

Annual Message



Real **People.** Real **Stories.** Real **Impact.**

As I write this message, we are in the midst of a summer of milestones.

First, the Foundation observed its 80th birthday in June. Second, I've been reflecting on a personal milestone of 30 years of service as the Foundation's president. And finally, in the third quarter of 2006, we reached \$2 billion in cumulative grants awarded.

While it took the Foundation 71 years (from 1926 to 1997) to grant its first \$1 billion, the second \$1 billion was granted over just a nine-year span. Because Charles Stewart Mott and other family members funded the Foundation for the long term with \$293.5 million in contributed capital, our grants have totaled more than six times that amount and will continue to multiply.

From my vantage point I've seen our grantmaking programs mature, becoming more sophisticated and complex, through what I've frequently described as our five eras of development.

Put in succinct terms, we started as a small, family-oriented local foundation, but moved into collaboration with the Flint schools by the mid-1930s.

Out of that effort came the community school model, which eventually was shared throughout the U.S. and internationally.

We then entered a period of transition in the late 1960s caused by increased assets and changes in leadership, procedures, organization, programs and tax law.

That transition positioned us to develop national programs in the 1970s and 1980s, based on lessons we learned in Flint.

This, in turn, led us to expand our grantmaking into Central/Eastern Europe, Russia and South Africa in the 1990s and brings us to the present day.

This compression of 80 years of history cannot speak to the enormous changes in our community, our nation and our world during this same period. Thanks to advances in technology, transportation and communications, the world is a much smaller place. And this has altered how we work, learn and interact with others.

Mr. Mott lived to be nearly 100 years old, and as a businessman and philanthropist, he witnessed many changes during his lifetime. He understood the value of taking a long-term perspective, as well as the reality that the needs of people and communities evolve over time.

One example of such transformation can be found in the automotive industry he helped to create. At one time, more than 80,000 workers in Genesee County, Mr. Mott's home community, made their livelihoods working for General Motors; today, fewer than 15,000 GM and Delphi jobs are all that remain here. Not only have these developments been significant for the industry itself, but also the loss of these jobs has frayed

the economic and social fabric of this community.

Therefore, Mr. Mott believed that his Foundation must have the flexibility and creativity to respond to new and emerging needs through the evolution of our grantmaking program.

Mr. Mott's values reflected the universal nature of humanity, and his belief in the power of the individual. And, we've always been able to find ways to apply his core values to our grantmaking. Therefore, it seems fitting that the theme of this year's annual report is "Real People. Real Stories. Real Impact."

Mr. Mott was many things, but at his core he was an immensely practical man. In philanthropy, as well as in other aspects of life, he wanted results. In today's parlance, he wanted impact.

As we look back, we ask ourselves about our impact over the past 80 years. We could load you down with more facts and figures, but overlooked in those statistics are the stories of the people whose lives have been impacted by our grants. In print, and for the past eight years on the Web, we have tried to tell the stories of people whose lives have been touched by our grants through the work of our grantees.

Our goal in this annual report is to share the stories of 10 individuals and families whose lives have been changed by an organization supported by Mott Foundation grants. These stories come from our four principal programs, as well the exploratory and special projects program, and literally traverse the world. They start in our hometown of Flint and move out to Michigan; expand into Georgia rivers, Boston and New Orleans; and cross the oceans to South Africa, Bosnia and Herzegovina, and the Philippines. Those profiled are:

- **Martina Royster** of Flint, a mother of three whose days of renting substandard living space are over. Martina became a first-time homeowner, thanks to the housing rehabilitation and resale program of the Genesee County Land Bank, which has gained national attention for

its innovative approach to the reuse of urban land.

- **Paula Arceneaux**, a lifelong resident of New Orleans who is fighting for her city's future. Even before Hurricane Katrina struck in 2005, Paula had found her voice as a volunteer member — or, to use a community organizing term that is far more appropriate, a leader — of a grassroots effort called All Congregations Together.
- **Wendell “Winky” Berryhill** and **James “Speedy” Holland**, a carpenter and a crabber by trade, respectively, whose hard work on behalf of their beloved Altamaha River in Georgia and its tributaries, the Ocmulgee and Oconee rivers, is helping to ensure a future in which those waters are healthy resources for their communities, rather than polluted hazards.
- **Nomvuzo Nopote** of Roma, South Africa, whose efforts to improve her village through the small nonprofit she co-founded began with something as simple as communal gardens. Her group's work has blossomed into plans for a farm cooperative, a new school and communal tap water for the first time.
- **Zhan Jun Dai**, a young immigrant from China who arrived in this country without a high school diploma and with limited English language skills. He found the right opportunity to get on track, and he is making good on that chance. “Kenny,” as his U.S. friends call him, recently graduated from an innovative program at the Boston Adult Technical Academy, an alternative high school, and plans to enter Brandeis University in the fall.
- **Bojan Grebenar**, a teenager from Banja Luka in Bosnia and Herzegovina who has no intention of leaving his troubled homeland. Instead, he devotes his energies to a remarkable array of civic activities, ranging from serving as president of his school's student council (a new idea in the Balkans) to sitting on the Mayor's Advisory Committee in Banja Luka.

- **Shirley Cathey**, a grandmother in Flint who is one of those local heroes who hold our urban communities together, but rarely receive the honor and recognition they deserve. Shirley adopted three grandchildren after her daughter was unable to raise them because of substance abuse problems. With help from a local charity that has worked hard to increase its capacity to meet community needs, Shirley is making it possible for her family to survive and thrive.
- **Norma Comiles Mo-oy**, a Filipino rice farmer turned community activist who makes sure the voices of her people are heard in the halls of government when dams and other large projects financed by international development banks threaten, disrupt or even destroy traditional ways of life.
- And finally, **Trevor Maizland** of Linden, Michigan, whose life was saved at the age of 4 by the doctors at the C.S. Mott Children's Hospital in Ann Arbor.

Despite their differences, we don't have to look too deeply to identify common themes that emerge from their experiences. While not every theme is shared universally by all of the people we write about, many do cross the boundaries of geography, country and culture.

First, those whose stories we tell have changed or transformed their lives and the lives of their families through their experiences with Foundation grantees. Second, many have become more involved in their communities and are creating or expanding partnerships with other organizations and/or people working in those communities. Third, some have become more engaged and more effective as leaders and advocates for the issues they embrace. And fourth, their involvement has helped to leverage additional resources for those same causes.

In short, our grantees' day-to-day efforts help strengthen communities and the people who live in them.

Only Online

In 1970, we published our first annual report.* At that time we were one of a handful of independent foundations to embrace these reports as an important public accountability instrument. We still see that as one of their purposes.

The Internet and Web-based technology and software have made available new tools and new platforms to share information. Since the mid-1990s, we have explored and experimented with approaches to embrace emerging technologies to increase transparency, better explain our work and respond to an expanding demand for online delivery of content in a 24/7 environment.

Today, we are developing and disseminating via our Web site a rich array of content about the work of the Foundation and its grantees.

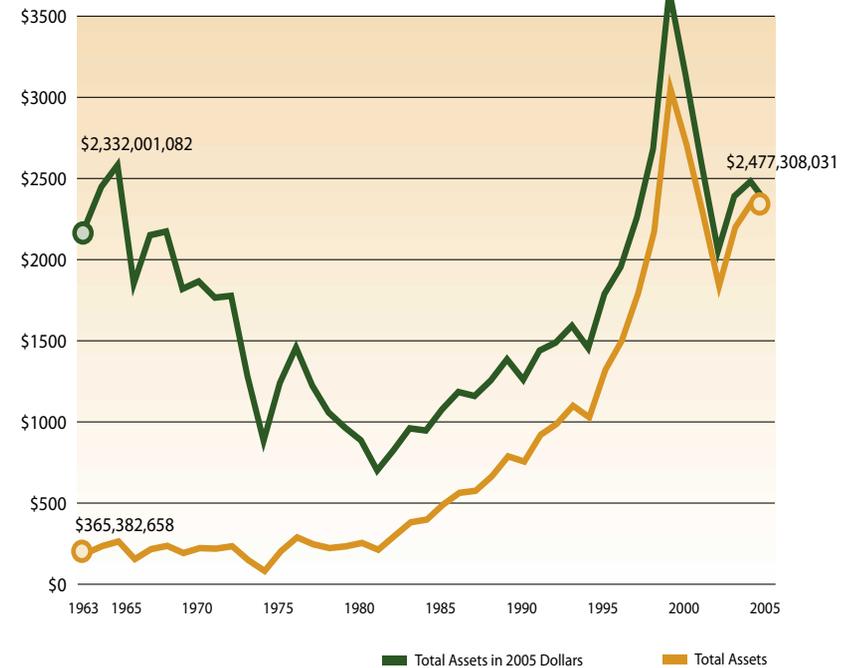
Visitors will find a wealth of information and detail about the foundation at Mott.org. Content includes information on all grants since 1993 in a searchable database, the latest information on our current funding interests and how to apply for a grant, and news articles and feature stories on our grantees and their projects. You will find special online versions (as well as .pdfs) of our publications in a searchable database, an online ordering function for publications currently in print, Q&A's with grantees and Foundation staff, audio and video clips, and slide shows of Foundation-funded projects.

Continuing our evolution, this annual report has been designed to create an even greater synergy with Mott.org and to leverage the unique capacity of the Web to deliver content in a cost-effective and expeditious manner.

Throughout this report, you will see a graphic element titled "Only Online," which will direct you to new Web-based collateral information, as well as links to previously developed Web content related to our

* Prior to publishing that first annual report, we had published annual reports since 1958 on our program activities with the Flint Board of Education.

Total Assets at Market Value & 2005 Dollars (in millions)



2005 activities and grantees. In some instances, the material contained in the print version you are reading is briefer than what we have provided in the past. However, by visiting Mott.org, you can find additional detail.

We would welcome your thoughts on our new approach. Please drop us an e-mail at info@mott.org.

Grantmaking & Investments

Forty years ago, the Foundation provided two grants totaling \$6.5 million to the University of Michigan in Ann Arbor to build its first children's hospital.

In early 2005, history came full circle when we made a \$25-million grant to the UM to replace the original C.S. Mott Children's Hospital.

This is the single largest grant in our history, as well as the largest grant ever received by the UM Hospitals and Health Centers. It helped to launch a campaign to construct a facility that will ensure that children from Michigan, around the U.S. and even the globe have access to world-class medical treatment and care.

This grant also is a legacy that honors C.S. Mott and his lifelong interest in the well-being of children.

When added to the rest of the Foundation's 2005 activity, it brought our total grantmaking to \$123.2 million. This represented a significant increase from the \$98.7 million awarded the previous year. Information on our grants begins on page 27.

And finally, the Foundation's assets remained relatively flat for most of 2005, ending the year at \$2.48 billion on December 31, compared with \$2.52 billion at the end of 2004. On page 5, a chart, "Total Assets at Market Value & Total Assets in 2005 Dollars," tracks our asset performance since 1963.

Governance

Because grantmaking is our core business, one might say that program staff is the public face of the Foundation. Our program officers meet with grantees, counsel prospective applicants, make site visits, and participate in workshops and panels. We realize our constituencies and audiences may be unaware of the roles of the Foundation's less public staff. Our employees in building maintenance, communications, grants administration, finance, information services, investments and support services provide the infrastructure for a well-functioning operation.

We have been fortunate to have staff with excellent skills and talents throughout our existence. One of our longest serving employees — Robert E. Swaney, group vice president, investments and chief investment officer — retired in May 2006 after a 31-year career. Bob's contributions were many, but the hallmark of his stewardship has been his absolute commitment to quality and integrity. He also was responsible for the development and diversification of Mott's portfolio, and guided its early private equity investments in some of the world's leading technology and Internet companies.

Our determination to have the right people in the right place at the right time came into play in selecting Bob's successor. Michael J. Smith, a member of the Foundation's investment staff since 1978, will provide the future leadership for this important part of our operation.

When I think about real people responsible for real impact, the Foundation's Board of Trustees come to mind. Since 1926, the Foundation has had 33 trustees. A number were Mott family members, while others were experts in their respective fields or active community leaders. Many spent their lives in Flint and Genesee County; all developed strong ties to this community in the course of their stewardship of the Foundation.

Today, our Board numbers 13 Trustees and includes five Mott family members representing three generations. We greatly value their commitment, passion and hard work. Our Foundation is stronger because of it.



William S. White

President

August 2006