

FLINN
FOUNDATION

OUTLOOK
2011-12

FINANCIAL
HIGHLIGHTS
2010

Commitment



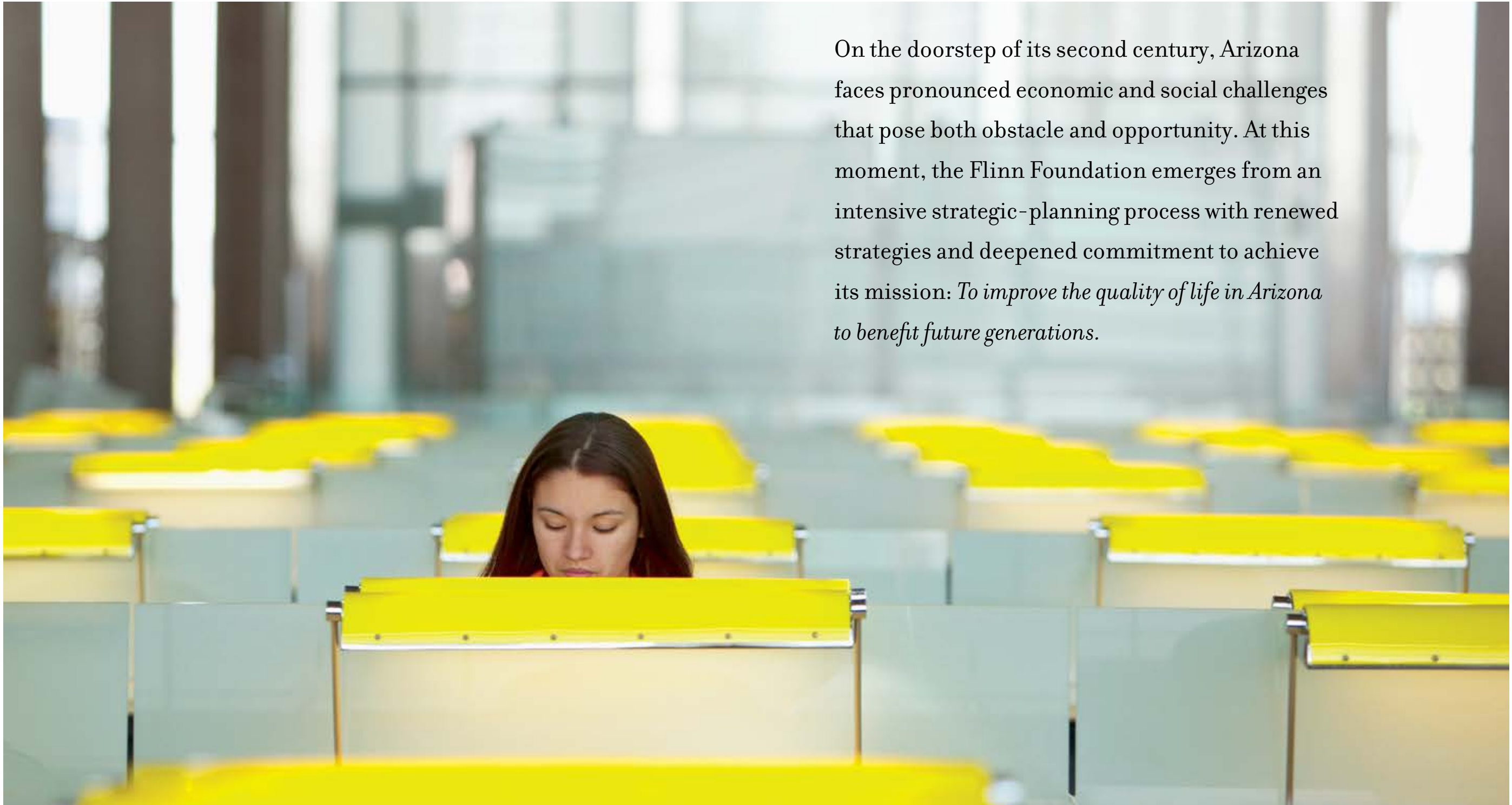


OUTLOOK
2011-12

OUR COMMITMENT:

To build a stronger Arizona through persistent support of the biosciences, arts and culture, the Flinn Scholars, and civic leadership.

On the doorstep of its second century, Arizona faces pronounced economic and social challenges that pose both obstacle and opportunity. At this moment, the Flinn Foundation emerges from an intensive strategic-planning process with renewed strategies and deepened commitment to achieve its mission: *To improve the quality of life in Arizona to benefit future generations.*



Our Commitment to Arizona



LAST FALL, amid Haiti's halting recovery from its January 2010 earthquake, a new tragedy struck: cholera. Within a few weeks, 300,000 people were hospitalized. More than 6,200 died. ¶ Thousands of miles away, microbiologist Paul Keim of Northern Arizona University and the

Translational Genomics Research Institute led the investigation that traced the outbreak to its origin. To conclusively link the epidemic to a team of Nepalese peacekeepers, Dr. Keim's team employed a technique for whole-genome analysis born of his work a decade ago, when he helped uncover the source of the 2001 anthrax attacks.

To be sure, Dr. Keim's cholera investigation was aided by relentlessly improving technology. But more important was the expertise he painstakingly developed over decades as he rose to the summit of his field. High-level accomplishment depends on persistence and commitment.

FLINN'S NEXT STEP

The Flinn Foundation approaches philanthropy from the same perspective. One of our greatest assets in our drive to improve the quality of life in Arizona is our capacity to sustain programmatic commitments for the long term. Today, the Foundation is nearing the end of a comprehensive strategic review of our traditional program interests: the biosciences,

arts and culture, and the Flinn Scholars. We engaged statewide leaders in these areas in thorough discussion and conducted methodical internal reviews to arrive at our next steps. In all three areas – plus our new emphasis on civic leadership – we remain committed.

To pursue a resolute course of action is especially valuable at this moment in Arizona's history. Our state, on the cusp of its centennial, has survived a severe recession, but remains susceptible to further economic shocks. In this sort of environment, the need to respond to immediate crises can easily overshadow, and sometimes preclude, efforts to plan deep into our state's second century. Where the Foundation can act as a catalytic force with an eye on the distant future, we must.

THE BIOSCIENCES

For the past decade, a cornerstone of the Flinn Foundation's long-term vision has been supporting Arizona's Bioscience Roadmap. We began by commissioning a detailed study of Arizona's assets in the biosciences, and asked research consultant Battelle to outline the steps Arizona could take to achieve international prominence in those niches where its expertise was most advanced and promising. To extend the Roadmap study's relevance, Battelle has tracked Arizona's progress on key metrics, generating a resource that indicates where strategies are working, identifies gaps that must be filled, and shows new opportunities emerging.



Building a mature bioscience sector takes many years. We have more work to do.

The Roadmap has contributed to the formation of valuable partnerships to advance the biosciences in Arizona. Helping to facilitate many of these initiatives has been Arizona's Bioscience Roadmap Steering Committee, a team of nearly 100 entrepreneurs, policymakers, and leaders in health care, research, and education, focused on leveraging the collaborative instinct of Arizona's bioscience sector into a competitive advantage on the global stage.

Building a mature bioscience sector takes many years, even under the best economic conditions, and further development lies ahead before Arizona fully realizes its promise. With both the Roadmap's implementation and the Steering Committee's work unfinished, Flinn has more work to do.

Along with our continuing support for the Roadmap and the Steering Committee, Flinn's direct grant-making will also continue. Our grants have been intended to foster collaboration among multiple institutions, aiming to bring together the most advanced scientific expertise accessible in Arizona, regardless of "home" institution. We will maintain this approach.

In the near future, we believe that Arizona could become a national pacesetter in precision medicine (nee personalized medicine), both in the development of new diagnostics and therapeutics, and their clinical application. Advanced work in this domain is already being accomplished in Arizona by leading private firms, nonprofit institutions like the International Genomics Consortium, TGen, and the Critical Path Institute, and interdisciplinary research institutes at Arizona's universities. Flinn's support can help endeavors in precision medicine mature toward the day that Arizonans and patients around the world receive care tailored specifically to their genetic and proteomic profiles.

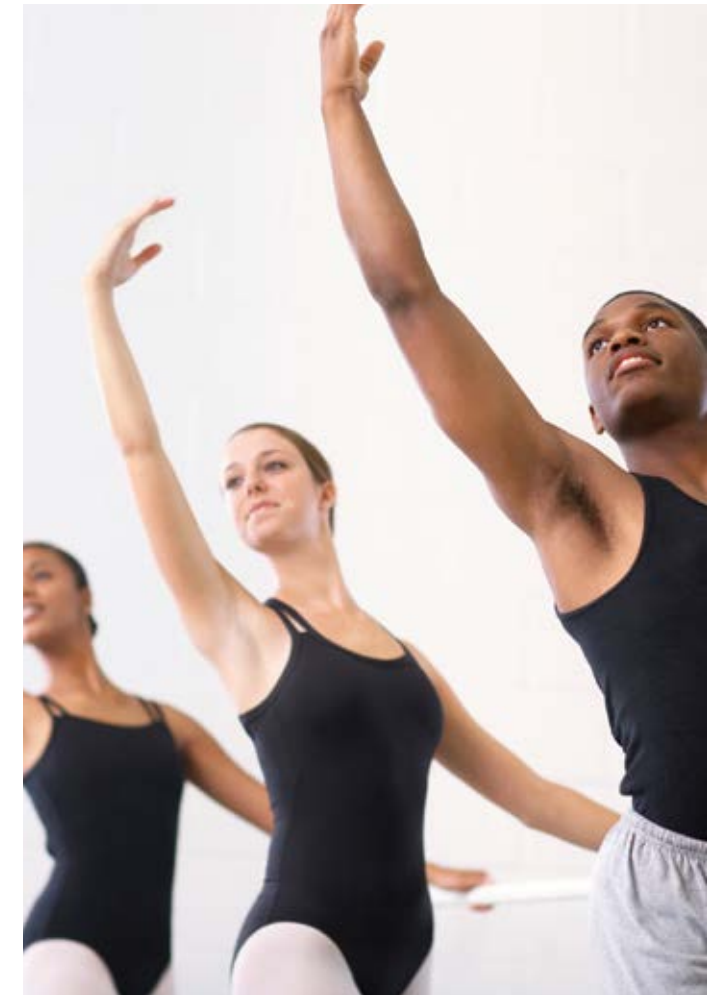
The critical relationship between innovative medical education and the quality of health care in Arizona was recently highlighted by Mayo Clinic's announcement that it will establish a branch of its medical school in Scottsdale, partnering with Arizona State University. Our strategic review has similarly confirmed how critical the University of Arizona College of Medicine-Phoenix is to the state's broader fate in the biosciences; we will be working to ensure the medical school's sound footing as it builds out its educational programs and solidifies relationships with key clinical partners. We also will continue the Flinn Foundation's decades-old emphasis on developing human capital by encouraging leaders and pioneers to bring their talents to Arizona.

ARTS AND CULTURE

In 2010, the Flinn Foundation concluded several years of support to the Metro Phoenix Partnership for Arts and Culture and entered a new phase in our arts grant-making. Now, we have restored the traditional statewide



Looking to a longer horizon, our aim is to help arts and culture organizations strengthen their long-term capacity.



We are extending our commitments to our traditional program areas — the biosciences, arts and culture, and the Flinn Scholars.



Integrating the Scholars Program with other program areas will maximize opportunities for Scholars to interact with leaders in the biosciences, arts, and the civic sphere.

reach of our arts funding and have resumed direct support to individual arts organizations. We have made one other significant change, broadening our focus to include cultural institutions as well as principal arts organizations.

Our approach to arts and culture grant-making acknowledges that in today's economically constrained landscape, virtually all of the organizations we would like to support are grappling with complex financial challenges that even exceptionally generous project grants would not fully resolve. Our Board has chosen a tack with a longer horizon, aiming to help arts and culture organizations develop their capacity for a vibrant future.

This year we have instituted a grants program designed to help Arizona arts and culture organizations devise and implement strategies to increase audience participation. We believe that these organizations will become models for how to generate greater earned income from patrons. This is essential in today's environment.

For the benefit of the arts and culture community writ large, we are also supporting the Pew Charitable Trusts' landmark Cultural Data Project, and we are joining other philanthropic organizations and arts and culture leaders in an effort to implement recommendations from the May 2011 Arizona Town Hall, which concentrated on arts and culture.

THE FLINN SCHOLARS

The Board's strategic review of the Flinn Scholars Program has focused on how to enhance what is widely recognized as one of the most prestigious foundation-provided merit-based scholarships in the nation for undergraduate study. Some program components may see slight adjustment to improve the quality of the undergraduate experience. We are also aiming to integrate the Scholars Program more with our other program areas, maximizing Scholars' opportunity to encounter leaders in the biosciences, arts and culture, and the civic sphere.

No less important are the relationships that Scholars build with faculty, university administrators, and one another; expanding collaborations with our university partners will make Scholars' participation in the program even more illuminating and satisfying. Doing so will also aid Scholars as they pursue fellowships, apply for graduate school, and begin their careers.

Among the more important enhancements to the program is one that has developed on its own over the last 26 years: an alumni network of rising professionals. Seeking feedback from an Alumni Advisory Council, we hope to leverage the talent and energy of alumni to open new opportunities for other alumni and current Scholars.

CIVIC LEADERSHIP

Elsewhere in this report, Dr. David J. Gullen, our Board chairman, describes in detail our newest initiative, the Arizona Center for Civic Leadership, which we have established in partnership with the Thomas R. Brown Foundations of Tucson. Over the past year we have rapidly implemented the Center's core components, among them the Flinn-Brown Civic Leadership Academy, an intense program to build up future Arizona leaders.

The Center's relationship to our traditional interests is straightforward. Our potential to positively influence Arizona's second century will be weakened if the complex challenges that confront Arizona are not addressed head-on by the most talented, knowledgeable, and energetic civic leaders our state can muster. This cohort must include not just those who have already heard the call to service, but all prospective leaders. The impact of our stewardship of the Bioscience Roadmap, our grants to innovative arts organizations, and our awards to the Flinn Scholars would be sharply limited if, during a still-troubled period in Arizona's history, we did not call for all hands on deck.

The Center does not pretend to offer a quick fix through a program like the Flinn-Brown Academy. Investing in an emerging civic leader is a bit like investing in a promising young Flinn Scholar, or a bright young researcher with only a few publications to her name. The potential is apparent, but only with her commitment over time is that potential realized. We believe we will begin to see the fruit of our investment in the Center soon, but the real transformation of civic leadership in Arizona will occur 10, 15, and 20 years from now.


ARIZONA'S NEXT STEP

What will happen next in Arizona? There truly is no way to know. We have no reason to expect a literal earthquake, but the economic and social instability that have marked recent years may well revisit us. Should that happen, our state's first test will be whether we can avoid compounding the challenge with some new, self-inflicted crisis. The second test will be whether we can, through a period of hardship, maintain our most important commitments. The Flinn Foundation intends to do so. If all of us can, we will have much to look forward to in Arizona's second century.

Jack B. Jewett
PRESIDENT & CHIEF EXECUTIVE OFFICER



The challenges that confront Arizona must be addressed by all of the talented, knowledgeable, and energetic civic leaders our state can muster, not just those who have already heard the call to service.



The Arizona Center for Civic Leadership Begins

HOW LIKELY *do you think it is that today's youth will have a better life than their parents?* ¶ Since 1983, various pollsters have periodically asked this "American Dream" question. And it's a significant one, isn't it? How we respond can reveal not only our personal degree of optimism, but also the extent of our confidence in our economic and governmental structures, the level of trust we have in one another, and the strength of our belief that in the face of obstacles we can do something.

Over the course of almost 30 years, a majority of people answering the American Dream question have always expressed positive attitudes about the future – until now. In Gallup's April 2011 survey, just 44 percent of respondents said it was somewhat or very likely that young people today will live better than their parents.

Such a rise in pessimism has corrosive potential, and every one of us has a part to play in reversing it. Those of us in the philanthropic sector, with the significant resources we steward, should treat this understandable but alarming sentiment as a special call to action. At the Flinn Foundation, our mission – *To improve the quality of life in Arizona to benefit future generations* – asserts that we do believe our efforts can help make the future better.

One of the Foundation's basic strategies to fulfill its mission has been to invest in leaders. The Flinn Scholars Program has sought to identify those leaders just as they are reaching adulthood and provide unparalleled educational experiences for them in Arizona, where their talents can benefit the state. In our biosciences grant-making, we have invested in leadership more implicitly, as when we commissioned critical studies in the 1980s to assist the farsighted designers of Arizona's model for Medicaid and the state's program for graduate medical education, or more recently, when we devoted substantial resources to help Ray Woosley and Jeffrey Trent establish the Critical Path Institute and the Translational Genomics Research Institute in Arizona.

Our newest initiative explicitly employs this strategy of investing in leaders, and it may offer us our best opportunity yet to help make Arizona's future abundantly worthy of optimism.



One of the Flinn Foundation's basic strategies to fulfill its mission has been to invest in leaders.



*The Academy helps
Flinn-Brown Fellows
develop the capacity to
achieve goals that serve
the common good.*



*We intend the
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We intend the Arizona Center for Civic Leadership, launched in 2010 after almost a year of planning, to become the go-to resource for developing state-level leaders equipped with the skills to deliver results that strengthen Arizona, grounded in fact-based information about key public-policy issues. As our state begins its second century, it needs to fortify and formalize its infrastructure for nurturing great future leaders capable of responding to the exceedingly complex challenges that face our state. This is what the Center will be and do.

We have been joined in the creation of the Arizona Center for Civic Leadership by the Thomas R. Brown Foundations of Tucson. The collaboration with the Brown Foundations has made the Center far more robust than it could be with only the Flinn Foundation's sponsorship, and has helped the Center become a truly statewide organization.

In the Center's first year, its core components have rapidly emerged. Most widely recognized among them is the Flinn-Brown Civic Leadership Academy. The Center has also established the Arizona Civic Leadership Collaborative, a network of leadership organizations across Arizona that share best practices and convene to address issues of joint concern. And the Center has devoted substantial resources to a communications enterprise to make information about civic leadership and public-policy issues more accessible to leaders and the general public.

The Flinn-Brown Civic Leadership Academy is offered twice each year for Arizonans who are eager to better understand the long-term issues that confront our state and who are committed to assuming pivotal state-level roles to address those issues. Topics for the Flinn-Brown Academy thus far

have included Arizona's fiscal system and budget, water, K-12 education, media and ethics, human services, and much more. The Academy employs case studies, presentations by issue experts and current and former leaders, and a personalized advising and planning element to help Flinn-Brown Fellows hone their capacity to work for the common good. Perhaps the Academy's most distinctive feature is how it combines policy, process, and perspectives to build Fellows' capacity to get things done.

Though we might want to declare blithely that Arizona's brightest days lie before it, we know that those who struggle to answer the American Dream question optimistically have good reason for anxiety. Even though the damage done to Arizona by the Great Recession is slowly being repaired, the Great Restart will not happen by itself.

If indeed we want future generations to live better than our own, we have work to do. When we celebrate our state's centennial in February 2012, there will be an alumni community of 51 Flinn-Brown Fellows, with another class ready to begin. This infusion of creativity, talent, and dedication into Arizona's public sphere will benefit our state abundantly, as will the other core components of the Arizona Center for Civic Leadership. We will have great reason to expect great things for our future.

David J. Gullen, M.D.
CHAIR, BOARD OF DIRECTORS



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future generations
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Investment and Financial Highlights 2010

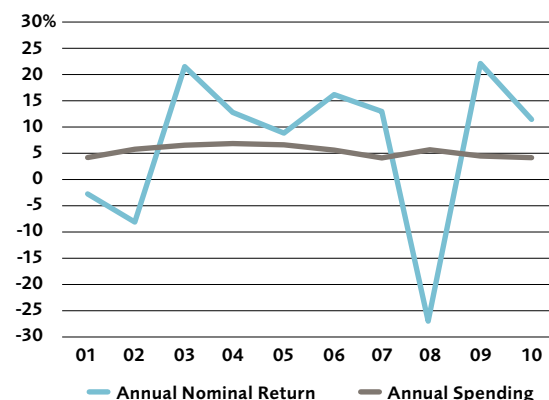
THE POLICIES governing the Foundation's investment and financial operations are designed to support the long-term needs of its programs. To accomplish this, the assets are invested to produce relatively stable and predictable investment returns that will support consistent spending patterns. The Foundation has attempted to minimize the effects of market downturns on its programs by maintaining a diversified investment portfolio.

During 2010, the value of the Foundation's assets increased from \$178.9 million to \$191.8 million, reflecting a recovery in global capital markets. For the year, the Foundation's investment portfolio earned an 11.5% nominal return, compared to the median foundation nominal return of 12.1%.

The Foundation awarded \$2.4 million in new grants and made cash payments of \$4.4 million toward current and prior-year grant awards. Expenses for specific programs administered by the Foundation and general administrative expenses totaled \$1.7 million each, for a total of \$3.4 million. Additional investment and operating data are available on the Foundation's website at www.flinn.org or may be obtained by contacting the Chief Financial Officer, Don P. Snider.

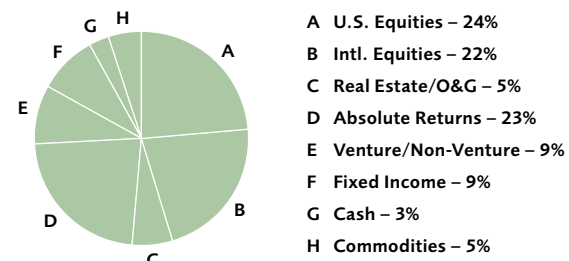
ANNUALIZED RETURN VS. SPENDING RATE

Years Ending December 31



INVESTMENT PORTFOLIO

Asset allocation at December 31, 2010



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. The Foundation also awards scholarships for undergraduate study in partnership with the state's three public universities through the Flinn Scholars Program, supports the advancement of arts and culture in Arizona, and administers the Arizona Center for Civic Leadership. Located near downtown Phoenix, the Foundation's building features a conference facility that is open at no cost to qualified nonprofit organizations.

THE COMPLETE 2010 FLINN FOUNDATION ANNUAL REPORT IS AVAILABLE AT WWW.FLINN.ORG

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