Ethel and James Flinn Foundation

Financial Report
December 31, 2009

Ethel and James Flinn Foundation

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Independent Auditor's Report

To the Board of Directors
Ethel and James Flinn Foundation

We have audited the accompanying modified cash basis balance sheet of the Ethel and James Flinn Foundation (the "Foundation") as of December 31, 2009 and 2008 and the related modified cash basis statement of income, expenses, and changes in net assets for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 audits 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.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ethel and James Flinn Foundation at December 31, 2009 and 2008 and the changes in its net assets for the years then ended, on the basis of accounting described in Note 1.

As explained in Note 1, the financial statements include investments valued at approximately $17 million and $14.6 million (approximately 31 percent of net assets) as of December 31, 2009 and 2008, respectively, whose fair values have been estimated by management in absence of readily determinable fair values. Management's estimates are based on information provided by the investment managers.

Plante & Moran, PLLC

July 14, 2010

Ethel and James Flinn Foundation

Balance Sheet - Modified Cash Basis

	December 31, 2009	December 31, 2008
Assets		
Retail account	$ 179,940	$ 11,530
Investments at fair value (Note 2)	55,188,831	46,367,711
Total assets	**$ 55,368,771**	**$ 46,379,241**
Net Assets - Unrestricted	**$ 55,368,771**	**$ 46,379,241**

Ethel and James Flinn Foundation

Statement of Income, Expenses, and Changes in Net Assets

	Year Ended December 31, 2009	Year Ended December 31, 2008
	(Unrestricted)	
Income		
Contributions	$ 747,698	$ 900,014
Interest income	573,426	801,587
Dividend income	746,207	972,228
Mining royalties	85,688	86,698
Miscellaneous income	6,900	3,792
Realized (loss) gain on investments	(5,739,096)	899,101
Investment fees	(19,082)	(16,431)
Net income	(3,598,259)	3,646,989
Grants and Expenses		
Grants and contributions (Note 6)	2,476,200	3,178,738
Management and general	521,399	642,970
Total grants and expenses	2,997,599	3,821,708
Grants and Expenses in Excess of Income	(6,595,858)	(174,719)
Change in Unrealized Market Appreciation (Depreciation)	15,585,388	(22,318,902)
Increase (Decrease) in Net Assets	8,989,530	(22,493,621)
Net Assets - Beginning of year	46,379,241	68,872,862
Net Assets - End of year	**$ 55,368,771**	**$ 46,379,241**

Note 1 - Nature of Business and Significant Accounting Policies

Nature of Operations - The Ethel and James Flinn Foundation (the "Foundation") was established in 1976 by "Peggy" W. Flinn to remember her parents, Ethel G. and James H. Flinn, and her brother, James "Jim" H. Flinn Jr., and to provide a means for family philanthropy. The Foundation was originally established as a charitable nonprofit corporation under Michigan laws and Sections 501(c)(3) and 501(a)(3) of the Internal Revenue Code but was reclassified in 2005 as a private foundation under Section 501(c)(3). The Foundation received additional assets in 2007 upon the passing of the last family member, James "Jim" H. Flinn, Jr.

The Foundation is committed to improving the quality of life of children, adolescents, and adults with mental illness and emotional disturbance by improving the quality, scope, and delivery of mental health services. The Foundation uses its resources through research to develop, evaluate, and implement best practice treatment programs.

Retail Account - The Foundation maintains a retail checking account to pay all operational expenses.

Investments - Money market investment funds are under the custody of fund managers and represent temporarily uninvested monies and short-term investments consisting of funds collected.

Investments in common and preferred stocks, bonds, U.S. Treasury bills, and mutual funds are carried at quoted fair market value whenever available. The change in unrealized market appreciation is included annually in the statement of income, expenses, and changes in net assets. Realized gains and losses are recorded using specific identification of the assets sold.

The investment in iron mining property is carried at appraised value determined by independent third parties.

The alternative investments, comprised primarily of funds of funds, multi-asset funds, private equity funds, and real estate funds, a significant amount of which are not readily marketable, are carried at estimated fair values as provided by the various fund managers. The Foundation management reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and significant assumptions used in determining fair value. Those estimated fair values are subject to uncertainty and may differ significantly from the values that would have been used had a ready market for these securities existed.

Contributions - Contributions of cash and other assets are reported as revenue when received, measured at fair value.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Tax Status - The Foundation is exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code. As a private foundation, the Foundation is subject to an excise tax on net investment income, including realized gains as defined in the Tax Reform Act of 1969.

Modified Cash Basis of Accounting - The financial statements of the Foundation are prepared on the modified cash basis of accounting, except for the recording of the Foundation's investments at market value. Under the modified cash basis of accounting, revenue is recorded when received and expenses are recorded when paid.

Use of Estimates - The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties - The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

Reclassification - Certain reclassifications were made to amounts in the 2008 financial statements to conform to the classifications used in 2009.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including July 14, 2010, which is the date the financial statements were available to be issued.

Note 2 - Investments

Investments at fair value consisted of the following at December 31, 2009 and 2008:

	2009	2008
Money market funds	$ 438,515	$ 1,893,696
Common stock mutual funds	21,997,720	18,556,398
Fixed-income mutual funds	10,155,552	8,664,190
Multi-asset funds	7,411,426	6,019,275
Hedge funds	7,889,963	5,222,373
Real estate and other	6,755,648	5,732,029
Private equity funds	540,007	279,750
Total	$ 55,188,831	$ 46,367,711

Note 3 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Foundation's assets and liabilities measured at fair value on a recurring basis at December 31, 2009 and 2008, and the valuation techniques used by the Foundation to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Note 3 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at December 31, 2009

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2009
Cash equivalents - Money market mutual funds	$ 438,515	$ -	$ -	$ 438,515
Common stock mutual funds	21,997,720	-	-	21,997,720
Fixed-income mutual funds	10,155,552	-	-	10,155,552
Multi-asset funds	2,615,276	4,796,150	-	7,411,426
Hedge funds	1,258,333	-	6,631,630	7,889,963
Real estate and other	1,661,657	1,551,509	3,542,482	6,755,648
Private equity	-	-	540,007	540,007
Total	$ 38,127,053	$ 6,347,659	$ 10,714,119	$ 55,188,831

Assets Measured at Fair Value on a Recurring Basis at December 31, 2008

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2008
Cash equivalents - Money market mutual funds	$ 1,893,695	$ -	$ -	$ 1,893,695
Common stock mutual funds	18,556,398	-	-	18,556,398
Fixed-income mutual funds	8,664,190	-	-	8,664,190
Multi-asset funds	2,166,418	3,852,857	-	6,019,275
Hedge funds	-	-	5,222,373	5,222,373
Real estate and other	500,507	1,218,953	4,012,569	5,732,029
Private equity	-	-	279,750	279,750
Total	$ 31,781,208	$ 5,071,810	$ 9,514,692	$ 46,367,710

Note 3 - Fair Value Measurements (Continued)

The following tables sets forth a summary of the changes in the fair value of the Foundation's Level 3 assets for the years ended December 31, 2009 and 2008:

	Fair Value at January 1, 2009	Net Purchases, Sales, Calls, and Maturities	Total Realized and Unrealized Gains (Losses)	Fair Value at December 31, 2009
Hedge funds	$ 5,222,373	$ -	$ 1,409,257	$ 6,631,630
Real estate and other	4,012,569	481,099	(951,186)	3,542,482
Private equity	279,750	348,125	(87,868)	540,007
Total Level 3 assets at fair value	$ 9,514,692	$ 829,224	$ 370,203	$ 10,714,119

	Fair Value at January 1, 2008	Net Purchases, Sales, Calls, and Maturities	Total Realized and Unrealized Losses	Fair Value at December 31, 2008
Hedge funds	$ 6,823,893	$ -	$ (1,601,520)	$ 5,222,373
Real estate and other	4,436,066	-	(423,497)	4,012,569
Private equity	84,134	223,125	(27,509)	279,750
Total Level 3 assets at fair value	$ 11,344,093	$ 223,125	$ (2,052,526)	$ 9,514,692

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

Hedge funds categorized as Level 3 assets primarily consist of investments in funds of funds. The Foundation estimates the fair value of these investments based on the net asset values provided by the fund managers at year end.

Real estate and other investments categorized as Level 3 assets primarily consist of investment in a real estate partnership fund. The Foundation estimates the fair value of these investments based on the net asset value provided by the fund manager at year end. The net asset value is based on appraisal of the underlying properties and the present value of future cash flows of mortgage receivables.

Private equity funds categorized as Level 3 assets primarily consist of investments in partnerships. The Foundation estimates the fair value of these investments based on net asset values received monthly from the partnerships as well as audited financial statements.

Note 3 - Fair Value Measurements (Continued)

Investments in Entities that Calculate Net Asset Value per Share

The Foundation holds shares or interests in investment companies at year end where the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

Investments Held at December 31, 2009

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Multi-asset funds	$ 4,796,150	$ -	Quarterly	60 days
Hedge funds	6,631,631	-	Quarterly	45-60 days
Real estate and other	5,093,990	-	Monthly-Quarterly	30-60 days
Private equity	540,007	2,743,595	Quarterly	60 days
Total	$ 17,061,778			

Investments Held at December 31, 2008

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Multi-asset funds	$ 5,222,373	$ -	Quarterly	45-60 days
Hedge funds	3,852,857	-	Quarterly	45-60 days
Real estate and other	5,231,521	-	Monthly-Quarterly	30-60 days
Private equity	279,750	1,686,749	Quarterly	60 days
Total	$ 14,586,501			

To seek long-term capital appreciation, the Foundation's investment portfolio includes a 33 percent target allocation to alternative investments. This asset class consists primarily of a broad spectrum of cost-effective limited partnerships, which in turn, invest principally in market neutral and multi-strategy hedge funds, real estate investment trusts, commodities, natural resources, venture capital, and private equity funds that are not all actively traded at the time of investment. The fair values of the investments have been estimated.

Note 4 - Lease Commitments

The Foundation entered into a lease with the Community Foundation of Southeast Michigan, effective December 1, 2007. The lease agreement requires monthly payments ranging from $1,331 to $1,520 through November 30, 2012. Total rent expense under this lease was $17,332 and $14,751 for the years ended December 31, 2009 and 2008, respectively.

Note 5 - Employee Benefit Plan

The Foundation sponsors a qualified 403(b) defined contribution plan for its employees. Total contributions to the plan were $31,300 and $29,851 for the years ended December 31, 2009 and 2008, respectively.

Note 6 - Schedule of Grants, Contracts, and Contributions

The Foundation is a private foundation which distributes money for charitable, educational, and public welfare purposes. The detail of grants consisted of the following major initiatives for the years ended December 31, 2009 and 2008:

	2009	2008
Integrated Health Care Initiative		
To advance the integration of mental health services into primary care settings		
Children's Hospital of Michigan	$ 125,000	$ 125,000
Henry Ford Health System	175,000	175,000
Oakland Primary Health Services	-	150,000
Sinai Hospital of Greater Detroit	150,000	150,000
St. Joseph Mercy Oakland	150,000	150,000
Washtenaw Community Health Organization	-	150,000
Wayne State University - Department of Internal Medicine	150,000	150,000
Western Wayne Family Health Centers	-	125,000

Note 6 - Schedule of Grants, Contracts, and Contributions (Continued)

	2009	2008
Evidence-Based Practices Programs		
To translate effective treatment programs and practices into everyday clinical use		
Community Care Services	$ 125,000	$ 125,000
Detroit East	125,000	125,000
Henry Ford Cottage Hospital	70,000	70,000
Judson Center	120,000	120,000
Kadima	125,000	125,000
Michigan Mental Health Evidence-Based Practice Initiative	396,000	402,000
Northeast Guidance Center	125,000	125,000
Oakland County Community Mental Health (grant return)	-	(39,954)
Regents of the University of Michigan	100,000	100,000
Rose Hill Center	80,000	80,000
Southwest Counseling	125,000	125,000
Starfish Family Services	50,000	50,000
Wayne State University (grant return)	(3,832)	-
Grantmaking Opportunities		
To improve service delivery of mental health providers		
Association for Children's Mental Health	-	48,000
Covenant Community Care	25,000	-
Detroit Institute for Children	-	50,000
Henry Ford Health System	-	50,000
Mental Health Association of Michigan	-	75,000
Michigan Department of Community Health	30,000	-
Michigan Primary Care Association	-	50,000
National Alliance on Mental Illness (NAMI) - Michigan	-	50,000
Regents of the University of Michigan	25,000	50,000
Training and Treatment Innovations, Inc.	-	35,000
Washtenaw Community Health Organization	-	45,000
Wayne State University	-	89,000
Total grants	2,267,168	3,124,046
Consulting Contracts - Public Sector Consultants and Michael Fauman	192,257	40,102

Note 6 - Schedule of Grants, Contracts, and Contributions (Continued)

	2009	2008
Contributions		
Association for Children's Mental Health	$ 125	$ 125
Council on Foundations	8,100	4,050
Council of Michigan Foundations	6,300	7,200
Grantmakers in Health	500	1,000
Michigan Health Association in Michigan	100	100
Michigan Association for Children with Emotional Disorders (MACED)	100	100
National Alliance for Research on Schizophrenia and Depression	200	100
National Alliance on Mental Illness	250	250
National Alliance on Mental Illness - Michigan	100	100
University of Michigan	1,000	1,000
U.S. Psychiatric Rehabilitation	-	565
Total contributions	16,775	14,590
Total grants, contracts, and contributions	$ 2,476,200	$ 3,178,738

Note 7 - Cash to Accrual

The Foundation's financial statements were prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The cash to accrual adjustments that comply with GAAP are listed below:

	2009	2008
Receivables - Investment income	$ 66,231	$ 83,364
Payables - Outstanding grant commitments	1,426,000	3,767,000