

Practicing Entrepreneurial Philanthropy

Dear Friends,

2012 was another productive and busy year for the Foundation. We continued to nurture the promising ideas identified in 2010 and seeded in 2011 in an effort to help people in poverty attain economic stability. Along the way, we experienced many successes, encountered a number of road blocks and witnessed a few failures. At the end of 2012, learning from the last two years of grantmaking, we adopted an updated strategic grantmaking plan for 2013-15 that tweaks our priorities rather than makes any significant course changes. This plan will continue to allow our staff to remain engaged in the efforts and strategies we've identified, while forging new partnerships and pathways to move forward on our priorities.

Two years ago when we embarked on this journey to be a more proactive and engaged grantmaker, we knew that it would challenge us all to think and act in new ways. Our focus shifted from responding to interested organizations, reading proposals and cutting checks, to investigating and vetting ways to solve entrenched social problems. We worked with others to identify the problems that we believed our resources and staff capacity could tackle, and we employed a number of new tools to help us address these problems holistically and strategically. Internally we have called this kind of philanthropy "entrepreneurial", and now, with this annual report, we bring this concept to you, our grantees, stakeholders and partners.

J. Gregory Dees of Duke's Fuqua School of Business Center for the Advancement of Social Entrepreneurship defines "entrepreneurial philanthropy" as "the productive efforts of an individual, team, or organization that reform or revolutionize the patterns by which private resources and relationships are mobilized and deployed to effect social change." As a Foundation, entrepreneurship is in our DNA – five generations of the Phillips family have found success in their business endeavors, allowing for tremendous opportunities to give back to their communities.

Today, the Foundation sees entrepreneurial philanthropy as a critical extension of that history. We believe that staff should have the opportunity to proactively seek out the best ideas, broker relationships with traditional and unconventional stakeholders, look for ways to leverage our resources for greater return, and insert our influence where change is possible. Entrepreneurs look for and invest in promising opportunities. Our staff should do the same. On the following pages, you will read about a few ways that we are working more entrepreneurially that move us beyond the more traditional role of grantmaker.

As we end another year, we again are thankful for our tremendous staff – Patrick Troska, Joel Luedtke, Tracy Lamparty and Jessica Zimmerman – who have embraced this approach even when the ways forward were uncertain. More importantly, we are grateful for the many community partners and grantees with which we have the pleasure of working. Their passion, dedication and fortitude are an inspiration to us daily.

As we look to the year ahead, we know there is much work yet to be done and the needs of our community are great. We remain steadfast in our resolve to be a problem-solver working in partnership with any and all whose values and priorities align with ours, for we know that we do not do this work alone.

With Sincere Gratitude,

The Trustees and Staff of The Jay & Rose Phillips Family Foundation of Minnesota

2012 Annual Report

Mission

We honor the legacy of our founders, Jay & Rose Phillips, by supporting efforts that address the unmet human and social needs of individuals, families and communities that have the least access to resources.

Tools of Entrepreneurial Philanthropy

As the Foundation moved away from traditional grantmaking practices, and embarked on a more proactive, problem-solving pathway, we have utilized a number of new tools that allow us to engage differently with the community, our grantees, and our fellow grantmakers. On the next couple of pages are a few examples among a toolbox of many that we would like to highlight.

Partnering with Government

When it comes to funding education, housing and other social services, everyone knows that government far exceeds that of philanthropy. Recently, sequestration along with shrinking government budgets at all levels has led to a greater appetite for creative partnerships that couple government and philanthropic resources and expertise to solve community problems. Even as a relatively small funder, we have discovered that our funding and initiative can entice and incent government, especially when we work alongside our funding colleagues to test ideas or theories, conduct research, augment government funds, or advocate for systems change or integration.

Over the last couple of years, the Foundation has built working relationships with a number of local government entities to address a whole spectrum of social issues. We are working with Hennepin County Commissioner Gail Dorfman to address housing for chronically homeless families. We are supporting Minnesota Housing State Commissioner Mary Tingerthal and her staff to address issues with the data collection systems for housing and homelessness. We are collaborating with representatives from Hennepin, Ramsey and Dakota Counties to build a centralized supportive housing database system. We assisted Robyn Sternberg, Assistant Commissioner of DEED with the North Minneapolis Workforce Center relocation. We are partnering with the staff of the Governor's Workforce Development Council on employment related issues. With Patricia Brady of Ramsey County Workforce Solutions, we are focusing on racial equity insight work.

These are just a few of the many relationships we are building with government. This will continue to be a critical strategy in our efforts to address poverty and economic instability for low-income people.

VISTA as a Capacity Builder

The Foundation's most significant partnership with the public sector is our contract with the Corporation for National and Community Service to operate an AmeriCorps*VISTA project. In 2012, nine full-time VISTA members supported the workforce development activities of five community-based organizations participating in the Foundation's Phillips Sectoral Employment Initiative (PSEI).

These human resources augmented the combined \$415,000 granted to PSEI partner organizations to help grow and improve their industry-focused job training programs.



Our 2012-13 PSEI VISTA cohort

PSEI is built upon the strong evidence that providing industry-recognized skills and credentials to low income job seekers in community-based settings results in long term gains in their incomes and job quality. It also incorporates the feedback from providers of these services that their main sources of income – government contracts and project-specific grants – don't provide the flexible general operating support needed to explore new opportunities and improve internal systems. The combination of funding and VISTAs enables PSEI partners to pilot test new job training opportunities, revise curriculum, conduct better internal evaluation, reach out to more employers, and generally take on the myriad tasks required to grow from a good job training organization to a great one.

In 2013, the PSEI VISTA project will grow to 20 members working at 17 sites.

Metro Access to Supportive Housing (MATSH)

In 2010, Foundation staff heard loud and clear from grantees serving individuals with housing and services that a significant barrier to their ability to effectively serve families was the lack of a centralized system of housing opportunities for their clients to access. Seeing this as a problem the Foundation could solve, we spent much of 2011 convening stakeholders from Hennepin, Ramsey and ►

► **(MATSH) continued**

Dakota Counties, Heading Home Minnesota, Minnesota Housing and HousingLink to work through what this kind of system could look like, who would use it, and how it fits in with other housing systems. Out of these discussions, Metro Access to Supportive Housing (MATSH) was born. The Foundation has served as convener, facilitator and funder.

MATSH will consolidate all supportive housing and specialized housing with services programs in the Metro Area into one searchable database tool, used by case managers and other housing locators to help clients find supportive housing opportunities. The system will be operated by HousingLink and will track the demand for housing types in order to drive future policy and funding decisions for housing development. Users will be able to hone in on finding the best housing fit for clients, save searches, and receive emails when housing becomes available.

MATSH will be rolled out in 2013, with plans to go statewide in 2014.

Funder Collaboratives

Sometimes being relatively small provides a certain kind of clarity. You can put those dreams of professional basketball aside and focus on other, likelier, goals. For a small foundation with big ambitions, we are increasingly compelled to seek out others with similar goals in order to form collaborations that can marshal the combined resources needed to tackle big problems and seize big opportunities. In 2012, these were three of our most significant funder partnerships:

Twin Cities Workforce Innovation Network (TCWIN)

The Foundation invests the largest share of its grant funding and staff time in efforts to help low income individuals advance along career pathways towards living wage jobs. While we are proud of the results of these investments, it is clear that our region needs large scale solutions to challenges such as our workforce skills gap and racial employment disparities. That is why we are helping to launch TCWIN, a collaborative of nine local and national foundations with a vision to partner with employers and the public sector to help far more low income, low skill adults move into good jobs. Joel Luedtke, the Foundation's Senior Program Officer currently serves as co-chair of TCWIN and in April 2013, we made a \$300,000, 2-year investment in this initiative.

Central Corridor Funders Collaborative

The Foundation has provided consistent, if modest, support to the Funders Collaborative since its founding in 2008. This joint effort of 13 funders seeks to ensure that the Central Corridor Light Rail Line (now called the Green Line) contributes to a better quality of life for residents of the low income neighborhoods through which it passes. Although the Foundation has not contributed to the pooled funding component of this collaborative, we are an active participant in its Learning Network and Patrick Troska, The Foundation's Executive Director, serves on the Collaborative's Leadership Team. The insights gained from our involvement with this collaborative have strongly influenced the Foundation's own transit-related grantmaking.



Northside Funders Group (NFG):

For the last five years, foundations involved in North Minneapolis have gathered informally to share what they are doing and, at times, align their grantmaking to support key initiatives. This work has been motivated both by the enormous challenges faced by this part of the city, and by the recognition that the \$15-20 million in annual philanthropic investment in North Minneapolis was not yielding community-wide results. In 2012, a core group of participating funders agreed that it was time to evolve the conversation into collaboration. Foundation staff participated in an intensive planning process and we supported the initial costs of hiring a part-time coordinator for NFG. We look forward to shaping a more focused philanthropic plan for North Minneapolis, one that reflects the ideas of residents and aligns public and private resources behind key, measurable goals.

Grantmaking Priorities

The Foundation focuses its grantmaking around two key priorities.

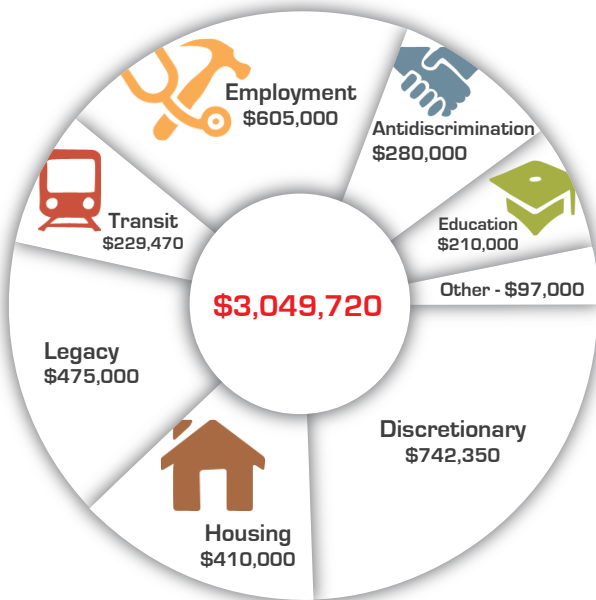
1. We concentrate on efforts that help people in poverty attain economic stability through:
 - **Employment** – helping low-income individuals advance toward stable, living-wage careers
 - **Housing** – ensuring access for low-income individuals into affordable housing
 - **Education** – advancing efforts to ensure that all low-income children have an education that prepares them for life-long success
 - **Transit** – ensuring access to and availability of quality affordable public transportation

2. We address anti-discrimination efforts focused on:
 - Advocacy for LGBT rights
 - Advancing equity for all races and religions
 - Access to affordable reproductive health services

Our geographic focus continues to be the seven-county metropolitan area including Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties of Minnesota.

2012 Grants

In 2012, the Foundation made grants totaling \$3,049,720. It is our honor to work with these organizations on the concerns articulated in our grantmaking priorities. If an organizational name, project title or grant amount appears incorrectly, or if your organization received funds from the Foundation in 2012 and was mistakenly left off of the list, please contact our office. On behalf of our staff and trustees, we thank you for your contributions to our communities.



Grantee Organization	Project Title	Amount
ACLU Foundation of Southern California	general operating support- exit grant	\$2,500
African Medical & Research Foundation	general operating support	\$10,900
Against Malaria Foundation	AM general operating support	\$10,000
AIDS Project Los Angeles Inc.	South Side Center for Health & Wellness	\$5,000
Alliance for Metropolitan Stability	HIRE Minnesota	\$25,000
Allina Health System	The Backyard Project	\$50,000
Alzheimers Disease and Related Disorders Association Inc.	A Night at Sardi's	\$5,000
Alzheimers Disease and Related Disorders Association Inc.	A Night at Sardi's	\$5,000
American Friends of NATAL, Inc.	general operating support	\$1,000
American Jewish World Service	general operating support	\$11,000
American Patrons of the National Library and Galleries of Scotland	general operating support	\$1,000
Amherst H. Wilder Foundation - Wilder Research	Supportive Housing Outcome study	\$25,000
Amicus Inc	general operating support	\$25,000
Arc Greater Twin Cities	general operating support	\$10,000
Ascension Place	Bike Cop for Kids	\$10,000
Ascension Place, Inc.	Young Family Aftercare Program	\$45,000
Athletes Committed To Educating Students	general operating support	\$3,500
Beacon Interfaith	Advocacy program	\$10,000
Beth El Synagogue	general operating support	\$2,500
Center For Victims Of Torture	UCare	\$10,000
Century College Foundation	On-Ramp to College	\$60,000
Child Care WORKS	Talk Child Care with us	\$30,000
Children of the Night	general operating support	\$10,000
Children's Defense Fund- Minnesota	general operating support	\$2,500
Citizens League	\$5800- Studio E; \$5000 general operating support	\$10,800
City of Lakes Community Land Trust	home ownership opportunities	\$25,000
Commonbond Communities	Open 4000 Doors Campaign	\$5,000
Compassion & Choices	general operating support	\$2,000
Cooperative for Assistance and Relief Everywhere	general operating support	\$8,700
Corporation for Supportive Housing	Heading Home Minnesota	\$5,000
Courage Center	general operating support	\$10,000
Courage Center	Phillips Awards- Bridging the Barriers	\$40,000
Create a Memory Foundation	general operating support	\$1,000
Cristo Rey Jesuit High School	general operating support	\$5,000
Didi Hirsch Psychiatric Service	Suicide Prevention	\$10,000
Downtown Women's Center	in memory of Roxie S. Goodman	\$1,000
Downtown Women's Center	general operating support	\$9,000
Emerge Community Development	Career & Technology capital campaign	\$35,000
Emergency FoodShelf Network	general operating support	\$6,000
Family Housing Fund	Supportive Housing Central Referral System	\$60,000
Family Housing Fund	2nd yr- Twin Cities Community Land Bank	\$45,000
First Childrens Finance	supporting the Business of Minnesota Childcare	\$30,000
Friends Outside	general operating support	\$2,000
Greater Metropolitan Housing Corporation	home ownership opportunities	\$30,000
Greater Minneapolis Chamber Of Commerce	Infrastructure for Economic Development	\$25,000
Greater Twin Cities United Way	Start Early Funders Coalition	\$5,000
Greater Twin Cities United Way	regional workforce intermediary	\$5,000
Greater Twin Cities United Way	Career Navigators- Keys to Completion	\$60,000
Greater Twin Cities United Way	Workforce Policy Task Force	\$10,000
Group for the Advancement of Psychiatry	general operating support	\$7,500
Growth & Justice	Smart Workforce and Economic Development	\$25,000
Gutmacher Institute	general operating support	\$1,000
Harrison Neighborhood Association	building equitable communities	\$35,000
Harvest Preparatory School	general operating support	\$10,000

The Foundation does not accept unsolicited applications for grant funds. Please contact the Foundation for more information.

2012 Grants Continued

Grantee Organization	Project Title	Amount
Headwaters Foundation For Justice	African American Leadership Forum	\$15,000
Hennepin Theater Trust	Lion King Tickets for North Side Students	\$10,000
Hillel The Foundation for Jewish Campus Life	general operating support	\$2,000
HIRED	Sector Employment Initiative- Year 2	\$75,000
Housing Preservation Project	Twin Cities Affordable Housing Policy Advocacy	\$40,000
International Institute of Minnesota	Sector Employment Initiative- Year 2	\$90,000
Jewish Community Action	Tzedek Institute	\$30,000
Jewish Community Action	Matching grant support	\$10,000
Jewish Community Action	general operating support	\$25,000
Jewish Community Action	general operating support	\$2,500
Jewish Family Service of Los Angeles	1st year on a 5 year \$250,000 pledge for the endowment campaign	\$50,000
Jewish Family Service of Los Angeles	continued program support	\$16,500
Little Brothers-Friends of the Elderly	general operating support	\$7,300
Local Initiatives Support Corporation	2nd year support for Financial Opportunity Center	\$25,000
Local Initiatives Support Corporation	Northside Funders Group	\$7,900
Los Angeles Gay and Lesbian Center	general operating support	\$10,000
Los Angeles Regional Food Bank	general operating support	\$2,900
Maryvale	for the Supportive Housing Aftercare program	\$10,000
MAZON	general operating support	\$9,250
Midtown Greenway Coalition	Streetcar Organizing Project	\$10,000
Minneapolis Community Kollel	general operating support	\$7,500
Minneapolis Foundation	Fourth Generation Fund	\$10,000
Minneapolis Jewish Federation	general operating support	\$25,000
Minneapolis Jewish Federation	2012 Annual campaign	\$200,000
Minneapolis NEXT	general operating support	\$2,500
Minneapolis NEXT	general operating support	\$2,000
Minneapolis Society Of Fine Arts	Youth Access Programs	\$7,500
Minneapolis Society Of Fine Arts	Youth Access Programs	\$5,000
Minnesota Aids Project	general operating support	\$5,000
Minnesota AIDS Project	Stigma & Discrimination Programs	\$25,000
Minnesota Center for Environmental Advocacy	circulator system for N. Mpls	\$34,470
Minnesota Coalition for the Homeless	Campaign to House Children	\$30,000
Minnesota Council of Churches	Respectful Conversations	\$30,000
Minnesota Council of Nonprofits	Public Policy Program	\$35,000
Minnesota Homeownership Center	general operating support	\$25,000
Minnesota Housing Partnership	Federal Housing Policy Advocacy	\$30,000
Minnesota Medical Foundation	Wexler Endowed Professorship	\$40,000
Minnesota Private College Fund	Phillips Scholars Program	\$125,000
Minnesota Spay Neuter Assistance Program	general operating support	\$2,500
NARAL Pro-Choice Minnesota Foundation	Pro-Choice Movement Building	\$15,000
Natural Resources Defense Council Inc	general operating support	\$2,000
Neighborhood Development Center	general operating support	\$5,000
Neighborhood Development Center	Corridor of Opportunity	\$15,000
New Salem Baptist Church	general operating support	\$2,000
Nexus Community Partners	Governing for Racial Equity Conference	\$5,000
Nexus Community Partners	Bottineau Corridor Community Engagement Initiative	\$35,000
Organizing Apprenticeship Project	Education Equity Accountability project	\$25,000
ORT America	1st year on a 4 year \$200,000 pledge to create The Jay & Rose Phillips Family Foundation Loan Fund	\$50,000

Grantee Organization	Project Title	Amount
Pacer Center	general operating support	\$10,000
Parents Families and Friends of Lesbians and Gays Inc.	general operating support	\$2,000
Peace Foundation	Northside Achievement Zone	\$50,000
Planned Parenthood Los Angeles	general operating support	\$10,000
Planned Parenthood of Minnesota North Dakota South Dakota	capital support	\$50,000
Pro-Choice Resources	general operating support	\$25,000
Project 515 Education Campaign	business outreach for equality	\$30,000
Project for Pride in Living	Sector Employment Initiative- Year 2	\$75,000
Project Success-Students Undertaking Creative Control	general operating support	\$5,000
Project Success-Students Undertaking Creative Control	general operating support	\$5,000
Rebuild Resources, Inc.	merger with PPL	\$30,000
RESOURCE, Inc.	Sector Employment Initiative- Year 2	\$85,000
Saban Free Clinic	general operating support	\$5,000
Salvation Army Northern Division	Harbor Lights Minneapolis	\$6,000
San Francisco Foundation Community Initiative Funds	Eastern Horizons	\$10,000
Second Harvest Heartland	general operating support	\$5,000
Second Harvest Heartland	general operating support	\$2,500
South Bay Center for Counseling	re-establish the Veterans Program Manager position	\$53,100
St. Stephen's Human Services Inc	general operating support	\$2,500
Summit Academy OIC	Sector Employment Initiative- Year 2	\$90,000
Teenwise Minnesota	general operating support	\$10,000
The Blake School	Scholarship Fund	\$25,000
The Bridge for Youth	general operating support	\$5,000
The Metropolitan Consortium of Community Developers	Affordable Housing Policy	\$15,000
The Saint Paul Foundation	Central Corridor Funders Network	\$15,000
The Trevor Project	general operating support	\$1,000
Think Small	early education advocacy efforts	\$35,000
Torah Academy	2012 Phillips Family Celebrating Torah	\$1,800
Transit For Livable Communities	Campaign to Sustain and Expand Public Transit	\$75,000
UCLA Foundation	Dear Abby Scholarship	\$12,500
United Jewish Fund and Council	general operating support	\$5,000
United Jewish Fund and Council	general operating support	\$1,000
United Nations Foundation	AIDS, TB & Malaria	\$6,100
United Way of Greater Duluth	2012 Flood Relief	\$2,500
University of Minnesota Foundation	Hubert H. Humphrey Public Leadership Awards	\$2,500
University of Minnesota Foundation	Humphrey Policy Fellows Program	\$15,000
Venice Family Clinic	general operating support	\$5,000
Village Health Works	general operating support	\$5,000
Vision Loss Resources Inc.	general operating support	\$8,500
West Broadway Business and Area Coalition	North Minneapolis Marketing	\$20,000
Wilderness Inquiry	general operating support	\$5,000
Women in Non Traditional Employment Roles	general operating support	\$10,000
Yinghua Academy Foundation	general operating support	\$2,500
YMCA of Metropolitan Minneapolis	capital support- North Community YMCA	\$50,000
Youth Frontiers	gen op for challenge grant	\$20,000
YWCA of Minneapolis	Circle of Women	\$2,500
YWCA of Minneapolis	It's Time to Talk	\$5,000

The Foundation does not accept unsolicited applications for grant funds. Please contact the Foundation for more information.

Financial Statements

Basis of Presentation

The Foundation's financial statements are prepared on the basis of accounting used for excise tax purposes. Under these principles, certain revenues and related assets are recognized when received rather than when earned, and certain grants, awards and expenses are recognized when paid rather than when the obligation is incurred. The unrestricted net assets with investments at fair value are shown, as supplementary information. Complete audited financial statements are available upon request from the Foundation office or on our website.

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS

ASSETS	2012	2011
CASH	\$24,066	83,346
SHORT-TERM INVESTMENTS	\$1,738,690	\$1,817,774
MUTUAL FUND- FIXED INCOME	\$13,580,147	\$17,541,645
ALTERNATIVE INVESTMENTS	\$11,877,211	10,542,981
CORPORATE STOCKS AND EQUITY FUNDS	\$17,065,272	\$16,315,505
INTERNATIONAL EQUITY TRUSTS	\$11,548,332	11,223,317
TOTAL CURRENT ASSETS	\$55,833,718	\$57,524,568
PROPERTY & EQUIPMENTS AT COST	\$23,859	12,670
OTHER ASSETS	\$2,600	-
TOTAL NON-CURRENT ASSETS	\$26,459	\$12,670
TOTAL ASSETS	\$55,860,177	\$57,537,238
LIABILITIES		-
ACCRUED EXPENSES	\$1,033	698
UNRESTRICTED NET ASSETS	\$55,859,144	\$57,536,540
TOTAL LIABILITIES & NET ASSETS	\$55,860,177	\$57,537,238
Unrestricted net assets with investments at fair market value	\$63,266,584	\$60,236,532

STATEMENTS OF SUPPORT, REVENUES, AND EXPENSES

SUPPORT AND REVENUES	2012	2011
DIVIDEND AND INTEREST INCOME	\$1,759,577	\$1,683,165
REALIZED NET GAINS (LOSSES) ON SALE OF INVESTMENTS	\$640,367	\$8,260,933
INVESTMENT & CUSTODIAN FEES	(\$441,284)	(\$306,898)
TOTAL SUPPORT & REVENUES	\$1,958,660	\$9,637,200
EXPENSES		
GRANTS & AWARDS	\$3,049,720	\$3,051,766
MANAGEMENT & GENERAL	\$552,700	\$561,113
PROGRAM EXPENSES	\$87,330	\$0
	\$3,689,750	\$3,612,879
FEDERAL EXCISE TAX (REFUND)	(\$53,694)	\$185,000
TOTAL EXPENSES	\$3,636,056	\$3,797,879
DECREASE (DECREASE) IN NET ASSETS	(\$1,677,396)	\$5,839,321
UNRESTRICTED NET ASSETS		
BEGINNING	\$57,536,540	35,632,036
TRANSFERS FROM RELATED FOUNDATION	\$0	\$16,065,183
ENDING	\$55,859,144	\$57,536,540



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