

**FLINTRIDGE OPERATING
FOUNDATION**

(A California Nonprofit Corporation)

Audited Financial Statements

For the Year Ended December 31, 2009

FLINTRIDGE OPERATING FOUNDATION
(A California Nonprofit Public Benefit Corporation)

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Flintridge Operating Foundation
Pasadena, California

We have audited the accompanying statements of financial position of Flintridge Operating Foundation (a California Nonprofit Public Benefit Corporation), as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Flintridge Operating Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Flintridge Operating Foundation, as of December 31, 2009, and the changes in its net assets, functional expenses and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Robert Pacheco

Valencia, California
April 23, 2010

FLINTRIDGE OPERATING FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Statement of Financial Position
December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 376,847	\$ 169,970	\$ 546,817
Investment securities	3,437,866	-	3,437,866
Grants receivable	121,114	75,575	196,689
Receivable from Flintridge Foundation	32,432	-	32,432
Furniture, equipment and leaseholds, net	183,728	-	183,728
Other assets	3,095	-	3,095
Total assets	\$ 4,155,082	\$ 245,545	\$ 4,400,627
Liabilities & Net assets			
Liabilities			
Accounts payable and accrued expenses	\$ 147,613	\$ -	\$ 147,613
Grants payable	-	-	-
Total liabilities	147,613	-	147,613
Net assets			
Unrestricted net assets	4,007,469	-	4,007,469
Temporarily restricted net assets	-	245,545	245,545
Total net assets	4,007,469	245,545	4,253,014
Total liabilities and net assets	\$ 4,155,082	\$ 245,545	\$ 4,400,627

The accompanying notes are an integral part of these financial statements.

FLINTRIDGE OPERATING FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Statement of Activities
For the Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Revenues			
Grants and contributions	\$ 719,536	\$ 325,575	\$ 1,045,111
Investment income, net	886,055	-	886,055
In-Kind contributions and services	255,758	-	255,758
Other income	20,118		20,118
Net assets released from program restrictions	<u>80,030</u>	<u>(80,030)</u>	<u>-</u>
Total revenues	<u>1,961,497</u>	<u>245,545</u>	<u>2,207,042</u>
Functional expenses			
Program expenses	1,760,566	-	1,760,566
<i>Support Services:</i>			
Management and administrative	402,238	-	402,238
Fund raising	<u>220,523</u>	<u>-</u>	<u>220,523</u>
Total expenses	<u>2,383,327</u>	<u>-</u>	<u>2,383,327</u>
Decrease in net assets	<u>(421,830)</u>	<u>245,545</u>	<u>(176,285)</u>
Net assets, beginning of year, as previously stated	4,379,299	-	4,379,299
Prior period adjustment	<u>50,000</u>	<u>-</u>	<u>50,000</u>
<i>Net assets, beginning of year, restated</i>	<u>4,429,299</u>	<u>-</u>	<u>4,429,299</u>
Net assets, end of year	<u>\$ 4,007,469</u>	<u>\$ 245,545</u>	<u>\$ 4,253,014</u>

The accompanying notes are an integral part of these financial statements.

FLINTRIDGE OPERATING FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
Year Ended December 31, 2009

Expense Category	Support		Program				Total Programs	Total Functional
	Admin	Fund-raising	Apprentice Prep.	Comm Services	MOTM & Mentoring	*Other Programs		
Grants/Outreach	\$ -	\$ -	\$ 1,877	\$ 50,684	\$ 104,300	\$ 67,647	\$ 224,508	\$ 224,508
Counsellors & Custodians	22,229	-	-	-	-	-	-	22,229
Outside Services	13,525	-	-	6,099	-	-	6,099	19,624
Consultants	29,916	36,805	137,248	15,617	227,091	37,131	417,087	483,808
Depreciation	24,614	-	-	-	-	-	-	24,614
Dues, Subscriptions	6,921	26	-	8,565	-	30	8,595	15,542
Insurance	14,293	-	-	-	2,235	-	2,235	16,528
Legal & Professional Svcs	11,570	-	-	-	-	-	-	11,570
Memberships	6,411	-	-	-	-	-	-	6,411
Miscellaneous	1,833	-	-	808	339	-	1,147	2,980
Office Rent & Utilities	31,597	11,302	52,573	70,632	37,162	30,477	190,844	233,743
Postage & Courier	3,272	-	165	601	59	91	916	4,188
Repairs Maint.& Misc.	11,863	-	-	9,356	45	-	9,401	21,264
Salaries & Benefits	162,398	167,222	124,456	138,408	159,421	198,723	621,008	950,628
Supplies & Copies	9,246	1,906	14,874	23,743	16,273	10,213	65,103	76,255
Tax	187	-	-	-	-	-	-	187
Telephone & Internet	4,149	270	46	3,799	1,345	1,541	6,731	11,150
Training	-	-	-	95,258	-	45,583	140,841	140,841
Travel & Meetings	48,214	2,992	22,578	4,059	16,790	22,624	66,051	117,257
Total	\$ 402,238	\$ 220,523	\$ 353,817	\$ 427,629	\$ 565,060	\$ 414,060	\$ 1,760,566	\$ 2,383,327

*** Other Programs**

Includes John Muir High School and Parent Project, Northwest Echo and the 20/20 programs.

FLINTRIDGE OPERATING FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Statement of Cash Flows
For the Year Ended December 31, 2009

Cash Flows from Operating Activities

Decrease in net assets	\$	(176,285)
<i>Adjustments for non cash transactions</i>		
Furniture and equipment donations		(18,865)
Prior period adjustment		50,000
Depreciation		24,614
Capital gains, net		(502,627)
Unrealized gain from investment securities		(287,345)
<i>Adjustments to reconcile increase in unrestricted net assets to net cash used by operating activities:</i>		
<i>(Increase) decrease in:</i>		
Grants receivable		(89,080)
Receivable from Flintridge Foundation		63,873
Other assets		13,446
<i>Increase (decrease) in:</i>		
Accounts payable and accrued expenses		63,565
Grants payable		(62,500)
		(921,204)
Net Cash Used by Operating Activities		(921,204)
Cash Flows From Financing Activities		
Investment securities sold, net of purchases		1,323,611
Cash Flows Used In Investing Activities		
Purchases of furniture, equipment and leaseholds		(68,823)
		333,584
Net increase in cash		333,584
<i>Cash, beginning of year</i>		<i>213,233</i>
Cash, end of year	\$	546,817

The accompanying notes are an integral part of these financial statements.

FLINTRIDGE OPERATING FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
For the Years Ended December 31, 2009

NOTE 1: ACTIVITIES

Nature of Activities:

The Flintridge Foundation (“FF”) was created through the estates of Francis and Louisa Moseley in 1985. Historically, the Flintridge Foundation provided grants to assist nonprofit organizations and visual artists in a tri-state area, as well as offering direct services to build the capacity of nonprofit organizations serving children and families in Northwest Pasadena and Altadena. By design, the Flintridge Foundation concluded its grant making programs in 2007 and expended the majority of its assets. At that same time, the Flintridge Board decided to form a new entity that would focus specifically on continuing and also broadening programmatic services to address the ongoing needs of under-served children and youth in Northwest Pasadena and Altadena. On December 11, 2007 the Flintridge Operating Foundation (“FOF”) (a Nonprofit Public Benefit Corporation) was incorporated for this purpose under the Laws of the State of California. During 2008 the Flintridge Foundation granted to FOF approximately \$7.3 million in investment securities and other assets for designated uses. A majority of the programs and all staff members were also transferred.

FOF’s activities include, but are not limited to the following programs:

Apprenticeship Preparation FOF helped launch and coordinates this grassroots coalition offering free, college-level courses and case management services to help individuals who are hard-to-employ, gang-impacted or have prison records to gain entry to apprenticeships in the construction trades.

Community Services program provides technical assistance and training to build the capacity of local nonprofit organizations, and includes one-on-one consultations with nonprofit experts, a Philanthropy Resource Library and free or low-cost meeting space at the Flintridge Retreat Center.

Mustangs On The Move program is a community partnership offering nearly two dozen after school educational and enrichment activities at John Muir High School. FOF helped launch and manages the coalition which includes but is not limited to administering a five-year 21st Century Grant through the California Department of Education.

FLINTRIDGE OPERATING FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
For the Years Ended December 31, 2009

NOTE 1: ACTIVITIES & SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Mustangs Mentoring program FOF helped launch and coordinates this community partnership of ten nonprofit and faith-based organizations matching vulnerable teens with adult mentors at John Muir High School and Washington Middle School.

Northwest ECHO program furnishes customized training and capacity building to a coalition of 23 local nonprofit organizations serving the area's vulnerable youth. The program is financed primarily from a \$750,000 Federal grant obtained in 2007 by FF and is payable over 3 years based on actual program expenses and adjustments.

Vision 20/20 Initiative FOF coordinates a violence intervention and prevention initiative launched by City of Pasadena Councilwoman Jacque Robinson, with the participation of the County of Los Angeles Commission on Human Relations and other community partners. Activities include creating a training program for service providers and gang interventionists working with gang-impacted youth, young adults and their families.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Financial Statements Presentation:

FOF is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

FASB Accounting Standards Codification:

In June 2009, the Financial Accounting Standards Board (FASB) issued the FASB Accounting Standards Codification (the ASC). The ASC has become the single source of non-governmental accounting principles generally accepted in the United States (GAAP) recognized by the FASB in preparation of financial statements. FOF adopted the ASC as of December 31, 2009. The ASC does not change GAAP and did not have an effect on FOF's statements of financial position, changes in net assets, functional expenses and cash flows.

FLINTRIDGE OPERATING FOUNDATION
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
For the Years Ended December 31, 2009

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires management to use estimates and assumptions regarding disclosures and amounts of certain reported amounts and disclosures. Accordingly, actual results may differ from estimated amounts.

Cash and Cash Equivalents:

Cash and cash equivalents include all highly liquid investments available for current use with a maturity of three months or less. For the purposes of the Statement of Cash Flows, the Foundation considers all certificates of deposit accounts and highly liquid money market accounts to be cash equivalents.

Income Taxes:

The FOF is exempt from federal and state income taxes under Section 501(c) (3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision has been made for income taxes in these financial statements.

Functional Allocation of Expenses:

Costs of providing program services have been presented in the Statement of Functional Expenses. During the year, costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

Donated Materials, Investments:

Contributions of donated assets are recorded at fair value in the period received. This value is considered "cost" for donated investment securities and fixed assets.

Furniture, Equipment and Leaseholds:

Furniture, equipment and leaseholds are stated at cost or fair value at date of donation. Additions and betterments are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

FLINTRIDGE OPERATING FOUNDATION
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Notes to Financial Statements
For the Years Ended December 31, 2009

NOTE 3: INVESTMENT SECURITIES

At December 31, 2009, investment securities are as follows:

	<u>Fair Value</u>	<u>Historical Cost</u>
Mutual Funds	\$ 3,437,866	\$ 3,086,686

Investment income for the year ended December 31, 2009 consists of:

Dividend and interest	\$	96,083
Capital gain on sales, net		502,627
Unrealized gain		287,345
Investment income	\$	886,055

The investments in mutual funds with readily determinable fair values are reported at fair value. Dividends and interest income and gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulations or by law.

NOTE 4: FURNITURE, EQUIPMENT and LEASEHOLDS

Fixed assets are recorded at cost and are being depreciated over their useful lives (ranging from 5 to 10 years) using the straight-line method of depreciation. Depreciation expense for the year ended December 31, 2009 was \$24,614. The leasehold improvements are being amortized over the estimated period of occupancy.

Furniture and Equipment	\$	138,598
Leasehold improvements		37,790
Automotive		4,700
Software		46,574
Total Cost		227,635
Less: Accumulated Depreciation and Amortization		43,907
Furniture, Equipment and Leaseholds, net	\$	183,728

FLINTRIDGE OPERATING FOUNDATION
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Notes to Financial Statements
For the Years Ended December 31, 2009

NOTE 5: LEASE COMMITMENTS

FOF leases space in an office building. As of December 31, 2009, approximate future minimum annual rental commitment was \$100,000 through July of 2010. FOF's lease for the space expires during 2010.

Rent expense for the year ended December 31, 2009 was \$170,222.

NOTE 6: PRIOR PERIOD ADJUSTMENT

Net assets at the beginning of the year of \$4,379,299 have been increased by \$50,000 to properly record 2008 investment capital gains.

NOTE 7: RELATED PARTY ASSET TRANSFER / "GRANT"

During June 2009 the Mustangs On The Move's (Note 1) board of directors passed a resolution whereby the governance of the organization was relinquished and assumed by FOF. In connection with the assumption of governance by FOF, MOTM transferred approximately \$301,000 in assets to FOF. Included in the transferred assets was cash which the Mustangs On The Move organization had received during 2006 as a restricted grant from an officer of FOF and FF. This cash has been accounted for as temporarily restricted since it can only be spent on certain affairs related to the Mustangs On The Move, Mustangs Mentoring and Vision 20/20 Initiative programs.

NOTE 8: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are comprised of the following:

Program restrictions:

<i>Mustangs On The Move,</i>	\$	169,970
<i>Mustangs Mentoring Program,</i>		
<i>Vision 20/20 Initiative</i>		

Time restrictions

<i>Calendar year 2010</i>		75,575
	\$	245,545