

{ 2006 ANNUAL REPORT }

THE MCKNIGHT FOUNDATION

{ FINANCIAL REVIEW }

STATEMENTS OF FINANCIAL POSITION — December 31, 2006 and 2005 (in thousands)

ASSETS	2006	2005
Cash	\$ 81	\$ 65
Investments	2,204,621	2,041,431
Interest and Dividends Receivable	6,404	6,491
Other Assets	2,762	2,608
Total Assets	2,213,868	2,050,595

LIABILITIES AND NET ASSETS

Grants Payable	\$ 99,684	\$ 104,710
Federal Excise and Miscellaneous Taxes	6,996	4,882
Other Liabilities	9,222	9,909
Total Liabilities	115,902	119,501
Unrestricted Net Assets	2,097,966	1,931,094
Total Liabilities and Net Assets	2,213,868	2,050,595

STATEMENTS OF ACTIVITIES — December 31, 2006 and 2005 (in thousands)

INVESTMENT INCOME	2006	2005
Interest and Dividends	\$ 58,157	\$ 46,813
Net Realized and Unrealized Gain (Loss)	220,266	89,560
Other	(2,406)	(2,250)
Net Investment Income	276,017	134,123

EXPENSES

Grants Appropriated, net of returns	\$ 88,456	\$ 109,217
Investment Management	7,418	5,523
Administrative and Program Expense	7,787	7,729
Federal Excise Tax	5,073	2,045
Miscellaneous Tax	411	503
Total Expenses	109,145	125,017

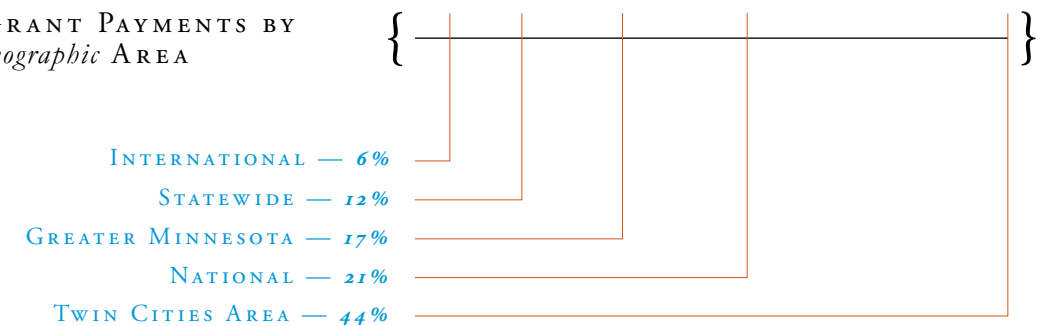
CHANGE IN UNRESTRICTED NET ASSETS 166,872 9,106

UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR 1,931,094 1,921,988

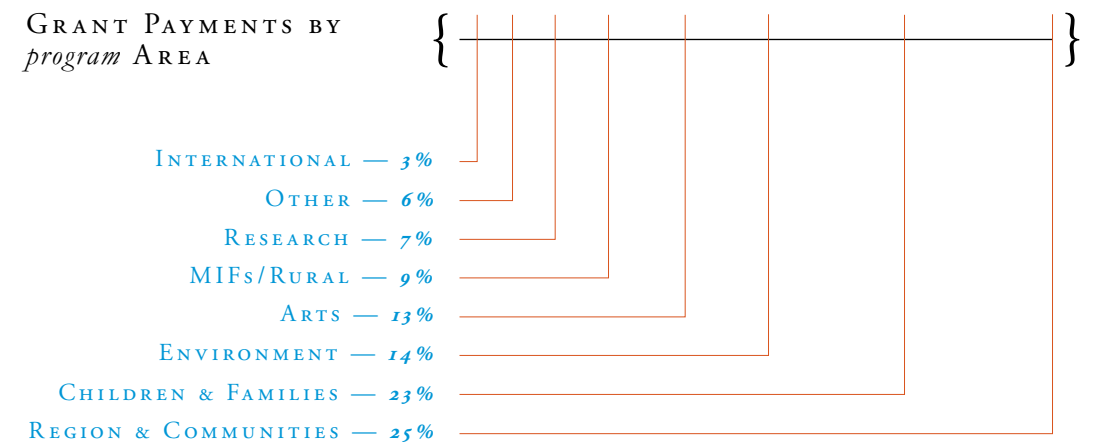
UNRESTRICTED NET ASSETS AT END OF YEAR \$ 2,097,966 \$ 1,931,094

THE MCKNIGHT FOUNDATION, A MINNESOTA-BASED PRIVATE PHILANTHROPIC ORGANIZATION, SEEKS TO IMPROVE THE QUALITY OF LIFE FOR PRESENT AND FUTURE GENERATIONS. THROUGH GRANTMAKING, COALITION-BUILDING, AND ENCOURAGEMENT OF STRATEGIC POLICY REFORM, *we use our resources to attend, unite, and empower those we serve.*

GRANT PAYMENTS BY geographic AREA



GRANT PAYMENTS BY program AREA





MINNESOTA IS A GREAT PLACE TO LIVE. I moved here in 2006 when I became president of The McKnight Foundation. But long before then, I was aware of the state's positive national reputation. Around the country, it is nearly impossible to have a conversation about progressive social programs without someone bringing up research or an innovation coming out of Minnesota. Even as a relative newcomer, I can see the high regard is well earned.

As Erika's letter notes, many Minnesotans are committed to improving and sustaining the state's well-being. Their combined planning, commitment, and investments have accomplished a lot. The state's economic and population growth exceeds national averages. The per capita rates for poverty and unemployment are lower here, as is the percentage of the population without insurance. Family incomes are relatively high, as are the rates of both home ownership and high school graduation. By many measures, Minnesota also leads the nation in quality arts access and affordability, preservation of green space, and support for new economies like renewable energy production — all achievements to celebrate and assets to build upon.

But that rosy picture isn't the whole story. Last year, many conversations throughout the nonprofit sector keyed off findings in the Brookings Institution's 2005 *Mind the Gap* report, funded in part by The McKnight Foundation. Although *Mind the Gap* focused on the Twin Cities, its revelations have prompted an ongoing dialogue with statewide significance: Minnesota's overall health conceals stark social and economic disparities. A massive gulf in opportunities and human security separates those who share in Minnesota's riches from those who are just scraping by. In this, unfortunately, Minnesota once again emerges as a national leader.

The implications are staggering, especially for Minnesota's immigrant populations and people of color. The household incomes of black families in the Twin Cities rank among our nation's lowest. Ours ranks a dismal 40th among the nation's 100 largest metros for Latino high school graduation rates.

Per capita in the Twin Cities, four times as many white citizens as Hmong have college degrees, and more than twice as many white families as black families own their own homes.

Greater Minnesota faces similarly complex challenges. Almost a fifth of the outstate population earn below 150 percent of the federal poverty line. Per capita, rural Minnesotans are nearly twice as likely as their urban counterparts to have less than a high school education, and half as likely to hold a bachelor's degree or higher. Over the next 20 years, as the labor force continues to age and retire at unprecedented rates, migration — from other cities, states, and countries — will emerge as a key source of new workers. To encourage healthy economies opposite such disparities, a changing labor pool, and general population decreases, the need for strategic regional planning and workforce development has never been more critical.

Complacency is not an option. In 2006, The McKnight Foundation paid more than \$68 million in grants to support communities and address disparities throughout our state. Of that total, nearly 40 percent targets initiatives operating either statewide or specific to Greater Minnesota. Our grantmaking encourages integrated thinking and citizen engagement in regional growth, housing, neighborhood improvements, and supportive public policies. Our assistance for children and families is meant to give each child the resources and skills to develop into a successful adult. Our investments in water quality along the Mississippi River highlight our collective responsibility for a sustainable environment for future generations. Several objectives overlap to bolster workforce development and family financial management. Throughout all our program investments — in Minnesota and around the world — runs a theme of developing strong and equitable communities.

Our state offers the prospect of an unparalleled quality of life, attained and protected by the people that compose it. In the end, however, The McKnight Foundation's goal isn't simply to empower grantees and others to help make Minnesota a great place to live. Our goal is to make it a great place to live **FOR EVERYONE.**

A handwritten signature in black ink that reads "Kate Wolford". The signature is written in a cursive, flowing style. Below the signature is a horizontal line.

KATE WOLFORD, President



THE MCKNIGHT FOUNDATION'S MISSION IS TO IMPROVE THE QUALITY OF LIFE FOR PRESENT AND FUTURE GENERATIONS. Looking at our broad range of grantmaking, one might determine we do this by supporting some of life's necessities, such as equitable housing, effective child development, and strategic public transportation; as well as by supporting things that make life worth living, like a vibrant arts community and preservation of our environment. For us, however, such distinctions hold less meaning. We believe the combination of all these elements is what holds the greatest potential to improve life's quality.

In our work, almost nothing is more critical than connecting with grantees and other partners in various fields. Every day, more than 3,500 nonprofit organizations employ more than 250,000 Minnesotans, nearly 10 percent of the state's workforce. In collaboration with state and local governments, the business community, and foundations like McKnight, our state's \$30 billion a year nonprofit sector is driven to ensure that all Minnesotans are cared for.

In pursuit of shared goals to improve lives, we are proud to invest in many of these amazing organizations. Far beyond simply assessing needs, McKnight's staff and board strive to understand our grantees' goals, and their diverse strategies and capabilities. To achieve program objectives, we work to understand the contexts in which they operate, including the opportunities and challenges they face. In addition to providing direct support, we look for innovative ways to leverage efforts and foster collaboration.

No one understood the importance of such connections better than Nancy Latimer, a beloved McKnight program officer from 1982 until her retirement in 2005. Akin to my own grandmother, Virginia McKnight Binger, Nancy insisted that community development begins in the community, and that connecting directly to those served has the potential to expose otherwise undiscovered opportunities. Although we were saddened by Nancy's untimely passing in 2006, we remain strengthened by the legacy of humanity she helped foster at McKnight.

Nancy's personal touch has left imprints on virtually all McKnight's work of the last several decades — from her seminal role in developing a well-regarded statewide program for families at risk for child abuse, to her guidance in some of McKnight's earliest grantmaking for the arts and her unfailing support for early childhood education. Nancy was also among a McKnight contingent that met with regional leaders around the state in the mid-1980s, to plan for the establishment of the six regional Minnesota Initiative Foundations.

Beyond the relationships she cultivated with grantees and entire social sectors, Nancy believed in learning from everyone she met along the way. She cared deeply about friends and strangers alike. She asked questions and collected stories like gold, which she carried back to McKnight and invested in our work.

Nancy's contributions compel us to reflect on the impact of individual lives, those we touch and those that touch us. Learning about our neighbors' perspectives, goals, and struggles provides us with a powerful philanthropic tool. In effect, their stories hold our instructions for action.

As a foundation, McKnight's most prominent role may be to invest in amazing grantees, but our end goal remains to help improve individual lives. This year's annual report shares stories of how a representative sample of our 2006 grantees have made a difference in seven people's lives, and how these seven have notably gone on to help others — on their block, across the country, and around the planet.

In this ever-spinning "round-robin" of goodwill, empowered individuals are both our most valuable resource and our most prized reward. We each have needs to be met, gifts to share, and tales to tell. By listening to others and sharing the load when possible, each of us also gains the power to improve life's quality, one person at a time.

A handwritten signature in black ink that reads "Erika L. Binger". The signature is written in a cursive, flowing style. Below the signature is a thin horizontal line.

ERIKA L. BINGER, Board Chair

ARTS AWARDS — Lou Bellamy, the founder of St. Paul’s renowned Penumbra Theatre Company, received the 2006 McKnight Distinguished Artist Award. The nation’s preeminent African American theater, Penumbra was founded in 1976 to illuminate the human condition through the prism of the African American experience. The award is given annually to an artist whose long career has made a significant impact in Minnesota and beyond. In August, McKnight also honored 44 artists and ensembles with the 2006–2007 McKnight artist fellowships and residencies.

CROP RESEARCH — In November, the McKnight Foundation Collaborative Crop Research Program selected Dr. Carlos Perez of Columbia University as its new oversight committee chair. Perez replaced longtime chair Robert M. Goodman, who retired from the program’s oversight committee in 2005. Perez, an ecological anthropologist with 20 years of professional experience in research, design and management, and technical assistance, will facilitate strategic guidance for the applied research program.

IN MEMORIAM — The McKnight Foundation celebrated the life and contributions of longtime program officer Nancy Latimer, who passed away in 2006. Before retiring in June 2005, Latimer spent over two decades at McKnight creating and supporting opportunities to give children the best possible start in life. For her dedication to protecting children’s welfare, Nancy was awarded the Council on Foundations’ 2005 Robert W. Scrivner Award for Creative Grantmaking.

KATE WOLFORD — In August, The McKnight Foundation’s board of directors selected Kate Wolford as president. Formerly the head of Baltimore-based Lutheran World Relief, an international nonprofit relief agency, Wolford has devoted more than 25 years to helping communities combat poverty and other challenges through locally based efforts. Peg Birk, who served as interim president from August 2005 to September 2006, returned to McKnight’s board. Birk has served on McKnight’s board of directors since 2001.

STAFF ADDITIONS — Over the course of the year, the Foundation hired nine new staff: Kathy Bonnifield, international and crop research program assistant; Bernadette Christiansen, vice president of human resources and administration; Jennifer Harshner, communications and human resources/administration assistant; Shannon Lee, environment program assistant; Tom Miller, children and families program officer; Eric Muschler, region and communities program officer; Jan Peterson, grants administration assistant; Renee Richie, region and communities program assistant; and Lorri Todd, meeting and travel coordinator.

STAFF CHANGES — In February, Christine Ganzlin was named program director of grantmaking to support children and families. Ganzlin began work as grants program manager in 1991; she has served as a program officer focusing on youth development and families since 2000. In December, longtime arts program lead Neal Cuthbert was named vice president of program. Cuthbert joined McKnight in 1991 as the Foundation’s first arts program officer. He was named arts program director in 2000 and has served as interim vice president of program since 2005.

NEW BOARD MEMBERS — Two new directors were appointed to McKnight’s board: Anne Binger and Robert Struyk. Struyk, who served previously from 1996 to 1999, is a senior vice president at Dorsey & Whitney Trust Company.

MINNESOTA INITIATIVE FOUNDATIONS — The six Minnesota Initiative Foundations, established by The McKnight Foundation in 1986, celebrated 20 years of successful regionally focused philanthropy. The governor’s office proclaimed June 8, 2006, to be “Minnesota Initiative Foundations’ Day.” In continuing support, McKnight pledged five-year grants of up to \$7.2 million each to the Northland Foundation, Southwest Initiative Foundation, and West Central Initiative.

VIRGINIA MCKNIGHT BINGER AWARDS IN HUMAN SERVICE — McKnight honored 10 outstanding Minnesotans as recipients of its 2006 Virginia McKnight Binger Awards in Human Service. These annual awards are designed to honor the generous efforts of individuals who devote their time and energy to serving those in need in their communities. Including this year’s awardees, 230 individuals have received the awards since they were started in 1985.

2006 GRANTMAKING HIGHLIGHTS

TOTAL # OF GRANT PAYMENTS	939
TOTAL \$ OF GRANT PAYMENTS	\$93,482,513
LARGEST GRANT PAYMENT	\$6,225,000 (FAMILY HOUSING FUND)
PORTION OF GRANT PAYMENTS THAT WERE LESS THAN OR EQUAL TO \$100,000	86%
PORTION OF FUNDING TO MINNESOTA-BASED ORGANIZATIONS	73%
TOTAL ASSETS	\$2.2 BILLION AS OF 12/31/06

DIRECTORS

ANNE BINGER, B. BINGER, ERIKA L. BINGER, JAMES M. BINGER, PATRICIA S. BINGER,
PEG BIRK, CYNTHIA BINGER BOYNTON, MEGHAN BINGER BROWN, RICHARD D. MCFARLAND,
TED STARYK, ROBERT J. STRUYK

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PATRICIA S. BINGER—Assistant Secretary B. BINGER—Assistant Treasurer RICK SCOTT—Vice President
of Finance and Compliance, and Secretary

STAFF

SUSAN BAKER—Accounting Assistant JEANNINE BALFOUR—Program Officer, Children and Families
DANIEL M. BARTHOLOMAY—Program Director, International and Region and Communities
GRETCHEN BONFERT—Program Director, Environment KATHY BONNIFIELD—Program Assistant,
International and Research BERNADETTE CHRISTIANSEN—Vice President of Human Resources and
Administration NEAL I. CUTHBERT—Program Director, Arts/Vice President of Program STEPHANIE DUFFY—
Grants Administration Manager CHRISTINE GANZLIN—Program Director, Children and Families
JAMIE HAGERTY—Accountant TIM HANRAHAN—Communications Director JENNIFER HARSHNER—
Communications and Human Resources/Administration Assistant SARAH HERNANDEZ—Program Officer,
Region and Communities LOUIS HOHLFELD—Senior Program Officer, Minnesota Initiative Foundations
DAVID KENNEDY-LOGAN—Communications Production Manager SHAWN KINNIRY—Operations Manager
KATHRYN KOENIGSMARK—Executive Assistant RON KROESE—Program Officer, Environment
BRENDA KROTZER—Grants Administration Associate SHANNON LEE—Program Assistant, Environment
COSANDRA LLOYD—Program Associate, Information Technology and Research SARAH LOVAN—Program
Assistant, Arts TOM MILLER—Program Officer, Children and Families MARIAM MOHAMED—Program Officer,
Children and Families ERIC MUSCHLER—Program Officer, Region and Communities KEVIN OVERSON—
Program Assistant, Children and Families JANET PETERSON—Grants Administration Assistant
RENEE RICHIE—Program Assistant, Region and Communities KATHLEEN RYSTED—Director of Information
Technology and Research Programs KARYN SCIORTINO—Program Associate, Children and Families
RICK SCOTT—Vice President of Finance and Compliance THERESE SIMMONS—Controller JANINE STEFFENS—
Receptionist/Administrative Assistant LORRI TODD—Meeting and Travel Coordinator ALLA VAYNBERG—
Accountant KATE WOLFORD—President LAURA ZIMMERMANN—Program Officer, Arts

CREDITS

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DIVERSIFIED GRAPHICS—Printing

The McKnight Foundation is committed to the protection of our environment, a philosophy that underlies our practice of using paper with post-consumer waste content, and wherever possible, environment-friendly inks. Additionally, we partner with printers who participate in the PIM Great Printer Environmental Initiative. This annual report was printed on Utopia paper, containing 10 percent post-consumer waste.



Northern Clay Center } MIKA
 \$260,000 in 2006 for operations and capital improvements,
 and to support a fellowship program for ceramics artists

Last year, 44 artists and ensembles were selected for McKnight artist fellowships and residencies. The Foundation’s fellowship programs are independently administered by arts nonprofits in 12 distinct genres, and provide artists with the time and resources to develop and refine their work. Among those honored in 2006 was Mika, a ceramics artist from Kobe, Japan, who had become acquainted with Minnesota six years earlier. In the summer of 2000, Mika was a visiting McKnight artist in residence at Northern Clay Center. Based in Minneapolis, Northern Clay advances ceramic arts nationally through exhibitions, workshops, support for artists, and a top-notch sales gallery. Mika fondly remembers those three months of unrestricted time for study, reflection, and experimentation. To escape the city’s midday heat, she routinely woke and began her studio work in the earliest morning hours — a period she soon came to appreciate for boundless creative expression and exploration.

Beyond developing her own body of work that summer, Mika found herself impressed with Minnesota’s broader arts and cultural community. When presented with a professional opportunity to relocate from Kansas (her home at the time) to Minnesota State University, Mika decided to move north permanently. Now a bona fide Minnesota artist on the faculty at MSU, she received her 2006 McKnight Fellowship for continuing work in ceramics. Already well schooled in Western ceramic traditions, Mika intends to put the funds toward travel to learn more about the arts traditions and innovations of contemporary Asia. Mika’s warm summer at Northern Clay reenergized her lifelong pursuit of new perspectives. It also jump-started an artistic growth process that’s still picking up steam, in which her own ideas have been given the fuel and fire to forge new surprises.

ARTS }
 \$11.8 million in 2006 to further the development
 of communities in Minnesota by supporting
 high-quality art that is broadly accessible

Northern Clay Center
 MINNEAPOLIS
 \$260,000



Youth Express } ROGER
 \$65,000 in 2006 for year-round education,
 employment, and leadership programs for youth

In the early 1980s, eight-year-old Roger was looking for fun and healthy opportunities when he first came into contact with Neighborhood Connections, the multifaceted program that has since become Youth Express. Youth Express provides youth with outlets to build positive relationships and participate in activities that improve their lives and their communities. Today, more than two decades later, Roger looks forward to coaching and cheering for his own son on the same St. Paul baseball diamond where he played as a boy. Throughout grade school, junior high, and high school, Roger — like many of the other neighborhood kids — got involved in practically every activity made available through the program, from camping trips and community volunteer work to youth-directed businesses and sports.

Over the long term, Roger’s experience with Youth Express has gone beyond transforming his own life. As a young man, he found the program gave him a voice and the confidence to use it. And with that he accomplished something he might not have predicted: Roger became a role model to inspire and drive others to success. In high school, he served on the program’s youth boards and became a mentor for other participants. During college, he interned for the Youth Express summer program and helped provide supportive ways for youth with troubled backgrounds to work off community service assigned because of their previous misdeeds. Busy these days as a police lieutenant with a family of his own, Roger is no longer able to volunteer as much as he would like, but he remains an outspoken supporter of Youth Express.

CHILDREN & FAMILIES } Youth Express
 \$21.3 million in 2006 for all Minnesota’s children and
 families to have the skills, knowledge, and resources necessary
 for children to thrive and become successful adults
 ST. PAUL
 \$65,000

{ Children & Families }

PROGRAMS



REGION & COMMUNITIES

\$23.1 million in 2006 to encourage effective development in the Twin Cities region, fostering livable communities and opportunities for all to thrive

ISALIAH
MINNEAPOLIS
\$140,000

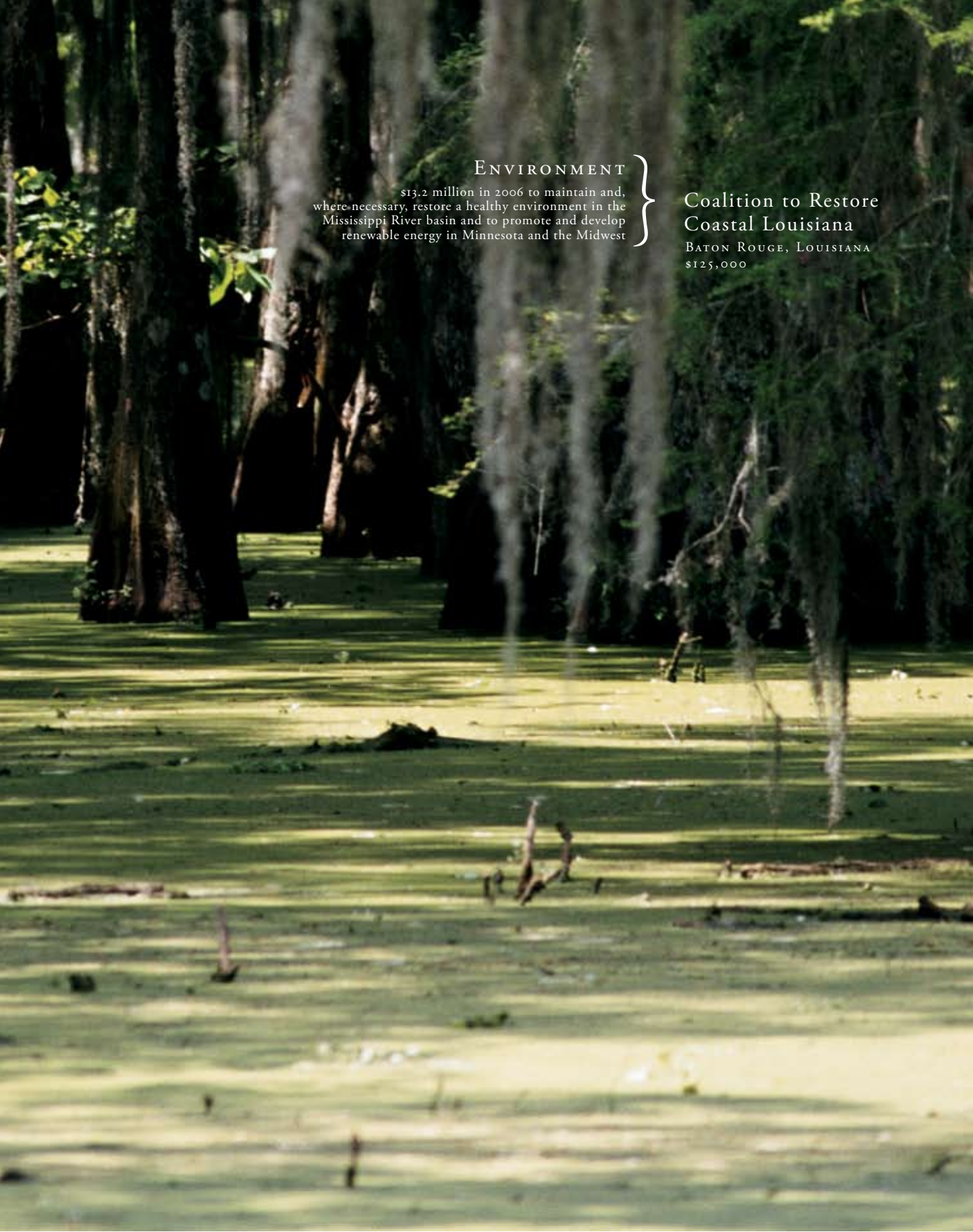
ISALIAH

\$140,000 in 2006 to support citizen engagement to address disparities in the Twin Cities region

ROXANNE

Over the next 25 years, more than one million new residents will make their homes in Twin Cities surrounding areas and cities like Maple Grove. To maintain a high quality of life while adapting to this changing reality, these growing communities must face complicated issues around housing, education, and a changing workforce. For over 15 years, Roxanne has worked at a prominent Maple Grove church. She believes social and economic justice aligned with charity is needed for lasting societal change — but she knows working alone on such issues can feel like howling into the wind. Several years ago, however, she found strength in numbers through ISALIAH, an affiliate of the national Gamaliel Foundation. Nondenominational by design, ISALIAH has a membership that encompasses more than 80 congregations, making it a force to be reckoned with at the state capitol and around the region.

WITHIN ITS CHARTER, ISALIAH ENCOURAGES CITIZEN ADVOCATES LIKE ROXANNE TO PROMOTE HEALTHY POLICIES AND PRACTICES IN TWIN CITIES SUBURBAN DEVELOPMENT. THESE EMERGING LEADERS DRAW ON THEIR OWN DIVERSE EXPERIENCES TO SPEAK OUT AND ACT ON SOCIAL ISSUES SUCH AS HUMAN RIGHTS AND EDUCATION. IN PARTNERSHIP WITH ISALIAH, ROXANNE SERVES WITH THE MULTICONGREGATIONAL “HOUSING FOR ALL” ADVOCACY GROUP, WHICH IS WORKING WITH MAPLE GROVE OFFICIALS TO ENSURE THAT A SET PERCENTAGE OF AFFORDABLE HOUSING WILL BE INCLUDED WITHIN THE CITY’S DEVELOPMENT PLANS. AND IN COLLABORATION WITH ISALIAH’S NEW NORTHWEST CAUCUS, ROXANNE PLANS SOCIAL ADVOCACY AND ACTION THAT EMPHASIZE LOCAL PARTNERSHIPS IN KEY POLICY ISSUES. ALTHOUGH HARSH WINDS OF INJUSTICE CONTINUE TO BLOW THROUGH ALL COMMUNITIES, ROXANNE IS GRATEFUL THAT HER RESPONDING VOICE IS NOW JOINED BY A CHORUS OF THOUSANDS.



ENVIRONMENT }
\$13.2 million in 2006 to maintain and, where necessary, restore a healthy environment in the Mississippi River basin and to promote and develop renewable energy in Minnesota and the Midwest

Coalition to Restore Coastal Louisiana
BATON ROUGE, LOUISIANA
\$125,000

Coalition to Restore Coastal Louisiana } TYRONE
\$125,000 in 2006 to promote restoration of the Mississippi River's coastal delta

IN RECENT YEARS, LOUISIANA HORTICULTURIST AND CITIZEN ACTIVIST TYRONE HAS SEEN HIS REGION TESTED IN TERRIBLE WAYS. BUT HIS INVOLVEMENT WITH THE COALITION TO RESTORE COASTAL LOUISIANA PREDATES THE DEVASTATION OF HURRICANE KATRINA. THE COALITION WAS FOUNDED IN THE LATE 1980s TO ADDRESS THREATS TO LOUISIANA'S FOUR MILLION ACRES OF COASTAL WETLANDS. IN ALIGNMENT WITH MCKNIGHT'S GOALS, THE COALITION HELPS RESTORE WETLANDS THAT PROVIDE SIGNIFICANT FLOOD PROTECTION WHILE PRESERVING NATURAL HABITATS ALONG THE RIVER BASIN'S CONTOURS. TO WORK MOST EFFECTIVELY IN THIS FIELD, THE COALITION EMPOWERS CITIZEN ACTIVISTS LIKE TYRONE TO BECOME CONFIDENT AND EFFECTIVE LOCAL STEWARDS, ACTIVE IN THEIR OWN REGIONS.

Like many, Tyrone believes the region's survival depends upon restoring forests and wetlands that have been critically damaged by years of both man-made and natural disasters. The Coalition first collaborated with Tyrone in the 1990s, supporting the development and distribution of a documentary examining the history and ecological importance of the LaBranche wetlands along Lake Pontchartrain, which borders New Orleans to the north. The documentary's release led to talks with a major oil company responsible for decades of dumping into Bayou Trepagnier, another nutrient-starved natural flood barrier between Lake Pontchartrain and the Mississippi River. These days, negotiations led by the Coalition continue among the oil company, government agencies, and citizens like Tyrone to permanently restore and maintain Bayou Trepagnier. The Coalition also administers Tyrone's current grassroots study of one type of cypress tree that seems to thrive in high-salinity water, holding great restorative potential for planting on the coast. Tyrone credits the Coalition's professional guidance and commitment to the region for making his work possible.



GREATER MINNESOTA }
\$8.5 million in 2006 to make the six regions outside the metropolitan area stronger and more prosperous, primarily through support for the Minnesota Initiative Foundations

West Central Initiative
FERGUS FALLS
\$1,750,000

West Central Initiative } CHERI
\$1.75 million in 2006 to unite people and resources to improve the quality of life in west central Minnesota

WHEN SHE STARTED OUT 15 YEARS AGO, MOORHEAD ENTREPRENEUR CHERI HAD NOTHING BUT A DREAM AND A BUSINESS PLAN. WITH A PROFESSIONAL BACKGROUND IN ACCOUNTING, CHERI EARNED EXTRA MONEY ON THE SIDE BUYING AND RESELLING EMBROIDERED GOODS. UNIMPRESSED WITH THE AVAILABLE PRODUCT LINE, CHERI FELT A NEED TO CREATE SOMETHING BETTER — BUT SHE WASN'T INTERESTED IN BUSINESS OWNERSHIP AT THE POSSIBLE COST OF HOME OWNERSHIP OR A FINANCIALLY SECURE, INDEPENDENT LIFE FOR HERSELF. ALONE, AND WITH NO DIRECT BUSINESS EXPERIENCE OR QUALIFICATIONS FOR A TRADITIONAL BANK LOAN, CHERI NEEDED A PARTNER WILLING TO INVEST IN HER POTENTIAL.

On the advice of a friend, Cheri applied for a business development loan from the West Central Initiative, which serves the economic and social needs of a nine-county region. A grantee since 1986, when McKnight helped establish the six regionally focused Minnesota Initiative Foundations, West Central Initiative provided Cheri with gap financing and loan support. The leg up leveraged an additional bank loan, which allowed Cheri to purchase her first embroidery machine and launch her business. With West Central Initiative's advisory and emotional support, Cheri's business has flourished. After paying back her first loan in three years, Cheri secured another loan about five years ago to relocate to a newly constructed geothermal building in a previously struggling neighborhood. Today, Cheri's 15 employees handle the embroidery and screen-printing needs of an expanding client base. Her continued success, bolstered by West Central Initiative's original and ongoing support, now provides not only for herself but also for her growing staff and the economic health of the surrounding community.

INTERNATIONAL }
\$3.1 million in 2006 to empower those with few opportunities for social and economic growth in Cambodia, Laos, Tanzania, Uganda, and Vietnam

Village Focus International
PORTLAND, OREGON
\$110,000

Village Focus International

\$110,000 in 2006 for village capacity building and to empower indigenous leaders to preserve resources for healthy development

} HENG

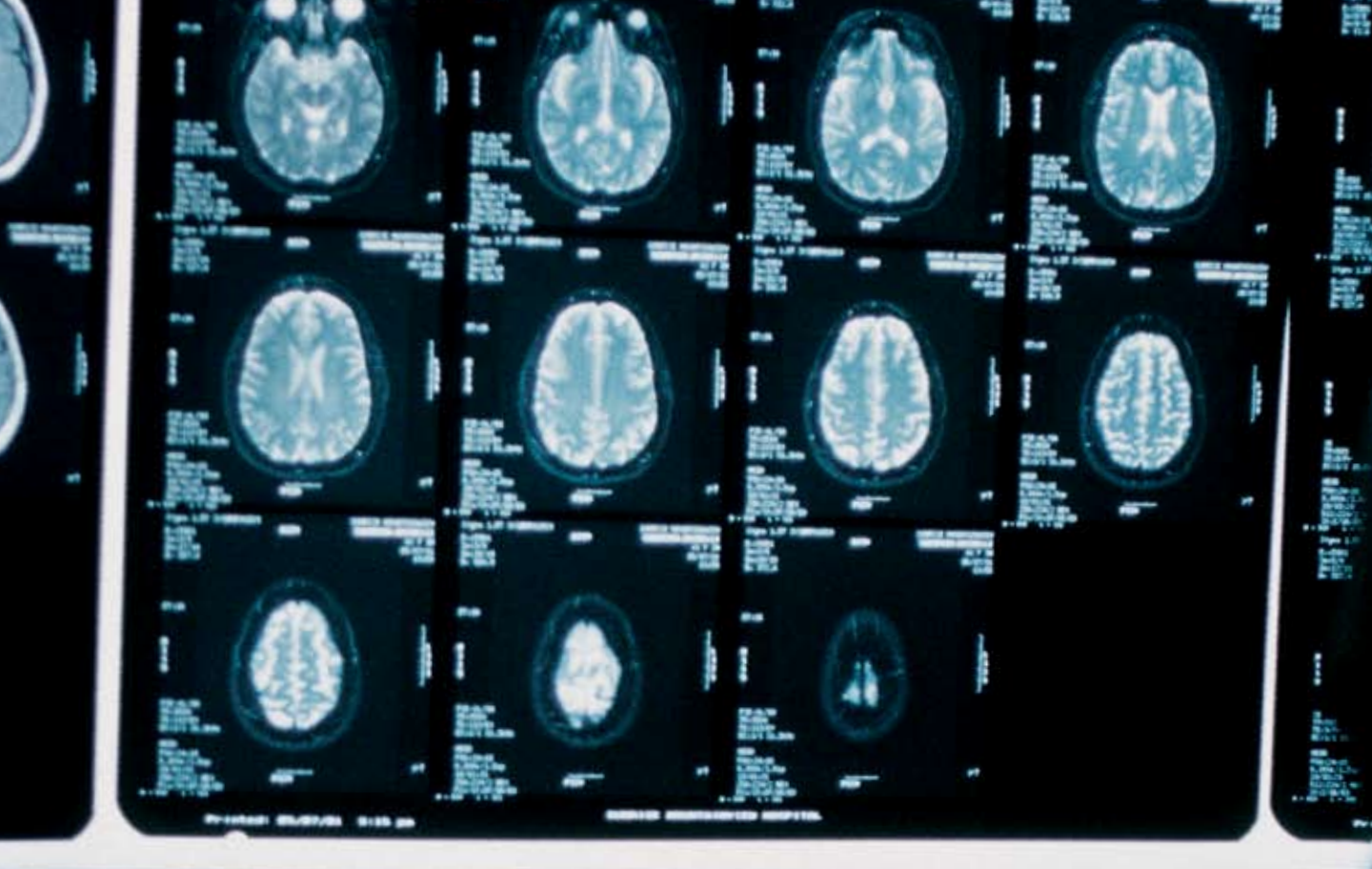
Among its important efforts in Cambodia, Village Focus International supports indigenous leaders in the country's Ratanakiri province. In partnership with others working in the region, the organization empowers this highly vulnerable population with skills in conflict resolution and advocacy. At the same time, Village Focus strives to honor and strengthen local communities, cultures, and traditions. Local leader Heng was born and raised in this economically and socially struggling region. Even before receiving training, Heng was enthusiastic about pursuing healthy resolutions to a variety of indigenous issues. He longed to empower his people to protect Ratanakiri's forest and natural resources from illegal logging and other abuses, but he lacked the means to do so.

All of that changed in 2006, however, when Heng joined Village Focus's leadership program. Outfitted with skills acquired in the program, Heng is able to work toward true community change. With Heng's guidance, the province's elders and authorities now collaborate to provide reading and writing instruction, and they are laying the groundwork to better control preservation of the region's natural resources. Complemented by Heng's inherent passion, Village Focus's communications training has helped make him an effective liaison among elders and local authorities. As Heng's self-confidence grows, he builds connections among previously isolated social and environmental area agencies, opening doors to efficiently integrate services when possible. Regarded as one of Ratanakiri's most active and effective community advocates, Heng is determined to generate positive change while allowing citizens to manage and sustain their own development and resources.

{ International }

PROGRAMS





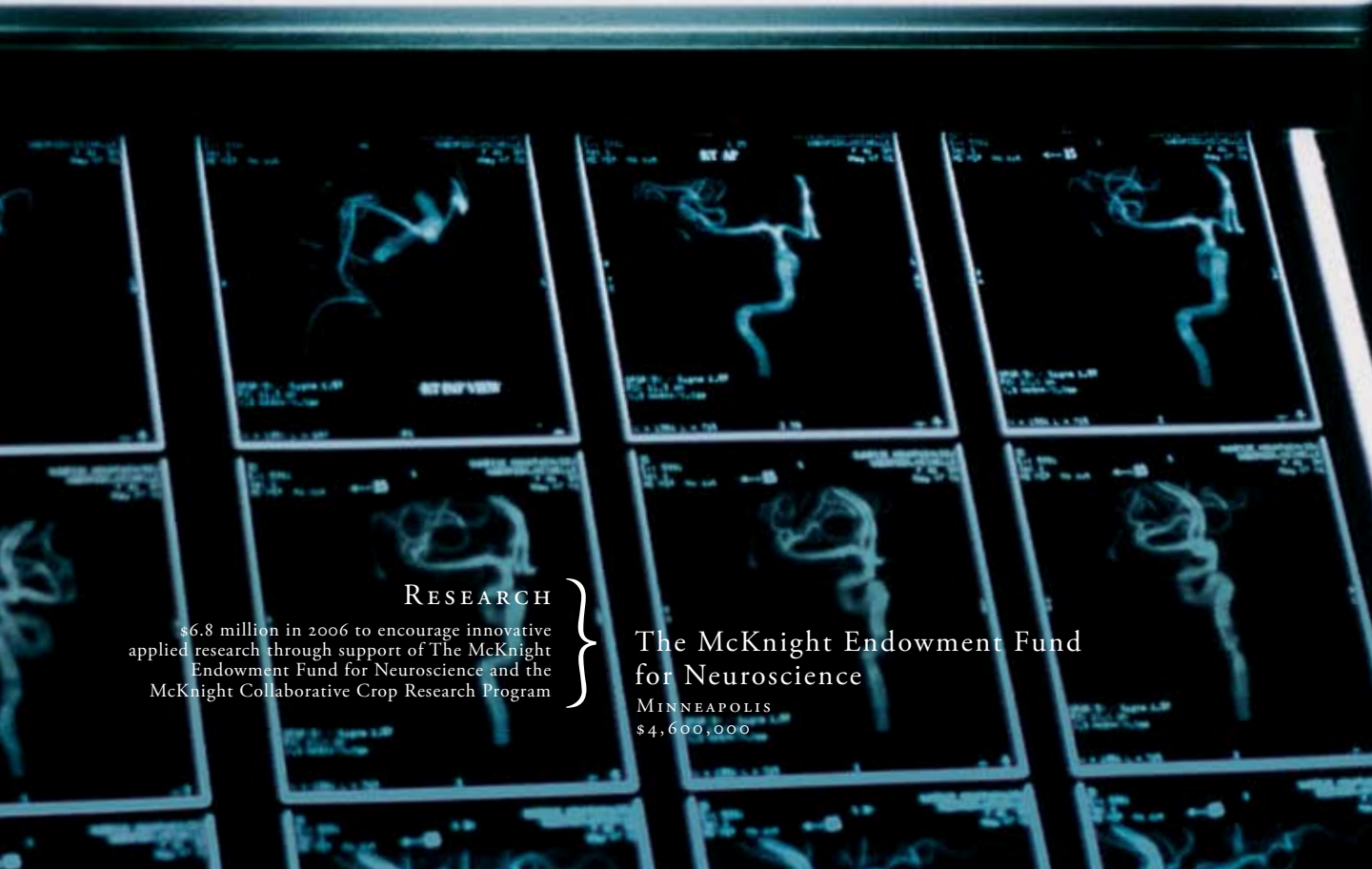
The McKnight Endowment Fund for Neuroscience

\$4.6 million in 2006 to support innovative neuroscience
research through competitive annual awards

RICARDO

THE MCKNIGHT ENDOWMENT FUND FOR NEUROSCIENCE WAS ESTABLISHED BY THE MCKNIGHT FOUNDATION IN 1986 TO SUPPORT RESEARCH INTO BRAIN BIOLOGY AND DISEASES AFFECTING MEMORY. THE WAY NEUROSCIENTIST RICARDO TELLS HIS STORY, HIS FIRST ENDOWMENT FUND GRANT MEANT THE DIFFERENCE BETWEEN HIS BECOMING A SCIENTIST OR A BANKER. THE SON OF A MUSICIAN AND A SOCIAL ACTIVIST, COLOMBIAN-BORN RICARDO COULD BE SAID TO HAVE BOTH CREATIVITY AND STRENGTH OF WILL IN HIS SOUL. STILL, LIKE MANY ACADEMIC RESEARCHERS, HE ACKNOWLEDGES THAT HIS NEXT SCIENTIFIC PURSUIT IS OFTEN UNAVOIDABLY DETERMINED BY WHICHEVER REQUEST FOR FUNDING COMES THROUGH FIRST — IF ANY AT ALL.

As a young postdoctoral researcher at Harvard University, Ricardo envisioned a new technology to look in extreme detail at the brain's biochemical pathways. He was encouraged by an advisor to submit a funding application for the Endowment Fund's Technological Innovations award. Given his youth and untested hypothesis, Ricardo knew he was an unlikely candidate for most scholarly awards. The Endowment Fund, however, makes a point of taking educated risks with potential to move entire fields forward. Ricardo's funding was approved and, in time, his research yielded success; its real-world applications include the creation of an inexpensive yet sensitive method to screen new drugs and to generate diagnostic tools. Subsequently, Ricardo also received a McKnight Scholar Award. He is using the funds to improve understanding of the brain's ion channels, holding possible implications for everything from heart disease to Alzheimer's disease and cancer. In his path to success, Ricardo credits the Endowment Fund's commitment to innovation and interdisciplinary collaboration.



RESEARCH

\$6.8 million in 2006 to encourage innovative
applied research through support of The McKnight
Endowment Fund for Neuroscience and the
McKnight Collaborative Crop Research Program

The McKnight Endowment Fund for Neuroscience

MINNEAPOLIS
\$4,600,000

{ Research }

PROGRAMS