

# 2015 Financial Report

**Robert J. Manilla**  
Vice President and Chief  
Investment Officer



**Amy B. Robinson**  
Vice President and Chief  
Financial Officer

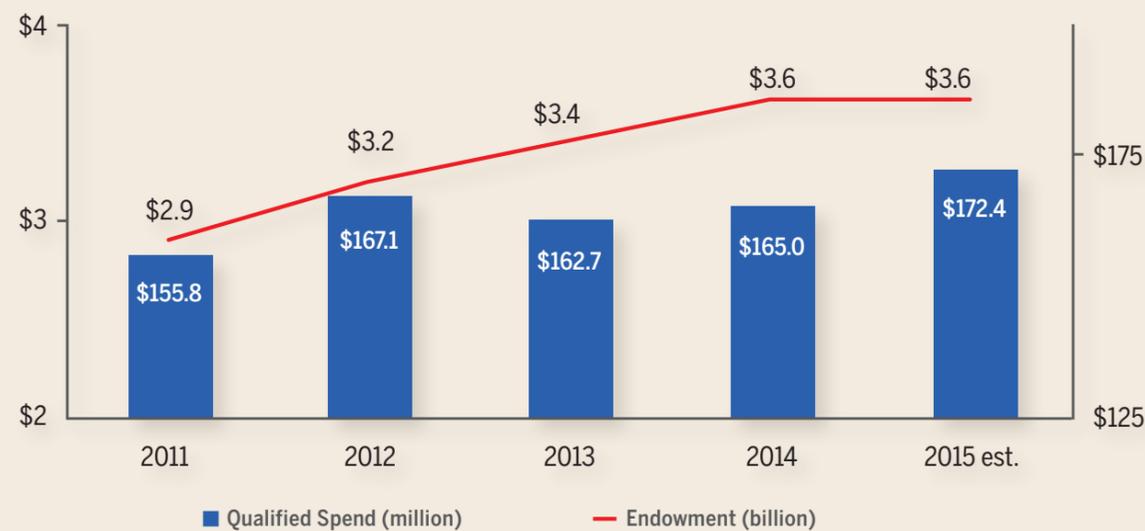


Our primary investment objective is to preserve and grow our endowment by at least 5.5 percent plus inflation over the long term. We accomplish this by making strategic investments that generate returns in excess of inflation and our annual grant, social investment and administrative spending.

In 2015, the Board of Trustees approved 370 grants totaling \$125.2 million. In addition, we made nine social investment commitments totaling \$20.3 million to organizations whose efforts support our goals through program-related investments.

For the five years ending Dec. 31, 2015, the endowment has returned 8.7 percent annually. Despite the tumultuous global market, we earned 3.4 percent in 2015.

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\*Unaudited

## Many Tools, One Goal

### Multiple Instruments Come Into Play

To meet our founder's mission to promote human progress — and expand opportunity in America's cities — Kresge employs a varied set of instruments:

#### Convening

Bringing leaders together in person to exchange knowledge and lessons learned leads to better alignment, a stronger field and faster results. With the right people in a room, problems can be dissected, collaborations can form and solutions can be discovered.

#### Cross-Sector Collaboration

The challenges and opportunities for economic revitalization have changed immensely in the past decade with constraints on public funding, reconfigurations of markets, the rise of entrepreneurial impulses and a heightened awareness of the need to embrace solutions that provide urban residents with the opportunity to join the economic mainstream. Too often, those exploring solutions to these problems in the public, private, nonprofit and philanthropic sectors are working in parallel. The foundation sits in a unique position to set the stage for these allies to break out of their silos and work together.

#### Field-Building

We use our capital and convening capability to develop fields and enhance the sectors in which we work. We identify complex issues and convene actors needed to resolve them. Advancing fields can only be done in partnership with nonprofits, government, academia, business and other sector specialists.

#### Grants

Grants are essential to advancing our work. The foundation awards hundreds of grants each year through our six program teams and our Social Investment and American Cities practices to nonprofit organizations with strong track records of impact. In 2015, Kresge awarded 370 grants totaling more than \$125 million.

#### Learning

Through our work with partners in the field, the foundation attempts to capture what works to improve social outcomes. We compile and share those lessons in

multiple ways — through funding research, disseminating data, conducting rigorous evaluation and supporting strategic communications — to spread that knowledge.

#### Policymaking

The problems that limit opportunity for low-income people are systemic; changing policies that dictate those systems must be part of any long-lasting solutions. The foundation can advocate for the types of policy changes that will help advance our mission by funding research, backing education campaigns and supporting organizations that are doing grassroots organizing and outreach.

#### Social Investments

Kresge's Social Investment Practice makes non-grant capital, often at below-market terms, available to nonprofit or for-profit enterprises whose efforts advance the foundation's mission. These investments also generate modest financial returns for the foundation. Social investments are at the cutting edge of philanthropy today, and we have fully embraced this financial toolset, which includes:

- » Debt (also Loans): Funds provided to an organization that are expected to be paid back to the lender within a set period of time, plus interest.
- » Equity Investments: Cash invested in exchange for shares of stock in a business. Returns typically involve a share of the business' profits; investment cash is typically recovered when the investor sells the stock shares back to other owners or new investors.
- » Deposits: Cash investments in community-based financial institutions, credit unions or regional banks offer alternative secured financing, which increases access to capital for low-income borrowers and businesses.
- » Guarantees: A promise made by the foundation to assume a debt obligation of a borrower organization if the organization is unable to repay the loan.

#### Technical Assistance

By providing leadership development training and other operational or management assistance, Kresge leverages collective insight and resources to help enhance the effectiveness of nonprofits.

