

COMMUNITY FOUNDATION FOR  
SOUTHERN ARIZONA AND AFFILIATES

Audited Consolidated Financial Statements  
and Supplementary Information

For the years ended June 30, 2013 and 2012

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# COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

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LUDWIG KLEWER & CO. PLLC

Certified Public Accountants & Consultants

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Community Foundation for Southern Arizona and Affiliates

We have audited the accompanying consolidated financial statements of Community Foundation for Southern Arizona and Affiliates (nonprofit organizations) which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Worth & Dot Howard Foundation, a supporting organization of Community Foundation for Southern Arizona, which statements reflect total assets of \$2,327,813 as of June 30, 2013, and total revenue and support of \$207,474 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for Worth & Dot Howard Foundation is based solely on the report of the other auditors. We did not audit the financial statements of Thomas R. Brown Family Foundation, a supporting organization of Community Foundation for Southern Arizona, which statements reflect total assets of \$9,950,430 as of June 30, 2013, and total revenue and support of \$2,754,505 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for Thomas R. Brown Family Foundation is based solely on the report of the other auditors. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Chris Wm. Ludwig, CPA   Julie S. Klewer, CPA, MBA   Eric S. Rudner, CPA

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## Opinion

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation for Southern Arizona and Affiliates as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information on pages 22 through 27 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*LUDWIG KLEWER & CO PLLC*  
January 27, 2014

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
June 30, 2013 and 2012

ASSETS

	2013	2012
Current assets:		
Cash and cash equivalents	\$ 13,735,086	\$ 11,903,005
Unconditional promises to give, net, current portion	67,119	75,218
Bequests receivable	317,930	2,255,574
Government contracts receivable	39,291	40,001
Interest and other receivables	6,028	17,814
Investment - other	-	25,069
Prepaid expenses	476	16,383
Total current assets	14,165,930	14,333,064
Unconditional promises to give, net, non-current portion	24,339	46,801
Investments	92,337,576	86,281,894
Property and equipment, net	729,961	671,967
Other assets	54,052	55,258
Total assets	<u>\$ 107,311,858</u>	<u>\$ 101,388,984</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 137,100	\$ 162,996
Grants and distributions payable	566,752	537,264
Designated obligations	3,005,271	2,851,159
Due to other agencies	2,195,317	2,326,385
Note payable	31,699	-
Total liabilities	5,936,139	5,877,804
Net assets:		
Unrestricted:		
Available for operations	779,343	3,273,875
Designated for supporting organizations	38,734,508	36,427,272
Designated for donor advised purposes	17,690,265	13,018,471
	57,204,116	52,719,618
Temporarily restricted	6,197,339	5,577,708
Permanently restricted	37,974,264	37,213,854
Total net assets	101,375,719	95,511,180
Total liabilities and net assets	<u>\$ 107,311,858</u>	<u>\$ 101,388,984</u>

See independent auditors' report and accompanying notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES  
For the year ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:				
Support:				
Contributions and bequests	\$ 4,780,205	\$ 597,526	\$ 760,410	\$ 6,138,141
Special events	271,974	-	-	271,974
Total support	5,052,179	597,526	760,410	6,410,115
Revenue, investment and other income:				
Investment income, net	4,151,985	4,262,390	-	8,414,375
Other revenue	66,614	-	-	66,614
Loss on disposal of equipment	(14,471)	-	-	(14,471)
Change in fair value	117,022	(166,329)	-	(49,307)
Total revenue, investment and other income	4,321,150	4,096,061	-	8,417,211
Net assets released from restrictions	3,563,767	(3,563,767)	-	-
Total revenue and support	12,937,096	1,129,820	760,410	14,827,326
Expenses:				
Grants and distributions	6,582,078	-	-	6,582,078
Salaries, wages and related expense	1,237,598	-	-	1,237,598
Professional services	419,832	-	-	419,832
Office expense	286,535	-	-	286,535
Other expense	181,611	-	-	181,611
Promotion and development	161,673	-	-	161,673
Special events	89,460	-	-	89,460
Program subcontracts	4,000	-	-	4,000
Total expenses	8,962,787	-	-	8,962,787
Change in net assets	3,974,309	1,129,820	760,410	5,864,539
Net assets, beginning of year	52,719,618	5,577,708	37,213,854	95,511,180
Reclassification for fund deficiencies reduced	510,189	(510,189)	-	-
Net assets, end of year	\$ 57,204,116	\$ 6,197,339	\$ 37,974,264	\$ 101,375,719

See independent auditors' report and accompanying notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:				
Support:				
Contributions and bequests	\$ 8,727,270	\$ 180,146	\$ 699,241	\$ 9,606,657
Special events	268,845	-	-	268,845
Government grants	171,153	-	-	171,153
Total support	9,167,268	180,146	699,241	10,046,655
Revenue, investment and other income:				
Fund management fees	140,373	-	-	140,373
Other revenue	33,151	-	-	33,151
Change in fair value	18,564	(150,499)	-	(131,935)
Investment loss, net	(243,050)	(103,287)	-	(346,337)
Total revenue, investment and other income	(50,962)	(253,786)	-	(304,748)
Net assets released from restrictions	2,061,338	(2,061,338)	-	-
Total revenue and support	11,177,644	(2,134,978)	699,241	9,741,907
Expenses:				
Grants and distributions	9,737,507	-	-	9,737,507
Salaries, wages and related expense	1,293,842	-	-	1,293,842
Professional services	777,221	-	-	777,221
Office expense	348,295	-	-	348,295
Promotion and development	193,004	-	-	193,004
Other expense	173,487	-	-	173,487
Special events	79,903	-	-	79,903
Program subcontracts	7,372	-	-	7,372
Total expenses	12,610,631	-	-	12,610,631
Change in net assets	(1,432,987)	(2,134,978)	699,241	(2,868,724)
Net assets, beginning of year, as reclassified	55,437,022	6,428,269	36,514,613	98,379,904
Reclassification for fund deficiencies	(1,284,417)	1,284,417	-	-
Net assets, end of year	<u>\$ 52,719,618</u>	<u>\$ 5,577,708</u>	<u>\$ 37,213,854</u>	<u>\$ 95,511,180</u>

See independent auditors' report and accompanying notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS  
For the years ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ 5,864,539	\$ (2,868,724)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donation of stock and oil and gas interests	-	(19,763)
Donation of land	(71,314)	-
Realized (gain) loss on sale of investments, net	(4,565,305)	1,379,143
Unrealized (gain) loss on investments, net	(1,210,948)	968,877
Loss on disposal of equipment	14,471	-
Depreciation	54,681	53,272
Change in operating assets and liabilities:		
Unconditional promises to give	30,561	77,766
Bequests receivable	1,937,644	7,997,560
Government contracts receivable	710	59,865
Interest and other receivables	11,786	888,246
Prepaid expenses	15,907	23,344
Charitable remainder annuity trusts	-	211,281
Other assets	1,206	2,429
Accounts payable and accrued expenses	(25,896)	(45,437)
Grants and distributions payable	29,488	(290,239)
Designated obligations	154,112	(93,186)
Contributions restricted for long-term purposes	(760,410)	(699,241)
Change in agency funds, including investment gains	(131,068)	(583,310)
Total adjustments	(4,514,375)	9,930,607
Net cash provided by operating activities	1,350,164	7,061,883
Cash flows from investing activities:		
Redemption of investments - other	25,069	126,550
Proceeds from sale of investments	46,730,202	25,910,194
Purchases of investments	(47,009,633)	(34,739,805)
Purchases of property and equipment	-	(17,423)
Net cash used in investing activities	(254,362)	(8,720,484)
Cash flows from financing activities:		
Payments made on note payable	(24,131)	-
Contributions restricted for long-term purposes	760,410	699,241
Net cash provided by financing activities	736,279	699,241
Net change in cash and cash equivalents	1,832,081	(959,360)
Cash and cash equivalents, beginning of year	11,903,005	12,862,365
Cash and cash equivalents, end of year	\$ 13,735,086	\$ 11,903,005
Supplemental cash flow information:		
Cash paid during the year for interest	\$ 12,478	\$ -
Supplemental schedule of non-cash investing and financing activities:		
Donation of stock and oil and gas interests	\$ -	\$ 19,763
Donation of land	\$ 71,314	\$ -
Purchase of property and equipment with note payable	\$ 55,830	\$ -

See independent auditors' report and accompanying notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2013 and 2012

1. Organization

Community Foundation for Southern Arizona (CFSA), was established in 1980 in the State of Arizona as a nonprofit corporation that promotes the work of civic, cultural and educational organizations in Southern Arizona by stimulating philanthropic resources. The mission of CFSA is to inspire and support donors in making a difference now and forever. As a public charity, we accomplish our mission by building permanent charitable funds, connecting donors to organizations and programs they care about, making effective grants and providing leadership on community issues.

The consolidated financial statements include the following:

The CFSA Pooled Income Fund (PIF) – a fund established to maintain collective investments and reinvestment of property transferred to the fund. The donor creates a life income interest for one or more beneficiaries and contributes an irrevocable remainder interest to, or for, the use of CFSA.

The CFSA Charitable Remainder Trust Fund (CRTF) – a fund that includes trusts and charitable gift annuities whereby the individuals receive income during their lifetime. Upon the donor's death, the assets will be transferred to CFSA's unrestricted fund unless further restricted by the donor.

Section 509(a)(3) Supporting Organizations – an Internal Revenue Code (IRC) Section 509(a)(3) support organization is an entity which achieves tax-exempt charitable organization status by having a close relationship with a public charity. In order to establish a close relationship, a majority of the supporting organization's Board of Trustees are elected by CFSA's Board of Trustees, CFSA appoints the supporting organization's Board of Trustees and the supporting organization and CFSA have common charitable purposes and goals.

Supporting organizations include:

The Melody S. Robidoux Foundation (MSRF) allocates its resources towards grants to qualified religious, charitable, scientific and educational organizations.

The William E. Hall Foundation supports grants to programs for children.

The Worth & Dot Howard Foundation supports grants to qualified high school students to pursue higher education.

CFSA Properties, Inc. supports the purposes of CFSA by providing management of CFSA's real property.

The Thomas R. Brown Family Foundation supports the purposes of CFSA through grants to qualified religious, charitable, scientific and educational organizations.

The Women's Foundation of Southern Arizona (WFSA) supports the purposes of CFSA through grants to organizations and projects supportive of women's issues.

The Zuckerman Community Outreach Foundation (ZCOF) engages in charitable giving and support for charitable organizations and endeavors whose mission is to reach out to support organizations for the promotion of health and wellness on a local and national level, as well as extending generosity to necessary, creative and artistic endeavors that positively impact the human experience. ZCOF seeks to fund traditional and innovative projects and programs that exist to support this mission.

The Howard V. Moore Foundation is organized and operated exclusively for the support and benefit of, to perform the functions of or to carry out the mission and purposes of CFSA.

The Sycamore Canyon Conservation Foundation (SYCAM) guides the conservation, protection and appreciation of the dedicated Sycamore Canyon Preserve natural open space by preserving natural habitats, geographic features and scenic views including plants, washes and wildlife corridors; restoring habitats; utilizing natural open space as buffer zones; providing educational and research opportunities utilizing natural open space and increased public awareness and appreciation of the land.

See independent auditors' report.

# COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2013 and 2012

### 2. Summary of Significant Accounting Policies

#### Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Community Foundation for Southern Arizona and its Affiliates (collectively referred to as the Foundation). Each of the entities maintains their own net assets. All significant inter-organization transactions have been eliminated in consolidation.

#### Basis of Accounting

The consolidated financial statements are prepared using the accrual method of accounting and are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets in accordance with accounting principles generally accepted in the United States of America applicable to nonprofit organizations.

Following is a summary of the net asset categories included in the accompanying consolidated financial statements:

*Unrestricted net assets* represent those assets available to the Foundation for normal operations, support of community activities and charitable endeavors as designated by the Board of Trustees.

*Temporarily restricted net assets* are subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. This category of net assets also includes earnings on permanently restricted endowments that have not yet been appropriated for expenditure by the Board of Trustees. The balance of temporarily restricted net assets at June 30, 2013 and 2012 was \$6,197,339 and \$5,577,708, respectively.

*Permanently restricted net assets* carry a donor-imposed restriction that they be maintained in perpetuity to provide a permanent source of income for Foundation's operations. In accordance with Internal Revenue Service (IRS) regulations for community foundations, the Foundation's bylaws provide for variance power. Under certain unanticipated circumstances, this variance power allows for the modification of restrictions; however, management believes that such variance power is not intended to apply to endowment restrictions made by the donor. Accordingly, these amounts are included as a component of permanently restricted net assets.

It is the Foundation's policy that permanently restricted assets are reported at their original value at the time of the gift. Realized and unrealized gains and losses on those assets are recorded as temporarily restricted assets until appropriated for expenditure. The balance of permanently restricted net assets at June 30, 2013 and 2012 was \$37,974,264 and \$37,213,854, respectively.

#### Accounting Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

#### Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. As of January 1, 2013, the Federal Deposit Insurance Corporation (FDIC) insures cash accounts at banks up to \$250,000 per institution and no longer provides unlimited coverage for non interest-bearing accounts. All non interest-bearing cash accounts were fully insured through December 31, 2012.

See independent auditors' report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended June 30, 2013 and 2012

2. Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents, continued

The Foundation had \$1,205,034 in cash in excess of the FDIC limit at June 30, 2013. There were no amounts on deposit at June 30, 2012 in excess of the FDIC limit. Investments held by brokerage institutions are covered up to \$500,000 under insurance provided by the Securities Investor Protection Corporation (SIPC). However, the SIPC does not protect against losses in market value. The Foundation's investments on deposit with brokerage institutions are also insured under additional insurance in varying amounts based on the brokerage institution. This additional protection becomes available in the event that SIPC limits are exhausted. It is the opinion of management that the solvency of the referenced financial institutions is not of concern at this time.

Investments

In accordance with accounting principles generally accepted in the United States of America applicable to nonprofit organizations, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets section in the accompanying consolidated statements of activities. CFSA maintains pooled investment accounts. Realized and unrealized gains and losses from investments in the pooled accounts are allocated to the individual funds based on the relationship of the fair value of each fund to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts. Oil and gas interests are valued at a multiple of prior year earnings based upon estate valuation guidance issued by the IRS.

Unconditional Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decrease of liabilities or expenses depending on the form of the benefits received. Such unconditional promises to give are recorded at their present value calculated over the time period of the commitment and recognized as contribution revenue as the present value increases. Management evaluates unconditional promises to give and establishes an allowance for doubtful unconditional promises to give based on an estimate of uncollectible amounts.

Bequests Receivable

Bequests are recognized as contribution revenue in the period in which the Foundation receives notification the court has deemed the will valid and all conditions have been substantially met. The revenue and related receivable are recorded at the amount which management estimates it will collect. At June 30, 2013 and 2012, management believes all bequests receivable are fully collectible and, therefore, no allowance has been provided.

Property and Equipment

Property and equipment is stated at cost if purchased or fair market value if donated. The costs of maintenance, repairs and minor renewals are charged to expense in the year incurred. The Foundation's policy is to capitalize expenditures for property and equipment that exceed \$2,500 and have a useful life that extends beyond one year. When items are retired or disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the consolidated statements of activities. Property and equipment is reported as unrestricted revenue and support unless the granting agency or donor has restricted the asset to a specific purpose. Property and equipment purchased with restricted funds or donated with explicit restrictions regarding their use are reported as restricted revenue and support.

See independent auditors' report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2013 and 2012

2. Summary of Significant Accounting Policies, Continued

Property and Equipment, continued

Depreciation is calculated using the straight-line method over the following estimated useful lives of the assets:

Buildings and improvements	10 - 40 years
Computers and software	3 - 5 years
Equipment and furniture	5 - 8 years

Grants and Distributions Payable

Grants and distributions payable represent support grants pledged by the Foundation to recipient organizations that are not yet disbursed.

Land Held for Conservation/Permanent Collections – Conservation Easements

Sycamore Canyon Conservation Foundation (SYCAM) is a conservation organization having among its purposes the protection on behalf of the public of open space, scenic, historic and recreational lands. As a qualified holder of conservation easements, SYCAM is generally responsible for ensuring that the terms of the easements are not violated. As of June 30, 2013 and 2012, SYCAM held one conservation easement. SYCAM has opted to expense purchased conservation easements and donated easements are not recorded.

Designated Obligations

CFSA's trustees manage assets contributed to the PIF and the CRTF under which CFSA is the irrevocable remainder interest. Such assets are restricted as to use until the death of the designated income beneficiaries. Upon the death of the income beneficiaries, the assets of each of these entities will be distributed to certain charities or to CFSA, as dictated by the corresponding agreement. The present value of the expected obligations has been recorded as a designated obligation, and any annual changes in that obligation are reflected as a change in value.

Due to Other Agencies

CFSA manages funds for other nonprofit agencies in southern Arizona on a fee basis. The nonprofit agencies have the right to withdraw the funds and, therefore, a corresponding liability has been recorded.

Interest Income

Interest income is allocated monthly within CFSA, the PIF and several trusts and supporting organizations participating in the CFSA investment pools. These allocations are based on the fair market value balances of the respective funds invested during the month.

Contributions/Restricted Revenue

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Services

Donated goods and space are valued at fair market value. Donated services are recognized in the consolidated financial statements at fair market value if the following criteria are met:

- The services require specialized skills and are provided by individuals possessing those skills
- The services would typically need to be purchased if not donated

See independent auditors' report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2013 and 2012

2. Summary of Significant Accounting Policies, Continued

Donated Services, continued

Although the Foundation utilizes the services of many outside volunteers, the fair value of these services is not recognized in the accompanying consolidated financial statements since they do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

Administrative Allocation

Charges for administrative and overhead expenses of the Foundation are allocated against the resources of the Foundation based on rates determined by the Board of Trustees or individual fund agreements. Management believes such rates do not exceed what is normally charged to funds by community foundations nationwide.

Income Taxes

CFSA is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the IRC. Income from certain activities not directly related to CFSA's tax-exempt purpose may be subject to taxation as unrelated business income. CFSA also qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1). Supporting organizations are classified under Section 509(a)(3) of the IRC.

The Foundation's policy is to disclose or recognize income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax positions. As of June 30, 2013, management is not aware of any uncertain tax positions that are potentially material. The Foundation's Federal Form 990, Return of Organization Exempt from Income Tax, and Arizona Form 99, Arizona Exempt Organization Annual Information Return, for fiscal years 2012, 2011 and 2010, are subject to examination by the IRS, generally for three years after they were filed.

3. Unconditional Promises to Give

Unconditional promises to give due after one year are discounted at rates ranging from 3% to 3.25%. At June 30, 2013 and 2012, unconditional promises to give consists of balances to be paid in future years as follows:

	2013	2012
2013	\$ -	\$ 75,818
2014	67,119	44,160
2015	21,900	13,500
2016	3,738	3,468
2017	550	200
Total unconditional promises to give	93,307	137,146
Less interest component	(1,849)	(5,527)
Less allowance for uncollectible unconditional promises to give	-	(9,600)
Unconditional promises to give, net	91,458	122,019
Less current portion	(67,119)	(75,218)
Non-current portion	\$ 24,339	\$ 46,801

See independent auditors' report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2013 and 2012

4. Property and Equipment

Property and equipment at June 30, 2013 and 2012 consists of:

	2013	2012
Land	\$ 347,714	\$ 276,400
Building and improvements	582,073	582,073
Computers and software	85,270	155,777
Equipment and furniture	88,270	94,833
Total property and equipment	1,103,327	1,109,083
Less accumulated depreciation	(373,366)	(437,116)
Property and equipment, net	<u>\$ 729,961</u>	<u>\$ 671,967</u>

5. Investments

Investments at June 30, 2013 and 2012 consist of:

	2013	2012
Mutual funds	\$ 78,783,741	\$ 71,200,254
Stocks	7,816,064	7,661,160
Fixed income	3,371,785	5,031,376
Limited and offshore partnerships	1,420,431	1,498,125
Oil and gas interests	716,178	661,602
Interest in trust	229,377	229,377
Total investments	<u>\$ 92,337,576</u>	<u>\$ 86,281,894</u>

Investment income (loss) for the years ended June 30, 2013 and 2012 consists of:

	CFSA, CRTF and PIF	Supporting Organizations	Total	2012
Unrealized gains (losses), net	\$ 2,646,997	\$ (1,436,049)	\$ 1,210,948	\$ (968,877)
Interest and dividends	1,841,585	836,661	2,678,246	2,044,433
Realized gains (losses), net	1,258,294	3,307,011	4,565,305	(1,379,143)
Royalties	-	275,607	275,607	222,316
Foreign taxes	-	(113)	(113)	(284)
Administrative charges	(217,326)	(98,292)	(315,618)	(264,782)
Investment income (loss), net	<u>\$ 5,529,550</u>	<u>\$ 2,884,825</u>	<u>\$ 8,414,375</u>	<u>\$ (346,337)</u>

At June 30, 2013 and 2012, \$31,510,254 and \$31,827,371, respectively, of the total investments are invested and valued by each supporting organization's own investment policies and guidelines. Of the supporting organization's total investments at June 30, 2013 and 2012, \$1,420,431 and \$1,498,125, respectively, of limited and offshore partnerships are held and managed by one supporting organization.

At June 30, 2013 and 2012, \$37,927,958 and \$37,120,499, respectively, of the investments were permanently restricted for endowment net assets and, as such, were unavailable for operations.

See independent auditors' report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2013 and 2012

6. Charitable Remainder Annuity Trusts

CFSA is the beneficiary of two irrevocable charitable remainder annuity trusts administered by third party trustees. The value of the remainder interests is calculated using a discount rate and actuarial tables to show a receivable from the trust. During the year ended June 30, 2012, the discount rate used to calculate the value of the remainder interests was adjusted to reflect current market conditions. As a result, the estimated value of the remainder interest in the two trusts was \$-0- at June 30, 2013 and 2012.

7. Fair Value Measurements

The Financial Accounting Standards Board has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value.

*Mutual funds:* Valued at the net asset value of shares held by the Foundation at year end.

*Stocks and Bonds:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Other investments:* Valued at cost, which approximates fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

See independent auditors' report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2013 and 2012

7. Fair Value Measurements, Continued

The table below sets forth by level, within the fair value hierarchy, investments at fair value as of June 30, 2013:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Equity funds	\$ 48,269,441	\$ -	\$ -	\$ 48,269,441
Bond funds	24,065,183	-	-	24,065,183
Specialty funds	6,449,117	-	-	6,449,117
Total mutual funds	78,783,741	-	-	78,783,741
Stocks	7,816,064	-	-	7,816,064
Bonds:				
Corporate bonds	2,330,399	-	-	2,330,399
Treasury bonds	1,041,386	-	-	1,041,386
Total bonds	3,371,785	-	-	3,371,785
Other investments	-	229,377	2,136,609	2,365,986
Total investments	\$ 89,971,590	\$ 229,377	\$ 2,136,609	\$ 92,337,576

The table below sets forth a summary of changes in level 3 investments for the year ended June 30, 2013:

	Other Investments
Balance, beginning of year	\$ 2,159,726
Unrealized gain, net	118,667
Realized loss, net	(3,800)
Sales	(137,984)
Balance, end of year	\$ 2,136,609

The table below sets forth by level, within the fair value hierarchy, investments at fair value as of June 30, 2012:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Equity funds	\$ 47,406,393	\$ -	\$ -	\$ 47,406,393
Bond funds	21,531,966	-	-	21,531,966
Specialty funds	2,261,896	-	-	2,261,896
Total mutual funds	71,200,255	-	-	71,200,255
Stocks	7,661,160	-	-	7,661,160
Bonds:				
Corporate bonds	4,424,769	-	-	4,424,769
Treasury bonds	606,607	-	-	606,607
Total bonds	5,031,376	-	-	5,031,376
Other investments	-	229,377	2,159,726	2,389,103
Total investments	\$ 83,892,791	\$ 229,377	\$ 2,159,726	\$ 86,281,894

See independent auditors' report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2013 and 2012

7. Fair Value Measurements, Continued

The table below sets forth a summary of changes in level 3 investments for the year ended June 30, 2012:

	Other Investments
Balance, beginning of year	\$ 2,734,722
Unrealized gain, net	20,993
Donation of oil and gas interests	17,015
Sales	(613,004)
Balance, end of year	<u>\$ 2,159,726</u>

8. Designated Obligations

Designated obligations at June 30, 2013 and 2012 consist of:

	2013	2012
Lead trusts	\$ 1,416,980	\$ 1,297,555
Charitable gift annuities	1,275,366	1,257,288
Unitrusts	173,587	168,516
Pooled income fund	139,338	127,800
Total designated obligations	<u>\$ 3,005,271</u>	<u>\$ 2,851,159</u>

9. Due to Other Agencies

Amounts due to other agencies at June 30, 2013 and 2012 consist of:

	2013	2012
Green Valley Assistance Services Endowment	\$ 457,675	\$ 527,137
Tohono O'odham Community College Endowment	272,661	242,715
Handi-Dogs Endowment Fund	269,504	271,742
Sarah P. Hausman Endowment Fund	185,030	174,406
Tucson Audubon Endowment Fund	177,248	161,159
St. Andrew's Crippled Children's Clinic	132,021	124,628
Holmes Tuttle Memorial Fund	123,726	116,621
B-26 Marauder Historical Society Endowment	103,162	97,880
Tucson Botanical Gardens Fund	89,807	92,532
Holsclaw Family Endowment for Goodwill Industries of Tucson	73,602	69,627
Alice Y. Holsclaw YWCA Fund	56,588	53,339
Other funds	254,293	394,599
Total due to other agencies	<u>\$ 2,195,317</u>	<u>\$ 2,326,385</u>

10. Note Payable

CFSA entered into a \$55,830 note payable with a vendor. The note was used to finance a portion of the costs for upgrades to CFSA's operating system. The note payable requires monthly payments of \$2,829, including interest at 5%, through August 2014. The balance at June 30, 2013 reflects a prepayment of principal and as a result, the note payable is scheduled to be paid in full during June 2014. The outstanding balance under this note payable at June 30, 2013 and 2012 was \$31,699 and \$-0-, respectively.

See independent auditors' report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2013 and 2012

11. Net Asset Reclassification

During the year ended June 30, 2012, CFSA management completed a review of all donor fund agreements. As a result of this review, and in accordance with the basis of accounting policies discussed in Note 2, the Foundation made the following net asset reclassifications:

Net decrease in unrestricted net assets - designated for endowment purposes	\$ (23,666,076)
Net increase in permanently restricted net assets	21,737,357
Net increase in temporarily restricted net assets	837,392
Net increase in unrestricted net assets - other	1,091,327
Net reclassifications	<u>\$ -</u>

12. Temporarily Restricted Net Assets

Temporarily restricted net asset activity for the years ended June 30, 2013 and 2012 consist of:

	Time and Purpose	Endowment Earnings	CRTF	PIF	Total
Beginning balance	\$ 2,187,743	\$ 2,373,709	\$ 885,185	\$ 131,071	\$ 5,577,708
Contributions	523,042	-	64,611	9,873	597,526
Investment income, net	200,975	3,870,622	190,764	29	4,262,390
Change in value of split interest investments	-	-	(140,141)	(26,188)	(166,329)
Releases and appropriations	(150,887)	(3,214,634)	(149,457)	(48,789)	(3,563,767)
Reclassifications:					
Fund deficiencies reduced	-	(510,189)	-	-	(510,189)
Ending balance	<u>\$ 2,760,873</u>	<u>\$ 2,519,508</u>	<u>\$ 850,962</u>	<u>\$ 65,996</u>	<u>\$ 6,197,339</u>

  

	Time and Purpose	Endowment Earnings	CRTF	PIF	Total
Beginning balance, as reclassified	\$ 2,305,449	\$ 2,646,638	\$ 1,300,074	\$ 176,108	\$ 6,428,269
Contributions	63,810	-	116,336	-	180,146
Investment income, net	(9,626)	(102,104)	(450)	8,893	(103,287)
Change in value of split interest investments	-	-	(157,333)	6,834	(150,499)
Releases and appropriations	(171,890)	(1,455,242)	(373,442)	(60,764)	(2,061,338)
Reclassifications:					
Fund deficiencies	-	1,284,417	-	-	1,284,417
Ending balance	<u>\$ 2,187,743</u>	<u>\$ 2,373,709</u>	<u>\$ 885,185</u>	<u>\$ 131,071</u>	<u>\$ 5,577,708</u>

See independent auditors' report.

# COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2013 and 2012

### 13. Permanently Restricted Net Assets

The Foundation's endowments consist of several individual funds established under donor restriction for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds (including funds designated by the Board of Trustees to function as endowments) are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the state of Arizona as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion, if any, of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation and (7) the Foundation's investment policies.

Permanently restricted net assets at June 30, 2013 consist of:

	CFSA	WFSA	SYCAM	Total
Beginning balance	\$ 35,721,283	\$ 1,491,071	\$ 1,500	\$ 37,213,854
Contributions	729,410	31,000	-	760,410
Ending balance	<u>\$ 36,450,693</u>	<u>\$ 1,522,071</u>	<u>\$ 1,500</u>	<u>\$ 37,974,264</u>

Permanently restricted net assets at June 30, 2012 consist of:

	CFSA	WFSA	SCCF	Total
Beginning balance, as reclassified	\$ 35,055,494	\$ 1,457,619	\$ 1,500	\$ 36,514,613
Contributions	665,789	33,452	-	699,241
Ending balance	<u>\$ 35,721,283</u>	<u>\$ 1,491,071</u>	<u>\$ 1,500</u>	<u>\$ 37,213,854</u>

### 14. Endowments

#### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, accumulated deficiencies of this nature that are reported as reclassification from unrestricted net assets to temporarily restricted net assets were \$2,461,755 and \$2,971,944 at June 30, 2013 and 2012, respectively.

See independent auditors' report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2013 and 2012

14. Endowments, Continued

Return Objectives and Risk Parameters

The Foundation has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk.

Investment Strategies

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policies

CFSA has a formally adopted spending policy, which reads as follows: CFSA's spending policy governs the rate at which annual distributions are made from each of its individual endowment funds. The rate is used to calculate the amount "available to grant" from each separate endowment fund. CFSA's spending policy was developed to be compatible with CFSA's investment policy. The spending policy rate will be 4% of a 20-quarter rolling average of the fund's total market value at the end of each quarter. If the fund is in existence for less than 20 quarters, the calculation will use the average of the existing historical quarters. The current year's spending amount, plus each prior year's unspent "available to grant" balance, becomes the "available to grant" amount for the new fiscal year. The formula shall be applied to the 20 quarters at the end of CFSA's fiscal year. CFSA operates under the total return concept, meaning that the distributions will be made from the income and, if necessary, the realized and unrealized capital appreciation of the fund. Notwithstanding the preceding, pursuant to Arizona Revised Statute §10-11802, the historical value of the fund will not be used to fund any amount of the "available to grant" in excess of the income and capital appreciation of the fund, unless the gift instrument provides otherwise.

The "historical dollar value" means the aggregate fair market value in dollars of an endowment fund at the time it became an endowment fund, each subsequent donation to the fund at the time it is made and each accumulation made pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the fund.

Endowment Fund Net Assets

Net assets in the endowment funds at June 30, 2013 consist of:

	Fund Deficiencies	Temporarily Restricted	Permanently Restricted	Total
Beginning balance	\$ (2,971,944)	\$ 2,373,709	\$ 37,213,854	\$ 36,615,619
Contributions	-	-	760,410	760,410
Investment loss, net	-	3,870,622	-	3,870,622
Appropriated for expenditure	-	(3,214,634)	-	(3,214,634)
Fund deficiency reclassifications	510,189	(510,189)	-	-
Ending balance	<u>\$ (2,461,755)</u>	<u>\$ 2,519,508</u>	<u>\$ 37,974,264</u>	<u>\$ 38,032,017</u>

See independent auditors' report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2013 and 2012

14. Endowments, Continued

Endowment Fund Net Assets, continued

Net assets in the endowment funds at June 30, 2012 consist of:

	Fund Deficiencies	Temporarily Restricted	Permanently Restricted	Total
Beginning balance, as reclassified	\$ (1,687,527)	\$ 2,646,638	\$ 36,514,613	\$ 37,473,724
Contributions	-	-	699,241	699,241
Investment income, net	-	(102,104)	-	(102,104)
Appropriated for expenditure	-	(1,455,242)	-	(1,455,242)
Fund deficiency reclassifications	(1,284,417)	1,284,417	-	-
Ending balance	<u>\$ (2,971,944)</u>	<u>\$ 2,373,709</u>	<u>\$ 37,213,854</u>	<u>\$ 36,615,619</u>

15. Pension Plan

CFSA has a 403(b) employee benefit plan (Plan) that allows eligible employees to defer a portion of their salaries, not to exceed IRC limitations. CFSA may make discretionary contributions to the Plan. The employer contribution for the years ended June 30, 2013 and 2012 was \$18,593 and \$26,908, respectively.

16. Functional Expenses

Functional expenses for the year ended June 30, 2013 for the consolidated entities follows:

	CFSA, CRTF and PIF	Supporting Organizations	Eliminations	Total
Program services	\$ 5,124,193	\$ 2,701,091	\$ (259,571)	\$ 7,565,713
Development and public relations	484,657	57,288	(112,284)	429,661
Management and general	824,001	272,184	(128,772)	967,413
Total functional expenses	<u>\$ 6,432,851</u>	<u>\$ 3,030,563</u>	<u>\$ (500,627)</u>	<u>\$ 8,962,787</u>

Functional expenses for the year ended June 30, 2012 for the consolidated entities follows:

	CFSA, CRTF and PIF	Supporting Organizations	Eliminations	Total
Program services	\$ 4,787,691	\$ 6,482,200	\$ (527,550)	\$ 10,742,341
Development and public relations	709,039	64,651	(28,498)	745,192
Management and general	1,132,708	252,576	(262,186)	1,123,098
Total functional expenses	<u>\$ 6,629,438</u>	<u>\$ 6,799,427</u>	<u>\$ (818,234)</u>	<u>\$ 12,610,631</u>

17. Lease Commitments

CFSA and MSRF lease office space under the terms of a month-to-month lease. CFSA also leases office equipment under the terms of leases expiring from May 2014 to January 2018. Rental expense, which is included in office expense on the consolidated statement of activities, for the years ended June 30, 2013 and 2012 was \$27,317 and \$32,230, respectively.

See independent auditors' report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2013 and 2012

17. Lease Commitments, Continued

Minimum annual future rental expense as of June 30, 2013, due under the agreements are:

Year ended  
June 30,

2014	\$	10,882
2015		3,669
2016		893
2017		893
2018		521
	\$	<u>16,858</u>

18. Subsequent Events

The Foundation was unaware of any subsequent events as of January 27, 2014, the date the consolidated financial statements were available to be issued.

See independent auditors' report.

## SUPPLEMENTARY INFORMATION

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2013

ASSETS	Community Foundation for Southern Arizona, Inc.	CFSA			Total without Supporting Organizations	Supporting Organizations	Consolidating Entries	Total	2012
		CFSA Pooled Income Fund	Charitable Remainder Trust Fund						
Current assets:									
Cash and cash equivalents	\$ 5,698,462	\$ 1,529	\$ 42,153	\$ 5,742,144	\$ 7,992,942	\$ -	\$ -	\$ 13,735,086	\$ 11,903,005
Unconditional promises to give, net, current portion	28,177	-	-	28,177	86,442	(47,500)		67,119	75,218
Bequests receivable	317,930	-	-	317,930	-	-		317,930	2,255,574
Government contracts receivable	39,291	-	-	39,291	-	-		39,291	40,001
Interest and other receivables	364	-	-	364	5,664	-		6,028	17,814
Investment - other	-	-	-	-	-	-		-	25,069
Prepaid expenses	476	-	-	476	-	-		476	16,383
Total current assets	6,084,700	1,529	42,153	6,128,382	8,085,048	(47,500)		14,165,930	14,333,064
Unconditional promises to give, net, non-current portion	9,802	-	-	9,802	14,537	-		24,339	46,801
Investments	56,288,683	203,875	3,684,045	60,176,603	32,160,973	-		92,337,576	86,281,894
Property and equipment, net	48,624	-	-	48,624	681,337	-		729,961	671,967
Other assets	32,410	-	-	32,410	21,642	-		54,052	55,258
Total assets	\$ 62,464,219	\$ 205,404	\$ 3,726,198	\$ 66,395,821	\$ 40,963,537	\$ (47,500)	\$ (47,500)	\$ 107,311,858	\$ 101,388,984
<u>LIABILITIES AND NET ASSETS</u>									
Current liabilities:									
Accounts payable and accrued expenses	\$ 94,504	\$ 70	\$ 9,303	\$ 103,877	\$ 33,223	\$ -	\$ -	\$ 137,100	\$ 162,996
Grants and distributions payable	195,252	-	-	195,252	419,000	(47,500)		566,752	537,264
Designated obligations	-	139,338	2,865,933	3,005,271	-	-		3,005,271	2,851,159
Due to other agencies	2,195,317	-	-	2,195,317	-	-		2,195,317	2,326,385
Note payable	31,699	-	-	31,699	-	-		31,699	-
Total liabilities	2,516,772	139,408	2,875,236	5,531,416	452,223	(47,500)		5,936,139	5,877,804
Net assets:									
Unrestricted	18,469,608	-	-	18,469,608	38,734,508	-		57,204,116	52,719,618
Temporarily restricted	5,027,146	65,996	850,962	5,944,104	253,235	-		6,197,339	5,577,708
Permanently restricted	36,450,693	-	-	36,450,693	1,523,571	-		37,974,264	37,213,854
Total net assets	59,947,447	65,996	850,962	60,864,405	40,511,314	-		101,375,719	95,511,180
Total liabilities and net assets	\$ 62,464,219	\$ 205,404	\$ 3,726,198	\$ 66,395,821	\$ 40,963,537	\$ (47,500)	\$ (47,500)	\$ 107,311,858	\$ 101,388,984

Supplementary Information  
See independent auditors' report.

## CONSOLIDATING STATEMENT OF ACTIVITIES

For the year ended June 30, 2013

	Community Foundation for Southern Arizona, Inc.	CFSA Pooled Income Fund	CFSA Charitable Remainder Trust Fund	Total without Supporting Organizations	Supporting Organizations	Consolidating Entries	Total	2012
<b>Revenue and support:</b>								
Support:								
Contributions and bequests	\$ 4,028,438	\$ 9,873	\$ 64,904	\$ 4,103,215	\$ 2,370,978	\$ (336,052)	\$ 6,138,141	\$ 9,606,657
Special events	134,141	-	-	134,141	137,833	-	271,974	288,845
Government grants	-	-	-	-	-	-	-	171,153
Total support	4,162,579	9,873	64,904	4,237,356	2,508,811	(336,052)	6,410,115	10,046,655
<b>Revenue, investment and other income:</b>								
Investment income (loss), net	5,338,758	29	190,763	5,529,550	2,884,825	-	8,414,375	(346,337)
Other revenue	46,940	-	-	46,940	23,574	(3,900)	66,614	33,151
Fund management fees	160,675	-	-	160,675	-	(160,675)	-	140,373
Loss on disposal of equipment	(14,471)	-	-	(14,471)	-	-	(14,471)	-
Change in fair value	(1,645)	(26,188)	(140,141)	(167,974)	118,667	-	(49,307)	(131,935)
Total revenue, investment and other income	5,530,257	(26,159)	50,622	5,554,720	3,027,066	(164,575)	8,417,211	(304,748)
Total revenue and support	9,692,836	(16,286)	115,526	9,792,076	5,535,877	(500,627)	14,827,326	9,741,907
<b>Expenses:</b>								
Grants and distributions	4,310,647	-	-	4,310,647	2,450,131	(178,700)	6,582,078	9,737,507
Salaries, wages and related expense	997,531	-	-	997,531	240,067	-	1,237,598	1,293,842
Professional services	362,945	48,789	149,749	561,483	176,376	(318,027)	419,832	777,221
Office expense	231,797	-	-	231,797	58,638	(3,900)	286,535	348,295
Other expense	127,408	-	-	127,408	54,203	-	181,611	173,487
Promotion and development	148,072	-	-	148,072	13,601	-	161,673	193,004
Special events	51,913	-	-	51,913	37,547	-	89,460	79,903
Program subcontracts	4,000	-	-	4,000	-	-	4,000	7,372
Total expenses	6,234,313	48,789	149,749	6,432,851	3,030,563	(500,627)	8,962,787	12,610,631
Change in net assets	3,458,523	(65,075)	(34,223)	3,359,225	2,505,314	-	5,864,539	(2,868,724)
Net assets, beginning of year	56,488,924	131,071	885,185	57,505,180	38,006,000	-	95,511,180	98,379,904
Net assets, end of year	\$ 59,947,447	\$ 65,996	\$ 850,962	\$ 60,864,405	\$ 40,511,314	\$ -	\$ 101,375,719	\$ 95,511,180

Supplementary Information  
See independent auditors' report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION – SUPPORTING ORGANIZATIONS

June 30, 2013

ASSETS	Melody S. Robidoux Foundation	William E. Hall Foundation	Worth & Dot Howard Foundation	CFSA Properties, Inc.	Thomas R. Brown Family Foundation	Women's Foundation of Southern Arizona
Current assets:						
Cash and cash equivalents	\$ 4,179,927	\$ -	\$ 16,827	\$ -	\$ 368,432	\$ 180,156
Unconditional promises to give, net, current portion	-	-	-	-	-	86,442
Interest and other receivables	-	-	5,664	-	-	-
Prepaid expenses	-	-	-	-	-	-
Total current assets	4,179,927	-	22,491	-	368,432	266,598
Unconditional promises to give, net, non-current portion	-	-	-	-	-	14,537
Investments	11,436,885	650,719	2,305,322	-	9,563,176	2,014,107
Property and equipment, net	4,454	-	-	663,164	13,719	-
Other assets	-	-	-	14,600	5,103	-
Total assets	\$ 15,621,266	\$ 650,719	\$ 2,327,813	\$ 677,764	\$ 9,950,430	\$ 2,295,242
<u>LIABILITIES AND NET ASSETS</u>						
Current liabilities:						
Accounts payable and accrued expenses	\$ 2,280	\$ -	\$ 5,368	\$ 1,339	\$ 11,889	\$ 2,210
Grants and distributions payable	310,500	-	108,000	-	-	-
Total liabilities	312,780	-	113,368	1,339	11,889	2,210
Net assets:						
Unrestricted	15,308,486	650,719	2,214,445	676,425	9,938,541	517,726
Temporarily restricted	-	-	-	-	-	253,235
Permanently restricted	-	-	-	-	-	1,522,071
Total net assets	15,308,486	650,719	2,214,445	676,425	9,938,541	2,293,032
Total liabilities and net assets	\$ 15,621,266	\$ 650,719	\$ 2,327,813	\$ 677,764	\$ 9,950,430	\$ 2,295,242

Supplementary Information  
See independent auditors' report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION – SUPPORTING ORGANIZATIONS, Continued  
June 30, 2013

ASSETS	The Zuckerman Community Outreach Foundation	Howard V. Moore Foundation	Sycamore Canyon Conservation Foundation	Total	2012
Current assets:					
Cash and cash equivalents	\$ 623,731	\$ 2,565,218	\$ 58,651	\$ 7,992,942	\$ 5,159,528
Unconditional promises to give, net, current portion	-	-	-	86,442	84,238
Interest and other receivables	-	-	-	5,664	5,664
Prepaid expenses	-	-	-	-	4,705
Total current assets	623,731	2,565,218	58,651	8,085,048	5,254,135
Unconditional promises to give, net, non-current portion	-	-	-	14,537	35,057
Investments	6,188,976	1,788	-	32,160,973	32,486,187
Property and equipment, net	-	-	-	681,337	634,552
Other assets	-	-	1,939	21,642	21,203
Total assets	\$ 6,812,707	\$ 2,567,006	\$ 60,590	\$ 40,963,537	\$ 38,431,134
<u>LIABILITIES AND NET ASSETS</u>					
Current liabilities:					
Accounts payable and accrued expenses	\$ 10,049	\$ 88	\$ -	\$ 33,223	\$ 61,634
Grants and distributions payable	500	-	-	419,000	363,500
Total liabilities	10,549	88	-	452,223	425,134
Net assets:					
Unrestricted	6,802,158	2,566,918	59,090	38,734,508	36,427,272
Temporarily restricted	-	-	-	253,235	86,157
Permanently restricted	-	-	1,500	1,523,571	1,492,571
Total net assets	6,802,158	2,566,918	60,590	40,511,314	38,006,000
Total liabilities and net assets	\$ 6,812,707	\$ 2,567,006	\$ 60,590	\$ 40,963,537	\$ 38,431,134

Supplementary Information  
See independent auditors' report.

## CONSOLIDATING STATEMENT ACTIVITIES – SUPPORTING ORGANIZATIONS

For the year ended June 30, 2013

	Melody S. Robidoux Foundation	William E. Hall Foundation	Worth & Dot Howard Foundation	CFSA Properties, Inc.	Thomas R. Brown Family Foundation	Women's Foundation of Southern Arizona
Revenue and support:						
Support:						
Contributions and bequests	\$ -	\$ -	\$ -	\$ 73,533	\$ 2,000,000	\$ 297,445
Special events	-	-	-	-	-	137,833
Total support	-	-	-	73,533	2,000,000	435,278
Revenue, investment and other income:						
Investment income (loss), net	1,753,986	70,910	207,474	-	635,822	167,733
Change in fair value	-	-	-	-	118,667	-
Other revenue	-	-	-	-	16	7,870
Total revenue, investment and other income	1,753,986	70,910	207,474	-	754,505	175,603
Total revenue and support	1,753,986	70,910	207,474	73,533	2,754,505	610,881
Expenses:						
Grants and distributions	650,958	35,000	102,000	-	1,148,073	177,500
Salaries, wages and related expense	32,452	-	56,030	-	-	151,585
Professional services	8,888	8,347	26,293	975	33,997	9,364
Office expense	17,529	10	381	1,427	472	37,553
Other expense	1,280	-	-	20,890	30,885	1,148
Special events	-	-	-	-	-	37,547
Promotion and development	-	-	-	-	-	13,601
Total expenses	711,107	43,357	184,704	23,292	1,213,427	428,298
Change in net assets	1,042,879	27,553	22,770	50,241	1,541,078	182,583
Net assets, beginning of year	14,265,607	623,166	2,191,675	626,184	8,397,463	2,110,449
Net assets, end of year	\$ 15,308,486	\$ 650,719	\$ 2,214,445	\$ 676,425	\$ 9,938,541	\$ 2,293,032

Supplementary Information  
See independent auditors' report.

CONSOLIDATING STATEMENT ACTIVITIES – SUPPORTING ORGANIZATIONS, Continued  
For the year ended June 30, 2013

	The Zuckerman Community Outreach Foundation	Howard V. Moore Foundation	Sycamore Canyon Conservation Foundation	Total	2012
Revenue and support:					
Support:					
Contributions and bequests	\$ -	\$ -	\$ -	\$ 2,370,978	\$ 2,798,801
Special events	-	-	-	137,833	110,849
Total support	-	-	-	2,508,811	2,909,650
Revenue, investment and other income:					
Investment income (loss), net	44,407	4,370	123	2,884,825	(421,003)
Change in fair value	-	-	-	118,667	20,993
Other revenue	-	-	15,688	23,574	17,833
Total revenue, investment and other income	44,407	4,370	15,811	3,027,066	(382,177)
Total revenue and support	44,407	4,370	15,811	5,535,877	2,527,473
Expenses:					
Grants and distributions	336,600	-	-	2,450,131	6,239,411
Salaries, wages and related expense	-	-	-	240,067	208,827
Professional services	42,257	21,730	24,525	176,376	182,087
Office expense	876	98	292	58,638	65,223
Other expense	-	-	-	54,203	50,297
Special events	-	-	-	37,547	45,661
Promotion and development	-	-	-	13,601	7,921
Total expenses	379,733	21,828	24,817	3,030,563	6,799,427
Change in net assets	(335,326)	(17,458)	(9,006)	2,505,314	(4,271,954)
Net assets, beginning of year	7,137,484	2,584,376	69,596	38,006,000	42,277,954
Net assets, end of year	\$ 6,802,158	\$ 2,566,918	\$ 60,590	\$ 40,511,314	\$ 38,006,000

Supplementary Information  
See independent auditors' report.