

**COMMUNITY FOUNDATION FOR
SOUTHERN ARIZONA AND AFFILIATES**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**
Years ended June 30, 2004 and 2003

INDEPENDENT AUDITORS' REPORT

To the 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 as of June 30, 2004 and 2003 and the related consolidated statements of activities 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 audits. 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 \$2,188,513 and \$2,146,659 as of June 30, 2004 and 2003, and total revenues of \$83,177 and \$85,205 for the years then ended. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 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, 2004 and 2003, 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.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows for individual entities. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is presented fairly, 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.

May 3, 2005

Integrity is the highest form of service.

MARIANNE E. DEVRIES, CPA

4349 EAST FIFTH STREET ♦ TUCSON, ARIZONA 85711-2025 ♦ (520) 298-6200 ♦ FAX (520) 298-7656
EMAIL: info@devriesaccounting.com ♦ WEBSITE: www.devriesaccounting.com

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
ASSETS		
Cash and cash equivalents	\$ 12,886,048	\$ 15,868,083
Investments - Note 3	54,632,048	46,247,758
Pledges receivable - Note 4	30,545	77,199
Notes receivable - Note 5	64,207	73,240
Grants and other receivables - Note 6	556,238	599,037
Charitable remainder annuity trust - Note 7	150,153	51,065
Property and equipment - Note 8	1,082,291	1,165,395
Other assets - Note 9	289,986	291,030
	<u>\$ 69,691,516</u>	<u>\$ 64,372,807</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued liabilities	\$ 493,224	\$ 505,178
Grants and distributions payable	2,227,876	209,330
Designated obligations - Note 10	3,142,007	2,916,413
Due to other agencies - Note 11	2,348,736	2,160,544
	<u>8,211,843</u>	<u>5,791,465</u>
Net assets:		
Unrestricted:		
Available for operations	898,321	1,244,155
Designated for supporting organizations	32,372,679	34,236,892
Designated for donor advised purposes:		
Endowments	407,439	374,890
Available for distribution	12,415,869	9,828,559
	<u>46,094,308</u>	<u>45,684,496</u>
Temporarily restricted - Note 13	2,435,589	1,992,189
Permanently restricted - Note 16	12,949,776	10,904,657
	<u>61,479,673</u>	<u>58,581,342</u>
	<u>\$ 69,691,516</u>	<u>\$ 64,372,807</u>

See Accompanying Notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and other support:				
Contributions and bequests	\$ 2,300,502	\$ 188,534	\$ 2,045,119	\$ 4,534,155
Interest and dividends	1,176,943	118,228		1,295,171
Grant revenues	2,910,648			2,910,648
Programatic and administrative support	77,751			77,751
Fund management fees	20,965			20,965
Other revenue	342,121			342,121
	<u>6,828,930</u>	<u>306,762</u>	<u>2,045,119</u>	<u>9,180,811</u>
Net assets released from restrictions	438,952	(438,952)		0
Total revenues and other support	<u>7,267,882</u>	<u>(132,190)</u>	<u>2,045,119</u>	<u>9,180,811</u>
Expenses - Note 15:				
Grants and distributions	8,399,361			8,399,361
Program sub-contracts	2,250,572			2,250,572
Salaries, wages and related expenses	1,082,470			1,082,470
Office expenses	480,393			480,393
Professional services	181,981			181,981
Promotion and development	45,196			45,196
Other expenses	188,149			188,149
	<u>12,628,122</u>	<u>0</u>	<u>0</u>	<u>12,628,122</u>
Increase (decrease) in net assets before net gain on investments	(5,360,240)	(132,190)	2,045,119	(3,447,311)
Net gain on investments:				
Realized gain on investment	504,934	43,578		548,512
Unrealized gain on investment	5,120,205	454,305		5,574,510
Change in value-split interest	144,913	77,707		222,620
	<u>5,770,052</u>	<u>575,590</u>	<u>0</u>	<u>6,345,642</u>
Increase in net assets	409,812	443,400	2,045,119	2,898,331
Net assets, beginning of year, as restated - Note 17	<u>45,684,496</u>	<u>1,992,189</u>	<u>10,904,657</u>	<u>58,581,342</u>
Net assets, end of year	<u>\$ 46,094,308</u>	<u>\$ 2,435,589</u>	<u>\$ 12,949,776</u>	<u>\$ 61,479,673</u>

See Accompanying Notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and other support:				
Contributions and bequests	\$ 2,084,174	\$ 3,500	\$ 1,446,273	\$ 3,533,947
Interest and dividends	969,118	70,191		1,039,309
Grant revenues	1,883,749			1,883,749
Programatic and administrative support	648,409			648,409
Fund management fees	58,998			58,998
Other revenue	235,270			235,270
	<u>5,879,718</u>	<u>73,691</u>	<u>1,446,273</u>	<u>7,399,682</u>
Net assets released from restrictions	<u>387,090</u>	<u>(387,090)</u>		<u>0</u>
Total revenues and other support	6,266,808	(313,399)	1,446,273	7,399,682
Expenses - Note 15:				
Grants and distributions	4,386,856			4,386,856
Program sub-contracts	1,870,288			1,870,288
Salaries, wages and related expenses	1,286,997			1,286,997
Office expenses	522,724			522,724
Professional services	272,586			272,586
Promotion and development	50,543			50,543
Other expenses	152,802			152,802
	<u>8,542,796</u>	<u>0</u>	<u>0</u>	<u>8,542,796</u>
Increase (decrease) in net assets before net gain (loss) on investments	(2,275,988)	(313,399)	1,446,273	(1,143,114)
Net gain (loss) on investments:				
Realized gain (loss) on investment	544,372	(11,241)		533,131
Unrealized (loss) on investment	(1,922,524)	(222,600)		(2,145,124)
Change in value-split interest	35,919	49,478		85,397
	<u>(1,342,233)</u>	<u>(184,363)</u>	<u>0</u>	<u>(1,526,596)</u>
Increase (decrease) in net assets	(3,618,221)	(497,762)	1,446,273	(2,669,710)
Net assets, beginning of year, as restated - Note 17	<u>49,302,717</u>	<u>2,489,951</u>	<u>9,458,384</u>	<u>61,251,052</u>
Net assets, end of year, as restated - Note 17	<u>\$ 45,684,496</u>	<u>\$ 1,992,189</u>	<u>\$ 10,904,657</u>	<u>\$ 58,581,342</u>

See Accompanying Notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 2,898,331	\$ (2,669,710)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Loss on disposal of fixed assets	21,970	0
Donation of fixed assets	0	(12,101)
Donation of stock	(2,199,661)	(533,098)
Net realized (gain) on investments	(548,512)	(510,433)
Bad debt expense	28,737	0
Depreciation	59,528	76,425
Unrealized (gain) loss on investments	(5,574,510)	2,151,759
(Increase) decrease in operating assets:		
Pledges receivable	17,917	30,055
Grants and other receivables	18,335	(64,694)
Charitable remainder annuity trust	(99,088)	55,651
Other assets	1,043	0
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	225,628	122,709
Grants and distributions payable	2,028,546	(104,975)
Endowment designated obligations	225,594	(236,381)
Contributions restricted for long-term purposes	(2,045,119)	(1,446,273)
Net cash (used in) operating activities	(4,941,261)	(3,141,066)
Cash flows from investing activities:		
Proceeds from (repayment of) notes receivables	(214,084)	13,524
Proceeds from sales of investments	8,176,033	11,604,937
Purchases of investments	(7,962,773)	(5,365,916)
Proceeds from sale of fixed assets	1,607	(6,044)
Net cash provided by (used in) investing activities	783	6,246,501
Cash flows provided by financing activities -		
Contributions restricted for long-term purposes	2,045,119	1,446,273
Cash flows provided by (used in) custodial activities -		
Increase (decrease) in agency funds	(86,676)	212,310
Increase (decrease) in cash and cash equivalents	(2,982,035)	4,764,018
Cash and cash equivalents, beginning of year	15,868,083	11,104,065
Cash and cash equivalents, end of year	<u>\$ 12,886,048</u>	<u>\$ 15,868,083</u>

Supplemental cash flow information:

No cash paid for interest or income taxes in 2004 or 2003.

See Accompanying Notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2004 and 2003

NOTE 1 – Organization

The consolidated entity, Community Foundation for Southern Arizona (CFSA or the Foundation), was established in 1980 incorporated in the State of Arizona as a nonprofit corporation that promotes the work of civic, cultural and educational organizations in Southern Arizona by stimulating philanthropic resources.

The Foundation 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. The Foundation also serves as trustee for charitable trusts and 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 is 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 the Foundation.

The CFSA Charitable Remainder Trusts are 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:

A 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. Having a majority of its Board of Directors in common with the public charity or having its Board of Directors appointed by the public charity and having common charitable purposes and goals generally accomplish this. The 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.

The Amazon Foundation supports grants to organizations and projects that are supportive of women's issues. The Amazon Foundation ended operations in October 2002.

The I Have A Dream Foundation of Tucson provides scholarships to students of economically disadvantaged families for college and vocational schools.

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

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

The Women's Foundation of Southern Arizona 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.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2004 and 2003

NOTE 1 – Organization - continued

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

The John W. Madden and Barbara Joann Darrall Foundation promotes the preserving and restoring of wildlife habitats primarily in and around the Sonoran desert, and includes educational activities.

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, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. All entities maintain cash in bank deposit accounts which, for short periods of time, may exceed federally insured limits.

Investments

All investments are stated at the fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets section in the accompanying statement of activities.

The Foundation 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.

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 the commitment is for and recognized as contribution revenue as the present value increases. An allowance for doubtful pledges is not maintained. Conditional pledges are recognized when the conditions on which they depend are substantially met. The Foundation has been notified of numerous conditional pledges, which could not be reasonably valued at year-end.

Other assets

Other assets consist of life insurance policies and art objects, which were valued at the fair value on the date of donation and adjusted annually.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2004 and 2003

NOTE 2 – Summary of significant accounting policies – continued

Property, equipment, and accumulated depreciation

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 over ten to forty years, equipment over five to eight years and furniture over five to ten years. Capitalization policies vary among CFSA, affiliates and supporting organizations but the general policy is to capitalize any property or equipment with a useful life of greater than one year and costs greater than \$2,500.

Accounts payable and accrued liabilities

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

Grants and distributions payable

Grants and distributions payable represent support grants pledged by CFSA to recipient organizations, which are not yet disbursed.

Designated obligations

The Foundation or trustees manage assets contributed to the Pooled Income Fund and other charitable remainder trusts, under which the Foundation is the irrevocable remainderman. They 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 unrestricted funds of the Foundation, 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 will be reflected as a change in value by the Foundation. During the year ended June 30, 2004, the Foundation changed the mortality tables they are using to calculate the present value. The interest rates also changed from a range of 5.6% to 6.0% in 2003 to 6.0% in 2004. The effect of these changes in assumptions is included in the current year change in value on the statement of activities.

Due to other agencies

CFSA manages funds for other nonprofit agencies in southern Arizona on a fee basis. These funds have rights to withdrawal and, therefore, a corresponding liability has been recorded.

Interest income

Interest income is allocated monthly within the Foundation, 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.

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.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2004 and 2003

NOTE 2 – Summary of significant accounting policies – continued

Donated services

Donated goods and space are valued at their fair market value. Donated services are recognized in the financial statements at their 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 utilizes 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

The Foundation is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). However, income from certain activities not directly related to the Foundation's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, the Foundation 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)(2). Supporting organizations are classified under Section 509(a)(3) of the IRC.

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.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 3 – Investments

Investments at June 30, 2004 and 2003 consisted of the following:

	2004	2003
U.S. treasury obligations	\$ 881,853	\$ 293,181
Agency obligations	427,247	716,628
Corporate bonds	5,316,089	3,627,310
Marketable securities	37,802,181	32,003,834
Investments in limited partnerships	10,054,678	9,606,805
Long-term cash	150,000	0
	<u>\$ 54,632,048</u>	<u>\$ 46,247,758</u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2004 and 2003

NOTE 3 – Investments – continued

Investment fees are reported in office expenses on the statement of activities. For the fiscal years ended June 30, 2004 and 2003, investment fees charged by outside investment managers was \$126,453 and \$105,638, respectively.

At June 30, 2004 and 2003, \$27,211,032 and \$22,591,007, respectively, of the total investments are invested and valued by each supporting organization's own investment policies and guidelines. The \$150,000 long-term cash is held as collateral for a guarantee of a school loan. Of the supporting organizations' total investments at June 30, 2004 and 2003, \$10,048,380 and \$9,600,507, respectively, of limited partnerships are held and managed by one supporting organization. Underlying investment companies' independent audit reports were used to support the market value.

At June 30, 2004 and 2003, \$12,949,776 and \$10,904,657, respectively, of the above investments were permanently restricted for the endowment net assets and, as such, were unavailable for operations.

NOTE 4 – Pledges receivable

CFSA and its affiliates have received unconditional promises to give or pledges. The consolidated balances as June 30, 2004 and 2003 were \$30,545 and \$77,199, respectively, which are due in less than one year.

NOTE 5 – Notes receivable

At June 30, 2004 and 2003, CFSA's notes receivable consisted of:

	<u>2004</u>	<u>2003</u>
Note receivable, bearing interest at 8% per annum, due in monthly installments of \$621, including interest through February 2012.	\$ 46,812	\$ 50,366
Note receivable, bearing interest at 9% per annum, due in annual installments of \$6,500, including interest through January 2007.	<u>17,395</u>	<u>22,874</u>
	<u>\$ 64,207</u>	<u>\$ 73,240</u>

Future scheduled maturities of the notes are as follows:

Year ended June 30, 2005	\$ 9,496
2006	9,965
2007	10,455
2008	4,885
2009	5,290
Thereafter	<u>24,116</u>
	<u>\$ 64,207</u>

NOTE 6 - Grants and other receivables

At June 30, 2004 and 2003, CFSA's grants and other receivables consisted of:

	<u>2004</u>	<u>2003</u>
Governmental grants receivable	\$ 414,727	\$ 479,343
Interest receivable	137,522	118,465
Fees receivable	<u>3,989</u>	<u>1,229</u>
	<u>\$ 556,238</u>	<u>\$ 599,037</u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2004 and 2003

NOTE 7 – Charitable remainder annuity trust

During the year ended June 30, 2004 a charitable remainder annuity trust removed the Foundation as trustee of the trust. The trust is now held with a third-party trustee but the Foundation is still the beneficiary. This has changed the method by which the Foundation records the interest in the trust. The value of the remainder interest is calculated using a discount rate and actuarial tables to show a receivable from the trust. The prior year method of accounting for this trust indicated a market value of the investment at \$156,396, with the remainder interest value at \$29,390, after deducting the liability of \$127,006. The total receivables related to the remainder value of trusts for which the Foundation is not the trustee were \$150,153 and \$51,065 at June 30, 2004 and 2003, respectively.

NOTE 8 – Property and equipment

At June 30, 2004 and 2003, property, equipment and accumulated depreciation consisted of the following:

	2004	2003
Equipment and furniture	\$ 200,199	\$ 282,080
Buildings and improvements	854,305	854,305
Land	<u>336,400</u>	<u>336,400</u>
	1,390,904	1,472,785
Less accumulated depreciation	<u>(308,613)</u>	<u>(307,390)</u>
	<u>\$ 1,082,291</u>	<u>\$ 1,165,395</u>

NOTE 9 – Other assets

At June 30, 2004 and 2003, other assets consisted of the following:

	2004	2003
Prepaid and miscellaneous assets	\$ 7,949	\$ 10,414
Land held for sale	31,220	31,220
Artwork	211,522	209,522
Split dollar life insurance policies	<u>39,295</u>	<u>39,874</u>
	<u>\$ 289,986</u>	<u>\$ 291,030</u>

NOTE 10 – Designated obligations

At June 30, 2004 and 2003, designated obligations consisted of the following:

	2004	2003
Charitable gift annuities	\$ 386,386	\$ 181,744
Unitrusts	293,322	398,823
Annuity trusts	788,523	812,775
Lead trusts	1,462,411	1,174,001
Charitable remainder trusts	<u>211,365</u>	<u>349,070</u>
	<u>\$ 3,142,007</u>	<u>\$ 2,916,413</u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2004 and 2003

NOTE 11 – Due to other agencies

At June 30, 2004 and 2003, due to other agencies consisted of the following:

	2004	2003
Community Food Bank	\$ 21,578	\$ 19,199
Gerald Ferro memorial fund for Big Brothers	19,894	18,682
Guardianships of Southern Arizona	19,682	18,398
Eighty-Eight Crime fund	62,287	55,031
Sarah P. Hausman Endowment fund	197,103	184,572
Hersh Family Fund	17,128	10,956
Holsclaw family fund	99,227	88,329
Holmes Tuttle memorial fund	131,713	122,960
Alice Y. Holsclaw YWCA fund	60,280	56,448
Junior League of Tucson	54,937	70,569
Claire B. Norton fund	172,824	159,612
Northwest Interfaith Center	25,521	23,829
Irish Famine Commemorative fund	148,748	125,696
One Hundred Club	113,606	98,238
St. Andrew's Crippled Children	141,390	130,708
St. Andrew's Crippled Children matching	0	24,833
Tanque Verde Schools education enrichment	83,041	73,377
Tanque Verde education fine arts	55,768	54,426
Tucson Audubon Society	22,286	12,541
Tucson Audubon Endowment fund	34,459	0
Tucson Botanical Gardens	101,676	90,098
Tucson Music Teachers Association	27,061	25,071
Up with People	197,835	181,023
Volunteer Center	23,431	21,621
Patricia Acton pooled income fund	21,283	19,250
Amy Schlossberg pooled income fund	21,408	19,516
Sally Smith pooled income fund	272,493	250,853
William Wolfe pooled income fund	30,753	27,817
Other funds	171,324	176,891
	<u>\$ 2,348,736</u>	<u>\$ 2,160,544</u>

NOTE 12 - Lease commitments

CFSA had various operating leases which expired during the year ended June 30, 2004 or changed to month-to-month agreements. Rental expense for the years ended June 30, 2004 and 2003 was as follows:

	2004	2003
CFSA - Job Path	\$ 0	\$ 41,449
Robidoux Foundation	14,417	13,997
Women's Foundation	13,094	18,048
	<u>\$ 27,511</u>	<u>\$ 73,494</u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2004 and 2003

NOTE 13 - Temporarily restricted net assets

Temporarily restricted net assets activity for the year ended June 30, 2004 was as follows:

	Balance 6/30/03	Contributions/ investment income	Releases	Balance 6/30/04
Charles E. and Louise T. Davis family fund	\$ 46,760	\$ 6,156	\$ (3,547)	\$ 49,369
Degrazia Art & Cultural Foundation fund	56,341	8,014	(4,292)	60,063
Shaaron Kent fund	65,293	154,403	(35,076)	184,620
Annetta Belinda Miller fund	53,958	7,664	(4,179)	57,443
Tennis for Tucson fund	53,266	8,172	(385)	61,053
Albert H. Cohn family fund	11,382	1,618	(1,012)	11,988
Diane Lynn Anderson memorial fund	14,048	1,935	(730)	15,253
Thomas-Davis fund	10,464	1,475	(1,015)	10,924
Kay Marilyn Kenton environmental fund	11,142	1,900	(963)	12,079
Gift annuities/charitable remainder trusts	1,461,232	529,490	(322,997)	1,667,725
Pooled income funds	109,596	55,605	(7,611)	157,590
Other funds	98,707	105,920	(57,145)	147,482
	<u>\$ 1,992,189</u>	<u>\$ 882,352</u>	<u>\$ (438,952)</u>	<u>\$ 2,435,589</u>

NOTE 14 - Pension plan

The Foundation has a SEP IRA plan covering substantially all employees. Employees become participants in the plan after having been an employee across two fiscal periods who earned at least \$400 in wages. Participants are vested in benefits immediately. The contribution amount is discretionary, based on board approval. Pension plan expense was \$6,941 and \$16,815 for June 30, 2004 and 2003, respectively.

NOTE 15 - Functional expenses

Functional expenses at June 30, 2004 for the consolidated entities were as follows:

	CFSA with trusts and pooled income	Supporting organizations	Total
Program services	\$ 5,612,843	\$ 6,205,149	\$ 11,817,992
Development and public relations	90,434	28,756	119,190
Management and general	461,373	229,567	690,940
	<u>\$ 6,164,650</u>	<u>\$ 6,463,472</u>	<u>\$ 12,628,122</u>

Functional expenses at June 30, 2003 for the consolidated entities were as follows:

	CFSA with trusts and pooled income	Supporting organizations	Total
Program services	\$ 5,146,105	\$ 2,231,009	\$ 7,377,114
Development and public relations	74,828	39,454	114,282
Management and general	688,421	362,979	1,051,400
	<u>\$ 5,909,354</u>	<u>\$ 2,633,442</u>	<u>\$ 8,542,796</u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2004 and 2003

NOTE 16 – Permanently restricted net assets

At June 30, 2004 and 2003, permanently restricted net assets consisted of the following:

	2004	2003
Administrative endowment fund	\$ 801,376	\$ 801,376
Larry R. and Florence A. Adamson Fund	66,282	38,452
America-Israel friendship league	55,500	55,500
Mary Jane McIntosh Atwood scholarship fund	215,000	215,000
Roger & Mary Baxter scholarship fund	130,166	130,166
The Blessings fund	1,450,589	1,450,589
Bank of Tucson endowment	53,000	53,000
Bisbee Coalition for the Homeless	1,872,400	33,125
Herma B. Buerher fund	50,102	50,102
Buffalo Exchange fund for the arts	143,973	136,473
Capin endowed scholarship fund	70,000	70,000
Capin endowed scholarship matching fund	52,500	52,500
The Courtney Foundation for Orphans	289,837	289,837
Ralph and Mary Darling scholarship fund	324,130	324,130
The Sheryll Erchinger Milo memorial scholarship fund	75,000	75,000
The Sheryll Erchinger Milo memorial scholarship match fund	440,255	440,255
Theo Gebler scholarship fund	60,000	50,000
Igor Gorin memorial fund	222,604	222,604
Mary S. Gorin fund	175,928	175,928
Holly and Donald Hammonds family fund	456,012	456,012
Bill & Dorothy Harmsen Sr. fund	100,395	100,395
Holsclaw advisory endowment fund	301,270	301,270
David Kennard and Barbara Kennard Present fund	124,113	124,113
Shaaron Kent endowment fund	980,559	980,559
The Love and Light fund	1,450,589	1,450,589
Margaret T. Morris children's fund	50,241	50,241
PRO neighborhoods endowment fund	434,486	404,745
Rosa Parks scholarship fund	82,887	74,921
Sue Ann Reynolds Tucson Women Physician's Endowment	125,714	40,008
The Stocker Foundation fund	258,130	175,100
Tucson-Pima County library foundation fund	112,161	83,711
Unrestricted endowment fund	214,884	214,884
Boillard-Harkin family fund	60,887	60,887
Scholarship for a Better Future	554,532	554,532
Other funds	1,094,274	1,168,653
	<u>\$ 12,949,776</u>	<u>\$ 10,904,657</u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
June 30, 2004 and 2003

NOTE 17 – Prior period adjustment

During the year ended June 30, 2004, the following corrections were made to the net assets at June 30, 2003:

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total net assets
Balance at June 30, 2002, as originally stated	\$ 50,190,011	\$ 2,444,588	\$ 9,458,384	\$ 62,092,983
Understatement of change in value - split interest		45,363		45,363
Overstatement of charitable remainder trust	(887,294)			(887,294)
Balance at June 30, 2002, as restated	49,302,717	2,489,951	9,458,384	61,251,052
Originally reported increase (decrease) in net assets	(3,443,448)	(351,531)	1,446,273	(2,348,706)
Balance at June 30, 2003, prior to effect of 2003 corrections	45,859,269	2,138,420	10,904,657	58,902,346
(Overstatement) understatement of change in value - split interest	(174,773)	51,416		(123,357)
Overstatement of unrealized (loss) on investments		(197,647)		(197,647)
Balance at June 30, 2003, as restated	<u>\$ 45,684,496</u>	<u>\$ 1,992,189</u>	<u>\$ 10,904,657</u>	<u>\$ 58,581,342</u>

SUPPLEMENTARY INFORMATION

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2004

(with comparative totals for June 30, 2003)

	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	
								2004	2003
ASSETS									
Cash and cash equivalents	\$ 6,919,661		\$ 21,231	\$ 6,940,892	\$ 5,945,156		\$ 12,886,048	\$ 15,868,083	
Investments	22,538,846	\$ 853,943	4,223,641	27,616,430	27,211,032		54,632,048	46,247,758	
Pledges receivable	16,395			16,395	14,150		30,545	77,199	
Notes receivable	349,545			349,545		(285,338)	64,207	73,240	
Grants and other receivables	521,519	2,904	10,497	534,920	49,650	(28,332)	556,238	599,037	
Charitable remainder annuity trust			150,153	150,153			150,153	51,065	
Property and equipment	17,604			17,604	1,064,687		1,082,291	1,165,395	
Other assets	76,411			76,411	213,575		289,986	291,030	
	<u>\$ 30,439,981</u>	<u>\$ 856,847</u>	<u>\$ 4,405,522</u>	<u>\$ 35,702,350</u>	<u>\$ 34,498,250</u>	<u>\$ (509,084)</u>	<u>\$ 69,691,516</u>	<u>\$ 64,372,807</u>	
LIABILITIES AND NET ASSETS									
Liabilities:									
Accounts payable and accrued liabilities	\$ 746,964	\$ 20,641	\$ 2,218	\$ 769,823	\$ 37,071	\$ (313,670)	\$ 493,224	\$ 505,178	
Grants and distributions payable	139,376			139,376	2,088,500		2,227,876	209,330	
Designated obligations	2,544,150	211,365	2,930,642	3,142,007			3,142,007	2,916,413	
Due to other agencies	<u>3,430,490</u>	<u>232,006</u>	<u>2,932,860</u>	<u>6,595,356</u>	<u>2,125,571</u>	<u>(195,414)</u>	<u>2,348,736</u>	<u>2,160,544</u>	
						<u>(509,084)</u>	<u>8,211,843</u>	<u>5,791,465</u>	
Net assets:									
Unrestricted	13,449,441	467,251	(195,063)	13,721,629	32,372,679		46,094,308	45,684,496	
Temporarily restricted	610,274	157,590	1,667,725	2,435,589			2,435,589	1,992,189	
Permanently restricted	<u>12,949,776</u>			<u>12,949,776</u>			<u>12,949,776</u>	<u>10,904,657</u>	
	<u>27,009,491</u>	<u>624,841</u>	<u>1,472,662</u>	<u>29,106,994</u>	<u>32,372,679</u>	<u>0</u>	<u>61,479,673</u>	<u>58,581,342</u>	
	<u>\$ 30,439,981</u>	<u>\$ 856,847</u>	<u>\$ 4,405,522</u>	<u>\$ 35,702,350</u>	<u>\$ 34,498,250</u>	<u>\$ (509,084)</u>	<u>\$ 69,691,516</u>	<u>\$ 64,372,807</u>	

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended June 30, 2004
(with comparative totals for the year ended June 30, 2003)

	Community Foundation for So. Arizona, Inc			CFSA Pooled Income Fund			Gift Annuities/ Charitable Remainder Trusts			Total without supporting organizations			Supporting organizations			Consolidating entries			Total with supporting organizations		
																				2004	2003
Revenues and other support:																					
Contributions and bequests	\$	4,174,455	\$		\$	187,484	\$	4,361,939	\$	252,216	\$	(80,000)	\$	4,534,155	\$	3,533,947					
Interest and dividends		660,250		30,912		47,194		738,356		556,815				1,295,171		1,039,309					
Grant revenues		2,910,648						2,910,648						2,910,648		1,883,749					
Programatic and administrative support		77,751						77,751						77,751		648,409					
Fund management fees		426,570						426,570						20,965		58,998					
Other revenue		104,381						104,381		237,740		(405,605)		342,121		235,270					
Total revenues and other support		8,354,055		30,912		234,678		8,619,645		1,046,771		(485,605)		9,180,811		7,399,682					
Expenses:																					
Grants and distributions		2,363,805		25,694		134,775		2,524,274		5,955,087		(80,000)		8,399,361		4,386,856					
Program sub-contracts		2,202,321						2,202,321		48,251				2,250,572		1,870,288					
Salaries, wages and related expenses		822,940						822,940		259,530				1,082,470		1,286,997					
Office expenses		321,324		3,301		19,035		343,660		136,733		0		480,393		522,724					
Professional services		464,843		1,852		43,936		510,631		61,417		(390,067)		181,981		272,586					
Promotion and development		43,981						43,981		1,215				45,196		50,543					
Other expenses		87,458						87,458		116,229		(15,538)		188,149		152,802					
		6,306,672		30,847		197,746		6,535,265		6,578,462		(485,605)		12,628,122		8,542,796					
Increase (decrease) in net assets before net gain (loss) on investments		2,047,383		65		36,932		2,084,380		(5,531,691)		0		(3,447,311)		(1,143,114)					
Net gain (loss) on investments:																					
Realized gain on investment		91,172		10,684		21,512		123,368		425,144				548,512		533,131					
Unrealized gain (loss) on investment		2,075,428		21,828		234,920		2,332,176		3,242,334				5,574,510		(2,145,124)					
Transfers in (out)		124,066				(124,066)		0						0		0					
Change in value-split interest				137,705		84,915		222,620		3,667,478				222,620		85,397					
		2,290,666		170,217		217,281		2,678,164				0		6,345,642		(1,526,596)					
Increase (decrease) in net assets		4,338,049		170,282		254,213		4,762,544		(1,864,213)		0		2,898,331		(2,669,710)					
Net assets, beginning of year, as restated - Note 17		22,671,442		454,559		1,218,449		24,344,450		34,236,892		0		58,581,342		61,251,052					
Net assets, end of year	\$	27,009,491	\$	624,841	\$	1,472,662	\$	29,106,994	\$	32,372,679	\$	0	\$	61,479,673	\$	58,581,342					

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION - SUPPORTING ORGANIZATIONS

Year ended June 30, 2004

(with comparative totals for June 30, 2003)

	I Have				
	Melody S. Robidoux Foundation	William E. Hall Foundation	A Dream Foundation of Tucson	CFSA Properties Inc.	Thomas R. Brown Family Foundation
ASSETS					
Cash and cash equivalents	\$ 217,871	\$ 26,041	\$ 28,643		\$ 5,200,689
Investments	15,197,331	752,677	150,751		6,137,017
Pledges receivable					16,650
Grants and other receivables	17,809			\$ 1,044,647	
Property and equipment	181,052		400	31,220	
Other assets					
	<u>\$ 15,614,063</u>	<u>\$ 778,718</u>	<u>\$ 179,794</u>	<u>\$ 1,075,867</u>	<u>\$ 11,354,356</u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable and accrued liabilities				\$ 465	\$ 249
Grants and distributions payable				465	2,000,000
					<u>2,000,249</u>
Unrestricted net assets	<u>\$ 15,614,063</u>	<u>778,718</u>	<u>179,794</u>	<u>1,075,402</u>	<u>9,354,107</u>
	<u>\$ 15,614,063</u>	<u>\$ 778,718</u>	<u>\$ 179,794</u>	<u>\$ 1,075,867</u>	<u>\$ 11,354,356</u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION - SUPPORTING ORGANIZATIONS - continued

June 30, 2004

(with comparative totals for June 30, 2003)

	Women's				Total	
	Foundation of Southern Arizona	Knisely Family Foundation	Worth and Dot Howard Foundation	Madden/Darrall Foundation	2004	2003
ASSETS						
Cash and cash equivalents	\$ 109,935	\$ 350,273	\$ 6,141	\$ 5,563	\$ 5,945,156	\$ 10,361,337
Investments	195,414	2,608,509	2,169,333		27,211,032	22,591,007
Pledges receivable	14,150				14,150	52,962
Grants and other receivables		20,671	12,329		49,650	39,954
Property and equipment	1,521		710		1,064,687	1,104,568
Other assets	903				213,575	189,466
	<u>\$ 321,923</u>	<u>\$ 2,979,453</u>	<u>\$ 2,188,513</u>	<u>\$ 5,563</u>	<u>\$ 34,498,250</u>	<u>\$ 34,339,294</u>
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued liabilities	\$ 24,633	\$ 3,000	\$ 8,724		\$ 37,071	\$ 9,402
Grants and distributions payable	<u>24,633</u>	<u>3,000</u>	<u>97,224</u>		<u>2,088,500</u>	<u>93,000</u>
					<u>2,125,571</u>	<u>102,402</u>
Unrestricted net assets	297,290	2,976,453	2,091,289	5,563	32,372,679	34,236,892
	<u>\$ 321,923</u>	<u>\$ 2,979,453</u>	<u>\$ 2,188,513</u>	<u>\$ 5,563</u>	<u>\$ 34,498,250</u>	<u>\$ 34,339,294</u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES -SUPPORTING ORGANIZATIONS

Year ended June 30, 2004

(with comparative totals for the year ended June 30, 2003)

	Melody S. Robidoux Foundation	William E. Hall Foundation	I Have A Dream Foundation of Tucson	CFSA Properties Inc.	Thomas R. Brown Family Foundation
Revenue and other support:					
Contributions and bequests	\$ 12,579	\$ 25,000	\$ 2,529		\$ 350,320
Interest and dividends		20,213	1,237		169,286
Other revenue					
Total revenues and other support	12,579	45,213	3,766		519,606
Expenses:					
Grants and distributions	641,056	41,500			5,041,000
Program sub-contracts			47,988		
Salaries, wages and related expenses	65,093		12,751		
Office expenses	50,536	2,907	8,721	\$ 151	12,791
Professional services	8,953	12,464	2,547		
Promotion and development					
Other expenses	3,165		64	29,787	
	768,803	56,871	72,071	29,938	5,053,791
Increase (decrease) in net assets before net gain on investments	(756,224)	(11,658)	(68,305)	(29,938)	(4,534,185)
Net gain on investments					
Realized gain on investment	44,615	6,300			314,953
Unrealized gain on investment	2,015,844	77,393	32,361		737,393
	2,060,459	83,693	32,361	0	1,052,346
Increase (decrease) in net assets	1,304,235	72,035	(35,944)	(29,938)	(3,481,839)
Net assets, beginning of year	14,309,828	706,683	215,738	1,105,340	12,835,946
Net assets, end of year	\$ 15,614,063	\$ 778,718	\$ 179,794	\$ 1,075,402	\$ 9,354,107

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES -SUPPORTING ORGANIZATIONS - continued
Year ended June 30, 2004
(with comparative totals for the year ended June 30, 2003)

	Women's Foundation of Southern Arizona	Knisely Family Foundation	Worth and Dot Howard Foundation	Madden/ Darrall Foundation	Total	
					2004	2003
Revenue and other support:						
Contributions and bequests	\$ 195,388	\$ 13,299		\$ 16,000	\$ 252,216	\$ 608,508
Interest and dividends	5,760	83,529	\$ 83,177		556,815	339,934
Other revenue	68,454				237,740	111,132
Total revenues and other support	269,602	96,828	83,177	16,000	1,046,771	1,059,574
Expenses:						
Grants and distributions	71,581	63,950	89,500	6,500	5,955,087	1,805,323
Program sub-contracts	263				48,251	39,034
Salaries, wages and related expenses	94,741	30,548	56,397		259,530	349,254
Office expenses	53,824	2,525	5,213	65	136,733	227,612
Professional services	24,584		8,015	4,854	61,417	89,595
Promotion and development	1,215				1,215	2,611
Other expenses	67,675		15,538		116,229	120,013
	313,883	97,023	174,663	11,419	6,578,462	2,633,442
Increase (decrease) in net assets before net gain (loss) on investments	(44,281)	(195)	(91,486)	4,581	(5,531,691)	(1,573,868)
Net gain (loss) on investments						
Realized gain (loss) on investment	1,505	58,909	(1,138)		425,144	748,554
Unrealized gain (loss) on investment	22,102	230,883	126,358		3,242,334	(2,033,959)
	23,607	289,792	125,220	0	3,667,478	(1,285,405)
Increase (decrease) in net assets	(20,674)	289,597	33,734	4,581	(1,864,213)	(2,859,273)
Net assets, beginning of year	317,964	2,686,856	2,057,555	982	34,236,892	37,096,165
Net assets, end of year	\$ 297,290	\$ 2,976,453	\$ 2,091,289	\$ 5,563	\$ 32,372,679	\$ 34,236,892