

COMMUNITY FOUNDATION FOR
SOUTHERN ARIZONA AND AFFILIATES

Audited Consolidated Financial Statements
and Supplementary Information

For the years ended June 30, 2024 and 2023

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2024 and 2023, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Community Foundation for Southern Arizona and Affiliates as of June 30, 2024 and 2023, 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.

Basis for Qualified Opinion

As more fully described in Note 2 to the consolidated financial statements, the Worth and Dot Howard Foundation, a supporting organization of Community Foundation for Southern Arizona, is not included in the consolidated financial statements as of and for the year ended June 30, 2023. Accounting principles generally accepted in the United States of America require that supporting organizations be included in the consolidated financial statements of the supported organization. The effects of this departure have not been determined.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Consolidated Financial Statements section of our report. We are required to be independent of Community Foundation for Southern Arizona and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Management's Responsibility for the Consolidated 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibility for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.



INDEPENDENT AUDITOR'S REPORT, Continued

Auditor's Responsibility for the Audits of the Consolidated Financial Statements, Continued

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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 \$-0- and \$722,850 as of June 30, 2024 and 2023, respectively, and total revenue and support of \$24,496 and \$394,358, respectively, for the years then ended. The statements as of and for the year ended June 30, 2023 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. The statement of activity for the period from July 1, 2023 through October 15, 2023, the date upon which all assets of the Thomas R. Brown Family Foundation were transferred to a private operating foundation, was subject to an agreed upon procedures engagement performed by another firm to verify revenue and expense amounts for the period.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 28 through 33 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, except for the statement of activities of Worth and Dot Howard Foundation, 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 KLEINER & RUMER PLLC

January 13, 2025

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2024 and 2023

ASSETS

	2024	2023
Current assets:		
Cash and cash equivalents	\$ 15,440,292	\$ 17,110,915
Unconditional promises to give, current portion	9,255	7,694
Grants and other receivables, current portion	546,849	2,585
Contributions and bequests receivable, current portion	5,192,523	6,078,606
Investments - other	150,966	-
Notes receivable, current portion	703,428	318,502
Prepaid expenses and other current assets	129,347	97,982
Total current assets	22,172,660	23,616,284
Unconditional promises to give, net, non-current portion	1,147	598
Grants and other receivables, non-current portion	346,000	-
Contributions and bequests receivable, non-current portion	-	86,769
Notes receivable, non-current portion	382,465	990,593
Investments	175,656,103	160,497,750
Beneficial interests in trusts	724,426	421,058
Property and equipment, net	5,339,951	5,550,276
Other assets	14,363	31,729
Total assets	\$ 204,637,115	\$ 191,195,057

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 255,446	\$ 276,775
Grants and distributions payable	1,302,206	907,665
Designated obligations	714,404	778,952
Due to other agencies	8,219,293	9,425,785
Note payable, current portion	75,773	73,517
Total current liabilities	10,567,122	11,462,694
Note payable, non-current portion	2,226,225	2,302,006
Total liabilities	12,793,347	13,764,700
Net assets:		
Without donor restrictions:		
Undesignated	86,579,475	83,244,246
Designated by the Board for endowment	1,309,510	1,245,179
Total net assets without donor restrictions	87,888,985	84,489,425
With donor restrictions:		
Restricted for specified purposes	3,782,846	3,714,620
Restricted to the passage of time	3,257,591	2,580,110
Subject to appropriation and expenditure	4,043,195	1,738,255
Underwater endowments	(7,396,856)	(8,884,973)
Restricted in perpetuity - endowment	100,268,007	93,792,920
Total net assets with donor restrictions	103,954,783	92,940,932
Total net assets	191,843,768	177,430,357
Total liabilities and net assets	\$ 204,637,115	\$ 191,195,057

See independent auditor's report and accompanying notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Support:			
Contributions and bequests	\$ 77,389	\$ 13,187,629	\$ 13,265,018
Grants and trusts	2,110,751	-	2,110,751
Special events, net	(85,709)	-	(85,709)
Total support	2,102,431	13,187,629	15,290,060
Revenue, investment and other income:			
Investment income, net	7,395,527	9,695,685	17,091,212
Change in beneficial interest in trusts	-	(48,521)	(48,521)
Fund management fees	119,320	-	119,320
Rental income	268,901	-	268,901
Other revenue	34,842	-	34,842
Total revenue, investment and other income	7,818,590	9,647,164	17,465,754
Net assets released from restrictions:			
Appropriated for expenditure	11,820,942	(11,820,942)	-
Total revenue and support	21,741,963	11,013,851	32,755,814
Expenses:			
Program services	14,814,925	-	14,814,925
General and administrative	1,975,636	-	1,975,636
Fund-raising and development	1,125,546	-	1,125,546
Total expenses	17,916,107	-	17,916,107
Change in net assets	3,825,856	11,013,851	14,839,707
Net assets, beginning of year	84,489,425	92,940,932	177,430,357
Net assets transferred	(426,296)	-	(426,296)
Net assets, end of year	\$ 87,888,985	\$ 103,954,783	\$ 191,843,768

See independent auditor's report and accompanying notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Support:			
Contributions and bequests	\$ 2,263,749	\$ 11,497,790	\$ 13,761,539
Grants and trusts	18,223	-	18,223
Special events, net	(71,644)	-	(71,644)
Total support	2,210,328	11,497,790	13,708,118
Revenue, investment and other income:			
Investment income, net	5,880,620	8,185,489	14,066,109
Loss on sale of property	(83,748)	-	(83,748)
Change in beneficial interest in trusts	-	7,697	7,697
Fund management fees	108,528	-	108,528
Rental income	221,125	-	221,125
Other revenue	42,824	-	42,824
Total revenue, investment and other income	6,169,349	8,193,186	14,362,535
Net assets released from restrictions:			
Appropriated for expenditure	13,746,627	(13,746,627)	-
Total revenue and support	22,126,304	5,944,349	28,070,653
Expenses:			
Program services	20,870,472	-	20,870,472
General and administrative	2,153,009	-	2,153,009
Fund-raising and development	1,486,790	-	1,486,790
Total expenses	24,510,271	-	24,510,271
Change in net assets	(2,383,967)	5,944,349	3,560,382
Deconsolidation of supporting organization	(1,637,499)	-	(1,637,499)
Net assets, beginning of year	88,510,891	86,996,583	175,507,474
Net assets, end of year	\$ 84,489,425	\$ 92,940,932	\$ 177,430,357

See independent auditor's report and accompanying notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2024

	Program Services	General and Administrative	Fund-raising and Development	Total
Payroll	\$ 1,141,169	\$ 895,452	\$ 639,952	\$ 2,676,573
Taxes and employee benefits	244,604	200,132	138,839	583,575
Total payroll and employee benefits	1,385,773	1,095,584	778,791	3,260,148
Advertising and promotion	43,908	19,973	27,812	91,693
Bank fees	-	8,499	-	8,499
Consulting and professional services	230,507	122,829	39,983	393,319
Depreciation	-	317,717	-	317,717
Dues and subscriptions	23,609	18,617	15,065	57,291
Grants and scholarships	12,615,230	-	-	12,615,230
Information technology	75,666	100,724	61,681	238,071
Insurance	13,465	24,667	7,815	45,947
Interest expense	-	65,355	-	65,355
Note receivable earnout adjustment	-	-	141,316	141,316
Occupancy	34,715	120,361	-	155,076
Office expenses	32,367	41,084	19,125	92,576
Postage and printing	12,188	13,854	10,953	36,995
Program supplies	310,719	-	-	310,719
Taxes, licenses and fees	2,747	2,684	2,073	7,504
Travel, conferences and meetings	34,031	23,688	20,932	78,651
	<u>\$ 14,814,925</u>	<u>\$ 1,975,636</u>	<u>\$ 1,125,546</u>	<u>\$ 17,916,107</u>

See independent auditor's report and accompanying notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2023

	Program Services	General and Administrative	Fund-raising and Development	Total
Payroll	\$ 939,122	\$ 892,235	\$ 588,508	\$ 2,419,865
Taxes and employee benefits	188,822	182,655	118,541	490,018
Total payroll and employee benefits	1,127,944	1,074,890	707,049	2,909,883
Advertising and promotion	38,501	22,555	33,691	94,747
Bequest receivable write-off	-	-	441,231	441,231
Consulting and professional services	172,104	173,835	114,537	460,476
Depreciation	183	333,947	-	334,130
Dues and subscriptions	25,458	22,204	15,089	62,751
Grants and scholarships	19,056,483	-	-	19,056,483
Information technology	157,108	206,199	110,415	473,722
Insurance	10,482	24,325	6,974	41,781
Interest expense	-	67,204	-	67,204
Occupancy	16,971	132,791	-	149,762
Office expenses	33,064	44,309	16,256	93,629
Postage and printing	11,321	14,478	10,607	36,406
Program supplies	174,438	-	-	174,438
Taxes, licenses and fees	3,054	3,664	2,652	9,370
Travel, conferences and meetings	43,361	32,608	28,289	104,258
	<u>\$ 20,870,472</u>	<u>\$ 2,153,009</u>	<u>\$ 1,486,790</u>	<u>\$ 24,510,271</u>

See independent auditor's report and accompanying notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 14,839,707	\$ 3,560,382
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized gain on sale of investments, net	(679,434)	(596,073)
Unrealized gain on investments and investments - other, net	(11,944,076)	(9,474,035)
Reinvested dividends	(2,202,269)	(2,612,979)
Donated securities	-	(1,962,632)
Donated property	-	(411,000)
Beneficial interest in trust contributed	(351,889)	-
Change in beneficial interest in trusts	48,521	(7,697)
Depreciation	317,717	334,130
Loss on sale of property	-	83,748
Note receivable earnout adjustment	141,316	-
Change in operating assets and liabilities:		
Unconditional promises to give	(2,110)	1,788
Grants and other receivables	(890,264)	3,618
Contributions and bequests receivable	972,852	1,155,670
Prepaid expenses and other current assets	(31,365)	(851)
Other assets	17,366	(176)
Accounts payable and accrued expenses	(21,329)	19,294
Grants and distributions payable	394,541	(839,885)
Deferred revenue	-	(350,242)
Designated obligations	(64,548)	(65,157)
Change in due to other agencies, including investment gains	(1,206,492)	2,106,952
Total adjustments	(15,501,463)	(12,615,527)
Net cash used in operating activities	(661,756)	(9,055,145)
Cash flows from investing activities:		
Payments on notes receivable	81,886	89,427
Proceeds from redemption of investments - other	-	450,000
Purchases of investments - other	(150,000)	-
Proceeds from sale of property	-	327,252
Proceeds from sale of investments	19,502,307	26,172,649
Purchases of investments	(20,206,723)	(17,206,812)
Purchases of property and equipment	(112,572)	(18,658)
Net cash (used in) provided by investing activities	(885,102)	9,813,858
Cash flows from financing activities:		
Repayments of note payable	(73,525)	(71,679)
Net cash used in financing activities	(73,525)	(71,679)
Net change in cash and cash equivalents	(1,620,383)	687,034
Deconsolidation of supporting organization	-	(12,826)
Cash transferred to new supported organization	(50,240)	-
Cash and cash equivalents, beginning of year	17,110,915	16,436,707
Cash and cash equivalents, end of year	\$ 15,440,292	\$ 17,110,915

See independent auditor's report and accompanying notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2024 and 2023

1. Organization

Founded in 1980, the Community Foundation for Southern Arizona (CFSA) has supported Southern Arizona with grants and scholarships, stewarding the philanthropic legacy of our community's generous donors and increasing the breadth and depth of resources available to nonprofit organizations in our region. The impact we make is a collective one, with funds held by individuals, families, and businesses with unique interests, ideas, and passions. Our work touches every aspect of daily life, including animal welfare, arts and culture, community development, education, environment, health and human services, and more.

In addition to the support provided to Southern Arizona nonprofits through donor-advised grants, designated grants, and competitive grantmaking, CFSA also partners with nonprofits through its Center for Healthy Nonprofits and offers beautiful and affordable office, meeting, and event space at its centrally located Community Foundation Campus.

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 unless further restricted by the donor.

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 certain charities or CFSA as dictated by the corresponding agreement.

CFSA Community Campus, LLC (CFSACC) – a limited liability company formed when CFSA purchased a building located at 5049 E. Broadway, Tucson, Arizona, to create a nonprofit campus that houses CFSA and its affiliates as well as other nonprofits. Co-working space and numerous sizes of offices and suites are available to rent. The campus also provides quality meeting spaces for small and large gatherings, as well as a center for nonprofits to go for technical assistance.

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. To establish a close relationship, a majority of the supporting organization's Board of Trustees are elected by CFSA's Board of Trustees, and the supporting organization and CFSA have common charitable purposes and goals.

Supporting organizations include:

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

The Worth & Dot Howard Foundation (WDHF) supports grants to qualified high school students to pursue higher education. WDHF became a private operating foundation effective July 1, 2023 and is, therefore, no longer a supporting organization of CFSA.

CFSA Properties, Inc. (CFSAP) supports the purposes of CFSA by providing management of real property gifted to CFSA.

The Thomas R. Brown Family Foundation (TRBFF) supports the purposes of CFSA through grants to qualified religious, charitable, scientific and educational organizations. TRBFF amended its bylaws effective June 30, 2023 to change the supported organization from CFSA to another nonprofit organization. Net assets in the amount of \$426,296 were transferred to the new supporting organization during the year ended June 30, 2024.

The David S. and Norma R. Lewis Foundation (LEWIS) supports global initiatives that give people the tools and resources to build hope, equality, opportunity, justice, equity and compassion in human relations. It also supports Southern Arizona creative arts organizations and initiatives that help the less fortunate succeed. During the year ended June 30, 2024, LEWIS discontinued operations as a supporting organization of CFSA and deposited the remaining assets into a fund at CFSA.

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2024 and 2023

1. Organization, Continued

The Howard V. Moore Foundation (HVMF) makes qualifying distributions to CFSA in support of philanthropic purposes.

Social Venture Partners (SVP Tucson) is a group of diverse, highly experienced and engaged individuals that come from varied business, philanthropic and academic backgrounds to apply venture capital principles to philanthropy. SVP Tucson members collaborate with carefully selected Tucson area nonprofits to deliver meaningful social impact through a combination of funding and volunteering.

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. SYCAM restores habitats, utilizing natural open space as buffer zones, provides educational and research opportunities and increases public awareness and appreciation of the land.

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.

Departure from Accounting Principles Generally Accepted in the United States of America

The consolidated financial statements for the Worth and Dot Howard Foundation (WDHF) as of and for the year ended June 30, 2023 are not included in these consolidated financial statements because CFSA management was unable to obtain financial information from WDHF. Accounting principles generally accepted in the United States of America require supporting organization financial statements to be included with the consolidated financial statements of the supported organization. The effects of this departure have not been determined.

Basis of Accounting

The consolidated financial statements are prepared using the accrual method of accounting and are presented on the basis of net assets with donor restrictions and net assets without donor restrictions.

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

Net Assets Without Donor Restrictions is defined as that portion of net assets that has no use or time restrictions. The bylaws of CFSA include a variance provision giving the Board of Directors (the "Board") the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organizations if, in the sole judgement of the Board, and in accordance with the laws of Arizona, (without the necessity of the approval of any Trustee, custodian or agent), such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of Southern Arizona. Based on that provision, CFSA classifies contributions, except those noted with restriction below, as net assets without donor restrictions for financial statement presentation.

Undesignated: Includes balances in non-endowed funds, and amounts remaining from the annual spendable appropriation from endowed funds, that have not been restricted for a specific purpose.

Designated by Board for endowment: Includes Board-designated endowment funds from assets received without donor restrictions or specifically for CFSA administrative functions. These funds help to support community leadership activities and other Foundation operating activities. The Board-designated endowment funds distribute an annual payout based on the Board approved spending policy which is used to provide funding.

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2024 and 2023

2. Summary of Significant Accounting Policies, Continued

Basis of Accounting, continued

Designated by Board – non-endowment: Includes Board-designated funds from assets received without donor restrictions and designated by the Board for specific activities of the organization.

Net Assets With Donor Restrictions result from charitable assets received and endowment investment earnings that are subject to stipulations imposed by donors that restrict the use or distribution of these funds. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained as endowed funds. 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 net assets with donor restrictions, restricted in perpetuity - endowment.

Restricted for specified purpose: Includes donor contributions for initiatives and special projects for which purpose restrictions apply. Such contributions are recorded as net assets with donor restrictions until purpose restrictions are met.

Restricted for passage of time: Includes contributions unconditionally promised, including irrevocable planned gifts. These assets are recorded at fair value, and when appropriate are discounted at a rate commensurate with the risks involved. These funds are classified as net assets with donor restrictions until the funds are received.

Restricted in perpetuity – endowment: Includes contributions where the donor has stated that such funds are to be held in endowment providing a permanent source of revenue for charitable purposes. These funds are released from donor restricted net assets when they are appropriated based on CFSA's spending policy.

It is the Foundation's policy that net assets restricted in perpetuity 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 net assets with donor restrictions until appropriated for expenditure, at which time they are released to net assets without donor restrictions.

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.

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.

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. Cash and cash equivalents are maintained at various financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures cash accounts up to \$250,000 per institution. The Foundation had \$2,580,911 and \$1,246,897 in cash in excess of the FDIC limit at June 30, 2024 and 2023, respectively.

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2024 and 2023

2. Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents, continued

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 had \$173,010,343 and \$156,743,987 in investments in excess of the SIPC limit at June 30, 2024 and 2023, respectively. 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 – Other

Investments - other is comprised of a certificate of deposit held for investment that is not a debt security. The certificate of deposit matures during April 2025, has an annual fixed interest rate of 4.89% and is recorded at cost which approximates fair market value. Certificates of deposit are classified as current or non-current based on their maturity date. Certificates of deposit with maturity dates less than one year from the statement of financial position date are classified as current. Certificates of deposit with maturities greater than one year are classified as non-current.

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 the average of five years' earnings based on estate valuation guidance issued by the IRS.

Unconditional Promises to Give

Unconditional promises to give are recognized as revenue 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 net 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.

Contributions and Bequests Receivable

Bequests are recognized as contribution revenue in the period in which the Foundation receives notification that a will or trust has been enacted, the court has deemed the will or trust valid and all conditions have been substantially met. The revenue and related receivable are recorded at the amount which management estimates it will collect.

Notes Receivable

Notes receivable are carried at unpaid principal balances, less an allowance for loan losses if applicable. As of June 30, 2024 and 2023, management believes all notes receivable are fully-collectible. Therefore, no allowance for loan losses has been recorded. Interest is recognized ratably over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

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2. Summary of Significant Accounting Policies, Continued

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

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

Beneficial Interest in Trusts

CRTF is a remainder beneficiary in certain trusts. Upon the death of the income beneficiaries, the assets of the trusts will be distributed and funds opened at CFSA or as directed by the trust agreement. The beneficial interest in these trusts is recorded at the estimated net present value of the beneficial interest and is reported as beneficial interest in trusts on the consolidated statement of financial position. Changes in the estimated fair value are recorded on the consolidated statement of activities.

Land Held for Conservation/Permanent Collections – Conservation Easements

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, 2024 and 2023, 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, in some cases, CFSA has 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.

Grants and Distributions Payable

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

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.

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COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2024 and 2023

2. Summary of Significant Accounting Policies, Continued

Interest Income

Interest income is allocated monthly within CFSA and supporting organizations participating in the CFSA investment pools. Interest income is allocated quarterly to the PIF and charitable gift annuities held in the CRTF. These allocations are based on the fair market value balances of the respective funds invested during the month.

Contributions and Restricted Revenue

Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

CFSA applies the provisions of FASB ASC 2018-08, *Not-for-Profit Entities – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, in determining when contributions received and contributions made should be classified as contributions or as exchange transactions, or whether conditionality is present.

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. There were no income taxes paid during the years ended June 30, 2024 and 2023.

CFSA'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, 2024, management is not aware of any uncertain tax positions that are potentially material.

Functional Expense Allocations

Costs of providing various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses which apply to more than one functional category have been allocated among program, general and administrative and fundraising based on the time spent on these functions by specific employees as estimated by management. Costs related to the operations of the CF Campus have been allocated to general and administrative expense. Other costs not specifically allocated, such as information technology and general office supplies, have been allocated on the basis of time and effort.

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COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2024 and 2023

3. Liquidity and Availability of Resources

CFSA's financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, are comprised of the following at June 30,:

	2024	2023
Cash and cash equivalents	\$ 15,440,292	\$ 17,110,915
Unconditional promises to give, current portion	9,255	7,694
Grants and other receivables, current portion	546,849	2,585
Contributions and bequests receivable, current portion	5,192,523	6,078,606
Investments - other	150,966	-
Notes receivable, current portion	703,428	318,502
Total financial assets available within one year	22,043,313	23,518,302
Less:		
Amounts unavailable for general expenditure within one year due to:		
Restricted to the passage of time	2,472,657	2,129,685
Total amounts unavailable for general expenditure within one year	2,472,657	2,129,685
Total financial assets available to management for general expenditure within one year	\$ 19,570,656	\$ 21,388,617

CFSA's policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. Financial assets are considered unavailable when either illiquid or not convertible to cash within one year and include assets held for others, endowments, accumulated earnings net of appropriations within one year and board-designated endowments. The board-designated endowments could be utilized upon board approval.

4. Unconditional Promises to Give

Unconditional promises to give due after one year are discounted at 8.50% and 8.25% at June 30, 2024 and 2023, respectively. At June 30, 2024 and 2023, unconditional promises to give consists of balances to be paid in future years as follows:

	2024	2023
2024	\$ -	\$ 7,694
2025	9,255	700
2026	1,350	-
2027	-	-
2028	-	-
Total unconditional promises to give	10,605	8,394
Less interest component	(203)	(102)
Unconditional promises to give, net	10,402	8,292
Less current portion	(9,255)	(7,694)
Non-current portion	\$ 1,147	\$ 598

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2024 and 2023

5. Notes Receivable

Notes receivable consist of the following at June 30,:

	<u>2024</u>	<u>2023</u>
Note receivable from a nonprofit organization with interest only payments at an annual rate of 1% payable semi-annually . Principal balance plus any unpaid interest is due May 3, 2025. The note is unsecured.	\$ 100,000	\$ 100,000
Senior note receivable from a corporation with quarterly payments of \$16,760, including interest at 4.5% to corporation's component fund held at CFSA, through June 30, 2025 at which time any principal balance plus unpaid interest is due in its entirety. The note is subordinate to all senior debt of the corporation, and is collateralized by corporation stock held in an ESOP.	69,107	191,301
Junior note receivable from a corporation with quarterly interest-only payments at an annual interest rate of 4.0% to corporation's component fund held at CFSA, through June 30, 2025 at which time quarterly payments of \$27,256, including interest at 4.0% are due through June 30, 2030, at which time any principal balance plus unpaid interest is due in its entirety. The note is subordinate to all senior debt of the corporation and the senior note receivable described above, and is collateralized by corporation stock held in an ESOP.	491,786	592,794
Note receivable from a nonprofit organization with interest-only payments at an annual rate of 2.25% payable monthly through October 2024 when the entire principal and any unpaid interest is due in its entirety. The note is unsecured.	300,000	300,000
Note receivable from a nonprofit organization with interest only payments at an annual rate of .05% payable quarterly. Principal balance plus any unpaid interest is due May 3, 2025. The note is unsecured.	125,000	125,000
Total notes receivable	1,085,893	1,309,095
Current portion	(703,428)	(318,502)
Non-current portion	<u>\$ 382,465</u>	<u>\$ 990,593</u>

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COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2024 and 2023

5. Notes Receivable, Continued

Future maturities at June 30, 2024 are:

Year ended June 30,	
2025	\$ 703,428
2026	113,759
2027	118,344
2028	123,184
2029	27,178
Total notes receivable	<u>\$ 1,085,893</u>

6. Property and Equipment

Property and equipment consists of the following at June 30,:

	2024	2023
Land and improvements	\$ 729,566	\$ 729,566
Building and improvements	5,269,808	5,256,989
Equipment and furniture	807,080	740,429
Computers and software	114,989	100,476
Total property and equipment	6,921,443	6,827,460
Less accumulated depreciation	(1,581,492)	(1,277,184)
Property and equipment, net	<u>\$ 5,339,951</u>	<u>\$ 5,550,276</u>

7. Investments

Investments consist of the following at June 30,:

	2024	2023
Mutual funds	\$ 156,790,571	\$ 139,525,657
Stocks	16,436,124	15,178,708
Fixed income	220,773	3,317,136
Other investments	2,208,635	2,476,249
Total investments	<u>\$ 175,656,103</u>	<u>\$ 160,497,750</u>

Investment income for the year ended June 30, 2024 consists of:

	CFSA, CRTF and PIF	Supporting Organizations	Total
Unrealized gain	\$ 11,777,734	\$ 166,342	\$ 11,944,076
Interest and dividends	4,837,153	66,433	4,903,586
Realized gain	664,621	14,813	679,434
Royalties	-	22,427	22,427
Administrative charges	(446,527)	(11,784)	(458,311)
Investment income, net	<u>\$ 16,832,981</u>	<u>\$ 258,231</u>	<u>\$ 17,091,212</u>

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COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2024 and 2023

7. Investments, Continued

Investment income for the year ended June 30, 2023 consists of:

	CFSA, CRTF and PIF	Supporting Organizations	Total
Unrealized gain	\$ 9,345,425	\$ 128,610	\$ 9,474,035
Interest and dividends	3,934,701	392,703	4,327,404
Realized gain	544,358	51,715	596,073
Royalties	-	98,537	98,537
Administrative charges	(396,176)	(33,764)	(429,940)
Investment income, net	\$ 13,428,308	\$ 637,801	\$ 14,066,109

At June 30, 2024 and 2023, respectively, \$-0- and \$370,876 of the total investments are invested and valued by various supporting organizations' own investment policies and guidelines. At June 30, 2024 and 2023, respectively, \$100,268,007 and \$93,792,920 of the investments held by CFSA were endowment net assets not subject to appropriation and expenditure and, as such, were unavailable for operations.

8. 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. There have been no changes in the methodologies used at June 30, 2024 and 2023.

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

Stocks and fixed income: valued at the closing price reported on the active market on which they are traded.

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COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2024 and 2023

8. Fair Value Measurements, Continued

Other investments: other investments include oil and gas interests and land. Oil and gas interests are valued at a multiple of the average of five years' earnings based on estate valuation guidance issued by the IRS. Land is valued at the offer price of a third party.

Beneficial interests in trusts: valued at the present value of the underlying investments as reported by third parties.

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.

The table below sets forth by level, investments at fair value as of June 30, 2024:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 156,790,571	\$ -	\$ -	\$ 156,790,571
Stocks	16,436,124	-	-	16,436,124
Fixed income:				
Corporate bonds	25,654	-	-	25,654
Other fixed income	195,119	-	-	195,119
Total fixed income	220,773	-	-	220,773
Other investments	-	245,542	1,963,093	2,208,635
Total investments	\$ 173,447,468	\$ 245,542	\$ 1,963,093	\$ 175,656,103
Beneficial interests in trusts	\$ -	\$ -	\$ 724,426	\$ 724,426

The table below sets forth by level, investments at fair value as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 139,525,657	\$ -	\$ -	\$ 139,525,657
Stocks	15,178,708	-	-	15,178,708
Fixed income:				
Corporate bonds	655,867	-	-	655,867
Municipal bonds	1,037,619	-	-	1,037,619
Other fixed income	1,623,650	-	-	1,623,650
Total fixed income	3,317,136	-	-	3,317,136
Other investments	-	233,634	2,242,615	2,476,249
Total investments	\$ 158,021,501	\$ 233,634	\$ 2,242,615	\$ 160,497,750
Beneficial interests in trusts	\$ -	\$ -	\$ 421,058	\$ 421,058

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COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2024 and 2023

8. Fair Value Measurements, Continued

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

	Other Investments	
	2024	2023
Balance, beginning of year	\$ 2,242,615	\$ 1,977,045
Unrealized gain (loss), net	56,611	(248,375)
Change in fair value	10,824	(17,036)
Purchases and transfers, net	(346,957)	530,981
Balance, end of year	<u>\$ 1,963,093</u>	<u>\$ 2,242,615</u>
	2024	2023
Balance, beginning of year	\$ 421,058	\$ 413,361
Contributions	351,889	-
Change in value	(48,521)	7,697
Balance, end of year	<u>\$ 724,426</u>	<u>\$ 421,058</u>

9. Designated Obligations

Designated obligations consist of the following at June 30,:

	2024	2023
Charitable gift annuities	\$ 637,677	\$ 701,623
Pooled income fund	76,727	77,329
Total designated obligations	<u>\$ 714,404</u>	<u>\$ 778,952</u>

10. Due to Other Agencies

Amounts due to other agencies consist of the following at June 30,:

	2024	2023
Yuma Library Foundation Endowment Fund	\$ 2,238,006	\$ 2,152,255
Pima Library Foundation Endowment Fund	880,316	833,570
Tohono O'Odham Community College Endowment	444,571	422,012
Tucson Waldorf School Endowment Fund	438,956	406,497
Hellene Henrikson Legacy Fund	386,195	503,297
YWCA of Southern Arizona Endowment Fund	263,512	148,564
Amphi Foundation Fund	257,016	245,342
Green Valley Assistance Services Endowment	250,872	251,855
Handi-Dogs Endowment Fund	240,231	244,763
Marcia Grand Endowment Fund	221,090	213,334
Sarah P. Hausman Endowment Fund	202,159	194,757
Friends of PACC Board Designated Reserve Fund	-	1,125,696
Downtown Tucson Fund	-	498,989

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COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2024 and 2023

10. Due to Other Agencies, Continued

	2024	2023
Youth On Their Own Endowment Fund	158,243	142,763
Tucson Audubon Society Esperanza Easement Fund	147,685	142,285
NAMI Southern Arizona Endowment Fund	146,481	135,066
Archaeology Southwest Fund	142,767	132,750
Holmes Tuttle Memorial Fund	140,325	130,131
Tucson Chinese Cultural Center Endowment Fund	130,780	39,495
Pima Library Foundation Fund	130,103	126,054
JobPath Fund	108,848	107,765
Other funds	1,291,137	1,228,545
Total due to other agencies	<u>\$ 8,219,293</u>	<u>\$ 9,425,785</u>

11. Note Payable

The note payable consists of the following at June 30,:

	2024	2023
Note payable to Commerce Bank of Arizona with monthly payments of \$11,584, including an initial interest rate of 2.75% for 120 months. Subsequently, the interest rate will be subject to change periodically as defined in the loan agreement and will be based on the adjusted weekly average yield on US Treasury securities plus a margin of 1.50%, with a floor of 2.75% and a ceiling of 4.50% per annum. The loan matures during September 2046 and is secured by a deed of trust on real property.		
	\$ 2,301,998	\$ 2,375,523
Current portion	<u>(75,773)</u>	<u>(73,517)</u>
Non-current portion	<u>\$ 2,226,225</u>	<u>\$ 2,302,006</u>

The future maturities due under the note payable at June 30, 2024 are:

Year ended	
<u>June 30,</u>	
2025	\$ 75,773
2026	77,915
2027	80,115
2028	82,222
2029	84,699
Thereafter	<u>1,901,274</u>
Total notes receivable	<u>\$ 2,301,998</u>

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COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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12. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30,:

	2024	2023
Restricted for specified purpose	\$ 3,782,846	\$ 3,714,620
Restricted to the passage of time	3,257,591	2,580,110
Endowments:		
Subject to endowment spending policy and appropriation:		
Accumulated earnings on original perpetual endowment gifts	4,043,195	1,738,255
Underwater endowments	(7,396,856)	(8,884,973)
Not subject to appropriation and expenditure -		
Perpetual in nature - original endowment gifts	100,268,007	93,792,920
Net assets with donor restrictions	<u>\$ 103,954,783</u>	<u>\$ 92,940,932</u>

Activity in net assets with donor restrictions is comprised of the following for the year ended June 30, 2024:

	Contributions	Investment Income/(Loss)	Releases and Appropriations
Restricted for specified purpose	\$ 373,555	\$ -	\$ (305,329)
Restricted to the passage of time	1,318,312	(88,310)	(552,521)
Endowments:			
Subject to endowment spending policy and appropriation:			
Accumulated earnings on original perpetual endowment gifts	-	4,688,574	(2,383,634)
Underwater endowments	-	5,046,900	(3,558,783)
Not subject to appropriation and expenditure -			
Perpetual in nature - original endowment gifts	11,495,762	-	(5,020,675)
Net assets with donor restrictions	<u>\$ 13,187,629</u>	<u>\$ 9,647,164</u>	<u>\$ (11,820,942)</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2024 and 2023

12. Net Assets With Donor Restrictions, Continued

Activity in net assets with donor restrictions is comprised of the following for the year ended June 30, 2023:

	Contributions	Investment Income/(Loss)	Releases and Appropriations
Restricted for specified purpose	\$ 476,459	\$ -	\$ (704,116)
Restricted to the passage of time	856,460	(43,891)	(4,748,930)
Endowments:			
Subject to endowment spending policy and appropriation:			
Accumulated earnings on original perpetual endowment gifts	-	3,006,859	(2,685,144)
Underwater endowments	-	5,230,218	(2,330,180)
Not subject to appropriation and expenditure -			
Perpetual in nature - original endowment gifts	10,164,871	-	(3,278,257)
Net assets with donor restrictions	<u>\$ 11,497,790</u>	<u>\$ 8,193,186</u>	<u>\$ (13,746,627)</u>

13. Endowment Funds

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 net assets with donor restrictions – restricted in perpetuity – endowment (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 net assets with donor restrictions – restricted in perpetuity – endowment is classified as net assets with donor restrictions – restricted to the passage of time 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.

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13. Endowment Funds, Continued

Return Objectives and Risk Parameters

The Foundation has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets over time. 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 diversified and balanced portfolio to help control risk and achieve long-term objectives.

Investment Strategies

To satisfy its rate-of-return objective, 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 places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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 and UPMIFA. The spending policy rate will be 4% of the June 30th nonspendable (corpus) balance plus a 20-quarter rolling average of the fund's spendable and accumulated earnings balance 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.

UPMIFA essentially states that subject to the intent of a donor expressed in a gift instrument, an institution may appropriate or accumulate endowment funds in a prudent manner. In deciding whether to appropriate funds (make grants according to the spending policy) or accumulate funds (retain earnings and gains greater than the spending policy rate) the institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. CFSA acknowledges that UPMIFA governs its management of endowed funds and will let it serve as a guide for its distribution policy.

Spending Policies

CFSA will abide by the spending policy for "underwater funds" (on endowment funds where the balance of the fund is less than the total of the original contributions to the fund). Underwater funds will be monitored to assess whether the normal spending policy rate continues to be prudent when considering the seven factors previously mentioned.

CFSA had the following endowment-related activity during the year ended June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	\$ 1,245,179	\$ 86,646,202	\$ 87,891,381
Investment return, net	116,481	9,735,474	9,851,955
Contributions	-	11,495,762	11,495,762
Appropriation of endowment net assets per spending policy	(52,150)	(10,963,092)	(11,015,242)
	<u>\$ 1,309,510</u>	<u>\$ 96,914,346</u>	<u>\$ 98,223,856</u>

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2024 and 2023

13. Endowment Funds, Continued

CFSA had the following endowment-related activity during the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	\$ 1,182,836	\$ 76,537,835	\$ 77,720,671
Investment return, net	111,276	8,237,077	8,348,353
Contributions	-	10,164,871	10,164,871
Appropriation of endowment net assets per spending policy	(48,933)	(8,293,581)	(8,342,514)
	<u>\$ 1,245,179</u>	<u>\$ 86,646,202</u>	<u>\$ 87,891,381</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with certain 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. CFSA has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

At June 30, 2024 and 2023, funds with deficiencies of \$7,396,856 and \$8,884,973, respectively, were reported in net assets with donor restrictions as follows:

	2024	2023
Fair value of underwater endowment funds	\$ 51,251,596	\$ 57,011,408
Original endowment gift amount	<u>58,648,452</u>	<u>65,896,381</u>
Underwater endowment funds	<u>\$ (7,396,856)</u>	<u>\$ (8,884,973)</u>

14. Retirement Plan

CFSA has a 401(k) 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, 2024 and 2023 was \$175,679 and \$130,951, respectively.

15. Rental Income

CFSACC is party to several agreements, as lessor, to lease office space to nonprofit organizations. The leases call for monthly payments ranging from \$1,517 to \$3,017 and expire during dates ranging between July 2024 and March 2029. The leases contain escalation clauses ranging between 2.5% and 3.0%. In addition to these long-term leases, CFSACC rents conference rooms and co-working spaces periodically as requested by outside entities. Total rental income for the years ended June 30, 2024 and 2023 was \$268,901 and \$221,125, respectively.

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2024 and 2023

15. Rental Income, Continued

Future expected minimum rental income under long-term lease agreements is:

Year ended

June 30,

2025	\$ 173,586
2026	97,832
2027	80,265
2028	51,641
2029	16,690
	<u>\$ 420,014</u>

16. Statement of Cash Flows Disclosures

	2024	2023
Supplemental cash flow information:		
Cash paid during the year for interest	<u>\$ 65,478</u>	<u>\$ 67,204</u>
Schedule of non-cash investing and financing activities:		
Donated securities	<u>\$ -</u>	<u>\$ 1,962,632</u>
Donated property	<u>\$ -</u>	<u>\$ 411,000</u>
Reinvested dividends	<u>\$ 2,202,269</u>	<u>\$ 2,612,979</u>
Note receivable earnout adjustment	<u>\$ 141,316</u>	<u>\$ -</u>
Deconsolidation of supporting organization:		
Prepaid expenses	<u>\$ -</u>	<u>1,512</u>
Investments	<u>\$ -</u>	<u>\$ 1,720,683</u>
Accounts payable and accrued expenses	<u>\$ -</u>	<u>\$ (5,022)</u>
Grants and distributions payable	<u>\$ -</u>	<u>\$ (92,500)</u>
Net assets	<u>\$ -</u>	<u>\$ (1,637,499)</u>
Supporting organization net assets transferred:		
Investments	<u>\$ 370,876</u>	<u>1,512</u>
Property and equipment	<u>\$ 5,103</u>	<u>\$ 1,720,683</u>

The deconsolidation of supporting organization assets, liabilities and net assets above are related to the WDHf supporting organization discussed in Note 2 – Departure from Accounting Principles Generally Accepted in the United States of America.

17. Subsequent Events

The Foundation was unaware of any subsequent events as of January 13, 2025, the date the consolidated financial statements were available to be issued.

See independent auditor's report.

SUPPLEMENTARY INFORMATION

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2024

	Community Foundation for Southern Arizona, Inc.	CFSA Community Campus, LLC	CFSA Pooled Income Fund	CFSA Charitable Remainder Trust Fund	Total without Supporting Organizations	Supporting Organizations	Consolidating Entries	Total
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 14,586,102	\$ 388,196	\$ 3,151	\$ 19,802	\$ 14,997,251	\$ 443,041	\$ -	\$ 15,440,292
Unconditional promises to give, current portion	7,260	495	-	-	7,755	1,500	-	9,255
Grants and other receivables, current portion	218,588	-	-	-	218,588	328,261	-	546,849
Contributions and bequests receivable	5,192,523	-	-	-	5,192,523	-	-	5,192,523
Investments - other	-	-	-	-	-	150,966	-	150,966
Notes receivable, current portion	703,428	-	-	-	703,428	-	-	703,428
Prepaid expenses and other current assets	85,339	42,685	-	-	128,024	1,323	-	129,347
Total current assets	20,793,240	431,376	3,151	19,802	21,247,569	925,091	-	22,172,660
Unconditional promises to give, net, non-current portion	1,147	-	-	-	1,147	-	-	1,147
Grants and other receivables, non-current portion	200,000	-	-	-	200,000	146,000	-	346,000
Notes receivable, non-current portion	382,465	-	-	-	382,465	-	-	382,465
Investments	172,819,097	-	114,277	639,199	173,572,573	2,083,530	-	175,656,103
Beneficial interests in trusts	-	-	-	724,426	724,426	-	-	724,426
Property and equipment, net	67,298	5,272,653	-	-	5,339,951	-	-	5,339,951
Other assets	10,856	-	-	-	10,856	3,507	-	14,363
Total assets	\$ 194,274,103	\$ 5,704,029	\$ 117,428	\$ 1,383,427	\$ 201,478,987	\$ 3,158,128	\$ -	\$ 204,637,115
LIABILITIES AND NET ASSETS								
Current liabilities:								
Accounts payable and accrued expenses	\$ 166,952	\$ 42,669	\$ 70	\$ 1,447	\$ 211,138	\$ 44,308	\$ -	\$ 255,446
Grants and distributions payable	1,114,066	-	-	-	1,114,066	188,140	-	1,302,206
Designated obligations	-	-	76,727	637,677	714,404	-	-	714,404
Due to other agencies	8,219,293	-	-	-	8,219,293	-	-	8,219,293
Note payable, current portion	-	75,773	-	-	75,773	-	-	75,773
Total current liabilities	9,500,311	118,442	76,797	639,124	10,334,674	232,448	-	10,567,122
Note payable, non-current portion	-	2,226,225	-	-	2,226,225	-	-	2,226,225
Total liabilities	9,500,311	2,344,667	76,797	639,124	12,560,899	232,448	-	12,793,347
Net assets:								
Without donor restrictions:								
Undesignated	80,920,906	3,359,362	-	-	84,280,268	2,299,207	-	86,579,475
Designated by the Board for endowment	1,309,510	-	-	-	1,309,510	-	-	1,309,510
Total net assets without donor restrictions	82,230,416	3,359,362	-	-	85,589,778	2,299,207	-	87,888,985
With donor restrictions:								
Restricted for specified purpose	3,631,346	-	-	-	3,631,346	151,500	-	3,782,846
Restricted to the passage of time	1,997,684	-	40,631	744,303	2,782,618	474,973	-	3,257,591
Subject to appropriation and expenditure	4,043,195	-	-	-	4,043,195	-	-	4,043,195
Underwater endowments	(7,396,856)	-	-	-	(7,396,856)	-	-	(7,396,856)
Restricted in perpetuity - endowment	100,268,007	-	-	-	100,268,007	-	-	100,268,007
Total net assets with donor restrictions	102,543,376	-	40,631	744,303	103,328,310	626,473	-	103,954,783
Total net assets	184,773,792	3,359,362	40,631	744,303	188,918,088	2,925,680	-	191,843,768
Total liabilities and net assets	\$ 194,274,103	\$ 5,704,029	\$ 117,428	\$ 1,383,427	\$ 201,478,987	\$ 3,158,128	\$ -	\$ 204,637,115

Supplementary Information
See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES
For the year ended June 30, 2024

	Community Foundation for Southern Arizona, Inc.	CFSA Community Campus, LLC	CFSA Pooled Income Fund	CFSA Charitable Remainder Trust Fund	Total without Supporting Organizations	Supporting Organizations	Consolidating Entries	Total
Revenue and support:								
Support:								
Contributions and bequests	\$ 12,295,958	\$ 170,451	\$ -	\$ 425,889	\$ 12,892,298	\$ 866,222	\$ (493,502)	\$ 13,265,018
Grants and trusts	954,014	-	-	-	954,014	1,156,737	-	2,110,751
Special events, net	(54,931)	-	-	-	(54,931)	(30,778)	-	(85,709)
Total support	13,195,041	170,451	-	425,889	13,791,381	1,992,181	(493,502)	15,290,060
Revenue, investment and other income:								
Investment income (loss), net	16,872,770	-	3,696	(43,485)	16,832,981	258,231	-	17,091,212
Change in value of beneficial interests in trusts	-	-	-	(48,521)	(48,521)	-	-	(48,521)
Fund management fees	168,549	-	-	-	168,549	-	(49,229)	119,320
Rental income	-	371,530	-	-	371,530	-	(102,629)	268,901
Other revenue	-	883	-	1,886	2,769	32,073	-	34,842
Total revenue, investment and other income	17,041,319	372,413	3,696	(90,120)	17,327,308	290,304	(151,858)	17,465,754
Total revenue and support	30,236,360	542,864	3,696	335,769	31,118,689	2,282,485	(645,360)	32,755,814
Expenses:								
Program services	13,202,407	-	80	-	13,202,487	2,156,046	(543,608)	14,814,925
General and administrative	1,158,245	733,543	97	2,588	1,894,473	137,072	(55,909)	1,975,636
Fund-raising and development	1,086,329	-	80	2,111	1,088,520	82,869	(45,843)	1,125,546
Total expenses	15,446,981	733,543	257	4,699	16,185,480	2,375,987	(645,360)	17,916,107
Change in net assets	14,789,379	(190,679)	3,439	331,070	14,933,209	(93,502)	-	14,839,707
Net assets, beginning of year	169,984,413	3,550,041	37,192	413,233	173,984,879	3,445,478	-	177,430,357
Net assets transferred	-	-	-	-	-	(426,296)	-	(426,296)
Net assets, end of year	\$ 184,773,792	\$ 3,359,362	\$ 40,631	\$ 744,303	\$ 188,918,088	\$ 2,925,680	\$ -	\$ 191,843,768

Supplementary Information
See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION – SUPPORTING ORGANIZATIONS
June 30, 2024

<u>ASSETS</u>	William E. Hall Foundation	CFSA Properties, Inc.	Thomas R. Brown Family Foundation	Social Venture Partners
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 396,732
Unconditional promises to give, current portion	-	-	-	1,500
Grants and other receivables, current portion	-	-	-	327,473
Investments - other, current portion	-	-	-	150,966
Prepaid expenses and other current assets	-	-	-	1,323
Total current assets	-	-	-	877,994
Grants and other receivables, non-current portion	-	-	-	146,000
Investments	568,929	20,988	-	-
Other assets	-	-	-	2,007
Total assets	<u>\$ 568,929</u>	<u>\$ 20,988</u>	<u>\$ -</u>	<u>\$ 1,026,001</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ 44,298
Grants and distributions payable	-	11,140	-	177,000
Total current liabilities	-	11,140	-	221,298
Total liabilities	-	11,140	-	221,298
Net assets:				
Without donor restrictions:				
Undesignated	568,929	9,848	-	179,730
Total net assets without donor restrictions	568,929	9,848	-	179,730
With donor restrictions:				
Restricted for specified purpose	-	-	-	150,000
Restricted to the passage of time	-	-	-	474,973
Total net assets with donor restrictions	-	-	-	624,973
Total net assets	568,929	9,848	-	804,703
Total liabilities and net assets	<u>\$ 568,929</u>	<u>\$ 20,988</u>	<u>\$ -</u>	<u>\$ 1,026,001</u>

Supplementary Information
See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION – SUPPORTING ORGANIZATIONS, Continued
June 30, 2024

<u>ASSETS</u>	David S. and Norma R. Lewis Foundation	Howard V. Moore Foundation	Sycamore Canyon Conservation Foundation	Total
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 46,309	\$ 443,041
Unconditional promises to give, current portion	-	-	-	1,500
Grants and other receivables, current portion	-	-	788	328,261
Investments - other, current portion	-	-	-	150,966
Prepaid expenses and other current assets	-	-	-	1,323
Total current assets	-	-	47,097	925,091
Grants and other receivables, non-current portion	-	-	-	146,000
Investments	-	1,493,613	-	2,083,530
Other assets	-	-	1,500	3,507
Total assets	<u>\$ -</u>	<u>\$ 1,493,613</u>	<u>\$ 48,597</u>	<u>\$ 3,158,128</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Accounts payable and accrued expenses	\$ -	\$ 10	\$ -	\$ 44,308
Grants and distributions payable	-	-	-	188,140
Total current liabilities	-	10	-	232,448
Total liabilities	-	10	-	232,448
Net assets:				
Without donor restrictions:				
Undesignated	-	1,493,603	47,097	2,299,207
Total net assets without donor restrictions	-	1,493,603	47,097	2,299,207
With donor restrictions:				
Restricted for specified purpose	-	-	1,500	151,500
Restricted to the passage of time	-	-	-	474,973
Total net assets with donor restrictions	-	-	1,500	626,473
Total net assets	-	1,493,603	48,597	2,925,680
Total liabilities and net assets	<u>\$ -</u>	<u>\$ 1,493,613</u>	<u>\$ 48,597</u>	<u>\$ 3,158,128</u>

Supplementary Information
See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATING STATEMENT ACTIVITIES – SUPPORTING ORGANIZATIONS
For the year ended June 30, 2024

	William E. Hall Foundation	CFSA Properties, Inc.	Thomas R. Brown Family Foundation	Social Venture Partners
Revenue and support:				
Support:				
Contributions and bequests	\$ -	\$ 47,696	\$ -	\$ 818,138
Grants and trusts	-	-	-	1,156,737
Special events, net	-	-	-	(30,778)
Total support	-	47,696	-	1,944,097
Revenue, investment and other income:				
Investment income, net	52,150	-	22,610	8,481
Other revenue	-	2,225	-	-
Total revenue, investment and other income	52,150	2,225	22,610	8,481
Total revenue and support	52,150	49,921	22,610	1,952,578
Expenses:				
Program services	37,496	46,763	300,000	1,326,910
General and administrative	3,062	1,298	15,520	102,310
Fund-raising and development	2,498	1,058	-	67,174
Total expenses	43,056	49,119	315,520	1,496,394
Change in net assets	9,094	802	(292,910)	456,184
Net assets, beginning of year	559,835	9,046	719,206	348,519
Net assets transferred	-	-	(426,296)	-
Net assets, end of year	<u>\$ 568,929</u>	<u>\$ 9,848</u>	<u>\$ -</u>	<u>\$ 804,703</u>

Supplementary Information
See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATING STATEMENT ACTIVITIES – SUPPORTING ORGANIZATIONS, Continued

For the year ended June 30, 2024

	David S. and Norma R. Lewis Foundation	Howard V. Moore Foundation	Sycamore Canyon Conservation Foundation	Total
Revenue and support:				
Support:				
Contributions and bequests	\$ 388	\$ -	\$ -	\$ 866,222
Grants and trusts	-	-	-	1,156,737
Special events, net	-	-	-	(30,778)
Total support	388	-	-	1,992,181
Revenue, investment and other income:				
Investment income, net	599	173,364	1,027	258,231
Other revenue	-	-	29,848	32,073
Total revenue, investment and other income	599	173,364	30,875	290,304
Total revenue and support	987	173,364	30,875	2,282,485
Expenses:				
Program services	353,058	84,301	7,518	2,156,046
General and administrative	737	5,273	8,872	137,072
Fund-raising and development	601	4,301	7,237	82,869
Total expenses	354,396	93,875	23,627	2,375,987
Change in net assets	(353,409)	79,489	7,248	(93,502)
Net assets, beginning of year	353,409	1,414,114	41,349	3,445,478
Net assets transferred	-	-	-	(426,296)
Net assets, end of year	\$ -	\$ 1,493,603	\$ 48,597	\$ 2,925,680

Supplementary Information
See independent auditor's report.