

# Ready, Set, Goals for a Decade



Certainly there have been years of great change in the Foundation's 56-year history — it's hired new presidents, launched new grantmaking programs, retooled its infrastructure and reallocated financial resources before.

But in 2008, all these things happened. When I look back on it, I think “Whew!” Then I think “WOW!”

In 2008, the Foundation started the year making traditional grants and ended focused on creating partnerships to achieve its *Goals for a Decade*. This 2008 annual report is about how we got from one point to the other.

**Peter C. Hutchinson**  
President

## WHAT'S INSIDE

Annual report .....	2
Grantmaking in 2008.....	9
2008 Bush Fellows .....	10
Investment commentary .....	11
Board and staff .....	13

*Annual Report of the Bush Foundation for 2008*

# Ready

The staff of the Bush Foundation hit the ground running in 2008. I had become president on December 1 of the previous year. As the new year began, we had a lot to get done before our Board met next in early March.

Staff spent the first two months of 2008 gathering data that could help the Board answer the central question it had raised during our strategic planning process: “At the end of the next 10 years, what difference do we want to have made in Minnesota, North Dakota and South Dakota?”

We combed census and other databases and traveled extensively to learn as much as we could about the people and communities in these three states, not only about them in the past and the present but about their projected future. Health, economics, culture, education, leadership, demographics — we tried to consider indicators of every kind.

(For instance, the chart at right shows the effect that education levels have on the future earnings of students. When our research uncovered the striking earnings impact of obtaining a degree beyond high

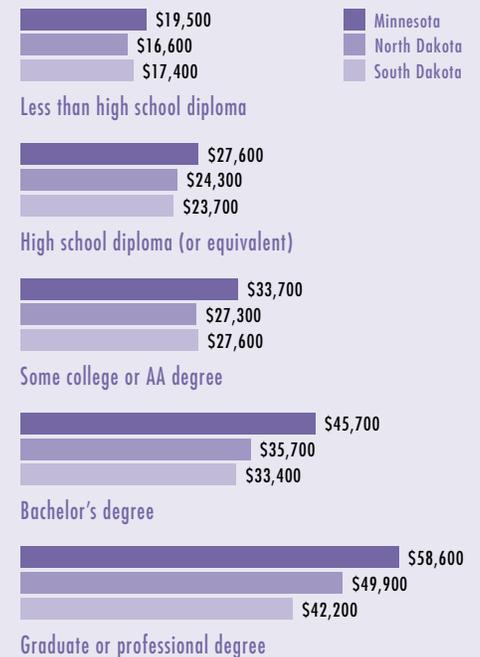
school, we knew focusing on improving educational outcomes could enhance not just the lives of students but the economic future of their communities as well.)

We brought what we had learned to the Board in March for a “State of the Region” discussion. The Board agreed that we should explore five areas where we thought the Foundation might be able to have an impact over the next decade. We committed ourselves to come back to the Board in April with a more specific strategy for each of the five areas.

With only six weeks to get that work done, staff decided to convene a “design lab” for each of the areas. A design lab mixes subject-matter experts with creative strategic thinkers and challenges them to come up with a program design that will produce a specific outcome (e.g., increased educational achievement) in a specific time period (10 years) with a specific set of resources (approximately \$100 million). And so we spent late March and early April organizing these five labs and learning from the amazing people from all across the country we were lucky enough to have participate in them. The most important thing these participants impressed on us was that we would need to focus our efforts if we really wanted to make a difference.

## How Education Levels Affect Income

BASED ON ANNUAL INCOME



Source: U.S. Census Bureau, 2006 American Community Survey

By late April, three specific goals had emerged—develop courageous leaders and engage communities in solving problems, support the self-determination of Native nations and increase the educational achievement of all students. For each of the goals we also had developed a core strategy and measures of success.

When the Board approved these goals at its April retreat, it also confirmed a major change in how we would approach our work. Instead of relying only on our ability to review proposals brought to us by others for grants that would last for one to three years, now we would build the Foundation's capacity to initiate and sustain long-term partnerships with organizations willing to join our key resources—financial, human, information and reputation—with theirs and to share a commitment to achieving the goals we had set for the coming decade.

By the end of April we were ready to change. The three goals and the partnership strategy had given us the focus for our new plan and our new work. Now the challenge was to think through the details of how we would move forward with implementation of that change.

Change isn't "a" thing, it is "every" thing. And so we needed to look at every aspect of our work and think through how it would need to change so that we could pursue our new strategy successfully. In particular, we needed to consider what aspects of our past would continue into the future, which would need to change and which we would need to leave behind. All through this process, we contemplated the Foundation's significant legacy and tried to make the needed transitions in a way that respected and honored that legacy.

We set a timeline and a plan to announce these changes by late July. ■

## *The 2008 Timeline*

### **January**

- Program staff begins research on the conditions in Minnesota, North Dakota and South Dakota.

### **February**

- Program staff concludes research and identifies potential areas of emphasis to present to the Board.

### **March**

- At its annual meeting, the Board elects [Irving Weiser](#) as a director and chooses the five areas of emphasis that warrant further investigation using the "design lab" model.
- The Foundation declares a time-out on letters of inquiry.
- Program staff recruits participants for five design labs.
- Financial staff redesigns payout strategy to minimize the risk to the community.
- The Foundation rethinks endowment and capital grants payment strategy to view such support as partnerships with annual payments over a long period of time. Three grants made using new policy.

### **April**

- Design lab participants complete their process and report outcomes to program staff, who craft a recommendation to the Board to focus on three goals.
- At its annual retreat, the Board chooses three goals recommended by design lab participants and program staff.
- The Bush Leadership Fellows Program announces [19 new fellows](#) for 2008.

*Timeline continued on page 5*

## *The Bush Foundation Board in 2008*



In committing to its *Goals for a Decade*, the Board has chosen a new direction not just for the Foundation but for itself as well.

From the Foundation's earliest days, reviewing individual grants had dominated the Board's

work. Now the Board carries the expectation to be the primary force ensuring that the Foundation achieve its goals—and its full potential for the region. To do that, it must provide oversight, challenge and support to the work of the president and the staff, to whom the Board has delegated the responsibility for executing the ambitious strategies we have now adopted.

Three principles guide the Foundation—commitments to *leadership*, *learning* and *impact*. Going forward, the Board will focus most of its *leadership* energy on assessing its strategies, managing the risks that these strategies entail (including the risk of change itself) and assuring that the Foundation is *learning* from its experience in order to increase its *impact*.

In order to meet the challenge of this new way of working, in 2008 the Board reconfigured its committee structure to ensure that its investment, finance, human resource and other policies were aligned with its strategy and could be executed effectively.

The Board invited two new directors in 2008. Irving Weiser and Peter H. Pennekamp are dynamic leaders in their professions and bring expertise that complements the abilities of the

other Board members. As the Board welcomes more new members over the next decade, we will consciously work to ensure that, as a group, directors have the strategic capabilities and diversity of experience needed to govern successfully.

Change begets change. The Board transformed so it could support the Foundation in achieving its *Goals for a Decade* and in making a true difference in Minnesota, North Dakota and South Dakota communities. The Board moves ahead with confidence in the people of our region, honored to work alongside so many to ensure the vitality of our collective future.

A handwritten signature in black ink that reads "Kathryn H. Tunheim".

**Kathryn H. Tunheim**  
Chair of the Board

# Set

The clock was ticking when the late April Board retreat ended. By July we needed a plan for how to support our grantees through the transition and to restructure our staff and internal processes to pursue the new direction. We also needed to be set to communicate these changes effectively to a very broad audience in three states.

We worked through the spring and early summer in order to get set. We developed a detailed plan to contact past grantees with whom we had enjoyed long and deep relationships and provide them with grant support as part of our transition. We developed a staffing structure that would support our new work. We developed new approaches to managing our budget and internal processes that were aligned with our new direction. And we prepared to communicate our intentions as openly and inclusively as we could.

At its July meeting, the Board confirmed the Foundation's strategic vision.

*To be a catalyst to shape vibrant communities in Minnesota, North Dakota and South Dakota. We will invest in courageous and effective leadership that significantly strengthens and improves the well-being of people in these three states.*

At that same meeting the Board approved the final measures of success against which we would evaluate our progress. It also gave the go-ahead to the transition, staffing and communications plans that would make *Goals for a Decade* a reality. ■

## May

- The Foundation prepares a communications plan for the rest of 2008.
- Program staff begins conversations about what it will mean to work in partnership.
- The Foundation launches [www.bushfellows.org](http://www.bushfellows.org), dedicated to the Foundation's artist, leadership and medical fellows.
- The Bush Medical Fellows Program announces nine new fellows for 2008.

## June

- The Bush Artist Program announces 15 Bush Artist Fellows for 2008; it also names the first three recipients of the \$100,000 Enduring Vision Awards.

## July

- At its meeting, the Board elects Peter H. Pennekamp as a director, approves the final details of *Goals for a Decade*, approves a new staffing structure and approves a presidential discretionary grantmaking authority. The Board also approves a \$1.43 million capital grant to the University of St. Thomas (the last grant in the Capital Grants to Regional Private Colleges funding program begun in 1976 that included nearly \$50 million to 24 higher education institutions).
- The Bush Artist Program announces the first grants in the Dakota Creative Connections program to 10 artists.
- The ArtsLab initiative, of which the Bush Foundation is a part, announces 17 new participants.
- The Foundation begins work on a portion of the website dedicated to the Foundation's legacy (launched in early 2009).

*July continued on next page*

# Goals for a Decade

On July 29, we got outside our comfort zone. On that day the Bush Foundation produced its first-ever webcast to announce *Goals for a Decade*. We were live at more than 600 sites across the three states. The folks at those sites watched as Board Chair Kathy Tunheim and I discussed the three goals, the new focus on partnerships and the plan we had for transition. Here's what we told them.

*The Bush Foundation will seek partners and pursue strategies in Minnesota, North Dakota and South Dakota to:*



- *Develop courageous leaders and engage entire communities in solving problems, with a goal that by 2018, 75 percent of people in all demographic groups in the three states say their community is effective at solving problems and improving their quality of life.*



- *Support the self-determination of Native nations, with a goal that by 2018, all 23 Native nations in the three states are exercising self-determination and actively rebuilding the infrastructure of nationhood.*



- *Increase educational achievement, with a goal that by 2018, the percentage of students in the three states, from pre-kindergarten through college who are on track to earn a degree after high school, increases by 50 percent and disparities among diverse student groups are eliminated.*

## July (CONTINUED)

- The Foundation invites selected grantees to apply for transition funding.
- The Foundation promotes Grants Manager [Kelly M. Kleppe](#) to director of program operations.
- The Foundation launches *Goals for a Decade* in its [first-ever webcast](#); 600 locations logon.

## August

- Program staff review and suggest approval for transition grants totaling \$3.5 million.
- Many participants in the April Native nations design lab reconvene to advise on details for how best to move forward once a team leader is in place.

## September

- The Foundation names [Pamela Wheelock](#) to lead the leadership/community engagement team (to begin work in January 2009).
- [John Otterlei](#) joins the Foundation's financial team as managing director, investments.
- Bush Artist Program Assistant Director Kevin Bitterman leaves the Foundation to take up the position of assistant director of international programs for Theatre Communications Group in New York City.

It took Kathy and me about 20 minutes to lay out our new direction, then we took viewers' questions. Nearly 200 of them streamed in over the Web! We answered as many as we could in the 45 minutes allotted for our broadcast, then over the next 48 hours our staff worked intensively to make sure that every person who had asked a question got a written answer.

As we had anticipated, the news of our change in focus was welcomed by some, left many with questions and was hard for others to hear. It helped that we were able to offer transition funding to many with whom we had worked closely for many years.

In the last five months of 2008, we were busy implementing the transition funding and staffing



View the webcast.



Peter C. Hutchinson  
President



Kathryn H. Tunheim  
Chair of the Board

plans that the Board had approved. In the fall, [Pamela Wheelock](#), a leader of great skill and accomplishment, agreed to join the Foundation as vice president and leader of the leadership/community engagement team; we undertook a search for two more amazing leaders to champion our Native nation-building and educational achievement teams. And we continued to figure out how to begin our new way of working in partnership.

The challenging financial climate of the last half of 2008 caused some foundations to rethink their commitment to any new strategies they had recently announced. So did we. However, we decided to move forward to achieve our [Goals for a Decade](#). We believe that the goals we have chosen to pursue will strengthen and improve the well-being of people in the three states we serve and that the time to start pursuing them is now. ■

## October

- [Beth Villaume](#) becomes the Foundation's first controller.
- Program staff develops the 2009 work plan to present to the Board in November.
- The stock market sharply tumbles, testing the new investment strategy the Foundation had begun employing in 2007.
- Communications staff begins work on the Winter 2008/09 issue of [Giving Strength](#) (the 15th and final issue of the magazine), which has also served as the Foundation's annual report since 2004.
- The Grants Committee of the Board meets for the final time, marking the Board's change of focus (see page 4).

## November

- At its meeting, the Board approves the 2009 work plan, adopts changes to the bylaws and articles of incorporation, approves two large transition grants to support nonprofits in [North Dakota](#) and [South Dakota](#), approves a transition grant of \$1.5 million to the [Minnesota Community Foundation](#) to support early childhood development efforts and adopts a revised 2009 payout policy and target.

## December

- The Bush Medical Fellows Program hosts "Healthy Kids — Healthy Communities" as its annual gathering for fellows; 60 attend.
- [Gülün Kayim](#) becomes the assistant director of the Bush Artist Program; she is a 2004 Bush Artist Fellow.
- [Jane Kretzmann](#) leaves the Foundation after 20 years as a senior program officer. In January 2009, she joins the Minnesota Community Foundation to continue the work she pioneered at the Bush Foundation on early childhood development.

# The Course Ahead

The trees are budding along the Saint Paul stretch of the Mississippi River as we're compiling this annual report.

Already in 2009, we've welcomed vice presidents and team leaders Pamela Wheelock, Jaime Pinkham and Susan Heegaard (pictured at right) to our staff. We are now in the process of hiring a director of engagement and communications.

The two \$2 million transition grants to aid nonprofits in North Dakota and South Dakota are realities that are already serving communities. We've expanded our leadership strategy to include training for groups of leaders in communities through a grant to the Blandin Foundation to support its Community Leadership Program. We've launched a new portion of our website dedicated to the Foundation's legacy. And at its March 2009 annual meeting, the Board welcomed three new directors (Curtis W. Johnson, Eric J. Jolly and Wendy M. Nelson), affirmed the continued strong leadership of Chair Kathy Tunheim for another year and positioned Director Jan Malcolm to assume the Board's leadership in 2010.



Pamela Wheelock



Jaime Pinkham



Susan Heegaard

Still, there's more to come in 2009. We plan to give the three states access to useful data that can support problem-solving in their communities, to launch new Web 2.0 technologies and other communications tools so the Foundation can work more closely with its fellows and partners, to upgrade our computer systems so our staff can be more productive and more mobile, to reach out to the leaders of each of the 23 Native nations and to launch a series of partnerships to rethink how new teachers are recruited, prepared, placed and supported.

The launch of *Goals for a Decade* in 2008 was just one exciting part of a 10-year marathon. When the decade is up, we'll know whether we stretched far enough in 2008 to make sure that by 2018 we had made the difference we intended for the people in Minnesota, North Dakota and South Dakota. ■

# Grantmaking in 2008

## LEGACY AND TRANSITION GRANTMAKING

The Bush Foundation made payments totaling \$34.6 million in 2008. The bulk of these payments were on grants approved prior to our launch of *Goals for a Decade* (we now call these commitments “legacy” grants). We also made payments in 2008 for transition grants to some grantee organizations with which the Foundation had enjoyed long-standing and deep relationships.

Near the end of 2008, the Foundation Board approved three notable transition grants totaling \$5.5 million.

- The Minnesota Community Foundation (MCF) received a \$1.5 million grant to continue work begun by the Bush Foundation to support early childhood development for infants and toddlers in Minnesota, North Dakota and South Dakota. The Bush Foundation has a long history in this area of funding and between 1970 and 2008 provided more than \$44.5 million in grants support. Jane Kretzmann, a former Bush Foundation senior program officer who led its efforts in the early childhood area, joined MCF in 2009 to implement the program supported by the grant.
- The Impact Foundation (Fargo, North Dakota) and the South Dakota Community Foundation (Pierre) each received grants of \$2 million to help nonprofit organizations in those two states build their capacity.

While we count these three sizeable awards as transition grants for the purposes of our reporting, we expect the activities supported will work toward the Foundation’s mission of improving the quality of life in those states by strengthening organizational, community and individual leadership.

The Foundation expects that payout for legacy and transition grantmaking in 2009 will be approximately \$16 million, with additional payments continuing for several years.

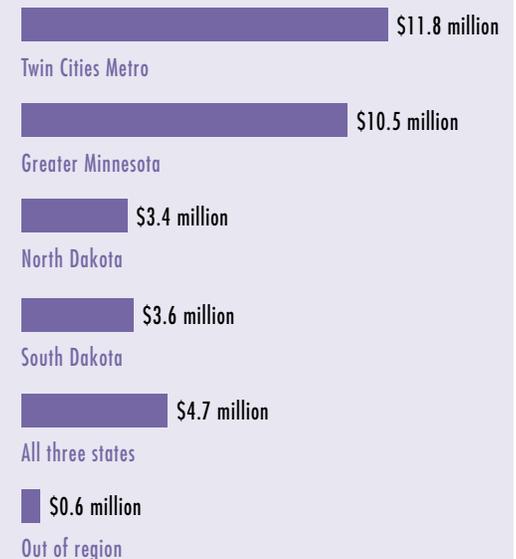
## GOALS FOR A DECADE GRANTMAKING

The Foundation’s three fellowship programs and two arts-focused programs—the Regional Arts Development Program (RADP) and Large Cultural Organizations Development Fund (LCODF)—are an important part of the Foundation’s legacy grantmaking. However, all five programs became part of *Goals for a Decade* under the leadership/community engagement focus area.

Payments to fellows in 2008 totaled \$2.7 million. RADP and LCODF payments in 2008 were \$3.1 million.

In 2009, all five of these programs will be in review to align them closely with the new focus of *Goals for a Decade*. ■

## 2008 Bush Foundation Payments by Geographical Area Served



# Bush Fellows for 2008

Leaders come in all varieties. Some wield scalpels and others paint brushes. Some run organizations or teach or lead in dozens of other ways that improve communities.

The Bush Foundation has been in the leadership business since 1965, when the Bush Leadership Fellows Program named its first four fellows. Between 1965 and 2007, nearly 2,000 individuals became [artist, leadership or medical fellows](#). Here are the talented individuals who joined their ranks in 2008.

## BUSH ARTIST FELLOWS

**Mauricio Arango**, visual arts, Minneapolis, MN  
**Norik Astvatsaturov**, traditional and functional craft arts, Wahpeton, ND  
**Matthew Bakkom**, visual arts, Minneapolis, MN  
**Elizabeth Day**, media arts, Minneapolis, MN  
**Jim Denomie**, visual arts, Franconia, MN  
**Nathaniel Freeman**, media arts, Minneapolis, MN  
**Monica Haller**, visual arts, Minneapolis, MN  
**Mike Hazard**, media arts, Saint Paul, MN  
**Jay Heikes**, visual arts, Minneapolis, MN  
**Foung Heu**, media arts, Saint Paul, MN  
**Rollin Marquette**, visual arts, Minneapolis, MN  
**Craig Schlattman**, media arts, White Bear Lake, MN  
**Tom Schroeder**, media arts, Minneapolis, MN  
**William Slichter**, media arts, Minneapolis, MN  
**Alec Soth**, visual arts, Saint Paul, MN

## BUSH LEADERSHIP FELLOWS

**Mohamed M. Alabari**, Woodbury, MN  
**Karrie L. Azure**, Bismarck, ND  
**Angelique M. Brown**, Minneapolis, MN  
**Angie Eilers**, Saint Louis Park, MN  
**A.S. Elkhader**, Aberdeen, SD  
**Feben T. Gobena**, New Brighton, MN  
**David E. Gundale**, Saint Paul, MN  
**Shalini Gupta**, Minneapolis, MN  
**Renee M. Gurneau**, Shevlin, MN  
**Kris Johnson**, Minneapolis, MN  
**Karla Kinstler**, Houston, MN  
**Don L. Kriens**, Oakdale, MN  
**Christine D. McCart**, Spearfish, SD  
**Frank R. Moe**, Bemidji, MN  
**Melanie A. Nadeau**, Rolla, ND  
**Fardin Oliaei**, North Oaks, MN  
**Kimberly C. Strand**, Eagan, MN  
**Elizabeth A. Swenson**, Brainerd, MN  
**Anton S. Treuer**, Bemidji, MN

## BUSH MEDICAL FELLOWS

**Sheri Bergeron, M.D.**, Hermantown, MN  
**Kristin Christiansen, M.D.**, Inver Grove Heights, MN  
**Troy Hanson, M.D.**, New Prague, MN  
**Imran Khawaja, M.D.**, Eagan, MN  
**Helen Kim, M.D.**, Minneapolis, MN  
**Christopher Pensinger, M.D.**, Zimmerman, MN  
**Douglas Sill, M.D.**, Chisago City, MN  
**William Spinelli, M.D.**, Hastings, MN  
**Marcus Thygeson, M.D.**, Minneapolis, MN

## ENDURING VISION AWARDS

The Foundation deepened its commitment to recognizing leaders in the arts community in 2008 by naming its first three recipients of the \$100,000 [Enduring Vision Awards](#), recognizing mature artists who have demonstrated an influence on artists, audiences and their own fields of work.

## 2008 RECIPIENTS

**Frank Big Bear**, Minneapolis, MN  
**Janel Jacobson**, Harris, MN  
**Walter Piehl Jr.**, Minot, ND

# 2008 Investment Commentary\*

## INVESTMENT POLICY AND GOVERNANCE

The Foundation's long-term investment objective is to generate an inflation-adjusted return in excess of the IRS minimum 5.0 percent payout. The Foundation's investment efforts are coordinated by an Investment Committee of the Board, a small internal investment staff and an outside investment advisory firm. The Foundation added its *first-ever investment executive on staff* in September 2008.

In order to reduce volatility and generate the same or better returns, the Investment Committee adjusted its investment strategy in 2008. The Foundation moved its hedge fund of funds allocation to a diversified group of multi-strategy hedge funds and shifted a significant portion of its traditional equity allocation to market-neutral alternative investments and real assets. The new asset allocation targets are noted in the pie chart at top right.

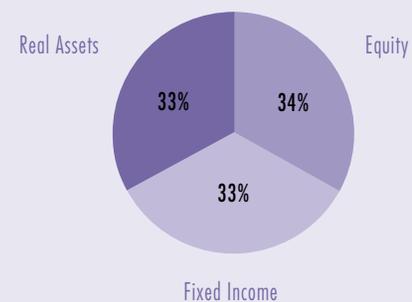
## INVESTMENT PERFORMANCE

The Foundation's investments totaled \$650 million as of December 31, 2008. (See *year-end investment balances from 1977-2008* on next page, top.) The Foundation's net investment performance for 2008 was a loss of 21.2 percent. The Foundation's long-only equities were down approximately 35 percent, offset by better-than-market performance in the new strategy areas of direct hedge funds and market-neutral alternative investments. As noted in the chart at bottom right, the Foundation's overall three-, five- and 10-year investment returns were (0.8) percent, 5.9 percent and 4.8 percent, respectively.

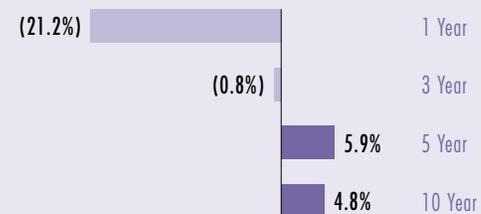
## PAYOUT POLICY

The Foundation changed its payout policy in 2008 to include a smoothing formula that is intended to soften the impact of extremely volatile markets on the annual payout amounts to communities. We also created a maximum commitment tool that helps us assure we can fulfill our long-term commitments when we are faced with dramatic downturns in the market. Actual payout for 2008 was \$39.9 million. Our target payout for 2009 is \$36.2 million, down 9 percent in markets that experienced over 30 percent

### Asset Allocation Targets December 31, 2008



### Net Investment Returns Through December 31, 2008



\*based on estimated, unaudited results

declines in 2008. Our long-term payout strategy is to continue to at least meet the required IRS minimum 5.0 percent payout. (See the payout trend from 1977-2008 at bottom right.)

### LOOKING FORWARD

Private foundations have experienced unprecedented investment losses the past several quarters. The Bush Foundation's investment losses were 21.2 percent in 2008. In 2009, the Foundation will be implementing its new program strategy that requires steady funding during these difficult economic times, which we intend to provide. We have targeted \$36.2 million to fund our 2009 needs, a significant commitment given the 2008 downturn in the market. Our goal is to be a highly dependable and effective partner for communities in Minnesota, North Dakota and South Dakota in the strategic areas we serve.

Audited financial statements for 2008 will be available later in 2009 on the [Financial Information page](#) of [www.bushfoundation.org](http://www.bushfoundation.org), as will the 2008 Forms 990-F and 990-T. The audited financial statements and 990s for 2007 are also available on that page. ■

Investment Balances at Year End (1977-2008) IN MILLIONS



Payout Trend (1977-2008) IN MILLIONS



# Board and Staff

The following individuals served on the Bush Foundation Board of Directors in 2008:

Ivy S. Berhardson  
Dudley Cocke  
Roxanne Givens  
L. Steven Goldstein  
Dwight A. Gourneau  
Esperanza Guerrero-Anderson  
Robert J. Jones  
Jan Malcolm  
Tim Mathern  
Peter H. Pennekamp  
William P. Pierskalla  
Catherine V. Piersol  
Gordon M. Sprenger  
Kathryn H. Tunheim, Chair  
Irving Weiser

The following individuals served as non-Director members of the Investment Committee in 2008:

David P. Crosby  
Michael D. Goldner

The following individuals served on staff of the Bush Foundation for all or part of 2008:

John Archabal  
Mary Bensman  
Lee-Hoon Benson  
Kevin Bitterman  
Vicki L. Bohn  
Julie Dalgleish  
Erin Dirksen  
Nancy H. Fushan  
José González  
Rudy Guglielmo Jr.  
Sharon Hollingsworth  
Peter C. Hutchinson, President  
Freya Jacobson  
Gülgin Kayim  
Greg Keane  
Kelly M. Kleppe  
Jane Kretzmann  
Martha A. Lee  
Dianne J. Maki  
June Noronha  
Deb Novak  
John Otterlei  
Connie Sangren  
Julie Sholing  
Victoria Tirrel  
Beth Villaume  
Nancy Weidler

The following consultants did substantial work for the Bush Foundation for all or part of 2008:

Wilbert Ahern  
Margaret Arzdorf-Schubbe  
Kathryn J. Draeger  
Susan Moore  
Alice Sanborn  
Susan Showalter  
Margaret Walker  
Michael Wilcox, M.D.



Bush Foundation

332 Minnesota Street  
Suite E-900  
Saint Paul, MN 55101-1315  
651-227-0891 Fax 651-297-6485  
[www.bushfoundation.org](http://www.bushfoundation.org)

© Bush Foundation 2009. All rights reserved.

Annual report designed by Woychick Design.  
[www.woychickdesign.com](http://www.woychickdesign.com)