grantmaking: community development, education and religion. One story describes the community engagement that has been nurtured through the Endowment's 14-year-old GIFT initiative for Indiana community foundations – and what happens next. Throughout this community development initiative, the Endowment has posed a series of questions to the community foundations: What are your community's most pressing needs? What are the most promising strategies to address them?

In 2004 we asked them what strategies they should employ to enhance their capacity to raise funds on a sustained basis and thereby foster self-reliance. As a part of this Sustaining Resource Development program, the Endowment has invited them to meet together in educational sessions to learn about best practices in fund-raising and

development from experts and to share challenges, insights and successes with each other.

Connecting college graduates with good jobs

In education, the Endowment has continued to pose questions about raising the educational attainment level of

Indiana residents. Endowment-funded research from the Indiana Fiscal Policy Institute found that Indiana is a

net exporter of college graduates. A key reason for this fact is that Indiana does not offer nearly enough economic opportunities for college graduates. To help address this challenge, the Endowment asked Indiana's public and private colleges and universities to propose educational programs relevant to their institutions that would in some way promote economic opportunities for college graduates in Indiana.

Throughout 2004, 37 Indiana colleges and universities began implementing these programs, which were funded with nearly \$40 million in Endowment grants. Internships and enhanced placement programs are now flourishing throughout the state, and the Endowment was pleased when Purdue University in late 2004 took the initiative to convene all the grantees to share their experiences and perspectives relating to these endeavors. A story in this annual report indicates that colleges believe that as a result of these grants they have "transformed the way they do things."

At the end of 2004 we made two major grants that complement our other educational efforts. We asked the leaders of Indiana's two major research universities to propose strategies to move their universities to new levels of excellence and impact for the future prosperity of Indiana. These discussions resulted in a \$53 million grant to the Indiana University Foundation for the Indiana METACyt Initiative, which will support promising basic research and education in metabolics and cytomics and build on the Indiana Genomics Initiative (INGEN) begun by the IU School of

Posing the Questions

Medicine in 2000 with Endowment support. The discussions also resulted in a \$25 million grant to the Purdue Research Foundation to solidify and enhance the impressive success of Purdue University's Discovery Park, which Endowment funding helped launch in 2001.

Where is the next generation of ministers?

In religion, the Endowment remains focused on two principal aims for its grantmaking across the country: 1) to encourage, educate and support a new generation of talented pastors and 2) to strengthen current pastors in their capacities for excellence in ministry.

The Endowment has been concerned about the declining numbers of young people who pursue ministry as a profession. This alarming trend does not bode well for the vitality of American congregations. Therefore, we have posed several questions to key stakeholders, from theological seminaries and denominational organizations to local congregations and church-related colleges and universities.

In this annual report, one story discusses the programs under way with Endowment funding at 88 church-related colleges and universities through our Programs for the Theological Exploration of Vocation initiative. To receive funding under this initiative, the institutions had to respond persuasively to three questions: 1) How could they help students think through their career decisions in light of their faith commitments? 2) What opportunities could they create for students to explore ministry as a possible vocation? and 3) How could they build on their school's mission, heritage and religious tradition as they prepare a new generation of morally and spiritually well-grounded leaders for church and society?

Representatives from these institutions have been brought together often since 2000 when this initiative began to learn what's working on other campuses and to discuss a number of the fundamental issues driving their work. They have both challenged and inspired one another. As a result of their projects, many seminaries are welcoming the youngest and most talented entering classes in decades.

2004 Hurricanes

Preceded by Tropical Storm Bonnie, four hurricanes blasted Florida, other Southern states and much of the East Coast in

August and September. Florida was especially hard hit, with the hurricanes wreaking havoc on people's lives, homes and businesses, power sources and infrastructure while dumping debris everywhere. In keeping with the Endowment's long tradition of providing relief for disaster-affected areas, we were pleased to be able to offer \$10 million each to the American Red Cross and the Salvation Army and \$5 million to the United Way of America. Before the hurricanes hit, we awarded a \$2.5 million lead gift to the Red Cross for the Coordinated Assistance Network (CAN) initiative to support the development of a Web-based platform to foster more effective collaboration among relief organizations in major disasters. We were gratified to learn that this new approach was piloted successfully in the responses to these hurricanes.

With grant payments exceeding \$420 million in 2004, there are many more stories worth telling. Unfortunately, our annual report has room for only a few highlights. More information about the Endowment's grants can be obtained through our Web site at lillyendowment.org.

Remembrance

We must note with sadness the death of Earl B. Herr Jr. in late September. Dr. Herr enjoyed a distinguished career at Eli Lilly and Company where he started as a biochemist in 1957 and retired as executive vice president in 1992. He joined the Endowment board in 1993. He was a gentleman, and we miss his intelligence, wisdom and incomparable sense of humor.

As we have for many years, Lilly Endowment will continue to strive to pose good questions in the areas that align with our founders' interests, fund the most promising strategies from responses to these questions – and marvel at the industriousness, brain power, creativity and purposefulness that our grantees bring to their work.



Thomas M. Lofton, Chairman



N. Clay Robbins, President