

EXECUTIVE MESSAGE

Throughout history this biblical commandment to rest on the seventh day has enabled and given permission to conscientious, hard-working people to take time periodically to replenish their physical, emotional, creative and spiritual resources.

“Remember the Sabbath and keep it holy”

— Exodus 20:8

IT IS THE ROOT OF THE SABBATICAL, which is most often associated with the academic tradition of allowing a professor to take a year off from regular duties every seven years. It also was a basis for the agricultural practice of letting parcels of land lie fallow every seven years to restore their nutrients for future plantings.

Beginning with its Teacher Creativity Fellowship Program in 1987, Lilly Endowment has funded opportunities for rejuvenation for teachers, pastors, human service and youth workers, arts administrators, and artists. With the fast pace of change and the time pressures of contemporary life, many of these dedicated professionals do not feel they can take time for rest and renewal. Even if they get over the hurdle of admitting that they need some time away, few are compensated at levels that provide the financial wherewithal to do so to any meaningful extent.

To be successful these professionals must have the resources to engage wholeheartedly and passionately in their work. Routine, just going-through-the-motions approaches to teaching, for example, will not adequately inspire or engage students. Optimal learning will not occur. A pastor cannot help a grieving parent come to terms with the loss of a child without expending great emotional and spiritual resources. A human service or youth worker on the front lines of child or spousal abuse cannot help getting involved emotionally if she is doing her job well. And an artist who is burned out will not be able to create a compelling piece of art.

Since initiating the Teacher Creativity Fellowship Program, the Endowment has supported renewal periods for nearly 1,700 Indiana educators, 200 artists and arts administrators and 125 human service workers in central Indiana. The creative renewal program for artists and arts administrators, which is administered through a grant to the Arts Council of Indianapolis, began in 1998, and the human service worker renewal program, administered through a grant to the United Way of Central Indiana, began in 2001. The Journey Fellowship program of

Community Partnerships with Youth has provided 100 Indiana youth service professionals with opportunities for renewal since it began in 2002. More than 1,100 pastors in Indiana and around the country have received support under the Indiana and national clergy renewal programs, which were instituted in 1998 and 1999, respectively. And hundreds of additional pastors have participated in various kinds of renewal experiences under other Endowment religion programs in the past several years. In this report, are stories about what some of these professionals have done during their renewal periods and the impact that these experiences have had on their personal lives and their work.

The support that these professionals have received is modest in relation to many other grants that the Endowment makes. For example, the renewal fellowships for teachers, artists and human service workers are \$8,000; up to \$45,000 is available for pastors and their congregations. We have observed, however, that the return on these grants has been great. In the final analysis, a foundation's success in achieving its grantmaking goals depends on the people who are doing the actual work. Teachers, pastors, artists, human service workers and youth professionals are critical players in education, religion and community development, the key areas of interest our founders articulated when they founded the Endowment 70 years ago. The support we have provided for their renewal and reflection has been leveraged many times over through more enthusiastic teaching, more vibrant congregations, more effective social and youth work and more creative art.

Major grantmaking highlights

This annual report focuses on the Endowment's renewal programs. We believe it is important, however, to highlight in this executive mes-

(ABOVE) *Diane Arnold takes a reflective break from her duties at Hawthorne Community Center in Indianapolis.*



sage some of the other grants the Endowment approved in 2006. A full grant listing is included in this report and at the Endowment's website, lillyendowment.org.

In community development, we continued our efforts to help build the prosperity and quality of life of residents of Indianapolis and Indiana. Furthering that aim were a \$2.5 million grant to the Capital Improvement Board of Marion County to continue the momentum of the Indianapolis Cultural Development Initiative and a \$20 million grant to the United Way of Central Indiana to assist with the capital needs of human service organizations. That brings to \$100 million the total Endowment investment in the United Way capital fund since it was launched in 2001. A \$4.5 million grant to the Central Indiana Corporate Partnership's foundation supports the educational aspects of this organization's efforts to develop further the life sciences and advanced manufacturing and logistics economic clusters in central Indiana.

In education, we continued to pursue our aims to encourage excellence in Indiana educational institutions. A \$12.5 million grant to Goshen College to establish the Center for Intercultural Teaching and Learning will help the college, the Goshen community and similar communities throughout the country learn how to include new immigrants more effectively into the lives of their institutions and communities. Two \$25 million grants to Purdue University and Butler University will significantly strengthen the institutions' pharmacy education and research programs. In keeping with the Endowment's long-standing interest in helping traditionally underserved populations gain access to higher education across the country, the Endowment approved a \$17.5 million grant to the American Indian College Fund to help each of the 32-member tribal colleges make a strategic advancement toward some objective it has prioritized to build its intellectual capital.

In religion, much of the Endowment's grantmaking centered on helping to sustain the successful programs that the Endowment has encouraged throughout the country to strengthen and support current pastors and encourage, educate and foster a new generation of talented pastors. Nearly \$42 million in sustaining grants were made to 86 different organizations ranging from seminaries for their high school youth theology programs, church-related colleges for their exploration of vocation programs, congregations for their Transition-into-Ministry programs for recent seminary graduates, and a variety of seminaries and denominational organizations for their Sustaining Pastoral Excellence programs.

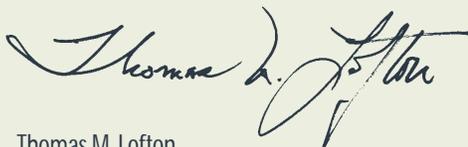
The Endowment has from its beginning been interested in how philanthropy can be encouraged and done as well as possible. This interest was expressed in 1987 when the Endowment's support was instrumental in the founding of the Center on Philanthropy at Indiana University. After 20 years and more than \$40 million in support, the Endowment was pleased in 2006 to be able to approve a \$40 million grant to provide an endowment for the Indianapolis-based center. This grant should help maintain its stature as the preeminent center of its kind in the country and assure its future viability.

Change in investment philosophy

In 2006 the Endowment began implementing a shift in its investment philosophy. From its beginning in 1937, the Endowment has held virtually all its investments in Eli Lilly and Company stock. In July it announced plans for a partial diversification of its Lilly stock holdings and stated that it expects by 2010 to build a more diversified portfolio of about \$2 billion while continuing to hold as its primary investment asset shares of Lilly stock that were donated to it by its founders. The diversified portfolio will be funded from proceeds from its market sales of Lilly stock. By the end of 2006, the Endowment had invested \$100 million in index funds managed by Vanguard. The value of the Endowment's total assets at the end of 2006 was \$7.6 billion.

Personnel changes – We had a number of personnel changes in 2006, which we are pleased to note. Diane Stenson now is our treasurer, and E.G. White is our vice president for finance. Clarence Crain has joined the Endowment as a program director in education.

The Endowment is sobered by the knowledge that many individuals and families throughout our state and country are suffering as a result of the war in Iraq and Afghanistan. Indiana has had the fifth highest number of National Guard troops serving in these countries of any state in the United States. We are exceedingly grateful to these brave men and women, and our hearts go out to them and their families. We were pleased to make grants of \$250,000 each in 2004 and 2005 to the Indiana National Guard Relief Fund to support the needs of Indiana National Guard members and their families. We approved a grant in the same amount in 2006. The service and sacrifices of our armed forces and their families can never be fully repaid and must never be forgotten. Their renewal and restoration must be a high priority for us all.



Thomas M. Lofton
Chairman



N. Clay Robbins
President