

from the President

The challenge in philanthropy is less about being sure you've landed on a correct set of answers to seemingly intractable questions than it is being confident that you're asking the right questions in the first place. I'm not sure we at Kresge are fully confident just yet.

But, as we have redesigned our grantmaking over the last three years, we've been asking a lot of questions—difficult ones that have forced us to re-examine the very basis of the way we work.

Although we began with considerable experience in making facilities-capital grants to nonprofit organizations, we realized that we needed to recalibrate the nature of that grantmaking if we hoped to address the most urgent needs within our six fields of interest. We wanted to define a set of programmatic priorities and develop a new suite of tools that would facilitate an expanded agenda. And we would do so little encumbered by preconceptions about the nature of the questions we should ask or how we should ask them.

We commissioned research. We convened national experts and gathered local community groups. We asked others, inside and outside of philanthropy, how the problems-at-hand looked to them. And we tried our best to listen.

The questions have created paths to six new program investment frameworks—for education, arts and culture, the environment, human services, health, and community development. In some cases, the questions pointed to new approaches to longstanding problems. In other cases, they suggested the possibility of bending a downward path upward. And in yet others, they drew us back to a conclusion that the wisest course would be to reinforce what is already in place and working well.

This annual report attempts to cast some light on this process. What we have learned. What we remain unsure of. Where we believe we can add value. I'll provide an example from each of our program areas.

Exploring New Paths

What can be done to improve the health of low-income children and adults in underserved communities? Not a new question,

but one of profound importance. Our Health Team has explored it through a variety of angles. Seeking to abate lead contamination in the housing stock of Oakland, Newark, and Detroit. Promoting wider access to community-based health clinics. Focusing on the environmental determinants of poor health outcomes, such as diesel emissions in communities adjacent to large ports. And launching a four-year initiative to encourage community-health centers and anchor institutions, such as public-health systems or school systems, to design and test new methods for providing residents with access to community-based primary health care.



Bending a Downward Cycle Upward

How might it be possible to change the trajectory of Detroit, a city that has simultaneously suffered massive disinvestment by the private sector, witnessed the near-death experience of its dominant industry, and been bludgeoned by the foreclosure crisis? There are few

more difficult questions in American urban policy—and none more important. For Detroit to become a stable, healthy, and vibrant community of the future, virtually every dimension of the city's social, economic, environmental, and physical landscape has to be rethought and retooled. The Community Development Team has conceived and offered to the community a comprehensive framework—called Re-Imagining Detroit 2020—that seeks to do just that. Building on Mayor David Bing's municipal priorities and the increasingly coordinated efforts of multiple local and national philanthropic and civic actors, the framework identifies nine building blocks essential for the city's long-term health. In each of the nine, leadership is stepping up, capital is being invested, and the capacity for sustained implementation is taking form. In the aggregate, the nine building blocks hold the potential to reposition Detroit as a model for the revitalization of America's older industrial cities.

Can arts and cultural organizations escape the debilitating and potentially lethal effects of under-capitalization? Although our nation's

arts and cultural organizations have been eternally buffeted by the ebbs and flows of economic cycles, the fragility of their capitalization structures has made them acutely vulnerable in the recent economic crisis. Kresge's long experience with nonprofit capital issues led our Arts and

Culture Team to ask whether a different lens on financial, programmatic, and administrative practices might contribute to more stable long-term capitalization. We have sought to promote sustainable facility management, bolster an organization's asset base through consistent surpluses, and advance innovation in a variety of other forms.

Is it possible—politically, technologically, economically, behaviorally, and otherwise—to materially mitigate greenhouse gas emissions and to craft strategies that will help the planet adapt to those changes? The

delay between the underlying causes of climate change and its felt consequences makes the case for urgent response difficult. Our Environment Team has sought to recast the dilemma by focusing its efforts on three issues of immediate potential impact: reducing the energy use of buildings and the equipment inside them, accelerating renewable energy technologies, and helping to build the field of climate change adaptation, both at the policy level and on-the-ground in local communities. Each set of strategies recognizes that environmental stewardship is just as rooted in social justice as it is in planet preservation—whether that takes the form of connecting low-income people to green jobs or preparing underserved communities for the effects of climate change.

Building on Effective Efforts

How can low-income students enter colleges and universities in higher numbers and achieve greater success once they have? There are few fields

more resistant to fundamental change than postsecondary education. And yet, that resistance is eroding in the face of ever-accelerating sociological, technological, and pedagogical change.

The implications for low-income students are profound. In the face of increasingly solid empirical consensus that improving the educational attainment rates of underserved students will help countless people break out of poverty and otherwise contribute to national prosperity, the Education Team has built an investment framework to advance postsecondary access and success of low-income students. We have partnered with the Lumina Foundation for Education, the Bill & Melinda Gates Foundation and the Ford Foundation, among others, to reinforce what is already working to help these students get into college, succeed while there, and graduate with promising career options. We are targeting our institutional support to community colleges—so often the linchpin for students between high school and a four-year degree—and special mission schools who excel at educating traditionally under-represented students.

Is there a beneficial role for a national foundation to play in supporting the provision of emergency human services during economic crises?

With the unrelenting economic pressures being felt by families and nonprofit organizations, the Human Services Team has made organizations that provide food, shelter and other emergency assistance its highest priority. But there is a continuing tension between our desire to take immediate actions to help lessen the trauma of acute economic contraction and our recognition that we must

chip away at the underlying dysfunctions in the systems that bear so heavily on people's life opportunities. We will try to do both—investing in the here-and-now realities that poor and dislocated people face while exploring ways to strengthen nonprofit resilience through improved leadership, management, and field-building.

A New Suite of Tools

Just as there is value in asking the right questions, there is as much importance in identifying *how we work* at Kresge as there is in determining *what type of work we do*.

How we work is inextricably tied to such considerations as working collaboratively with other foundations, seeking to blend responsive grantmaking with proactive grantmaking, understanding more fully the spectrum of needs potential grantees have for philanthropic dollars, and many others. But it is also tied into expanding our toolbox.

We began three years ago with a single tool—the facilities-capital challenge grant. In varying degrees, each of our program teams has supplemented that tool with operating support, program support, planning grants, growth capital grants, or combinations of all of them. And this last year has seen us enter the world of program-related investments. Certainly not earth-shattering for so many other foundations, but it has been for us.

We have hired a director of innovative capital to help us search out ways in which the broad spectrum of loans and other ways of working beyond traditional grants can help nonprofits achieve their missions. Our approach will have three qualities: (i) we will provide long-term, patient capital; (ii) we will prioritize transactions that would not be possible except for Kresge's investment; and (iii) we will use our loan instruments to bring other investors to the table.

You will see the grants section of this report has been named Grant and Program-related Investment Activity. PRIs were not made in every program area last year. More will be made in 2010.

Looking ahead

Our six programs represent our multiple lenses, all focused on the overriding imperative to improve the life circumstances of future generations. We began with a great number of questions. Well into the journey, just as many questions remain. We hope our work has begun to suggest answers that are appropriate in their efficacy and ambition. We hope to hear from you with any and all reactions or suggestions.

Sincerely,



Rip Rapson

President, The Kresge Foundation