A TIME OF CHANGE

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Flinn Foundation

Yes, even protestors carrying signs proclaiming “Down with Flinn and Sin.”

All are emblematic of the Flinn Foundation during John Murphy’s tenure. Earlier this year, John retired as President & CEO after 28 years of service. As author Dean Smith noted in *The Flinn Legacy*, the board of directors had “a tiger by the tail” when they hired John in 1981 as the Foundation’s first executive staff member. Working closely with the Board and staff, John transformed a modest-sized family trust into a professionally staffed, proactive grantmaker respected nationally for its impact on healthcare, biosciences, higher education, and the arts in Arizona.

**Small foundation, big plans**

Following his days as a program officer with the Robert Wood Johnson Foundation, the nation’s largest healthcare philanthropy, John took over a $2 million endowment that traditionally focused on medical research. The endowment soared following Dr. Flinn’s passing in 1984, making the Flinn Foundation Arizona’s largest at the time. John made sure the Foundation lived up to this weighty responsibility, and he didn’t waste time doing so.

John embraced a role for the Foundation as a provider of objective policy information. The Foundation commissioned studies that helped to shape programs such as the Arizona Health Care Cost Containment System, the state’s entrance into the federal Medicaid program, and the Arizona Long-Term Care System. Both were viewed by other states as model programs. Other projects impacted Arizona’s graduate medical education system, affirmed the need for the state’s KidsCare program, and laid the early groundwork for a second campus of the University of Arizona College of Medicine in Phoenix.

**John transformed a modest-sized trust into a proactive grantmaker respected nationally for its impact on healthcare, biosciences, higher education, and the arts in Arizona.**
In biomedical research, the Foundation developed one of the nation’s most effectively leveraged research grant programs under John’s leadership. Grant investments were aligned with areas of high priority to the state’s universities and medical research institutes. Strategic partnerships were established within areas where the institutions were willing to invest their own scarce resources, and already had demonstrated a critical mass of activities and strengths.

Beyond research, the Foundation branched further into the healthcare field by assisting vulnerable populations, such as the frail elderly, AIDS victims, school-age children, and pregnant and parenting teenagers. Never satisfied with the easy road, John persevered as the Foundation faced criticism in establishing health centers in school settings. While relatively commonplace today, the concept was highly divisive in the 1980s and 90s. Especially controversial were school-based daycare and healthcare programs that enabled teen parents to stay in school and earn their diplomas—inciting placards such as the one cited above.

Growing beyond healthcare

John increasingly believed that the Foundation should expand beyond healthcare, its historic focus. Arizona’s largest foundation, he reasoned, should be active in more than a single area, and suggested two more that were close to Dr. and Mrs. Flinn—higher education and the arts. He obviously made an effective case with the Board to support his argument.

One result was the Flinn Scholars Program, a partnership with the state’s universities created to stem the “brain drain” from Arizona universities to other nationally recognized institutions. The program provided an unbeatable educational package to Arizona’s top students and planted the seeds for honors colleges and programs to develop at all three state universities. Flinn Scholars have gone on to win top graduate fellowships—Rhodes, Marshall, Churchill, Fulbright—and attend the most prestigious graduate programs in the U.S. and beyond. Alumni are now in leadership positions in numerous fields, many returning to Arizona to contribute their talent and expertise. Next year, the program will select its 25th class.

At about the same juncture, the Foundation forayed into the arts, launching an initiative to enhance the artistic capacity of the state’s major institutions. Flinn followed by leading the effort for Arizona to become the first state to participate in the National Arts Stabilization Program, leveraging millions of dollars to strengthen the fiscal positions and long-term viability of these institutions. Today the Foundation has aligned its support of the arts with its bioscience initiative, funding the Metro Phoenix Partnership for Arts and Culture, an effort to develop arts and culture as a component of the knowledge-based economy.

A 21st century shift

As these programs matured and expanded throughout the 1990s, John pondered the Foundation’s next chapter. He began the 21st century by engaging the Board in a comprehensive strategic planning process. With the introduction of several new foundations in the Phoenix area, some of them considerably larger than Flinn, we agreed the opportunity had arrived for the Foundation to narrow its funding focus within healthcare, thereby having greater impact. After an intensive 18-month process, the Board approved a new direction: to build on Arizona’s strong life sciences research base to grow a thriving bioscience industry. The direction offered both health and economic benefits for Arizonans, and built on the Foundation’s history of funding biomedical research.

Plans quickly turned into actions. John united with the Board and key staff members to work closely with the Governor’s office, university presidents, and others to recruit Dr. Jeffrey Trent to form the Translational Genomics Research Institute, or TGen. The Foundation launched Arizona’s Bioscience Roadmap, the comprehensive action plan compiled by Battelle that continues to serve as the state’s long-term bioscience strategy. The Foundation played an integral role in the planning of the University of Arizona’s medical school in downtown Phoenix in partnership with Arizona State University. Science Foundation Arizona emerged from a Bioscience Roadmap undertaking. A $45 million commitment between Flinn and the Virginia G. Piper Charitable Trust began an Arizona-based personalized-medicine initiative of international scope.
John worked tirelessly behind the scenes on these projects, not only as the Foundation’s chief executive but as a board member of TGen, the Critical Path Institute, and Science Foundation Arizona. He also served on two state commissions on technology and medical education through gubernatorial appointment.

Building Arizona’s philanthropic identity

Despite the intense commitment to the Foundation’s programs, John made it a priority to help put Arizona on the national map in philanthropy. He served as President of the Conference of Southwest Foundations, Chairman of Grantmakers in Health, and as a chief architect of the Health Research Alliance, a network of national foundations involved in biomedical research. He has received honors and awards from numerous local and national organizations for his leadership in philanthropy, though when so honored he would always point the spotlight to the Foundation rather than himself.

John’s legacy lives on in many ways, one through the Flinn Foundation facility he envisioned at 1802 N. Central Avenue. The attractively designed building, opened in 2000, includes a conference center that serves as a convening point for the bioscience community and other Foundation partners and grantees. The center is also made available to Arizona’s nonprofit community at no cost, hosting more than 8,000 meeting-goers per year.

John is now enjoying his well-deserved retirement, complete with family, friends, and travel plans. His foresight and devotion to the Flinn Foundation and his adopted state will continue to benefit Arizonans for generations.

David J. Gullen, M.D.
Chair, Board of Directors
Jack has a history of extensive community leadership. He serves on the boards of directors of the Tucson-based Thomas R. Brown Foundations and the national Association of Governing Boards of Universities and Colleges. The latter group honored him with its Distinguished Service Award in 2004.

Jack previously served as a board member and campaign chair of United Way of Greater Tucson, and a member of the Governor’s Council on Workforce Policy, Governor’s P-20 Council, and Early Childhood Development and Health Board. He has served on numerous additional councils, committees, and advisory groups addressing education, health care, workforce policy, and related areas.

A University of Arizona graduate, Jack was awarded an honorary doctorate from UA’s College of Social and Behavioral Sciences in 2007.

The search process began in October 2008, when the Foundation initiated a comprehensive request-for-proposals and interview process to identify an executive search firm. The Presidential Search Committee, comprised of members of the Foundation’s board of directors, worked with the selected firm to interview numerous candidates from across the country in a variety of fields.

In April, the Foundation announced Jack’s appointment, following a unanimous vote of the Board of Directors.

Jack is an influential, well-regarded leader, a natural at teambuilding and forging collaboration, a thoughtful strategic planner, an adept communicator and listener. He shares the values and aspirations of the Flinn Foundation. On behalf of my fellow Board members, we are eager to pursue the future of the Flinn Foundation under Jack’s leadership.

Jack Jewett

Chair, Presidential Search Committee
I return to my deep roots in Arizona humbled by the profound opportunity before me – to lead an organization I have long admired for its track record in quietly but effectively improving the quality of life for Arizonans. While eager and enthusiastic, I am also daunted by the challenges facing our state.

When I left Arizona two years ago to become a university administrator in California, Arizona was flush. Houses were selling at a frenetic pace, growth was rampant, jobs were being created and filled, budgets were ample. I now return to an Arizona fraught with foreclosures, job losses, bankruptcies, and the nation’s worst state budget deficit in percentage terms. My long-time home state is among the nation’s hardest-hit by the recession.

In California, I witnessed firsthand a state paralyzed by uncompromising forces in responding to its economic crisis. The chances of California wriggling out of its gridlock anytime soon are slim. I see parallels developing in Arizona. Policy decisions frequently are being driven by ideology rather than practical solution, typically through hasty, short-term fixes that disregard the quality of life of future generations.

Despite the doom and gloom, I am genuinely excited by Arizona’s future prospects. I believe Arizona has the opportunity to emerge stronger and more competitive. Though it sounds trite, Arizona has a tradition of meaningful collaboration across institutions and sectors. We are young, agile, less entrenched, and adept at pioneering new ways to address traditional problems.
The key ingredient to this re-emergence is leadership, something the state, at all levels, must cultivate to preserve a healthy future outlook. Without effective civic leadership, present-day interests such as the state’s bioscience initiative are threatened, as well as Arizona’s long-term quality of life and prosperity.

**Biosciences: An economic diversifier**

It’s ironic that the Flinn Foundation launched its bioscience initiative during the last economic downturn. In 2002, the Foundation commissioned Arizona’s *Bioscience Roadmap*, a 10-year plan by Battelle to bring Arizona to bioscience competitiveness. The Roadmap relies heavily on cooperative leadership, encouraging public-private partnerships and collaboration among statewide leaders in academia, business, and policy to meet mutual goals.

That same year, the Foundation helped to recruit Dr. Jeffrey Trent to Arizona to form the Translational Genomics Research Institute, or TGen. These developments aimed to capitalize on the dual benefits of the biosciences: to enhance the health and well being of Arizonans through the latest medical products and therapies; and to strengthen and diversify the state’s economic base.

The biosciences involve high-paying, quality jobs. In today’s dollars, the average bioscience job in Arizona pays more than $52,000, well above the private-sector average. Bioscience jobs have a wonderful ripple effect. Each generates another five jobs in related areas — suppliers, marketers, attorneys, and architects, for example. This can help to diversify a cyclical state economy reliant on real-estate development and tourism for generations, and to weather economic storms such as the cyclone we face today.

This is not to suggest the biosciences are the sole solution to Arizona’s economic woes. Other knowledge-based industries must grow and prosper as well, such as optics, software, advanced communications, and renewable energy, to name a few. The biosciences are a good example of the type of economic activity Arizona must pursue to create a prosperous future.

**Biosciences and other knowledge-based industries diversify a state economy and help weather economic storms such as the cyclone we face today.**
TGen, in a very short timeframe, has achieved success and recognition on an international scale. It’s indicative of the growth that has occurred from Flagstaff to Tucson in building the state’s biomedical research infrastructure, and the state’s collective ability to turn research into jobs, firms, and products.

Five years of Roadmap data paint a picture of progress and promise. Arizona has become one of the fastest-growing bioscience regions in the nation. Bioscience jobs are growing three times faster here than the nation as a whole. The number of bioscience firms is increasing at a similar pace. We’ve turned around our performance in securing grants from the National Institutes of Health, gaining ground on the top states rather than falling further behind every year.

The economic impact is being felt, despite starting with a modest-sized industry base. In 2007, the biosciences accounted for $12.5 billion in economic activity and contributed $765 million in state and local taxes. These figures have grown 57 percent and 35 percent, respectively, since the Roadmap was launched in 2002. Projections are jaw-dropping for the future, so long as the private and public commitment and investments continue.

The call for leadership: a citizen’s perspective

The success and promise of Arizona’s biosciences initiative is jeopardized, not only by the ravages of the recession, but more profoundly by the state’s response. We’ve seen our university budgets decimated, education system battered, research funding swept, planned research facilities left unbuilt. Without visionary leaders, willing and able to make forward-looking decisions based on consensus and compromise, a knowledge-based economy will not materialize.

The leadership challenge has been noticeable. Several prominent groups are studying and attempting to address the need.

The Center for the Future of Arizona, under the leadership of former Arizona State University President Lattie Coor, just released a major Gallup poll providing a citizen’s perspective on Arizona’s priorities. The report finds that Arizonans
place a high priority on elements such as economic diversification, creation of quality jobs, and investment in research and technology transfer. They also overwhelmingly believe elected officials do not represent their interests.

The O’Connor House Project, led by Justice Sandra Day O’Connor, is tackling key infrastructure issues that erode the capacity of government to produce top-quality leaders. A broad-based, blue-ribbon advisory group is reviewing legislative reform issues with plans to refer items to the 2010 ballot.

The Morrison Institute for Public Policy has begun a long-term study to capture the “state of the state” in time for Arizona’s Centennial celebration in 2012. The endeavor aims to explore policy issues, inform citizens and decision-makers, and engage leadership.

The Arizona Town Hall is devoting its final 2009 session to Arizona’s tax and revenue structure, and its first 2010 forum to economic vitality.

Justice O’Connor captured the need in her usual articulate and forthright manner in a recent Arizona Republic article: “I hope young women and young men feel a sense of responsibility for their community. I think every young person should expect and plan to become part and parcel of the community in which they live: to volunteer in a variety of public ways – whether as a member of a school board or a city council or some community organization – in efforts to make the community a better place. I think we all have that responsibility.”

In fact, another positive element of a knowledge-based society is its tendency to generate critical thinkers who embrace the role of public service and civic responsibility.

The Flinn Foundation’s role

Supporting and developing leaders has been a traditional tenet of the Flinn Foundation throughout the decades. Dr. Robert S. Flinn and his wife, Irene, often invested in bringing top medical practitioners and innovators to Arizona, and their Foundation has since continued the tradition.

The Foundation awards grants to organizations, though arguably invests in the visions of key leaders such as TGen’s Jeff Trent and the Critical Path Institute’s Ray Woosley. The Flinn Scholars Program has been providing Arizona’s top high school students a remarkable education package in concert with the state’s public universities for nearly 25 years, in part to produce future generations of Arizona’s leaders.

There are many capacities of a private foundation beyond the traditional role as grantmaker. For the Flinn Foundation, these can be illustrated through its experience in shepherding the Bioscience Roadmap – the ability to convene disparate audiences around a common goal, to catalyze action, to provide objective information, to leverage funding and support, and to devote endowment investments toward efforts that directly benefit the mission.

The Foundation, recognizing the vital crossroads Arizona has reached, will explore these capacities with due seriousness while continuing its decade-long commitment to bring Arizona to bioscience prominence.

Jack B. Jewett
PRESIDENT & CHIEF EXECUTIVE OFFICER
Arizona lost one of its most admired community leaders when A.J. “Jack” Pfister passed away on July 20, 2009, at age 75. The Flinn Foundation was among the many organizations privileged to benefit from Jack’s service. He served on the Board of Directors from 1989 to 2004, and thereafter as an honorary board member.

A major figure in Arizona’s legal, business, and educational arenas for 50 years, Jack was most widely known for leading Salt River Project from 1976 to 1991, when the utility’s growth rapidly escalated to match the breakneck growth of Arizona’s population. He played an instrumental role in bringing water to the Phoenix area through the Central Arizona Project.

Before his term as general manager at SRP, Jack was a partner at the law firm of Jennings, Strouss & Salmon. His diverse career included a multitude of roles as a member of the Arizona Board of Regents, distinguished research fellow at Arizona State University, president of ASU Research Park, and vice president for institutional advancement at ASU. A Prescott native, he received engineering and law degrees from the University of Arizona.

Jack served on numerous boards, councils, and commissions, some through gubernatorial appointment. He chaired many, including the Arizona Chamber of Commerce, Arizona Humanities Council, Arizona Town Hall, the Nature Conservancy in Arizona, Maricopa Community College Foundation, and Metropolitan YMCA. Beyond the breadth and depth of Jack’s community service, he was known for his vision, commitment, integrity, and humble, unassuming demeanor.

“Jack was a wonderful man who brought a deep well of wisdom to the board table from his extensive knowledge and experience across so many important issues,” said David J. Gullen, M.D., chair of the Flinn Foundation board of directors. “He was truly one of Arizona’s great civic leaders, and we were fortunate to have his service and good counsel at the Flinn Foundation.”

The policies governing the Foundation’s investment and financial operations are designed to support the long-term needs of its programs. To accomplish this, the assets are invested to produce relatively stable and predictable investment returns that will support consistent spending patterns. The Foundation has attempted to minimize the effects of market downturns on its programs by maintaining a diversified investment portfolio and basing its charitable distributions on a three-year, monthly moving average of asset values.

During 2007, the value of the endowment increased from $201.8 million to $221.4 million, reflecting continuing strength in conventional investment markets. The Foundation’s investment portfolio earned a 13.3% nominal return in 2007, outperforming the benchmark 6.1% return that would have been earned from a fully indexed portfolio composed simply of 60% S&P 500 stocks and 40% Lehman Aggregate bonds.

The Foundation awarded $11.3 million in new grants and made cash payments of $5.4 million toward current and prior-year grant awards. Expenses for specific programs administered by the Foundation and general administrative expenses totaled $1.9 million and $1.3 million, respectively. Additional investment and operating data are available on the Foundation’s Web site at www.flinn.org or may be obtained by contacting the Chief Financial Officer, Donald P. Snider.

(Charts to come)
About the Flinn Foundation

The Flinn Foundation was established in 1965 by Dr. Robert S. Flinn, a prominent Phoenix cardiologist, and his wife, Irene Pierce Flinn, with the broad mission of improving the quality of life in Arizona. The Foundation is a private, nonprofit, philanthropic endowment that supports the advancement of the biosciences by making grants and investments, fostering multi-institutional collaborations, and commissioning and staffing Arizona’s Bioscience Roadmap. Through the Flinn Scholars Program, the Foundation awards scholarships for undergraduate study in partnership with the state’s three public universities. The Foundation also supports a regional initiative to develop arts and culture as a component of the knowledge-based economy. Its building near downtown Phoenix features a conference facility that is open at no cost to qualified nonprofit organizations.

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