

**FLINTRIDGE OPERATING
FOUNDATION**

Audited Financial Statements

For the Year Ended December 31, 2008

FLINTRIDGE OPERATING FOUNDATION

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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 nonprofit Corporation), as of December 31, 2008, 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 audits 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 audits provide 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, 2008, 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
July 8, 2009

FLINTRIDGE OPERATING FOUNDATION
(A California Non-Profit Public Benefit Corporation)
Statement of Financial Position
December 31, 2008

Assets	
Cash and cash equivalents	\$ 213,233
Investment securities	3,971,505
Grants receivable	107,609
Receivable from Flintridge Foundation	96,305
Furniture, equipment and leaseholds, net	120,654
Other assets	<u>16,541</u>
Total assets	\$ <u>4,525,847</u>
 Liabilities & Net assets	
Liabilities	
Accounts payable and accrued expenses	\$ 84,048
Grants payable	<u>62,500</u>
Total liabilities	146,548
 Net assets	
Unrestricted net assets	<u>4,379,299</u>
 Total liabilities and unrestricted net assets	 \$ <u>4,525,847</u>

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

FLINTRIDGE OPERATING FOUNDATION
(A California Non-Profit Public Benefit Corporation)
Statement of Activities
For the Year Ended December 31, 2008

Revenues	
Grants and donations	\$ 7,882,677
Investment security (losses), net	(1,556,165)
Other income	<u>33,656</u>
Total revenues	<u><u>6,360,168</u></u>
Functional Expenses	
Administrative and Investment	306,690
Program	<u>1,674,179</u>
Total expenses	<u><u>1,980,869</u></u>
Increase in unrestricted net assets	<u><u>4,379,299</u></u>
Unrestricted net assets, beginning of year	<u>-</u>
Unrestricted net assets, end of year	<u><u>\$ 4,379,299</u></u>

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

FLINTRIDGE OPERATING FOUNDATION
(A Californial Non-Profit Public Benefit Corporation)
Statement of Functional Expenses
For The Year Ended December 31, 2008

<i>Functional Expense</i>	<i>Program</i>						Total
	Admin and Investment	Comm Svcs	NW Echo	MOTM	Other Programs	Total Program	
CPA and Auditor	\$ 1,150	-	-	\$ -	-	\$ -	\$ 1,150
Counsellor/Custodian	51,544	-	-	-	-	-	51,544
Consultants & Professional Fees	53,199	36,566	-	-	23,617	60,183	113,382
Dues Subscriptions & Books	9,400	238	-	-	3,267	3,505	12,905
Insurance	7,773	-	1,041	-	-	1,041	8,814
Memberships	10,016	-	-	-	-	-	10,016
Occupany (Rent & Utilities)	47,420	45,472	22,698	13,145	34,194	115,509	162,929
Salaries & Wages	104,921	246,915	206,281	77,681	54,730	585,607	690,528
Supplies, Copies, Misc.	26,556	20,040	17,659	-	6,306	44,005	70,561
Postage	-	754	313	-	-	1,067	1,067
Pension Plans & Benefits	102,944	-	-	-	-	-	102,944
Workers Comp Insurance	2,472	-	-	-	-	-	2,472
Payroll Taxes	8,343	-	-	-	-	-	8,343
Travel by Board & Staff	16,421	21,182	10,481	2,884	40,300	74,847	91,268
Maintenance Services	6,597	-	-	-	-	-	6,597
Telephone, Fax & Internet	1,747	-	601	402	1,004	2,007	3,754
Groceries & Breakroom supplies	3,054	-	-	-	-	-	3,054
Outreach	2,500	26,578	-	-	-	26,578	29,078
Other Direct Program Costs	-	144,305	101,049	-	1,332	246,686	246,686
Grants and Scholarships	-	28,620	-	312,500	-	341,120	341,120
Depreciation & amortization	19,293	-	-	-	-	-	19,293
Filing fees and Taxes	3,364	-	-	-	-	-	3,364
Subtotal	478,714	570,670	360,123	406,612	164,750	1,502,155	1,980,869
Indirect Cost Pool / Allocation:	(172,024)	82,148	50,294.00	17,086	22,496	172,024	-
Total after allocation of administration expenses to programs	\$ 306,690	\$ 652,818	\$ 410,417	\$ 423,698	\$ 187,246	\$ 1,674,179	\$ 1,980,869

The accompanying notes are an integral part of these financial statements

FLINTRIDGE OPERATING FOUNDATION
(A California Non-Profit Public Benefit Corporation)
Statement of Cash Flows
For the Year Ended December 31, 2008

Cash Flows from Operating Activities

Increase in unrestricted net assets	\$ 4,379,299
<i>Adjustments to reconcile increase in unrestricted net assets to net cash used by operating activities:</i>	
<i>Non cash transactions:</i>	
Grant and in kind donation of investment securities and fixed assets	(7,241,256)
Capital losses, net	1,667,771
Unrealized gain from investment securities	(6,489)
Depreciation	(19,293)
<i>(Increase) decrease in:</i>	
Grants receivable	(107,609)
Receivable from Flintridge Foundation	-
Other assets	(16,541)
<i>Increase (decrease) in:</i>	
Grants payable	62,500
Accounts payable and accrued expenses	84,048
	84,048
Net Cash Used by Operating Activities	(1,197,570)
Cash Flows From Financing Activities	
Investment securities sold, net of purchases	1,522,799
Cash Flows Used In Investing Activities	
Purchases of furniture, equipment and leasehold improvements	(54,277)
Net increase in cash	270,952
Cash at beginning of year	-
Cash at end of year	\$ 270,952

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

FLINTRIDGE OPERATING FOUNDATION
(A California Non-Profit Public Benefit Corporation)
Notes to Financial Statements
For the Years Ended December 31, 2008

NOTE 1: ACTIVITIES & SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

The Flintridge Foundation ("FF") was created through the estates of Francis and Louisa Mosely in 1985. The Flintridge Foundation has helped build the capacity of nonprofit organizations serving children and families in Northwest Pasadena and Altadena. Historically the Flintridge Foundation provided grants to assist nonprofit organizations. During 2007 the Flintridge Foundation wanted to be able to provide direct services that build the internal strength, efficiency and long-term viability of community-based organizations. These services would encompass a broadened scope to better address the needs of under-served children and youth in Northwest Pasadena and Altadena. The Flintridge Foundation decided to form a private foundation for this purpose. On December 11, 2007 the Flintridge Operating Foundation ("FOF") (a Non-Profit 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 (Note 5). A majority of the programs were also transferred.

FOF's activities include, but is not limited to the following programs:

Community Services ("Comm Svcs") program provides technical assistance and training to encourage organizational development, enhanced leadership capacity and responsible organizational management.

Northwest Echo ("NW Echo") program provides youth with alternatives to gang involvement and support them in reaching their full educational and human potential. The program is financed primarily from a \$750,000 Federal grant obtained in 2007 and is payable over 3 years based on actual program expenses and adjustments.

Mustangs On The Move ("MOTM") program relates to FOF's lead collaborator involvement with the Mustangs On The Move nonprofit organization which provides after school tutoring and enrichment activities at John Muir High School. FOF provides in-kind accounting and administrative services which includes but is not limited to administering the 21st Century Grant through the California Department of Education.

FLINTRIDGE OPERATING FOUNDATION
(A California Non-Profit Public Benefit Corporation)
Notes to Financial Statements
For the Years Ended December 31, 2008

NOTE 1: ACTIVITIES & SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Financial Statements Presentation:

The Flintridge Operating Foundation has adopted Statement of Financial Accounting Standards (SFAS) No.117, *Financial Statements of not-for-profit Organizations*. Under SFAS No. 117, the Organization 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. In addition, the Organization is required to present a statement of cash flows.

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 Foundation 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. FOF uses direct costs and/or proportioned salary dollars to allocate indirect costs.

FLINTRIDGE OPERATING FOUNDATION
(A California Non-Profit Public Benefit Corporation)
Notes to Financial Statements
For the Years Ended December 31, 2008

NOTE 1: ACTIVITIES & SIGNIFICANT ACCOUNTING POLICIES
(Continued)

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.

NOTE 2: INVESTMENT SECURITIES

At December 31, 2008, investment securities are as follows:

	Fair Value	Cost	Unrealized Gain
Mutual Funds	\$3,971,505	\$ 3,965,016	\$ 6,489

FOF obtained the investments from a grant by Flintridge Foundation (Note 5). The cost of the investments securities is based on the fair value at the date of the ownership transfer.

NOTE 3: INVESTMENT INCOME

Investment income at December 31, 2008 consists of:

Dividend income	\$ 100,505
Interest income	4,612
Capital loss. net	(1,667,771)
Unrealized gain	6,489
Investment income (loss)	\$ <u>(1,556,165)</u>

FLINTRIDGE OPERATING FOUNDATION
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Notes to Financial Statements
For the Years Ended December 31, 2008

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, 2008 was \$19,293. The leasehold improvements are being amortized over the estimated period of occupancy. The following is a summary of fixed assets as of December 31, 2008:

Furniture & Equipment	\$ 106,868
Leasehold improvements	28,379
Automotive	4,700
Total Cost	<u>139,947</u>
Accumulated Depreciation and Amortization	<u>(19,293)</u>
Furniture, Equipment and Leaseholds, net	<u>\$ 120,654</u>

NOTE 5: GRANT FROM FLINTRIDGE FOUNDATION

As a result of strategic planning, the Board of Directors of Flintridge Foundation concluded that it could achieve an impact best by 1) continuing to deliver capacity-building services as a key strategy for promoting sustainable growth and change, 2) reducing its focus from four diverse areas of concentration to one 3) focusing narrowly on one geographic area and 4) leveraging its commitment to additional resources to both the Foundation's programs and the targeted geographic area over-all. The Board concluded that a private operating foundation would provide the best structure for achieving its goals. As a result, FOF was created.

During 2008, the Foundation provided a grant to FOF in the amount of approximately \$7.3 million, which included substantially all of the Foundation's investment portfolio along with some fixed assets. The Foundation designated the following use of the grant assets:

- Up to \$1,100,000 to be used for 2008 programs and services focused on Northwest Pasadena and Altadena, including administrative and operating costs.

FLINTRIDGE OPERATING FOUNDATION
(A California Non-Profit Public Benefit Corporation)
Notes to Financial Statements
For the Years Ended December 31, 2008

NOTE 5: GRANT FROM FLINTRIDGE FOUNDATION (Continued)

- Up to \$205,000 to be used for non-program administrative, investment and operating costs.
- The balance to be corpus for the FOF - to be expended and invested to further its charitable purposes in subsequent years.

The Flintridge Foundation and FOF have separate Board of Directors, with only one overlapping board member.

NOTE 6: LEASE COMMITMENTS

FOF leases space in an office building. As of December 31, 2008, approximate future minimum annual rental commitments were \$165,000 and \$100,000 for the years ending December 31, 2009 and 2010, respectively. FOF's lease for the space expires during 2010.

Rent expense for the year ended December 31, 2008 was approximately \$ 152,000.