

Fund for Our Economic Future

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Report to Members July 2007

Phase 1 Review
Phase 2 Outlook

Chairman

The Fund for Our Economic Future is a multi-year collaboration of organized philanthropy in Northeast Ohio formed to encourage and advance a common and highly focused regional economic development agenda that can lead to long-term economic transformation in ways that recognize the importance of core cities, inclusion/diversity and quality of life. This will be accomplished by convening key stakeholders, tracking overall regional progress and backing key initiatives.



Dear Friends of the Fund,

2007 is a momentous year in the Fund for Our Economic Future's work to transform our region's economy. This year, the Fund both ended our Phase 1 efforts and launched our second three-year initiative. In Phase 2, we are partnering with others to implement Advance Northeast Ohio, our region's economic action plan.

Advance Northeast Ohio is both a culmination and a beginning. It is a product of our Voices & Choices initiative – an 18-month civic engagement of more than 20,000 Northeast Ohio residents whose input established our region's economic priorities. On March 30, 2007, we unveiled Advance Northeast Ohio with an unprecedented display of regional unity as hundreds of political, civic, education, business and other leaders joined us in committing to take action in four areas:

- » **Business Growth and Attraction**
- » **Workforce Preparation and Educational Excellence**
- » **Growth through Racial and Economic Inclusion**
- » **Government Collaboration and Efficiency**

Momentum from the launch continues, as organizations across our region work together to promote our assets through the Cleveland Plus marketing campaign; fill available jobs through the NEOTechJobs.com website; grow minority-owned enterprises through the Minority Business Accelerator; and make our governments more efficient and effective.

Advance Northeast Ohio is evidence that **regionalism is taking root** from Akron to Ashtabula and from Vermilion to Wooster. And we all are beneficiaries.

There were two other key outcomes of the Fund's first three-year phase of grantmaking, which concluded this spring. Northeast Ohio has a **healthy entrepreneurial climate** and **global growth industries are emerging**.

The Fund neither wants nor takes credit for our region's progress. We do, however, believe that we all need to recognize and appreciate that progress. We are prepared to play a variety of roles – convener, follower, or leader – to make sure that progress continues.

As we transition into Phase 2 of the Fund's work, we will maintain the quick pace set in Phase 1. In May, we awarded more than \$5 million in grants for programs and initiatives in Advance Northeast Ohio's four action areas. And, as of June 1 we've raised more than \$27 million toward our \$34 million target. We are confident that the region's progress since the Fund's inception in 2004 will inspire others to join our ranks.

Moreover, I am confident that the growing spirit of regionalism in Northeast Ohio cannot be uprooted. This spirit inspires, unites and ultimately strengthens us in our mission to transform the economy of Northeast Ohio.

REMEMBER: THINK REGIONALLY, ACT REGIONALLY – COMPETE GLOBALLY.

Warm wishes,

Rob Briggs

Rob Briggs

phase 1



In 2004, philanthropy in Northeast Ohio united in an initial three-year effort to pool its time, talent and resources with the charitable mission of transforming the region's economy.

Ultimately, more than 85 organizations, institutions and individuals joined our charitable effort and more than \$40 million in cash and in-kind contributions were deployed.

The outcomes of our first phase are:

- » *Regionalism taking root*
- » *Healthy entrepreneurial climate*
- » *Emergence of global growth industries*

These outcomes were achieved through three distinct areas of work:

- » *Grantmaking*
- » *Research*
- » *Civic Engagement*

Grantmaking

During Phase 1, the Fund awarded nearly \$20 million in grants to seven regional organizations that we believe can have a transformative effect on the region's economy. Most of the grants were focused on improving the region's climate for entrepreneurs and nurturing emerging global growth industries.



BioEnterprise / Phase 1 Support: \$3.65 million

Mission: Form, recruit, accelerate and grow health care and bioscience companies.

Performance: In June 2007, BioEnterprise surpassed its five-year goal of helping initiative companies raise \$500 million in capital. More than 55 initiative companies have raised capital since 2002.



JumpStart / Phase 1 Support: \$4 million

Mission: Accelerate growth of early-stage businesses and ideas into venture-ready companies.

Performance: Through the end of 2006, JumpStart committed \$7.2 million to 19 portfolio companies and those companies have raised \$16 million in follow-on funding.



MAGNET / Phase 1 Support: \$1.7 million

Mission: Support, educate and champion manufacturing in Northern Ohio.

Performance: In fiscal year 2006, MAGNET helped manufacturers create or retain 683 jobs and provided assistance to manufacturers with a total economic impact of \$151.4 million.



Minority Business Accelerator / Phase 1 Support: \$1 million

Mission: Increase the capacity of existing minority-owned enterprises so that they can significantly boost sales and employment.

Performance: Partners in this initiative, led by the Council on Economic Inclusion, are expected to begin accepting companies into the accelerator in the second half of 2007.



NEOSO / Phase 1 Support: \$1 million

Mission: Leverage combined buying power of region's governments to save taxpayers' money on products and services.

Performance: More than 70 governments are now members of NEOSO. Use of NEOSO's services is growing. The Fund is encouraging NEOSO to secure a business partner that can sustain the organization.



NorTech / Phase 1 Support: \$5 million

Mission: Lead, link and leverage the region's technology and innovation assets to build a globally-competitive regional economy.

Performance: NorTech helped the region attract more than \$300 million in Third Frontier funding from the State of Ohio and led advocacy for the creation of Ohio Capital Fund, which will make more than \$150 million in venture capital available to Ohio entrepreneurs. Grants to NorTech include \$1.5 million to the Technology Leaders Group, which accelerates the development and application of the region's most promising technologies. Work of the group includes the FlexMatters Initiative, a consortium of companies working to commercialize flexible optical and electronic devices.



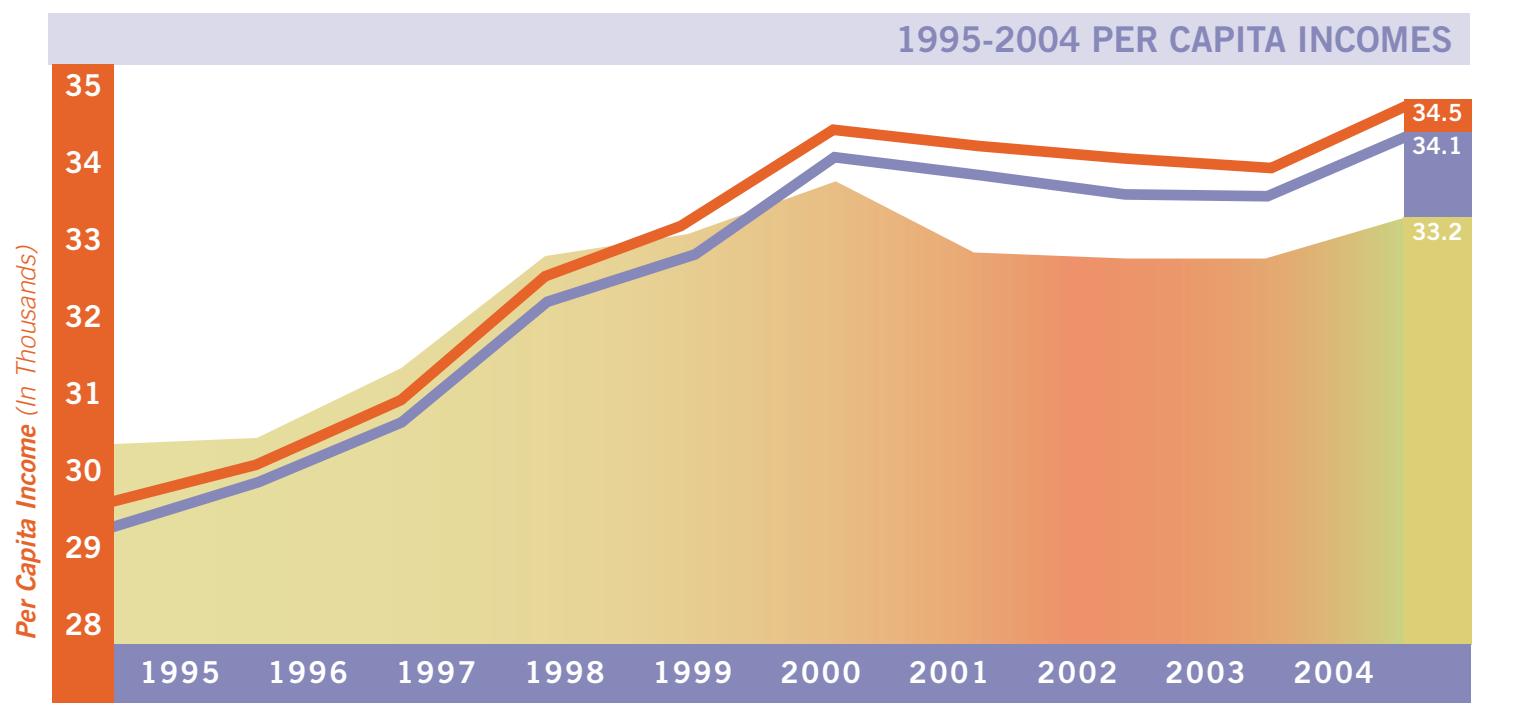
Team NEO / Phase 1 Support: \$3.5 million

Mission: Market Northeast Ohio to attract business investment in targeted industry clusters.

Performance: From 2004-2006, Team NEO worked on more than 120 projects, directly affecting more than 6,500 jobs and about \$100 million in annual payroll. As of May 2007, it was working on more than 30 projects.

phase 1

Fund for Our Economic Future



SAMPLE AVERAGE
U.S.
NEO

Per Capita Incomes

Perhaps the most important measure of an economy's performance is per capita income. The above chart compares how much we earn in Northeast Ohio with the average of 136 peer communities and the national average. Historically, Northeast Ohioans have earned more than the norm. In 1999, the region's per capita income dropped below the national average. One of our goals is to restore the region's per capita income to above the national average. Encouragingly, per capita income rose in 2004 in Northeast Ohio for the first time since 2000.

Research

During Phase 1 the Fund conducted two Gallup Polls to gauge residents' attitudes and outlook for Northeast Ohio.

Residents of Northeast Ohio clearly think of themselves as belonging to this region. Ninety-seven percent consider their county to be a part of Northeast Ohio, according to the 2006 NEO Barometer. However, only 13% view the region's economic conditions as positive.

While the Fund strives to improve our residents' attitudes regarding the region, we also recognize that the public's sentiment reflects economic realities.

The Fund also devotes considerable time, talent and resources toward measuring our region's economic performance. ***The Dashboard of Economic Indicators produced by leading regional and national economists answers two key questions:***

- 1. How is Northeast Ohio's economy performing compared to other U.S. regions?***
- 2. What are the common characteristics of high-growth regions?***

The Dashboard research found the region's economy lags the national average in the four key growth metrics: per capita income, employment, output and productivity.

Transforming our region into an economic leader requires work on many fronts. The Dashboard identifies several common characteristics of high-growth regions. Those characteristics include:

- » Highly-educated population
- » Significant investments in research and development
- » Successful commercialization of new products
- » Racial inclusion
- » Dynamic business culture that spurs numerous business startups, large and small



To transform the region's economy, Northeast Ohio needs to develop these high-growth traits.

Civic Engagement



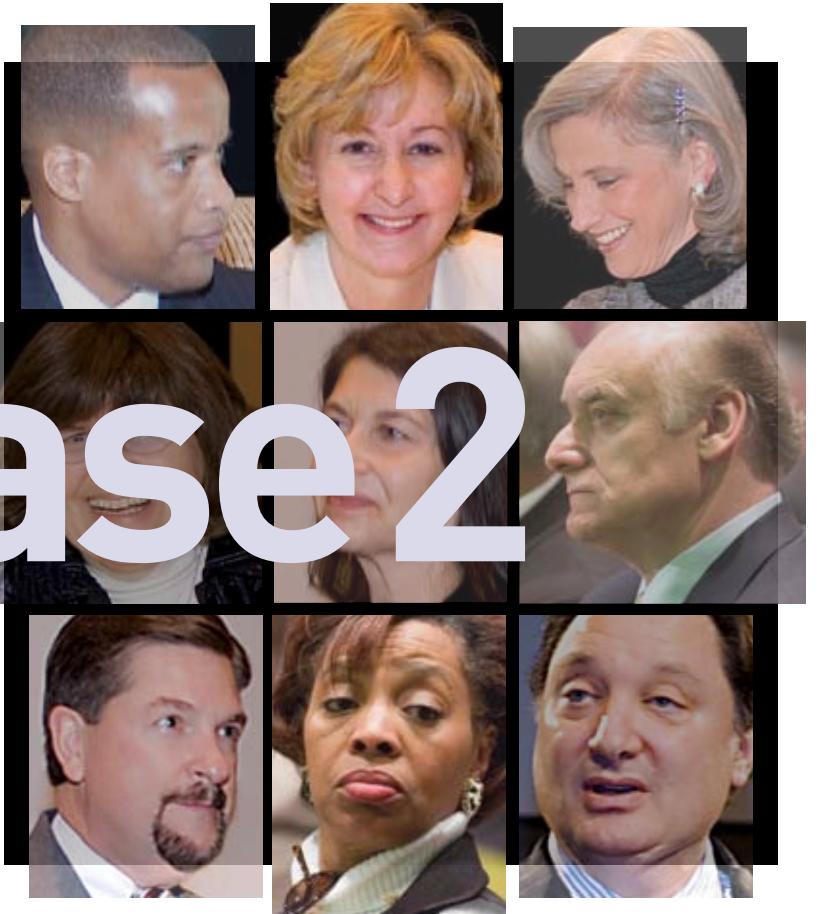
The Fund itself is an exercise in civic engagement that has resulted in a stronger region. We have brought together a diverse group of individuals and foundations to improve our region's economy. While economic development is outside the charitable missions of many of the member foundations, they recognize that a healthy, vibrant economy benefits the people and causes served by their missions.

We engaged the public through Voices & Choices, an 18-month process that required participants to set aside their parochial interests to help establish the region's economic development priorities. More than 20,000 residents from all walks of life and every corner of the region eagerly joined this effort and embraced the spirit of regionalism. Voices & Choices delivered a clear message to all leaders – elected and otherwise: ***The opportunities before us are greater than the challenges. We, the people of Northeast Ohio, say it's time we all worked together to:***

- » ***Train Workers for Current & Future Jobs***
- » ***Improve Racial Inclusion & Income Equality***
- » ***Attract and Grow Businesses***
- » ***Reduce Government Fragmentation & Inefficiency***
- » ***Ensure Equitable School Funding & Accountability***
- » ***Reduce Sprawl & Increase Regional Connectivity***

The Fund responded to this mandate by committing to a second, three-year effort focused on implementing our region's economic action plan, Advance Northeast Ohio. The plan incorporates the priorities identified by Voices & Choices, the research of leading economists and the goals of leaders in business, civic and other organizations from throughout the region. While keenly aware of and attentive to local economic development efforts, these leaders recognize the important role regional initiatives play in the health of their individual communities and institutions.

phase2



As the Fund moves quickly to implement Phase 2 of its work, it is important to remember our vision for the region in 2020:

Northeast Ohio is a rejuvenated and tightly interconnected region of thriving, diverse cities interspersed within a thoughtfully preserved natural environment of rural landscapes, green spaces and recreational amenities. The region has returned to its roots as a center of entrepreneurship and innovation, capitalizing and extending upon historic industry strengths by developing, attracting, applying and commercializing new technologies that have led to sustained opportunity creation for businesses and workers.

The Fund will continue to work in the areas of civic engagement, research and grantmaking to achieve this vision. The most notable change for Phase 2 is that our work is integrated into a broader, more complete economic action plan for the region, Advance Northeast Ohio.

Business, government, philanthropic, labor, education and civic institutions and organizations are united behind this plan to create a globally competitive regional economy in Northeast Ohio.

Advance Northeast Ohio is focused on four areas:

- » **Business Growth and Attraction**
- » **Workforce Preparation and Educational Excellence**
- » **Growth through Racial and Economic Inclusion**
- » **Government Collaboration and Efficiency**

An essential step in implementing a regional approach to economic development, the region's action plan is the result of a great deal of thought and analysis by many Northeast Ohio residents, including the 20,000 citizens who participated in Voices & Choices, leading economists and researchers, and business, philanthropic, labor, education and civic leaders throughout the region.

On March 30, 2007, hundreds of residents gathered at the John S. Knight Center to publicly declare their support for and commitment to Advance Northeast Ohio. Mayors from Akron, Cleveland, Youngstown, Stow and Hudson joined with county-level government officials, university presidents and other leaders to unveil the new and planned initiatives of the action plan.

The Fund's Role in Advance Northeast Ohio

The Fund has three principal roles in Advance Northeast Ohio:

- » **Convening the partners**
- » **Measuring the plan's progress**
- » **Communicating the plan's outcomes**

Initiatives previously supported by the Fund will continue to receive support and the Fund will make select new grants in the four target areas. The Fund will not provide financial support to every strategy and initiative of Advance Northeast Ohio, but will act as a convener and facilitator for projects with promise for regional impact. Advance Northeast Ohio is a collaborative effort and other sectors will take the lead on many of the initiatives.

2007 Initiatives

The Fund wasted no time in identifying four new initiatives in 2007.

Business Growth and Attraction

The Fund endorsed the Early Stage Capital Initiative (ESCI), with the possibility of creating a Northeast Ohio Capital Fund. The ESCI will help address the region's urgent need for additional seed and early stage capital. Organizers of the ESCI are encouraging organizations with endowments and other significant investment assets to allocate 2% of those assets to venture funds focused on seed and early stage companies in Northeast Ohio. By endorsing the ESCI, the Fund is encouraging its members and others to commit a portion of their investment capital to this effort.

Workforce Preparation and Educational Excellence

The Fund committed \$120,000 to the Education Works initiative that will result in six pilot projects in Northeast Ohio designed to demonstrate alternative approaches to help high school students transition to higher education and/or the workforce. The Jennings, Gund and Cleveland Foundations are expected to be partners in the \$480,000 initiative.

Growth Through Racial and Economic Inclusion

While the grant for the region's Minority Business Accelerator was awarded as part of Phase 1 of the Fund, implementation of the Accelerator is part of the region's action plan as a new initiative for 2007. The Accelerator will assist up to 12 companies annually. Its goal is to help client companies increase sales by 20% or more and help those companies more than double the number of people they employ. The Accelerator will target companies with current annual sales of \$5 million.



Regional leaders unite to launch Advance Northeast Ohio.



**Advance
Northeast Ohio**
www.advancenortheastohio.org

Government Collaboration and Efficiency

To be globally competitive, Northeast Ohio needs governance approaches more suited for the 21st century. The Fund committed \$90,000 toward a study of the feasibility and benefits of Northeast Ohio communities pooling and sharing tax revenue from new capital investments in the region. Competition among local governments for real estate, income and other tax revenue from new private sector investments hinders our region's overall economic development capacity, encourages inappropriate and wasteful development patterns, and creates inefficient government operations. This study is the first step toward implementing revenue-sharing to limit destructive competition among communities and encourage collaboration. The Fund also plans to conduct a study to assess the economic cost of the region's fragmented government.

Looking Ahead

Advance Northeast Ohio is an ambitious plan for the region that is already in action. Cleveland Plus is marketing our region's many assets, Northeast Ohio's mayors are exploring revenue sharing and available tech and health care jobs are being highlighted and filled. More activity is under way and much more is planned. The Fund is committed to working with our partners to implement initiatives that will transform the region's economy.

The hallmark of the Fund for Our Economic Future is the spirit of collaboration that enables 90 plus organizations and individuals to stay focused on our mission. The Fund relies heavily on the commitment and talents of "loaned staff" to organize and implement the operations of the Fund. That spirit of collaboration and commitment to teamwork will enable the Fund to achieve our Phase 2 goals and help make **Advance Northeast Ohio** a success.

Phase 1 focused primarily on business creation, attraction and growth. Early signs of progress are encouraging. We will not waiver in our commitment to this area, but this work alone is not sufficient to achieve our mission. We increasingly hear from all sectors – employers, employees, educators and community leaders – that the region's biggest challenge and greatest opportunity is developing, attracting and retaining the talent needed to succeed in the knowledge economy.

Indeed, the Dashboard tells us: *For incomes and jobs to grow, Northeast Ohio needs a more highly-educated population that is entrepreneurial and innovative.*

Growth through racial and economic inclusion occurs when we help our least fortunate develop the skills and talents they need to prosper.

Business growth gets a boost with access to the best and brightest talent.

Efficient, collaborative governments create more attractive communities for Northeast Ohioans to call home.

And, of course, creating the workforce of the future requires **educational excellence** at all levels of the learning continuum.

United by the Fund, philanthropy will help the region meet these challenges.

The Fund will succeed thanks to:

- » **Continued commitment and engagement from Fund members and their staffs**
- » **Expanded participation among the region's and nation's philanthropic organizations**
- » **Close partnerships with other sectors across the region.**

Together we will build a brighter future for Northeast Ohio.

Member Organization

Abington Foundation
Thomas and Joann Adler Family Foundation
Akron Community Foundation
Ashland County Partnership for Our Economic Future
Ashtabula County Partnership
D. Robert and Kathleen L. Barber Fund
of The Cleveland Foundation
Brian A. Bass Charitable Fund
Bober, Markey, Fedorovich and Company
BP Fund of The Cleveland Foundation
Brentwood Foundation
Eva L. and Joseph M. Bruening Foundation
Catholic Diocese of Cleveland Foundation
Charter One Bank
Katherine and Lee Chilcote Foundation
Cleveland Foundation
Cleveland Social Venture Partners
George W. Codrington Charitable Foundation
Community Foundation of Lorain County
Tim and Susan Curtiss Family Fund
of The Cleveland Foundation
Francis G. and Lewis Allen Davies Endowment Fund
of The Cleveland Foundation
Deaconess Community Foundation
Frederick W. and Janet P. Dorn Foundation
FAC Group
FirstEnergy Corporation
First Merit Bank
Forest City Enterprises Charitable Foundation
GAR Foundation
Generation Foundation
George Gund Foundation
Greater Cleveland Partnership
Gross Builders
Jeffrey and Stacie Halpern
Hershey Foundation
Sally and Richard Hollington, Jr.
Michael J. Horvitz
John Huntington Fund for Education
Martha Holden Jennings Foundation
Jones Day
Joyce Foundation
John S. & James L. Knight Foundation
Kulas Foundation
Lake Geauga Fund of The Cleveland Foundation
Fred A. Lennon Charitable Trust
Mandorel Fund of The Cleveland Foundation
Elizabeth Ring Mather and William Gwinn Mather Fund
Meisel Family Foundation

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Nord Family Foundation
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Sisters of Charity Foundation, Cleveland
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Kent H. Smith Charitable Trust
Lloyd L. and Louise K. Smith Memorial Foundation
Vincent K. & Edith H. Smith Memorial Trust
Stark Community Foundation
The Stocker Foundation
Susan and John Turben Foundation
Ralph T. & Esther L. Warburton Foundation
Wayne Growth Partnership
Thomas H. White Foundation, a KeyBank Trust
White Hat Management
Whitehead Family Fund
Wuliger Foundation, Inc.

New Fund Members for Phase 2
Benesch, Friedlander, Coplan & Aronoff LLP
In honor of Kirtland Capital Partners
Board of County Commissioners, Cuyahoga County
Cleveland Clinic Foundation
Marcia and Harold Levine Fund
Lorain County Community College Foundation
John and Karen Nestor
Elizabeth & Ellery Sedgwick Fund of
The Cleveland Foundation
Summa Hospitals Foundation
University of Akron Research Foundation
Weathertop Foundation

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Paul Oyaski / Gregory Zucca
Toby Cosgrove / Oliver Henkel, Jr.

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Dawn Golba	The Stocker Foundation
Robert Jaquay	George Gund Foundation
Sharon Sobol Jordan	Center for Families and Children
Terri Kovach	Brentwood Foundation
Todd Lloyd	Ohio Grantmakers Forum
Christine Mayer	GAR Foundation
Robert Miller	Generation Foundation
Bradley Whitehead	The Cleveland Foundation

Officers

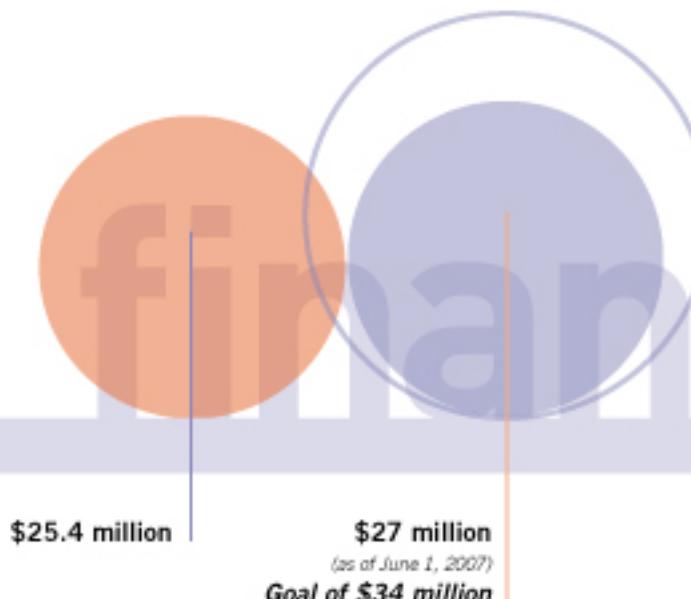
Chairman	<i>Robert Briggs</i> GAR Foundation
Vice Chair	<i>Randell McShepard</i> RPM International Inc.
Vice Chair	<i>Denise San Antonio Zeman</i> Saint Luke's Foundation
Treasurer	<i>William LaPlace</i> Kelvin and Eleanor Smith Foundation

Staff

Fund Coordinator	<i>Gwendolyn McDay</i>
Director of Marketing, Communications and Civic Outreach	<i>Chris Thompson</i>

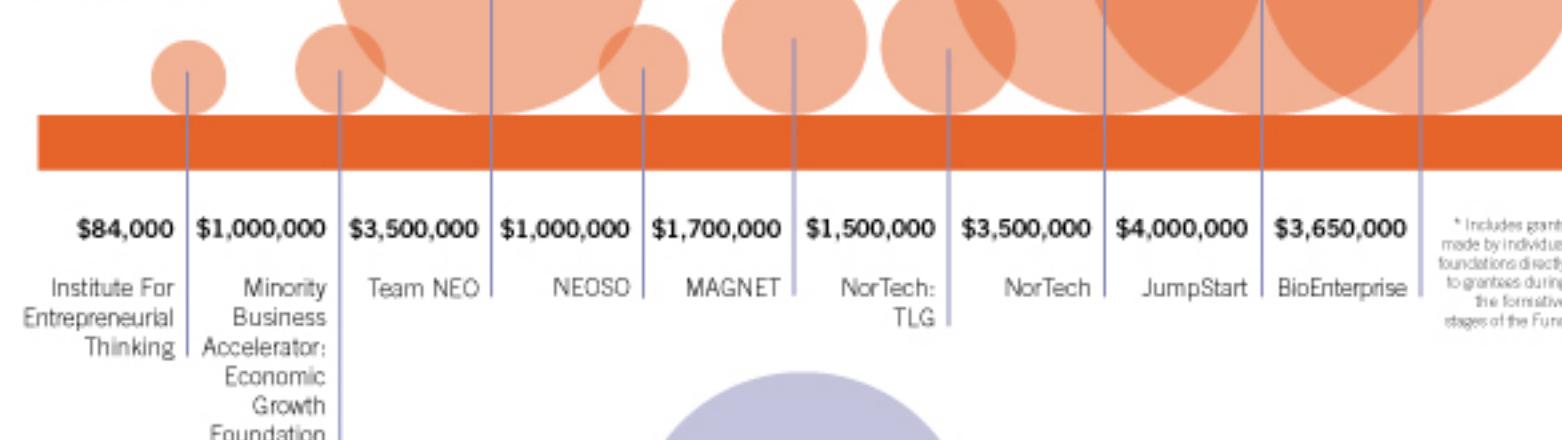
Phase I Fundraising

Phase 2 Fundraising



Phase I Grantmaking*

Total \$19,934,000



* Includes grants made by individual foundations directly to grantees during the formative stages of the Fund

Phase 2 Grantmaking

(as of June 1, 2007)

Total \$5,145,000



Other Fund Initiatives**

Voices & Choices	\$3,077,017
Dashboard of Economic Indicators	\$ 285,000
Barometer of Economic Attitudes	\$ 80,000
Fund Performance Evaluation	\$ 275,000

** As dispersed, as of June 1, 2007.



F U N D F O R O U R
E C O N O M I C F U T U R E

1422 Euclid Avenue, Suite 1300

Cleveland, Ohio 44115

216.615.7583

www.futurefundneo.org