



MINNESOTA COMMUNITY FOUNDATION



THE SAINT PAUL FOUNDATION

2008 Annual Report

Dear Friends,

In early 2008, Minnesota Community Foundation and The Saint Paul Foundation approved and began to implement our new strategic plan. This new plan served as the framework for the expansion of programs, creation of new initiatives and organizational changes we embarked upon this past year, some of which we'd like to share with you.

First, we grew existing partnerships and created new ones that aim to create lasting, relevant and positive change in our communities. For example, we expanded our commitment to The Central Corridor Funders Collaborative and the Community Sharing Fund. We also launched ArtsLab, which supports arts organizations in developing strategic plans, future leaders and greater engagement with their communities.

Second, we started development of a number of new programs to better support donors, nonprofits and communities as they advance their own goals. Our efforts include two initiatives that we will unveil in late 2009 that let donors and nonprofits use technology to connect and engage with each other.

Finally, we launched several changes in our organization, such as improved administrative processes and new database management systems, which will enable us to respond quickly to donors, nonprofits and other partners with the best available resources.

We also began to even more closely manage our costs as the economic crisis simultaneously heightened the needs of our community and suppressed our assets. This streamlined annual report is an example of reprioritizing expenses so we can serve more people through programs like the new Community Economic Relief Fund, a \$2.2 million initiative to provide Minnesota residents with urgently needed services made more pressing by the current economic environment. We're pleased that the shortened publication also allows us to lessen our impact on the environment.

We know that all of you have also been impacted by the economic crisis, and we are heartened by the commitment and generosity of our donors and partners who gave even more dollars to their neighbors in 2008 than in 2007. It seems there is an ever-increasing need for philanthropy to be a more central player in solving problems, and we know that with your partnership, we can make a positive difference in our communities. We do not underestimate the challenges we are facing in our community, but with your help, we are confident that we will continue to have impact during this economic downturn and far beyond.

Sincerely,



R. Scott Jones
Board Chair



Carleen K. Rhodes
President

Report on Investments

In 1994, Minnesota Community Foundation and The Saint Paul Foundation formed an investment partnership, The Community Investment Group, to obtain unified professional management of the investments. The investment objective is to earn a high risk-adjusted return that preserves the purchasing power of assets and seeks to maximize the amount available to meet the charitable needs of communities.

The Foundations' Investment Committee is responsible for establishing the investment policy, developing the investment strategy and monitoring investment performance.

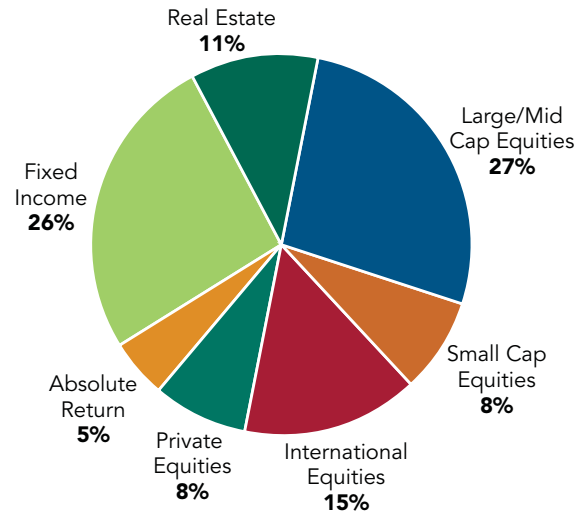
Throughout the turbulent financial events of 2008, the Foundations' Investment Committee actively monitored the market and the charitable funds with which it has been entrusted. The Committee stayed the course and remained fully invested based on its long-term asset allocation strategy of investing 42 percent in domestic stocks, 15 percent in international stocks, 25 percent in fixed income securities and 18 percent in alternative investments.

Summarized here are The Community Investment Group's asset allocation and investment performance as of December 31, 2008.

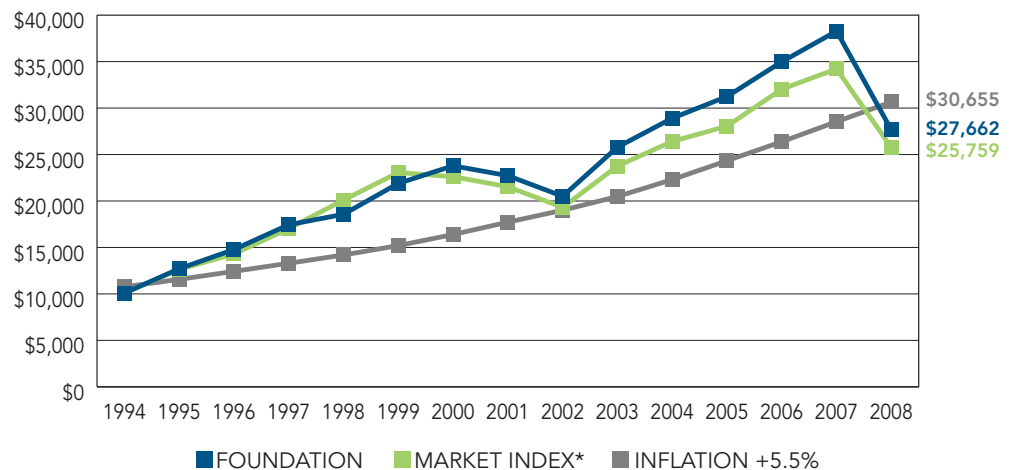
Average Annual Total Return

	Actual	Market Index*
Ten Years	4.1%	2.5%
Five Years	1.4%	1.6%
Three Years	-4.0%	-2.8%
One Year	-27.7%	-24.7%

Asset Allocation



Change in Value for \$10,000 Invested at Inception**

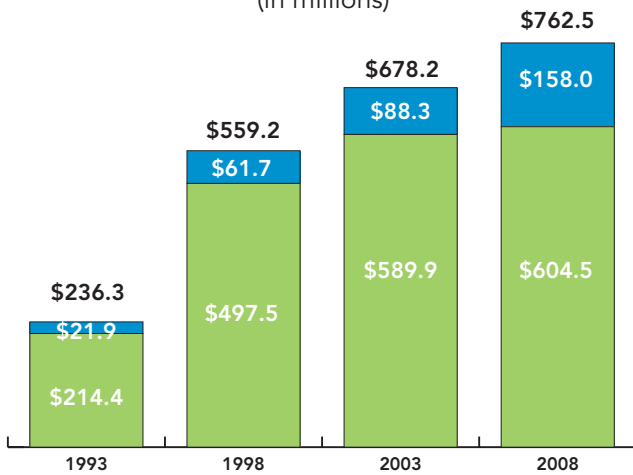


*40% S&P 500, 10% Russell 2000, 15% MSCI EAFE, 30% Barclays Capital Aggregate, 5% NCREIF

** Inception January 1, 1994

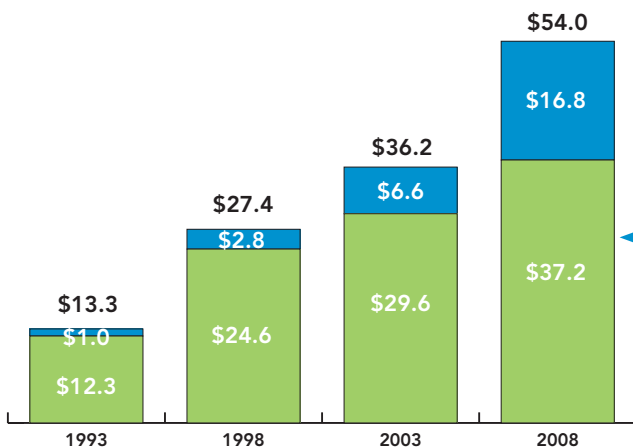
Growth of Assets

(in millions)



Growth of Grants

(in millions)

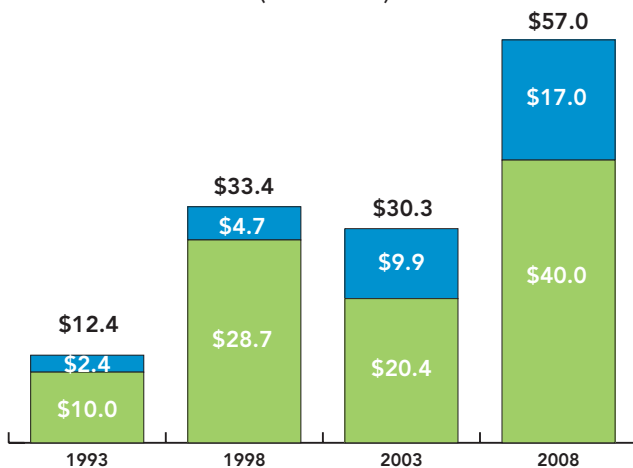


Note: excludes grants from Not For Profit Endowment Funds

Donors recommended more than 75% of the \$54.0 million in grants that the Foundations made in 2008.

Growth of Contributions

(in millions)



Note: excludes contributions to Not For Profit Endowment Funds

- Minnesota Community Foundation
- The Saint Paul Foundation

The Foundations' auditor LarsonAllen LLP has issued an unqualified opinion on the Foundations' financial statements for the year ended December 31, 2008.

The complete audited financial statements are available upon request or on our websites:

www.mncommunityfoundation.org or
www.saintpaulfoundation.org

For a complete list of our funds, please visit
www.mncommunityfoundation.org
 or www.saintpaulfoundation.org

Impact in Our Community



Words Work!

Through \$1 million of state funding, the Words Work! Program expanded into 14 more Minnesota counties and held its first-ever training institute for nearly 300 educators from across the state in Saint Cloud. Since its inception, the innovative Words Work! program has helped more than 9,500 young children learn to read.

Community Sharing Fund

The 2008 economic crisis created a surge in demand for assistance from the Community Sharing Fund, a program designed to keep people self-sufficient by providing specific one-time grants of \$50 to \$500 for housing, transportation or other basic needs, when all other emergency assistance has been exhausted.

The program received 3,500 requests for aid in 2008, an increase of 16% from 2007, and it approved over \$700,000 in grants to help the people most in need.

ArtsLab

ArtsLab launched in 2008 as an initiative of five local foundations to identify ways to build capacity of small arts organizations. Through funding ArtsLab, the partners are supporting nine Twin Cities and seven northern Minnesota arts organizations to grow their pool of future leaders, strengthen their presence in both urban and rural communities, and enhance community engagement in the arts.

Central Corridor Funders Collaborative

This partnership with other local and national foundations added dedicated staff to help spur economic and community development along the Central Corridor of the Light Rail Transit line. The partnership continued to pursue strategies designed to assure that future development has a positive impact on those who live and work in the adjacent neighborhoods.



TU Dance

Donor Advised Fund Grantmaking

Donor advisors continued to be incredibly generous through the donor advised fund program in 2008, recommending more than \$41.2 million in grants from more than 750 donor advised funds. Donors demonstrated their commitment to investing in their communities with approximately 90% of these grant dollars remaining in Minnesota.