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# Annual Message



# striking a balance

## SUPPORTING INNOVATIVE IDEAS VERSUS SUSTAINING BASIC NEEDS

**Y**ou needn't live in Flint — or even Michigan — to know that our state is facing directly into the head wind of a still unsettled economy. Our stubbornly high unemployment rate, rising crime statistics, shrinking residential base, escalating childhood poverty rate and other negative indicators have attracted such extensive media coverage as to be unavoidable.

And while the media have certainly heightened public awareness of these issues, for those of us living and working here, there's nothing abstract about the facts and figures used to underscore the problems affecting this region. All around us we see signs of the day-to-day struggles people face — whether that's long lines at soup kitchens and shelters, or the growing number of homes falling into foreclosure or, worse, abandonment.

At the same time, we also are acutely aware of just how severe the budgetary problems are at the local, county and state levels. Already, the Detroit Public Schools as well as several Michigan cities are operating under the auspices of state-appointed “emergency financial managers” — and Flint appears to be next.



*Genesee County parks offer year-round recreational opportunities for all ages.*

Through boom times or bad, the Mott Foundation always has had a special relationship with our home community. After all, we were established in Flint in 1926 by our founder, and in 1928 made our first grants almost exclusively here. Even while our focus broadened over time to include national and international funding, we have continued to maintain a strong grantmaking presence in Flint. From 1928 through 2010, we have provided nearly \$725 million (\$1.86 billion in inflation-adjusted dollars, or almost 30 percent of our grant dollars) for projects that have benefited the Flint area.

Yet during the past few years in particular, we have found the basic needs of people in our region to be so large and inescapable that in 2009, and again in 2010, we made a special cluster of year-end grants that went beyond our normal yearly Flint-area grantmaking. Those grants, which taken together totaled \$1.7 million, were designed to address quality-of-life issues and help shore up local emergency services for food, shelter, rent and utility assistance, and the like.

This kind of grantmaking response is far from unique in our history. To cite just one example: In the late 1970s, when idle youth had become a critical community

concern, the Foundation stepped in with some large local grants to keep young people engaged in meaningful activities — something we continue to do today with our support for summer jobs and afterschool programming.

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Certainly an argument always can be made for doing more. But those who look to philanthropy to underwrite the social safety net, particularly during tough economic times, must realize that philanthropic support can never be a stand-in for government funding. Philanthropy doesn't have the resources — nor is it philanthropy's proper role in society — to single-handedly fund the services and functions that traditionally have been part of government's obligation to its citizens.

So what is the right role for philanthropy to play, particularly during such turbulent economic times?

Foundations, although by no means all of them, can be quite nimble in their grantmaking, so when sudden needs arise they often can answer the call quickly — especially compared to large bureaucracies. And while that flexibility is especially useful in a depressed economy, that's not to say that foundations should be looked upon to provide ongoing support to organizations and programs for the long haul.

Philanthropy also has been known to provide “risk capital,” support “R&D,” and test new and innovative ideas. That's a role that can't be lost, even while those of us located in hard-hit communities and economically depressed states feel the weight of the troubles around us. Indeed, it could be argued that it will take fresh thinking and new approaches to move us eventually out of the current economic morass — making it imperative to stay in the game.

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**We make no apologies for undertaking emergency grants or supporting certain activities that ordinarily would be the responsibility of government, because the simple truth is that services must be maintained if the community is to recover.**

Therefore, a balance somehow must be maintained between supporting innovation and making sure citizens' basic needs are met through what one might call “sustenance grants.”

Surely many in the philanthropic field are finding themselves engaged in this intricate balancing act. And more of us are likely to face this dilemma as governments at all levels continue to retrench in response to plummeting revenues.

With 44 of the 50 states reportedly facing financial difficulties, there already are signs that foundations are reacting to budget shortfalls by increasing their support to some grantees. A recent survey of philanthropic leaders conducted by the Foundation

Center found that almost half of the respondents indicated they have provided grants or other kinds of assistance “in direct response to funding cuts resulting from the current state fiscal crises.” The center's report went on to state that “one-third of the surveyed foundations (33 percent) reported that the fiscal crises affecting their state governments had influenced how their 2011 grants budget was set and/or how their funding was allocated.”

What's more, the majority of those surveyed did not expect the anemic economy to improve soon, with some anticipating state-level budget difficulties to continue through 2013 or beyond.

For our part, the Mott Foundation is committed to helping our struggling home community while also maintaining our strong interest in supporting innovation. Yet when we use the term “innovation,” we aren't necessarily referring to the creation of stunning new models or implementing sweeping change. Rather, here in Flint, we often see innovation percolating in organizations that use grant support to undertake studies, gather data, analyze metrics and retool old approaches or devise new ones. Even when we make grants that, at their core, are designed to address fundamental human needs, innovation can result — particularly if you believe that innovation is sometimes as basic as rethinking and revamping ways to deliver services and programs in light of radically changing social, cultural and economic needs.

Still, we recognize that making such changes takes time, sometimes lots of it, and may even require outside technical assistance. After all, it isn't easy to marry creative thinking to fundamental systems change — all while trying to deliver services. Moreover, if an organization has faced unrelenting financial pressures for a sustained period of time, there may well be no more quick fixes, easy budget cuts or obvious fat to trim. Any further reductions could mean cutting muscle strength — and closing the doors. At such moments, providing support that gives an organization a little “breathing space” and the chance to work with top technical assistance providers may well be the most valuable thing a foundation can do.

Yet as important as such support may be, we also recognize that sometimes the depth and breadth of

the community's needs require immediate attention. And we make no apologies for undertaking emergency grants or supporting certain activities that ordinarily would be the responsibility of government, because the simple truth is that services must be maintained if the community is to recover.

During 2010, we made a number of these "sustenance grants," including, but not limited to:

■ **Genesee County Parks & Recreation Commission.**

We see the area's parks and recreation system not only as a responsible steward of local natural resources, but also as an inexpensive recreation choice for residents who are trying to weather these difficult economic times. Moreover, a recent study showed that the parks and their visitors pumped more than \$16 million into the local economy in 2010, so ensuring their vitality clearly has some positive economic effects on the area as well. In the past few years, we've made several large grants to the parks commission in the face of deep county budget cuts. In 2010, for instance, the Foundation granted the parks system \$1.27 million to support the continuing operation and maintenance of its

facilities and conduct much-needed maintenance and improvement projects. Since 1965, the Foundation has made grants totaling nearly \$17 million in support of the county parks.

■ **Flint community policing.** Unquestionably, 2010 was a challenging year for Flint, especially — but not only — in the area of public safety. Budget deficits forced reductions in the police force despite a rise in serious crime, including a record number of homicides and a serial stabber who further stressed an already stretched department and brought the city additional negative media attention. The Foundation, with a legacy of involvement in community policing that dates back to the late 1970s, was able to help the city institute the 21<sup>st</sup> Century Community Policing project with a two-year commitment of \$3 million made in 2010. Included in that amount was funding for Michigan State University's School of Criminal Justice to work closely with the Flint Police Department to institute community-oriented policing techniques systemwide. Grant funds are being used to help the police department better utilize technology and



*The Food Bank of Eastern Michigan distributes between 19 million and 20 million pounds of food annually.*



*The YouthQuest Afterschool Initiative in Flint provides safe, engaging and exciting learning experiences.*

trend data to deploy officers, provide continuous evaluation and feedback to the police department and city leaders, establish trained volunteer units at the neighborhood level and provide officer training through MSU’s National Neighborhood Foot Patrol Center.

■ **Food Bank of Eastern Michigan.** Combating hunger is no small task in a community as hard-pressed as ours. Taking on that challenge is the Food Bank of Eastern Michigan, which started in 1981 as a small grassroots community organization distributing surplus food throughout Genesee County, as well as in 21 other counties in the region. Today, the food bank solicits, stores and distributes between 19 million and 20 million pounds of food annually, either directly or through a network of some 400 partner agencies that include soup kitchens, church pantries, homeless shelters and other charities. Since 1990, the Mott Foundation has provided six grants totaling more than \$1.6 million to implement technology and facility upgrades to increase food distribution.

Included in that amount was our 2010 year-end grant of \$100,000 that allowed the food bank to procure low-cost, high-protein grocery items, as well as to upgrade the agency’s inventory management system with bar-scanning capability.

The food bank actually serves as a good example of how grants can sometimes allow an organization to fulfill basic needs and — simultaneously — demonstrate innovation. Mott Foundation support has been used over time by the food bank to institute a number of forward-thinking features that have made it a leader in the field of food distribution. For example, the organization was honored by Feeding America, the nation’s largest domestic hunger-relief charity, with Model Program Awards for innovative programming in technology, distribution, fundraising, public relations and programs.

As important as it is to respond to strategic opportunities and emergency situations where sustenance and quality of life are at stake, we also have remained committed to funding innovative ideas

and programs in many fields, in hopes that they might contribute to new ways of tackling problems at the community or even the societal level. To offer but a few examples:

■ **Afterschool/community education.** There may be no other grant program more associated with the Mott Foundation than our support for community education, which began in 1935. We have maintained this focus over the years — in the U.S. and more recently in Central/Eastern Europe — while flexing and adapting it to changing times. In 1998, for instance, we began one of our most high-profile collaborations by partnering with the U.S. Department of Education on the 21<sup>st</sup> Century Community Learning Centers (21<sup>st</sup> CCLC) program. That collaboration today supports nearly two million children and youth in more than 10,000 school/community afterschool programs in rural and inner-city public schools across the U.S. From 1998 to date, the Foundation’s investment in afterschool and the 21<sup>st</sup> CCLC has been more than \$147 million; during that period, Mott’s funding helped leverage approximately \$12 billion in federal funding. One of our key interests has been supporting technical assistance and data collection to deepen the field’s understanding of what a high-quality afterschool program looks like — information that is especially critical in a time of constricting resources and funding. As part of our grantmaking, since 2002 the Foundation also has supported the National Statewide Afterschool Network to provide technical assistance to local programs as well as build bipartisan and widespread public support for the afterschool movement. In our home community, \$3.1 million was granted to the Genesee Area Focus Fund in 2010 for the YouthQuest Afterschool Initiative, which collaborates with Flint’s 21<sup>st</sup> CCLC program to provide children with opportunities to grow through a safe, engaging and exciting afterschool learning experience.

■ **Urban land use.** The Center for Community Progress, launched in January 2010, is wrestling with the timely and thorny issue of land use and re-use — a serious problem affecting Flint, Detroit and many other communities statewide and nationwide.

The center’s innovative approach to rethinking and repurposing urban assets was born out of the lessons and strategies of the Foundation-funded Genesee County Land Bank. (The Land Bank, created in 2002, pioneered the land-banking strategy in Michigan and has since served as a model across the country for addressing vacant and foreclosed properties.) The center is helping cities around the country explore new ways to respond to chronic property abandonment; stabilize at-risk neighborhoods; and transform vacant lots into affordable housing, new business ventures and open green spaces. The center also is raising awareness of issues related to urban land-use reform through research, conferences and dissemination of reports and other publications. Initial support for the center came in the form of a combined \$1 million in grants from the Mott and Ford foundations. Mott support for the center now totals \$2 million.

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■ **Community colleges and workforce development.** Two Foundation-funded demonstration projects are contributing important innovations to the fields of higher education and workforce development. These projects are premised on work supported by the Foundation as early as 1986 that examined ways to help low-income workers prepare for — and succeed in — living-wage jobs in particular fields or industry sectors. The resulting model is known as “sectoral employment development” and, in recent years, some community colleges have experimented with the approach — tailoring curricula that align with the needs of local businesses, while partnering with local nonprofits to help ensure that students receive the supports needed to be successful in school and the labor market. This innovative blend of higher education and the “sectoral” workforce development

strategy is evident in: The Courses to Employment Demonstration Project, operated by the Aspen Institute's Workforce Strategies Initiative and funded with \$4.4 million in Foundation grants since 2006; and the Creating Career Paths for the Low-Skilled in High Poverty Areas demonstration, a project of Jobs for the Future in partnership with the National Council on Workforce Education, which has received more than \$1 million in Foundation support since 2008.

We'd certainly like to think that some of this work in education, land use and workforce development ultimately will bear fruit that can contribute to a more productive society and a more robust economy. Moreover, funding people, ideas and programs that are breaking new ground is part of what makes working in philanthropy so exciting, and so gratifying.

Yet at the same time it is sobering to see so much obvious need, right in our own backyard. Unfortunately, until the economy rebounds, we and many other foundations likely will continue to feel we are caught in a troubling position where we must somehow strike the right balance between supporting basic needs and funding new and innovative ideas.

### Governance and Administration

The Mott Foundation closed out 2010 with assets of \$2.23 billion, a small increase compared with \$2.08 billion at the end of 2009. Included in this section is a chart, "Total assets at market value & 2010 dollars," which tracks our asset performance since 1963.

The past year saw several especially noteworthy staff changes — key among them the retirement in December 2010 of Jean Simi, my longtime Executive Assistant and the Foundation's Corporate Assistant Secretary.

Jean, who managed the executive office with aplomb for 28 years, was unparalleled in terms of her wisdom, dedication and professionalism. For years, Jean was my "right hand" as schedule organizer, travel

**Total assets at market value & 2010 dollars**  
(in millions)



planner, sounding board, dear friend and more. For all of those reasons, she is missed.

Taking up the challenge of filling her shoes is Lisa R. Maxwell, who joined the Foundation in 2003 as a Senior Administrative Secretary. Lisa has been a steady, capable and genial presence in my outer office for several years, often providing help to Jean and filling in during her absences.

We also said goodbye in late January 2011 to Stephen A. McGratty, who retired after 18 years with the Foundation's Investment Office. During the past five years, Steve was responsible for the Foundation's private equity portfolio, expanding our relationships with outstanding managers in that space and laying the groundwork for continued profitable investments in the future.

We wish both Jean and Steve many happy, healthy years ahead.

**William S. White, President**