

**COMMUNITY FOUNDATION FOR
SOUTHERN ARIZONA AND AFFILIATES**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
A-133 SINGLE AUDIT REPORTS AND SCHEDULES
Years ended June 30, 2010 and 2009**

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A-133 SINGLE AUDIT REPORTS AND SCHEDULES
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A-133 SINGLE AUDIT REPORTS AND SCHEDULES

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Community Foundation for Southern Arizona and Affiliates
Tucson, Arizona

We have audited the accompanying consolidated statements of financial position of Community Foundation for Southern Arizona and Affiliates (Arizona nonprofit organizations) as of June 30, 2010 and 2009 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of the Worth & Dot Howard Foundation, a supporting organization of Community Foundation for Southern Arizona, which statements reflect total assets of \$1,783,544 and \$2,026,820 as of June 30, 2010 and 2009, respectively, and total revenues of \$73,518 and \$76,251 for the years then ended, respectively. Those statements were audited by another auditor whose reports have been furnished to us, and our opinion insofar as it relates to the amounts included for the Worth & Dot Howard Foundation is based solely on the reports of the other auditor.

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

In our opinion, 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, 2010 and 2009, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2011 on our consideration of Community Foundation for Southern Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements of the Community Foundation for Southern Arizona and Affiliates taken as a whole. The accompanying supplementary information on pages 20 to 25 and the accompanying schedule of expenditures of federal awards on page 32 are presented for purposes of additional analysis and as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Devries CPAs of Arizona, P.C.
DEVRIES CPAS OF ARIZONA, P.C.

March 10, 2011

Integrity is the highest form of service.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 10,556,597	\$ 11,507,185
Investments - Notes 3 and 16	68,845,192	63,395,288
Pledges receivable - Notes 4 and 16	728,500	552,073
Bequests receivable - Note 19	10,299,854	11,389
Government contracts receivable	394,184	316,804
Interest and other receivables	339,382	68,002
Charitable remainder annuity trusts - Note 5	283,632	542,998
Property and equipment - Note 6	753,316	804,422
Permanent collections - conservation easements - Note 2	0	0
Other assets - Notes 7 and 16	67,759	74,816
	<u>\$ 92,268,416</u>	<u>\$ 77,272,977</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued liabilities	\$ 91,038	\$ 83,403
Grants and distributions payable	1,198,186	1,258,332
Designated obligations - Note 8	2,412,089	2,150,339
Due to other agencies - Note 9	2,799,583	2,347,394
	<u>6,500,896</u>	<u>5,839,468</u>

Net assets:

Unrestricted:

Available for operations	10,168,410	641,019
Designated for endowment purposes	13,232,282	12,876,650
Designated for supporting organizations	34,039,261	34,176,442
Designated for donor advised purposes	11,247,864	9,466,769
	<u>68,687,817</u>	<u>57,160,880</u>
Temporarily restricted - Notes 11 and 13	3,230,510	2,834,898
Permanently restricted - Notes 12 and 13	13,849,193	11,437,731
	<u>85,767,520</u>	<u>71,433,509</u>
	<u>\$ 92,268,416</u>	<u>\$ 77,272,977</u>

See Accompanying Notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues and other support:				
Contributions and bequests	\$ 14,970,690	\$ 183,247	\$ 1,628,030	\$ 16,781,967
Interest, dividends and royalties	1,545,165	448,157		1,993,322
Governmental grant revenues	2,270,645			2,270,645
Programmatic and administrative support	6,000			6,000
Fund management fees	68,548			68,548
Special event revenues	275,741			275,741
Other revenue	27,754			27,754
	<u>19,164,543</u>	<u>631,404</u>	<u>1,628,030</u>	<u>21,423,977</u>
Net assets released from restrictions	1,419,533	(1,419,533)		0
Total revenues and other support	<u>20,584,076</u>	<u>(788,129)</u>	<u>1,628,030</u>	<u>21,423,977</u>
Expenses - Note 14:				
Grants and distributions	7,811,576			7,811,576
Program subcontracts	2,152,806			2,152,806
Salaries, wages and related expenses	1,438,209			1,438,209
Office expenses	526,107			526,107
Professional services	492,327			492,327
Promotion and development	86,818			86,818
Special event expenses	82,417			82,417
Other expenses	78,501			78,501
Total expenses	<u>12,668,761</u>	<u>0</u>	<u>0</u>	<u>12,668,761</u>
Change in net assets before net gain (loss) on investments	7,915,315	(788,129)	1,628,030	8,755,216
Net gain (loss) on investments:				
Realized gain on investments	5,265,725	2,781,381		8,047,106
Unrealized (loss) on investments	(440,740)	(1,399,733)		(1,840,473)
Change in fair value	(870)	(626,968)		(627,838)
	<u>4,824,115</u>	<u>754,680</u>	<u>0</u>	<u>5,578,795</u>
Change in net assets	12,739,430	(33,449)	1,628,030	14,334,011
Net assets, beginning of year, as restated - Note 18	57,160,880	2,834,898	11,437,731	71,433,509
Transfers per donor stipulation	(1,464,054)	680,622	783,432	0
Reclassification for fund deficiencies - Note 13	251,561	(251,561)		0
Net assets, end of year	<u>\$ 68,687,817</u>	<u>\$ 3,230,510</u>	<u>\$ 13,849,193</u>	<u>\$ 85,767,520</u>

See Accompanying Notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues and other support:				
Contributions and bequests	\$ 3,856,688	\$ 384,507	\$ 414,175	\$ 4,655,370
Interest, dividends and royalties	4,178,479	536,950		4,715,429
Governmental grant revenues	2,283,808			2,283,808
Programmatic and administrative support	2,100			2,100
Fund management fees	29,929			29,929
Special event revenues	188,622			188,622
Other revenue	43,623			43,623
	<u>10,583,249</u>	<u>921,457</u>	<u>414,175</u>	<u>11,918,881</u>
Net assets released from restrictions	743,588	(743,588)		0
Total revenues and other support	<u>11,326,837</u>	<u>177,869</u>	<u>414,175</u>	<u>11,918,881</u>
Expenses and losses - Note 14:				
Grants and distributions	3,703,213			3,703,213
Program subcontracts	2,137,168			2,137,168
Salaries, wages and related expenses	1,535,013			1,535,013
Office expenses	598,308			598,308
Professional services	350,149			350,149
Promotion and development	78,993			78,993
Special event expenses	56,752			56,752
Other expenses	62,731			62,731
Loss on disposal of property and equipment	9,188			9,188
Total expenses and losses	<u>8,531,515</u>	<u>0</u>	<u>0</u>	<u>8,531,515</u>
Change in net assets before net gain (loss) on investments	2,795,322	177,869	414,175	3,387,366
Net gain (loss) on investments:				
Realized (loss) on investments	(7,780,373)	(468,825)		(8,249,198)
Unrealized (loss) on investments	(10,259,670)	(3,234,106)		(13,493,776)
(Loss) on forgiveness of receivables	(150,000)			(150,000)
Change in fair value	(1,180)	402,495		401,315
	<u>(18,191,223)</u>	<u>(3,300,436)</u>	<u>0</u>	<u>(21,491,659)</u>
Change in net assets	(15,395,901)	(3,122,567)	414,175	(18,104,293)
Net assets beginning of year	74,613,930	3,900,316	11,023,556	89,537,802
Reclassification for UPMIFA adoption - Note 17	(447,834)	447,834		0
Reclassification for fund deficiencies - Note 13	<u>(1,609,315)</u>	<u>1,609,315</u>		<u>0</u>
Net assets end of year as restated - Note 18	<u>\$ 57,160,880</u>	<u>\$ 2,834,898</u>	<u>\$ 11,437,731</u>	<u>\$ 71,433,509</u>

See Accompanying Notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 14,334,011	\$ (18,104,293)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Donation of stock	(820,896)	(370,897)
Realized (gain) loss on investments	(8,047,106)	8,249,198
Unrealized loss on investments	1,840,473	13,493,776
Loss on disposal of property and equipment	0	9,188
Depreciation	53,430	50,512
(Increase) decrease in operating assets:		
Pledges receivable	(176,427)	(113,666)
Bequest receivable	(10,288,465)	215,864
Note receivable	0	150,000
Government contracts receivable	(77,380)	262,192
Interest and other receivables	(271,380)	43,194
Charitable remainder annuity trusts	259,366	45,299
Other assets	7,057	1,556
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	7,635	(52,700)
Grants and distributions payable	(60,146)	(591,633)
Designated obligations	261,750	(598,643)
Contributions restricted for long-term purposes	(1,628,030)	(414,175)
Change in agency funds, including investment gains (losses)	452,189	(53,972)
Net cash provided by (used in) operating activities	(4,153,919)	2,220,800
Cash flows from investing activities:		
Proceeds from sales of investments	63,081,166	19,010,449
Purchases of investments	(61,503,541)	(24,690,825)
Purchases of property and equipment	(2,324)	(71,566)
Net cash provided by (used in) investing activities	1,575,301	(5,751,942)
Cash flows provided by financing activities -		
Contributions restricted for long-term purposes	1,628,030	414,175
Change in cash and cash equivalents	(950,588)	(3,116,967)
Cash and cash equivalents, beginning of year	11,507,185	14,624,152
Cash and cash equivalents, end of year	\$ <u>10,556,597</u>	\$ <u>11,507,185</u>

Supplemental cash flow information:

No cash paid for interest or income taxes in 2010 or 2009.

See Accompanying Notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2010 and 2009

NOTE 1 – Organization

The consolidated entity, 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.

CFSA accepts, creates and manages donations, endowments and other charitable gifts for the purpose of providing grants and scholarships in the community. Donors frequently advise CFSA on the selection of projects and grantees. CFSA also serves as trustee for charitable trusts and as fiscal agent for public monies targeting health issues, job training and community development.

The consolidated financial statements include the following:

The CFSA Pooled Income Fund - 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 - a fund that includes trusts whereby the individuals receive income from the trusts 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 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 also members of 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 allocates its resources towards grants to qualified religious, charitable, scientific and educational organizations.

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

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

The Thomas R. Brown Family Foundation (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 supports the purposes of CFSA through grants to organizations and projects supportive of women's issues.

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

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

The Zuckerman Community Outreach Foundation (Zuckerman Foundation) 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. The Zuckerman Foundation seeks to fund traditional and innovate projects and programs that exist to support this mission.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2010 and 2009

NOTE 1 – Organization - continued

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 (SCCF) 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.

NOTE 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. Each of the entities maintains their own net assets. Inter-organization transactions and balances have been eliminated in consolidation.

Use of estimates in preparing consolidated financial statements

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statement of cash flows, CFSA and its Affiliates consider all highly liquid instruments purchased with a maturity of three months or less at the date of purchase to be cash equivalents. Certain entities maintain cash in bank deposit or brokerage accounts which may exceed federally insured limits or are uninsured. At June 30, 2010, CFSA and its Affiliates' uninsured cash balances totaled \$1,107,586.

Investments

All investments are stated at fair value 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 Internal Revenue Service.

Receivables

Pledges (or 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 pledges are recorded at their present value calculated over the time period of the commitment and recognized as contribution revenue as the present value increases. An allowance for doubtful pledges is not maintained as management considers all pledges to be fully collectible. Conditional pledges are recognized when the conditions on which they depend are substantially met. CFSA and its affiliates have been notified of numerous conditional pledges which could not be reasonably valued at year-end.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2010 and 2009

NOTE 2 – Summary of significant accounting policies – continued

Property and equipment

Property and equipment are stated at cost, if purchased, or if donated, at fair value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Land improvements are depreciated over five to ten years, buildings and leasehold improvements over ten to forty years, computers and software over three to five years, equipment over five to eight years and furniture over five to ten years. Capitalization policies vary among CFSA and its Affiliates but the general policy is to capitalize any property or equipment with a useful life of greater than one year and a cost greater than \$2,500.

Land held for conservation/permanent collections – conservation easements

SCCF 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, SCCF is generally responsible for ensuring that the terms of the easements are not violated. As of June 30, 2010, SCCF held one conservation easement. SCCF has opted to expense purchased conservation easements, and donated easements are not recorded.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities represent amounts owed by CFSA and its Affiliates that are not yet disbursed.

Grants and distributions payable

Grants and distributions payable represent support grants pledged by CFSA and its Affiliates to recipient organizations that are not yet disbursed.

Designated obligations

CFSA's trustees manage assets contributed to the Pooled Income Fund and the Charitable Remainder Trust Fund 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 year-to-year 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 Pooled Income Fund, 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.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2010 and 2009

NOTE 2 – Summary of significant accounting policies – continued

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 financial statements at fair market value if the following criteria are met:

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

Although CFSA and its Affiliates utilize the services of many outside volunteers, the fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

Administrative allocation

Charges for administrative and overhead expenses of CFSA are allocated against the resources of CFSA and its Affiliates 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 Internal Revenue Code (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.

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification No. 740-10 (ASC 740-10), the CFSA holds no uncertain tax positions and, therefore, has no policy for evaluating them. CFSA's Form 990, *Return of Organization Exempt from Income Taxes*, and Arizona Form 99, *Arizona Exempt Organization Annual Information Return*, are generally subject to examination by the IRS and the Arizona Department of Revenue, respectively, for four years after the date filed.

Net assets

Net assets are classified into one of three classes of net assets based on the existence or absence of donor-imposed restrictions that may be unrestricted, temporarily restricted and permanently restricted.

Endowments

CFSA and its Affiliates' endowments consist of several individual funds established under either donor restriction or as designated by the Board of Trustees for a variety of purposes. As required by generally accepted accounting principles, 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. During the year ended June 30, 2009, The State of Arizona adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) (the Act).

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2010 and 2009

NOTE 2 – Summary of significant accounting policies – continued

The Board of Trustees of CFSA and its Affiliates have interpreted the Act 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, CFSA and Affiliates classify 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 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 organization in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, CFSA and Affiliates consider the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (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 organization
- (7) The investment policies of the organization.

NOTE 3 – Investments

Investments at June 30, 2010 and 2009 were as follows:

	2010	2009
Equity securities	\$ 7,575,469	\$ 16,109,715
Fixed income investments	5,259,196	3,814,510
Corporate bonds	0	50,370
Mutual funds	50,946,614	35,448,074
Oil and gas interests	495,962	455,040
Limited offshore partnerships	3,892,260	6,965,851
Interest in trust	229,377	0
Certificates of deposit	125,322	191,543
U.S. treasuries	203,329	231,713
Municipal securities	117,663	128,472
	<u>\$ 68,845,192</u>	<u>\$ 63,395,288</u>

Investment fees are reported in office expenses on the consolidated statements of activities. For the year ended June 30, 2010 and 2009, investment fees charged by outside investment managers were \$284,968 and \$224,843, respectively.

At June 30, 2010 and 2009, \$29,097,522 and \$28,003,621, respectively, of the total investments are invested and valued by each supporting organization's own investment policies and guidelines. Of the supporting organizations' total investments at June 30, 2010 and 2009, \$3,756,169 and \$4,110,680, respectively, of limited offshore partnerships are held and managed by one supporting organization.

At June 30, 2010 and 2009, \$13,097,319 and \$11,457,731, respectively, of the above investments were permanently restricted for endowment net assets and, as such, were unavailable for operations.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2010 and 2009

NOTE 4 – Pledges receivable

Pledges receivable due after one year are discounted at rates ranging from 3.25% to 6%. At June 30, 2010 and 2009, pledges receivable consisted of the following:

	2010	2009
Pledges receivable in less than one year	\$ 578,227	\$ 344,608
Pledges receivable in one to five years	176,300	248,590
Pledges receivable in six to ten years	<u>3,000</u>	<u>0</u>
	757,527	593,198
Less allowance for uncollectible pledges	(5,450)	(6,745)
Less discount to present value	<u>(23,577)</u>	<u>(34,380)</u>
	\$ <u><u>728,500</u></u>	\$ <u><u>552,073</u></u>

NOTE 5 – Charitable remainder annuity trusts

CFSA is the beneficiary of two irrevocable charitable remainder trusts administered by third party trustees. The value of the remainder interest is calculated using a discount rate and actuarial tables to show a receivable from the trust. The estimated value of the remainder interest in the two trusts was \$283,632 and \$542,998 at June 30, 2010 and 2009, respectively.

NOTE 6 – Property and equipment

Property and equipment at June 30, 2010 and 2009 were as follows:

	2010	2009
Equipment and furniture	\$ 75,311	\$ 75,311
Buildings and improvements	578,470	578,470
Computer equipment and software	156,151	178,178
Land	276,400	276,400
Leasehold improvements	<u>4,892</u>	<u>4,892</u>
	1,091,224	1,113,251
Less accumulated depreciation	<u>(337,908)</u>	<u>(308,829)</u>
	\$ <u><u>753,316</u></u>	\$ <u><u>804,422</u></u>

NOTE 7 – Other assets

Other assets at June 30, 2010 and 2009 were comprised of the following:

	2010	2009
Prepaid and miscellaneous assets	\$ 14,229	\$ 20,416
Land held for conservation	1,500	1,500
Land held for sale	14,600	14,600
Split dollar life insurance policies	<u>37,430</u>	<u>38,300</u>
	\$ <u><u>67,759</u></u>	\$ <u><u>74,816</u></u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2010 and 2009

NOTE 8 – Designated obligations

Designated obligations at June 30, 2010 and 2009 were as follows:

	2010	2009
Charitable gift annuities	\$ 1,155,958	\$ 1,082,606
Unitrusts	137,271	135,600
Lead trusts	961,732	802,858
Pooled income fund	157,128	129,275
	<u>\$ 2,412,089</u>	<u>\$ 2,150,339</u>

NOTE 9 – Due to other agencies

Amounts due to other agencies at June 30, 2010 and 2009 were as follows:

	2010	2009
Casa de Esperanza endowment	\$ 64,467	\$ 60,471
Community Food Bank	180,868	140,928
Eighty-Eight Crime fund	66,948	59,835
Green Valley Assistance Services endowment	624,827	579,848
Handi-Dogs endowment fund	273,219	35,226
Sarah P. Hausman endowment fund	158,009	146,884
Lorraine Maria Hamilton fund	96,097	90,607
Holsclaw fund for Goodwill Industries	68,004	60,601
Holmes Tuttle memorial fund	105,649	98,203
Alice Y. Holsclaw YWCA fund	48,324	44,921
Kaplan fund	46,045	0
St. Andrew's Crippled Children's Clinic	114,549	106,751
Southern Arizona Mental Health Corporation	91,201	0
Tohono O'Odham Community College endowment	148,387	132,688
Tucson Audubon Society	1,242	95,640
Tucson Audubon endowment fund	152,127	135,465
Tucson Botanical Gardens	77,945	77,520
Up With People	175,076	170,748
Oro Valley Community Foundation custodial	96,398	115,755
Other funds	210,201	195,303
	<u>\$ 2,799,583</u>	<u>\$ 2,347,394</u>

NOTE 10 - Pension plan

CFSA has a 403(b) plan covering substantially all employees. Employees who work at least 20 hours per week become participants in the plan after being employed three months. Participants are fully vested in the employer contribution after five years of service. Employer contributions are discretionary based on board approval. Pension plan expense was \$0 and \$34,471 for the years ended June 30, 2010 and 2009, respectively.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2010 and 2009

NOTE 11 – Temporarily restricted net assets

Temporarily restricted net asset activity for the year ended June 30, 2010 was as follows:

	Field of interest funds	Future year operations		Accumulated earnings for endow- ments	Gift annuities/ charitable remainder trusts	Pooled income funds	Total
		CFSA	WFSA				
Beginning balance	\$ 522,642	\$ 181,605	\$ 20,165	\$ 288,877	\$ 1,661,920	\$ 159,689	\$ 2,834,898
Contributions	103,848	5,370	23,425		50,604		183,247
Interest and dividends	31,842			290,825	111,884	13,606	448,157
Realized gains	219,577			2,004,964	525,666	31,174	2,781,381
Unrealized gains (losses)	(121,066)			(1,105,206)	(175,793)	2,332	(1,399,733)
Change in value of split interest investments					(588,127)	(38,841)	(626,968)
Releases/appropriations	(307,074)	(182,745)	(12,163)	(745,976)	(168,714)	(2,861)	(1,419,533)
Reclassifications:							
Donor stipulations	761,286			(80,664)			680,622
Fund deficiencies				(251,561)			(251,561)
Ending balance	<u>\$ 1,211,055</u>	<u>\$ 4,230</u>	<u>\$ 31,427</u>	<u>\$ 401,259</u>	<u>\$ 1,417,440</u>	<u>\$ 165,099</u>	<u>\$ 3,230,510</u>

Temporarily restricted net asset activity for the year ended June 30, 2009 was as follows:

	Field of interest funds	Future year operations		Accumulated earnings for endow- ments	Gift annuities/ charitable remainder trusts	Pooled income funds	Total
		CFSA	WFSA				
Beginning balance	\$ 444,272	\$ 146,218	\$ 25,106	\$ 995,636	\$ 2,118,183	\$ 170,901	\$ 3,900,316
Reclassification for UPMIFA adoption				447,834			447,834
Contributions	175,889	179,270	2,586		26,762		384,507
Interest and dividends	14,948			362,438	141,751	17,813	536,950
Realized (losses)	(13,288)			(347,520)	(107,122)	(895)	(468,825)
Unrealized (losses)	(70,662)			(2,386,878)	(737,625)	(38,941)	(3,234,106)
Change in value of split interest investments					389,216	13,279	402,495
Releases/appropriations	(28,517)	(143,883)	(7,527)	(391,948)	(169,245)	(2,468)	(743,588)
Reclassification for fund deficiencies				1,609,315			1,609,315
Ending balance	<u>\$ 522,642</u>	<u>\$ 181,605</u>	<u>\$ 20,165</u>	<u>\$ 288,877</u>	<u>\$ 1,661,920</u>	<u>\$ 159,689</u>	<u>\$ 2,834,898</u>

NOTE 12 – Permanently restricted net assets

Permanently restricted net assets at June 30, 2010 were as follows:

	CFSA	WFSA	Sycamore Canyon	Total
Beginning balance	\$ 10,334,775	\$ 1,101,456	\$ 1,500	\$ 11,437,731
Contributions	1,491,000	137,030		1,628,030
Transfers per donors	783,432			783,432
Ending balance	<u>\$ 12,609,207</u>	<u>\$ 1,238,486</u>	<u>\$ 1,500</u>	<u>\$ 13,849,193</u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2010 and 2009

NOTE 12 – Permanently restricted net assets – continued

Permanently restricted net assets at June 30, 2009 were as follows:

	CFSA	WFSA	Sycamore Canyon	Total
Beginning balance	\$ 10,252,544	\$ 769,512	\$ 1,500	\$ 11,023,556
Contributions	82,231	331,944		414,175
Ending balance	<u>\$ 10,334,775</u>	<u>\$ 1,101,456</u>	<u>\$ 1,500</u>	<u>\$ 11,437,731</u>

NOTE 13 – 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 Act requires CFSA and its Affiliates to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, accumulated deficiencies of this nature that are reported as reclassification from unrestricted net assets to temporarily restricted net assets were \$1,469,074 and \$1,720,635 at June 30, 2010 and 2009, respectively.

Return objectives and risk parameters

CFSA and its Affiliates have 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 organization 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, CFSA and its Affiliates rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). CFSA and its Affiliates target 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 4.25 percent 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.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2010 and 2009

NOTE 13 – Endowments – continued

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 consisted of the following at June 30, 2010:

	Unrestricted				
	Board designated	Fund deficiencies	Temporarily restricted	Permanently restricted	Total
Beginning balance	\$ 12,876,650	\$ (1,720,635)	\$ 288,877	\$ 11,437,731	\$ 22,882,623
Contributions	160,047			1,628,030	1,788,077
Interest/dividends	202,227		290,825		493,052
Realized gain	1,394,543		2,004,964		3,399,507
Unrealized (loss)	(768,893)		(1,105,206)		(1,874,099)
Appropriated for expenditure	(651,385)		(745,976)		(1,397,361)
Reclassifications:					
Donor stipulations	19,093		(80,664)	783,432	721,861
Fund deficiencies		251,561	(251,561)		0
Ending balance	\$ <u>13,232,282</u>	\$ <u>(1,469,074)</u>	\$ <u>401,259</u>	\$ <u>13,849,193</u>	\$ <u>26,013,660</u>

Net assets in the endowment funds consisted of the following at June 30, 2009:

	Unrestricted				
	Board designated	Fund deficiencies	Temporarily restricted	Permanently restricted	Total
Beginning balance	\$ 15,072,815	\$ 0	\$ 995,636	\$ 11,023,556	\$ 27,092,007
Reclassification for UPMIFA adoption		(111,320)	447,834		336,514
Contributions	55,976			414,175	470,151
Interest/dividends	260,811		362,438		623,249
Realized (loss)	(240,511)		(347,520)		(588,031)
Unrealized (loss)	(1,795,115)		(2,386,878)		(4,181,993)
Appropriated for expenditure	(477,326)		(391,948)		(869,274)
Reclassification of fund deficiencies		(1,609,315)	1,609,315		0
Ending balance	\$ <u>12,876,650</u>	\$ <u>(1,720,635)</u>	\$ <u>288,877</u>	\$ <u>11,437,731</u>	\$ <u>22,882,623</u>

See Note 11 for endowment related activities in temporarily restricted net assets and Note 12 for endowment related activities in permanently restricted net assets.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2010 and 2009

NOTE 14 – Functional expenses

Functional expenses for the year ended June 30, 2010 for the consolidated entities follows:

	CFSA, trusts and pooled income	Supporting organizations	Eliminations	Total
Program services	\$ 5,598,172	\$ 6,098,228	\$ (429,353)	\$ 11,267,047
Development and public relations	106,812	64,023	(8,342)	162,493
Management and general	982,669	333,299	(76,747)	1,239,221
	<u>\$ 6,687,653</u>	<u>\$ 6,495,550</u>	<u>\$ (514,442)</u>	<u>\$ 12,668,761</u>

Functional expenses for the year ended June 30, 2009 for the consolidated entities follows:

	CFSA, trusts and pooled income	Supporting organizations	Eliminations	Total
Program services	\$ 5,569,722	\$ 1,717,370	\$ (143,460)	\$ 7,143,632
Development and public relations	106,558	64,276	(8,149)	162,685
Management and general	969,555	330,614	(74,971)	1,225,198
	<u>\$ 6,645,835</u>	<u>\$ 2,112,260</u>	<u>\$ (226,580)</u>	<u>\$ 8,531,515</u>

NOTE 15 – Lease commitments

CFSA leases office space under the terms of a month to month lease and office equipment under the terms of a lease expiring May 2014. In addition, the Robidoux Foundation leases office space under the terms of a lease which expired September 2010 and subsequently became a month to month lease. Rental expense for the years ended June 30, 2010 and 2009 was as follows:

	2010	2009
Robidoux Foundation	\$ 15,297	\$ 30,590
CFSA	14,275	30,316
	<u>\$ 29,572</u>	<u>\$ 60,906</u>

Future minimum lease payments for the CFSA and Robidoux Foundation leases at June 30, 2010 are as follows:

	CFSA	Robidoux	Total
Year ending June 30, 2011	\$ 7,586	\$ 7,935	\$ 15,521
2012	7,586		7,586
2013	7,586		7,586
2014	6,954		6,954
	<u>\$ 29,712</u>	<u>\$ 7,935</u>	<u>\$ 37,647</u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2010 and 2009

NOTE 16 – Fair value measurements

Fair value measurements are determined based on the assumptions—referred to as inputs—that market participants would use in pricing the asset. SFAS No. 157 establishes a fair value hierarchy that distinguishes between market participant assumptions and CFSA and its Affiliates' own assumptions about market participant assumptions. Observable inputs are assumptions based on market data obtained from independent sources, while unobservable inputs are CFSA and its Affiliates' own assumptions about what market participants would assume based on the best information available in the circumstances.

Level 1 Inputs. A quoted price in an active market for an identical asset or liability is considered to be the most reliable evidence of fair value. The fair value of the CFSA and its Affiliates publicly traded securities are determined by reference to quoted prices in active markets for identical assets and other relevant information generated by market transactions.

Level 2 Inputs. These are observable inputs, either directly or indirectly, other than quoted prices included within Level 1. The fair value of mutual funds, interest in trust, charitable remainder annuity trusts and split dollar life insurance policies is based on information quoted by investment consultants and other independent measures.

Level 3 Inputs. These inputs are unobservable and are used to measure fair value only when observable inputs are not available. The fair value of investments in limited and offshore partnerships is based on reported value by fund managers or general partners and may differ from the values that would have been reported had a ready market for these investments existed. Oil and gas interests were valued at a multiple of prior year earnings based upon estate valuation guidance issued by the Internal Revenue Service. The fair value of the pledges receivable is estimated using an interest rate which approximates the present value of future cash flows.

The fair value of assets measured on a non-recurring basis consisted of pledges receivable totaling \$728,500 and \$552,073, respectively, at June 30, 2010 and 2009.

Fair values of assets measured on a recurring basis at June 30, 2010 were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 7,575,469			\$ 7,575,469
Fixed income investments	5,259,196			5,259,196
Mutual funds		\$ 50,946,614		50,946,614
Oil and gas interests			\$ 495,962	495,962
Limited and offshore partnerships			3,892,260	3,892,260
Interest in trust		229,377		229,377
Certificates of deposit	125,322			125,322
U.S. treasuries	203,329			203,329
Municipal securities	117,663			117,663
Charitable remainder annuity trusts		283,632		283,632
Split dollar life insurance policies		37,430		37,430
	<u>\$ 13,280,979</u>	<u>\$ 51,497,053</u>	<u>\$ 4,388,222</u>	<u>\$ 69,166,254</u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2010 and 2009

NOTE 16 – Fair value measurements – continued

Fair values of assets measured on a recurring basis at June 30, 2009 were as follows:

	Level 1	Level 2	Level 3	Total
Equity securities	\$ 16,109,715			\$ 16,109,715
Fixed income investments	3,814,510			3,814,510
Corporate bonds	50,370			50,370
Mutual funds		\$ 35,448,074		35,448,074
Oil and gas interests			\$ 455,040	455,040
Limited and offshore partnerships			6,965,851	6,965,851
Certificates of deposit	191,543			191,543
U.S. treasuries	231,713			231,713
Municipal securities	128,472			128,472
Charitable remainder annuity trusts		542,998		542,998
Split dollar life insurance policies		38,300		38,300
	<u>\$ 20,526,323</u>	<u>\$ 36,029,372</u>	<u>\$ 7,420,891</u>	<u>\$ 63,976,586</u>

Assets measured at fair value at June 30, 2010 on a recurring basis using significant unobservable inputs (Level 3) were as follows:

	Beginning balance	Purchases	Sales	Change in value	Ending balance
Limited and offshore partnerships	\$ 6,965,851	\$ 639,770	\$ (4,483,639)	\$ 770,278	\$ 3,892,260
Oil and gas interests	455,040			40,922	495,962
	<u>\$ 7,420,891</u>	<u>\$ 639,770</u>	<u>\$ (4,483,639)</u>	<u>\$ 811,200</u>	<u>\$ 4,388,222</u>

Assets measured at fair value at June 30, 2009 on a recurring basis using significant unobservable inputs (Level 3) were as follows:

	Beginning balance	Purchases	Sales	Change in value	Ending balance
Limited and offshore partnerships	\$ 10,561,446	\$ 4,573,713	\$ (2,620,905)	\$ (5,548,403)	\$ 6,965,851
Oil and gas interests	399,810			55,230	455,040
	<u>\$ 10,961,256</u>	<u>\$ 4,573,713</u>	<u>\$ (2,620,905)</u>	<u>\$ (5,493,173)</u>	<u>\$ 7,420,891</u>

NOTE 17 – Reclassification for UPMIFA adoption

During the year ended June 30, 2009, CFSA and its Affiliates adopted Financial Accountings Standards Board Accounting Standards Codification (ASC) 958-225, *Endowments for Non-for-Profit Organizations: Net Asset Classification of Funds Subject to the Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. This resulted in a reclassification of net assets during the year ended June 30, 2009 of \$447,834.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2010 and 2009

NOTE 18 – Reclassification of net assets

During the year ended June 30, 2010, the following reclassifications were made to net assets at June 30, 2009:

	<u>Unrestricted net assets</u>	<u>Temporarily restricted net assets</u>	<u>Permanently restricted net assets</u>	<u>Total net assets</u>
Balance at June 20, 2009 as originally stated	\$ 57,275,383	\$ 2,720,395	\$ 11,437,731	\$ 71,433,509
Reclassification of net assets	<u>(114,503)</u>	<u>114,503</u>		<u>0</u>
Balance at June 20, 2009 as restated	<u>\$ 57,160,880</u>	<u>\$ 2,834,898</u>	<u>\$ 11,437,731</u>	<u>\$ 71,433,509</u>

NOTE 19 – Bequests receivable

Bequests receivable at June 30, 2010 and 2009 consisted of bequests totaling \$10,299,854 and \$11,389, respectively. For the June 30, 2010 bequest receivable, the administration of the estate is still in process and CFSA anticipates receipt of the funds in 2011.

NOTE 20 – Subsequent events

Subsequent events have been evaluated through March 10, 2011, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2010
(with comparative totals for June 30, 2009)

	<u>Community Foundation for Southern Arizona, Inc.</u>	<u>Pooled income fund</u>	<u>Gift annuities/ charitable remainder trusts</u>	<u>Total without supporting organizations</u>	<u>Supporting organizations</u>	<u>Consolidating entries</u>	<u>Total with supporting organizations</u>	
							<u>2010</u>	<u>2009</u>
ASSETS								
Cash and cash equivalents	\$ 6,292,528	\$ 1,141	\$ 23,180	\$ 6,316,849	\$ 4,239,748		\$ 10,556,597	\$ 11,507,185
Investments	35,431,185	322,632	3,364,088	39,117,905	30,781,875	\$ (1,054,588)	68,845,192	63,395,288
Pledges receivable	477,668			477,668	320,832	(70,000)	728,500	552,073
Bequests receivable	10,299,854			10,299,854			10,299,854	11,389
Government contracts receivable	394,184			394,184			394,184	316,804
Interest and other receivables	349,664	1,045	10,041	360,750	17,721	(39,089)	339,382	68,002
Charitable remainder annuity trusts			283,632	283,632			283,632	542,998
Property and equipment	93,310			93,310	660,006		753,316	804,422
Other assets	46,556			46,556	21,203		67,759	74,816
	<u>\$ 53,384,949</u>	<u>\$ 324,818</u>	<u>\$ 3,680,941</u>	<u>\$ 57,390,708</u>	<u>\$ 36,041,385</u>	<u>\$ (1,163,677)</u>	<u>\$ 92,268,416</u>	<u>\$ 77,272,977</u>
LIABILITIES AND NET ASSETS								
Liabilities:								
Accounts payable and accrued liabilities	\$ 66,235	\$ 2,591	\$ 8,540	\$ 77,366	\$ 52,761	\$ (39,089)	\$ 91,038	\$ 83,403
Grants and distributions payable	638,036			638,036	630,150	(70,000)	1,198,186	1,258,332
Designated obligations		157,128	2,254,961	2,412,089			2,412,089	2,150,339
Due to other agencies	3,854,171			3,854,171		(1,054,588)	2,799,583	2,347,394
	<u>4,558,442</u>	<u>159,719</u>	<u>2,263,501</u>	<u>6,981,662</u>	<u>682,911</u>	<u>(1,163,677)</u>	<u>6,500,896</u>	<u>5,839,468</u>
Net assets:								
Unrestricted	34,648,556			34,648,556	34,039,261		68,687,817	57,160,880
Temporarily restricted	1,568,744	165,099	1,417,440	3,151,283	79,227		3,230,510	2,834,898
Permanently restricted	12,609,207			12,609,207	1,239,986		13,849,193	11,437,731
	<u>48,826,507</u>	<u>165,099</u>	<u>1,417,440</u>	<u>50,409,046</u>	<u>35,358,474</u>		<u>85,767,520</u>	<u>71,433,509</u>
	<u>\$ 53,384,949</u>	<u>\$ 324,818</u>	<u>\$ 3,680,941</u>	<u>\$ 57,390,708</u>	<u>\$ 36,041,385</u>	<u>\$ (1,163,677)</u>	<u>\$ 92,268,416</u>	<u>\$ 77,272,977</u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended June 30, 2010
(with comparative totals for June 30, 2009)

	Community Foundation for Southern Arizona, Inc.	Pooled income fund	Gift annuities/ charitable remainder trusts	Total without supporting organizations	Supporting organizations	Consolidating entries	Total with supporting organizations	
							2010	2009
Revenues and other support:								
Contributions and bequests	\$ 14,395,785		\$ 50,604	\$ 14,446,389	\$ 2,683,178	\$ (347,600)	\$ 16,781,967	\$ 4,655,370
Interest, dividends and royalties	966,661	\$ 13,606	111,883	1,092,150	901,172		1,993,322	4,715,429
Governmental grant revenues	2,270,645			2,270,645			2,270,645	2,283,808
Programmatic and administrative support	6,000			6,000			6,000	2,100
Fund management fees	231,489			231,489		(162,941)	68,548	29,929
Special event revenues	163,011			163,011	112,730		275,741	188,622
Other revenue	6,876			6,876	24,778	(3,900)	27,754	43,623
Total revenues and other support	18,040,467	13,606	162,487	18,216,560	3,721,858	(514,441)	21,423,977	11,918,881
Expenses and losses:								
Grants and distributions	2,397,547		1,057	2,398,604	5,760,572	(347,600)	7,811,576	3,703,213
Program subcontracts	2,152,806			2,152,806			2,152,806	2,137,168
Salaries, wages and related expenses	1,182,581			1,182,581	255,628		1,438,209	1,535,013
Office expenses	478,287	1,874	24,784	504,945	188,003	(166,841)	526,107	598,308
Professional services	229,236	987	43,096	273,319	219,008		492,327	350,149
Promotion and development	81,893			81,893	4,925		86,818	78,993
Special event expenses	46,461			46,461	35,956		82,417	56,752
Other expenses	47,044			47,044	31,457		78,501	62,731
Loss on disposal of property and equipment							0	9,188
Total expenses and losses	6,615,855	2,861	68,937	6,687,653	6,495,549	(514,441)	12,668,761	8,531,515
Change in net assets before net gain (loss) on investments and transfers	11,424,612	10,745	93,550	11,528,907	(2,773,691)		8,755,216	3,387,366
Net gain (loss) on investments:								
Realized gain (loss) on investments	6,666,014	31,174	525,116	7,222,304	824,802		8,047,106	(8,249,198)
Unrealized gain (loss) on investments	(3,675,364)	2,332	(175,242)	(3,848,274)	2,007,801		(1,840,473)	(13,493,776)
(Loss) on forgiveness of receivables							0	(150,000)
Change in fair value	(870)	(38,841)	(588,127)	(627,838)			(627,838)	401,315
Transfers in (out)	99,777		(99,777)				0	0
	3,089,557	(5,335)	(338,030)	2,746,192	2,832,603	0	5,578,795	(21,491,659)
Change in net assets	14,514,169	5,410	(244,480)	14,275,099	58,912	0	14,334,011	(18,104,293)
Net assets, beginning of year	34,312,338	159,689	1,661,920	36,133,947	35,299,562	0	71,433,509	89,537,802
Net assets, end of year	\$ 48,826,507	\$ 165,099	\$ 1,417,440	\$ 50,409,046	\$ 35,358,474	\$ 0	\$ 85,767,520	\$ 71,433,509

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION - SUPPORTING ORGANIZATIONS
June 30, 2010

	<u>Melody S. Robidoux Foundation</u>	<u>William E. Hall Foundation</u>	<u>Worth and Dot Howard Foundation</u>	<u>CFSA Properties Inc.</u>	<u>Thomas R. Brown Family Foundation</u>	<u>Women's Foundation of Southern Arizona</u>
ASSETS						
Cash and cash equivalents	\$ 1,008,213		\$ 10,571	\$ 951	\$ 91,945	\$ 231,163
Investments	12,380,592	\$ 629,720	1,766,380		4,458,523	1,304,118
Pledges receivable						320,832
Interest and other receivables			6,593		5,250	
Property and equipment	5,487			654,519		
Other assets				14,600	5,103	
	<u>\$ 13,394,292</u>	<u>\$ 629,720</u>	<u>\$ 1,783,544</u>	<u>\$ 670,070</u>	<u>\$ 4,560,821</u>	<u>\$ 1,856,113</u>
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued liabilities		\$ 1,366	\$ 5,034		\$ 2,501	\$ 21,033
Grants and distributions payable	\$ 280,000	38,000	79,500		190,250	22,500
	280,000	39,366	84,534		192,751	43,533
Net assets:						
Unrestricted	13,114,292	590,354	1,699,010	\$ 670,070	4,368,070	494,867
Temporarily restricted						79,227
Permanently restricted						1,238,486
	<u>13,114,292</u>	<u>590,354</u>	<u>1,699,010</u>	<u>670,070</u>	<u>4,368,070</u>	<u>1,812,580</u>
	<u>\$ 13,394,292</u>	<u>\$ 629,720</u>	<u>\$ 1,783,544</u>	<u>\$ 670,070</u>	<u>\$ 4,560,821</u>	<u>\$ 1,856,113</u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION - SUPPORTING ORGANIZATIONS - continued
June 30, 2010
(with comparative totals for June 30, 2009)

	<u>Knisely Family Foundation</u>	<u>The Zuckerman Community Outreach Foundation</u>	<u>Howard V. Moore Foundation</u>	<u>Sycamore Canyon Conservation Foundation</u>	<u>Total</u>	
					<u>2010</u>	<u>2009</u>
ASSETS						
Cash and cash equivalents	\$ 611,880	\$ 80,574	\$ 2,148,495	\$ 55,956	\$ 4,239,748	\$ 5,252,477
Investments	2,628,648	7,613,894			30,781,875	29,522,641
Pledges receivable					320,832	392,966
Interest and other receivables	1,105	4,773			17,721	24,897
Property and equipment					660,006	681,774
Other assets				1,500	21,203	31,047
	<u>\$ 3,241,633</u>	<u>\$ 7,699,241</u>	<u>\$ 2,148,495</u>	<u>\$ 57,456</u>	<u>\$ 36,041,385</u>	<u>\$ 35,905,802</u>
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued liabilities	\$ 11,036	\$ 11,411		\$ 380	\$ 52,761	\$ 57,614
Grants and distributions payable		19,900			630,150	548,626
	<u>11,036</u>	<u>31,311</u>		<u>380</u>	<u>682,911</u>	<u>606,240</u>
Net assets:						
Unrestricted	3,230,597	7,667,930	\$ 2,148,495	55,576	34,039,261	34,176,442
Temporarily restricted					79,227	20,164
Permanently restricted				1,500	1,239,986	1,102,956
	<u>3,230,597</u>	<u>7,667,930</u>	<u>2,148,495</u>	<u>57,076</u>	<u>35,358,474</u>	<u>35,299,562</u>
	<u>\$ 3,241,633</u>	<u>\$ 7,699,241</u>	<u>\$ 2,148,495</u>	<u>\$ 57,456</u>	<u>\$ 36,041,385</u>	<u>\$ 35,905,802</u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES - SUPPORTING ORGANIZATIONS
Year ended June 30, 2010

	<u>Melody S. Robidoux Foundation</u>	<u>William E. Hall Foundation</u>	<u>Worth and Dot Howard Foundation</u>	<u>CFSA Properties Inc.</u>	<u>Thomas R. Brown Family Foundation</u>	<u>Women's Foundation of Southern Arizona</u>
Revenue and other support:						
Contributions and bequests		\$ 961			\$ 2,300,000	\$ 357,234
Interest, dividends and royalties	\$ 103,600	17,777	\$ 73,518	\$ 3	211,425	24,484
Special event revenues						112,730
Other revenue					124	
Total revenues and other support	<u>103,600</u>	<u>18,738</u>	<u>73,518</u>	<u>3</u>	<u>2,511,549</u>	<u>494,448</u>
Expenses and losses:						
Grants and distributions	357,759	38,000	79,000		4,580,624	163,880
Salaries, wages and related expenses	71,747		55,695			128,186
Office expenses	52,043	2,109	2,524	43	19,593	40,165
Professional services	8,660	8,911	28,199	1,000	20,297	35,943
Promotion and development					1,960	2,965
Special event expenses						35,956
Other expenses	1,172			20,890	9,395	
Loss on disposal of property and equipment						
Total expenses and losses	<u>491,381</u>	<u>49,020</u>	<u>165,418</u>	<u>21,933</u>	<u>4,631,869</u>	<u>407,095</u>
Change in net assets before net gain (loss) on investments and transfers	(387,781)	(30,282)	(91,900)	(21,930)	(2,120,320)	87,353
Net gain (loss) on investments:						
Realized gain (loss) on investments	243,681	116,461	(84,484)		188,044	135,929
Unrealized (loss) on investments	923,545	(57,056)	(76,470)		279,601	(58,199)
(Loss) on forgiveness of receivables						
Transfers in (out)	<u>1,167,226</u>	<u>59,405</u>	<u>(160,954)</u>	<u>0</u>	<u>467,645</u>	<u>77,730</u>
Change in net assets	<u>779,445</u>	<u>29,123</u>	<u>(252,854)</u>	<u>(21,930)</u>	<u>(1,652,675)</u>	<u>165,083</u>
Net assets, beginning of year	<u>12,334,847</u>	<u>561,231</u>	<u>1,951,864</u>	<u>692,000</u>	<u>6,020,745</u>	<u>1,647,497</u>
Net assets, end of year	<u>\$ 13,114,292</u>	<u>\$ 590,354</u>	<u>\$ 1,699,010</u>	<u>\$ 670,070</u>	<u>\$ 4,368,070</u>	<u>\$ 1,812,580</u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES - SUPPORTING ORGANIZATIONS - continued
Year ended June 30, 2010
(with comparative totals for the year ended June 30, 2009)

	Knisely Family Foundation	The Zuckerman Community Outreach Foundation	Howard V. Moore Foundation	Sycamore Canyon Conservation Foundation	Total	
					2010	2009
Revenue and other support:						
Contributions and bequests	\$ 17,865			\$ 7,118	\$ 2,683,178	\$ 2,190,660
Interest, dividends and royalties	83,363	\$ 383,264	\$ 3,642	96	901,172	3,221,112
Special event revenues					112,730	113,995
Other revenue	1,202			23,452	24,778	26,901
Total revenues and other support	102,430	383,264	3,642	30,666	3,721,858	5,552,668
Expenses and losses:						
Grants and distributions	138,500	402,809			5,760,572	1,378,534
Salaries, wages and related expenses					255,628	233,681
Office expenses	17,047	53,143	14	1,322	188,003	181,965
Professional services	19,563	47,444	19,288	29,703	219,008	232,234
Promotion and development					4,925	5,956
Special event expenses					35,956	36,077
Other expenses					31,457	34,625
Loss on disposal of property and equipment					0	9,188
Total expenses and losses	175,110	503,396	19,302	31,025	6,495,549	2,112,260
Change in net assets before net gain (loss) on investments and transfers	(72,680)	(120,132)	(15,660)	(359)	(2,773,691)	3,440,408
Net gain (loss) on investments:						
Realized gain (loss) on investments	228,059	(2,888)			824,802	(7,307,816)
Unrealized (loss) on investments	152,125	844,255			2,007,801	(4,476,202)
(Loss) on forgiveness of receivables					0	(150,000)
Transfers in (out)					0	(69)
	380,184	841,367	0	0	2,832,603	(11,934,087)
Change in net assets	307,504	721,235	(15,660)	(359)	58,912	(8,493,679)
Net assets, beginning of year	2,923,093	6,946,695	2,164,155	57,435	35,299,562	43,793,241
Net assets, end of year	\$ 3,230,597	\$ 7,667,930	\$ 2,148,495	\$ 57,076	\$ 35,358,474	\$ 35,299,562

A-133 SINGLE AUDIT REPORTS AND SCHEDULES

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Community Foundation for Southern Arizona
Tucson, Arizona

We have audited the financial statements of Community Foundation for Southern Arizona (a nonprofit organization) as of and for the year ended June 30, 2010 and have issued our report thereon dated March 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Community Foundation for Southern Arizona's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Foundation for Southern Arizona's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Community Foundation for Southern Arizona's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified a deficiency in internal control that we consider to be a material weakness, as defined above, and which is described in the accompanying Schedule of Findings and Questioned Costs, listed at item 10-1. We also noted other matters related to internal control over financial reporting which we have reported to management and those charged with governance of Community Foundation for Southern Arizona in a separate letter dated March 10, 2011.

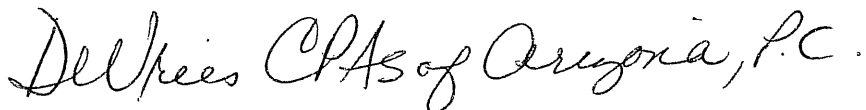
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Foundation for Southern Arizona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Community Foundation for Southern Arizona's response to the above finding is described in the accompanying schedule of findings and questioned costs. We did not audit Community Foundation for Southern Arizona's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees. Finance Committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Devries CPAs of Arizona, P.C.".

DEVRIES CPAS OF ARIZONA, P.C.

March 10, 2011

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Community Foundation for Southern Arizona
Tucson, Arizona

Compliance

We have audited Community Foundation for Southern Arizona 's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Community Foundation for Southern Arizona and Affiliates's major federal programs for the year ended June 30, 2010. Community Foundation for Southern Arizona and Affiliates's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Community Foundation for Southern Arizona and Affiliates's management. Our responsibility is to express an opinion on Community Foundation for Southern Arizona and Affiliates's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community Foundation for Southern Arizona and Affiliates's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Community Foundation for Southern Arizona and Affiliates's compliance with those requirements.

In our opinion, Community Foundation for Southern Arizona and Affiliates complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

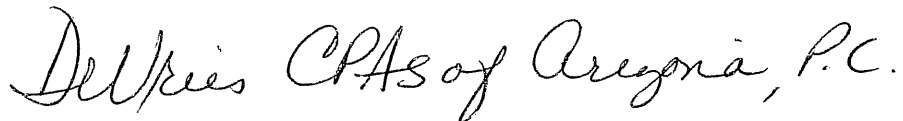
Management of Community Foundation for Southern Arizona and Affiliates is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Community Foundation for Southern Arizona and Affiliates's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the

purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Foundation for Southern Arizona and Affiliates's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees. Finance Committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Devries CPAs of Arizona, P.C.".

DEVRIES CPAS OF ARIZONA, P.C.

March 10, 2011

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2010

The following represents a material weakness in internal control in accordance with *Government Auditing Standards*:

Finding: 10-1	Program: <i>Government Auditing Standards</i>	Questioned Cost: None
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Criteria: A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Condition: For the year audited, 35 audit adjustments were required for the financial statements to be materially correct at year-end, thus the unadjusted general ledger was not materially correct under generally accepted accounting principles. This is a repeat finding from 09-1.

Cause and effect: Various accounts' activities are not reported under generally accepted accounting principles during the year. This requires the accounting staff to make significant adjustments after year end to correct the general ledger accordingly; many of which were posted after the audit fieldwork began. These numerous and material adjustments could also affect the monthly billings for cost reimbursement grants that are being submitted, although we did not note any effect to the monthly billings in the current year..

Recommendation: We recommend that CFSA have appropriate processes in place to properly reconcile the general ledger throughout the year and especially at year-end, prior to audit fieldwork, as part of the year-end closing process.

Management response: During the 2010 fiscal year, the Finance Department was led by an individual who did not have the training to create the correct schedules according to generally accepted accounting principles. In fiscal year 2011, this position has been upgraded to a CPA who can create the correct schedules.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA
SUMMARY OF AUDITORS' RESULTS
Year ended June 30, 2010

Financial statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
One material weakness identified.	10-1
No significant deficiencies identified.	
No noncompliance material to financial statements noted.	

Federal awards

Internal control over major programs:	
No material weaknesses identified.	
No significant deficiencies identified.	
Type of auditors' report issued on compliance for major programs:	Unqualified
No audit findings disclosed as required to be reported in accordance with Circular A-133, Section .510(a).	
Identification of major program:	
93.917 HIV Care Formula Grants	
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee does not qualify as a low risk auditee.	

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2010

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA number	Pass-through grantor's number	<u>Expenditures</u>	<u>Payments to subrecipients</u>
<u>U.S. Department of Health and Human Services</u>				
<i>Passed through Arizona Department of Health Services:</i>				
HIV Care Formula Grants	93.917	HR754080	\$ <u>2,270,645</u> *	\$ <u>2,142,224</u>
TOTAL FEDERAL EXPENDITURES			\$ <u><u>2,270,645</u></u>	\$ <u><u>2,142,224</u></u>

* Major program expenditures = \$2,270,645

NOTE: The schedule of expenditures of federal awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

INFORMATION PREPARED BY AUDITEE

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA
SUMMARY OF PRIOR YEAR FINDINGS
Year ended June 30, 2010

The following represents a material weakness in internal control in accordance with *Government Auditing Standards*:

Finding: 09-1	Program: <i>Government Auditing Standards</i>	Questioned Cost: None
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Criteria: A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Condition: For the year audited, 20 audit adjustments were required for the financial statements to be materially correct at year-end, thus the unadjusted general ledger was not materially correct under generally accepted accounting principles. This is a repeat comment. Below is the allocation of these adjustments by organization:

Community Foundation for Southern Arizona	14
Women's Foundation of Southern Arizona	3
Melody S. Robidoux Foundation	3
	<hr/> 20

Cause and effect: Various accounts' activities are not reported under generally accepted accounting principles during the year. This requires the accounting staff to make significant adjustments after year end to correct the general ledger accordingly, many of which were posted after the audit fieldwork began. These numerous and material adjustments could also affect the monthly billings for cost reimbursement that are being submitted.

Recommendation: We recommend that CFSA have appropriate processes in place to properly reconcile the general ledger throughout the year and especially at year-end, prior to audit fieldwork, as part of the year-end closing process.

Management response: We will continue to improve our processes to reduce the likelihood of having significant audit adjustments.

Status: This is a repeat comment. See 10-1.