Dear Friends,

A couple of years ago, the Trustees of the Jay and Rose Phillips Family Foundation adopted a new logo. The selected design—a tree—was a familiar icon to the Foundation. The tree had come to symbolize the growth and nurturing over many years of our family’s philanthropy rooted in our communities. Each spring, trees produce seeds that the winds scatter, and those that are fortunate enough to find fertile ground and consistent watering, take root and sprout a new sapling whose branches reach towards the sky, soaking in the sun. Over the past year, these seeds and saplings would come to represent our philanthropy in ways the selection of our logo could not have predicted. With philanthropies taking root in our home communities in Colorado and California, our board of trustees made the difficult decision in 2010 to further nurture these efforts by dividing the assets equally among three new foundations located in those communities, including continuing our work here in Minnesota with the newly established Jay & Rose Phillips Family Foundation of Minnesota.

This decision set into motion a series of transitions that defined 2010 and fertilized the ground for new seeds to sprout. We said good-bye to long-time employees Amy Crawford and Dana Jensen. Their strong sense of purpose, excellent guidance and commitment to the community will be missed by the Foundation. Our three remaining employees were given new responsibilities: Patrick Troska was named Executive Director, Joel Luedtke was named Senior Program Officer, and Tracy Lamparty our Grants and Operations Manager. These three are the perfect team to continue spreading the seeds of our family’s tradition of sharing with the community we’ve called home for five generations. We also added three members of the family to our board of trustees.

As we explored ways to refocus our grantmaking and repurpose our philanthropy with our Minnesota foundation, we went back to our roots and Jay’s writings which compelled us to address the unmet human and social needs of the poor so that they might have access to the same economic opportunities as the rest of our community. As you will see later in this annual report, these new strategies will allow us to intentionally plant new seeds that if nurtured appropriately will produce small forests of opportunity for some of the most disadvantaged in the Twin Cities. We also said good-bye to a number of our grantees whose good and important work fell outside these new priorities with 62 exit grants totaling $1.5 million.

In April 2011, the family mourned the loss of Eddie Phillips, who died following a courageous 9-year battle with multiple myeloma. His passing is a tremendous loss for our Foundation, his family, friends and the community. His personal legacy is unparalleled and an example to us all. Eddie’s philanthropic legacy will continue to spread and blossom through the work of our Foundation.

With many of these transitions behind us, we look ahead to the new opportunities that lay before us. Our community is fertile ground for the work of our Foundation, and we get much energy from our many grantees and the people they serve as they beat all odds to find success. We remain committed to seeding their work and watching as new life sprouts and grows.

With Sincere Gratitude,

The Trustees and Staff of the Jay & Rose Phillips Family Foundation of Minnesota
REMEMBERING
EDWARD J. PHILLIPS
1944 - 2011

Eddie Phillips’ involvement in philanthropy was both deep and broad, but always intensely personal. He was generous in every way a human being can be, not only with financial support, but with his ideas, wisdom, connections, enthusiasm, trust and—most of all—with his steadfast friendship. These five portraits capture only a small fraction of his influence and kindness over the years, but they clearly convey the gratitude we all feel for Eddie’s life.

Champion
Our dad was a passionate champion of the underdog. He recognized the fine line separating good fortune from disadvantage, and dedicated himself to bridging that gap - from the Twin Cities to Ethiopia. Over a remarkable four-decade career, he re-energized and expanded the business and philanthropic entities established by his grandparents, Jay & Rose Phillips, and shared the fruits of his personal success everyday in countless ways. He did so with grace, humility, and a healthy dose of his trademark humor. The world is a better place because of him and the twinkle in his eye shines on through all whose lives he touched.

Dean Phillips: Son of Eddie Phillips, Trustee, Jay & Rose Phillips Family Foundation of Minnesota

Mentor
Eddie Phillips is one of the main reasons the Worldwide Orphans Foundation has grown from a fledgling organization with one volunteer and no business plan to a $4.6 million operation serving nine countries and 50,000 beneficiaries. For the past dozen years, he was much more than an investor, he was a believer and a mentor. He never doubted I would make things happen as CEO, but asked the important strategic questions that helped shape my work at every turn. One of his goals was to create a core group of WWO investors that would grow over time and increase our financial stability. As Eddie was dying in April, that goal was realized when we had our first Leadership Council dinner in New York. As I look back in love and gratitude, Eddie was teaching me all the time.

Dr. Jane Aronson: Founder and chief executive, Worldwide Orphans Foundation

Advisor
A close friend for 35 years, Eddie helped guide the development of the Page Education Foundation in ways that assure its solid future. He was passionate about assisting people of color to overcome the disadvantages of race and poverty, and from the very beginning volunteered to help Alan fundraise - no questions asked. Over the years, we both relied on him for wise counsel, especially about governance, which he believed was very important. Eddie made sure we did things consistently and by the book. His life exemplified his own philosophy - "We are no more than we give" and his compassion, humility, and generosity will continue to inspire us all. We try to instill that same sense of connectedness, commitment, and responsibility in our Page Education Foundation Scholars.

Diane and Alan Page: Founders and board members, Page Education Foundation

Fundraiser
The word philanthropy is derived from Greek, and literally means "love of humankind." That defines who Eddie was. He took the mission of Children’s Hospitals and Clinics personally and was one of our best ambassadors, helping us first by making a major gift to our capital campaign, then by encouraging others to become donors. With his help, our fundraising success dramatically increased. That campaign launched a major expansion and renovation effort that resulted in an entirely new hospital, which Eddie toured before he died. I know how happy he was to see the extraordinary resources available to treat every child who comes to our door, regardless of ability to pay. Our new cardiac unit will soon be named in his honor.

Alan Goldbloom: President and CEO, Children’s Hospitals and Clinics of Minnesota

Leader
When Eddie was 30, he made a lifetime commitment to watch over Amicus. He taught us what it means to lead with authority and commitment - to care, have a vision, and always be business-like. I have never laughed harder at someone’s wit, been asked tougher questions, or had someone listen to me as carefully as with Eddie. He was profoundly disturbed by the racial disparity in Minnesota’s prisons, and believed that the circumstances of a person’s birth influenced their choices in later life. He often said “If I had been born one crib over . . . my life would have taken a completely different direction. I could have gone to prison.” He understood that to overcome obstacles in our lives, all of us need a chance or a second chance, and the support of a friend.

Louise Wolfgramm: President, Amicus

To learn more about Eddie Phillips, please visit the memorial page on our website.
www.phillipsfamilyfoundationmn.org
Help People in Poverty Attain Economic Stability

What is at the core of the Phillips family’s 77-year practice of philanthropy in the Twin Cities? How does this align with the most pressing needs of this moment? What do our grantees and other partners advise us to do? And, how can we build upon the wisdom and research of like-minded peers?

For over a year, the trustees and staff of the Foundation explored these questions as we sought to define our new grantmaking strategies. Our best attempt at an answer is summed up in our current overarching statement of purpose: “To help people in poverty attain economic stability”. To realize this broad ambition, we have identified four main funding priority areas and embarked on a number of specific initiatives in each area.

Briefly our four priority areas are:

Employment - helping low-income individuals advance toward stable, living-wage careers.

Housing - helping low-income individuals access quality affordable housing.

Education - expanding access to high quality childcare for working families as well as helping high school students transition to post-secondary options.

Transit - helping low-income individuals access affordable transportation.

Wherever possible, we are striving to do more than simply fund good work. We seek to align exceptional on-the-ground services with advocacy and systems change, and to advance these opportunities through funding, technical assistance, convening, partnering, leveraging and any other means at our disposal that can help our grantee partners achieve the impact we collectively desire.

Here’s an example of our new funding strategies and approach in action.

The Sectoral Employment Initiative provides significant multi-year support to a group of five leading nonprofit workforce development organizations to help them expand and improve their industry-focused job training programs. This is a proven strategy for helping low-skilled, low-wage workers boost their incomes over the long-term. Grantees will receive technical assistance and evaluation help from a consulting team, as well as AmeriCorps VISTA staff members from the Corporation for National and Community Service. Alongside this work, the Foundation is supporting the HIRE Coalition at the Alliance for Metropolitan Stability to continue its advocacy for policies and practices that help reduce our region’s glaring racial inequities in employment and income. And finally, we will be partnering with the Greater Twin Cities United Way to offer a series of community dialogues that engage the broader community in a conversation about how we include historically disadvantaged groups in our region’s future economic opportunities.

We’re excited to be moving forward with this and our other initiatives. We are also grateful to the many nonprofit staff, participants, consultants, and peer funders whose advice helped shape these initiatives. Please visit our website to follow our progress.

How we do our work and support the community now

The Foundation hopes to maximize our impact by employing a new set of working practices that allow our staff to be more entrepreneurial, more flexible, and more engaged with the community in solving problems critical to addressing our funding priorities.

Proactive Grantmaking

We are no longer accepting unsolicited grant requests. As our staff is out in the community, they will be on the lookout for good projects and ideas that fit our guidelines and interests.

No Public Deadlines

Proposals are by invitation only on an ongoing basis or through a Request for Proposals process. All requests come into our office through our online grants portal, which is made available to those organizations invited to submit an application.

More Public Policy Funding

In order to effect more long-term, sustained change, we are looking to fund more efforts that organize the community and/or advocate for policy changes that positively impact people living in poverty.

Working with Partners

We are looking for opportunities to collaborate with government, other funders and the private sector to accomplish our funding goals. Funding, however, continues to only go to nonprofit organizations.

More Convening

We plan to bring our grantees together with other stakeholders more frequently to develop strategy and learn from one another.

The 2011 Phillips Scholars and Staff

Legacy and Anti-Discrimination Grantmaking

Honoring our Past

The Foundation recognizes our important role in providing a consistent stream of support for a cluster of nonprofit organizations that have been an integral part of our grantmaking history. These grants reflect a desire to honor the legacy of Jay and Rose Phillips and the interests of our current Trustees to combat discrimination in all its forms so that people have a voice in decisions that affect their lives and the opportunity to achieve their full potential. Access to this grantmaking pool is by invitation only.
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.

STATEMENTS OF LIABILITIES AND NET ASSETS

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<th>ASSETS</th>
<th>2010</th>
<th>2009</th>
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<tr>
<td>CASH</td>
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<td>SHORT-TERM INVESTMENTS</td>
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<td>TOTAL ASSETS</td>
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<td>$146,554,829</td>
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LIABILITIES

| ACRRUED EXPENSES                            | $3,932     | $3,672     |
| UNRESTRICTED NET ASSETS                     | $36,661,244| $146,551,157|
| TOTAL LIABILITIES & NET ASSETS              | $36,665,176| $146,554,829|

Unrestricted net assets with investments at fair market value

$52,499,168 $176,799,751

STATEMENTS OF SUPPORT REVENUES AND EXPENSES

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<th>SUPPORT AND REVENUES</th>
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<td>DIVIDEND AND INTEREST INCOME</td>
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EXPENSES

| GRANTS & AWARDS                             | $9,187,910 | $9,863,916 |
| MANAGEMENT & GENERAL                        | $851,731   | $870,894   |
| FEDERAL EXCISE TAX                           | $25,000    | -          |
| TOTAL EXPENSES                              | $10,064,641| $10,734,810|

DECREASE IN NET ASSETS

($2,993,261) ($15,223,881)

UNRESTRICTED NET ASSETS

BEGINNING                                      | $146,551,158| $161,775,038|
TRANSFERS TO RELATED FOUNDATIONS               | ($106,896,653)| -          |
ENDING                                         | $36,661,244 | $146,551,157|