

**COMMUNITY FOUNDATION FOR
SOUTHERN ARIZONA AND AFFILIATES**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**
Years ended June 30, 2005 and 2004

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, 2005 and 2004 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 \$2,297,025 and \$2,188,513 as of June 30, 2005 and 2004, respectively, and total revenues of \$81,728 and \$83,177 for the years then ended, respectively. Those statements were audited by another auditor whose reports have been furnished to us, and our opinion insofar as it relates to the amounts included for the Worth & Dot Howard Foundation is based solely on the reports of the other auditor.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, 2005 and 2004, 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.

November 4, 2005

Integrity is the highest form of service.

MARIANNE E. DEVRIES, CPA

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COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and cash equivalents	\$ 7,842,888	\$ 12,886,048
Investments - Note 3	66,616,670	54,827,462
Pledges receivable - Note 4	42,047	30,545
Notes receivable - Note 5	55,719	64,207
Grants and other receivables - Note 6	665,648	556,238
Charitable remainder annuity trust - Note 7	200,367	150,153
Property and equipment - Note 8	1,044,016	1,082,291
Other assets - Note 9	<u>287,722</u>	<u>289,986</u>
	<u>\$ 76,755,077</u>	<u>\$ 69,886,930</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 111,156	\$ 336,183
Grants and distributions payable	685,031	2,384,917
Designated obligations - Note 10	3,806,344	3,142,007
Due to other agencies - Note 11	<u>3,108,199</u>	<u>1,977,059</u>
	7,710,730	7,840,166
Net assets:		
Unrestricted:		
Available for operations	4,328,542	898,321
Designated for supporting organizations	35,530,995	32,372,679
Designated for donor advised purposes	<u>13,395,360</u>	<u>13,594,076</u>
	53,254,897	46,865,076
Temporarily restricted - Note 12	2,764,086	2,231,912
Permanently restricted - Note 14	<u>13,025,364</u>	<u>12,949,776</u>
	69,044,347	62,046,764
	<u>\$ 76,755,077</u>	<u>\$ 69,886,930</u>

See Accompanying Notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and other support:				
Contributions and bequests	\$ 3,880,263	\$ 509,646	\$ 531,600	\$ 4,921,509
Interest and dividends	1,292,346	145,548		1,437,894
Governmental grant revenues	2,218,312			2,218,312
Programatic and administrative support	61,208			61,208
Fund management fees	24,202			24,202
Special event revenues	130,878			130,878
Other revenue	43,470			43,470
	<u>7,650,679</u>	<u>655,194</u>	<u>531,600</u>	<u>8,837,473</u>
Net assets released from restrictions	219,442	(219,442)		0
Total revenues and other support	<u>7,870,121</u>	<u>435,752</u>	<u>531,600</u>	<u>8,837,473</u>
Expenses - Note 13:				
Grants and distributions	2,824,179			2,824,179
Program sub-contracts	2,057,370			2,057,370
Salaries, wages and related expenses	1,009,501			1,009,501
Office expenses	410,087			410,087
Professional services	141,270			141,270
Promotion and development	63,605			63,605
Special event expenses	54,867			54,867
Other expenses	58,794			58,794
	<u>6,619,673</u>	<u>0</u>	<u>0</u>	<u>6,619,673</u>
Increase in net assets before net gain on investments	1,250,448	435,752	531,600	2,217,800
Net gain (loss) on investments:				
Realized gain on investment	56,070	25,411		81,481
Unrealized gain on investment	3,983,984	201,601		4,185,585
Change in value-split interest	143,307	(130,590)		12,717
	<u>4,183,361</u>	<u>96,422</u>	<u>0</u>	<u>4,279,783</u>
Increase in net assets	5,433,809	532,174	531,600	6,497,583
Change in accounting estimate - Note 18	500,000			500,000
Net assets, beginning of year, as restated - Note 17	46,865,076	2,231,912	12,949,776	62,046,764
Transfer per donor request	<u>456,012</u>	<u></u>	<u>(456,012)</u>	<u>0</u>
Net assets, end of year	<u>\$ 53,254,897</u>	<u>\$ 2,764,086</u>	<u>\$ 13,025,364</u>	<u>\$ 69,044,347</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
Governmental grant revenues	2,910,648			2,910,648
Programatic and administrative support	77,751			77,751
Fund management fees	20,965			20,965
Special event revenues	137,307			137,307
Other revenue	204,814			204,814
	<u>6,828,930</u>	<u>306,762</u>	<u>2,045,119</u>	<u>9,180,811</u>
Net assets released from restrictions	<u>438,952</u>	<u>(438,952)</u>		<u>0</u>
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 13:				
Grants and distributions	8,238,892			8,238,892
Program sub-contracts	2,250,572			2,250,572
Salaries, wages and related expenses	1,082,470			1,082,470
Office expenses	480,253			480,253
Professional services	181,981			181,981
Promotion and development	45,196			45,196
Special event expenses	47,342			47,342
Other expenses	140,947			140,947
	<u>12,467,653</u>	<u>0</u>	<u>0</u>	<u>12,467,653</u>
Increase (decrease) in net assets before net gain on investments	(5,199,771)	(132,190)	2,045,119	(3,286,842)
Net gain (loss) 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	188,121	(125,970)		62,151
	<u>5,813,260</u>	<u>371,913</u>	<u>0</u>	<u>6,185,173</u>
Increase in net assets	613,489	239,723	2,045,119	2,898,331
Net assets, beginning of year, as restated - Note 17	<u>46,251,587</u>	<u>1,992,189</u>	<u>10,904,657</u>	<u>59,148,433</u>
Net assets, end of year, as restated - Note 17	<u>\$ 46,865,076</u>	<u>\$ 2,231,912</u>	<u>\$ 12,949,776</u>	<u>\$ 62,046,764</u>

See Accompanying Notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Increase in net assets	\$ 6,497,583	\$ 2,898,331
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Loss on disposal of fixed assets	375	21,970
Donation of stock	(2,167,737)	(2,199,661)
Net realized (gain) on investments	(81,481)	(548,512)
Bad debt expense	0	28,737
Depreciation	41,478	59,528
Unrealized (gain) on investments	(4,185,585)	(5,574,510)
(Increase) decrease in operating assets:		
Pledges receivable	(311,502)	17,917
Grants and other receivables	(90,337)	18,335
Charitable remainder annuity trust	(50,214)	(99,088)
Other assets	2,264	1,043
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(237,599)	225,628
Grants and distributions payable	(906,386)	2,028,546
Designated obligations	664,337	225,594
Contributions restricted for long-term purposes	(531,600)	(2,045,119)
Net cash (used in) operating activities	<u>(1,356,404)</u>	<u>(4,941,261)</u>
Cash flows from investing activities:		
Proceeds from (repayment of) notes receivables	8,488	(214,084)
Proceeds from sales of investments	7,340,407	8,176,033
Purchases of investments	(12,361,813)	(7,962,773)
Purchases of oil and gas interests	(222,568)	0
Purchases of fixed assets	(3,579)	0
Proceeds from sale of fixed assets	0	1,607
Net cash provided by (used in) investing activities	<u>(5,239,065)</u>	<u>783</u>
Cash flows provided by financing activities -		
Contributions restricted for long-term purposes	531,600	2,045,119
Cash flows provided by (used in) custodial activities -		
Increase (decrease) in agency funds	<u>1,020,709</u>	<u>(86,676)</u>
(Decrease) in cash and cash equivalents	(5,043,160)	(2,982,035)
Cash and cash equivalents, beginning of year	<u>12,886,048</u>	<u>15,868,083</u>
Cash and cash equivalents, end of year	<u>\$ 7,842,888</u>	<u>\$ 12,886,048</u>

Supplemental cash flow information:

No cash paid for interest or income taxes in 2005 or 2004.

See Accompanying Notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2005 and 2004

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 as fiscal agent for public monies targeting health issues, job training and community development.

The consolidated financial statements include the following:

The CFSA Pooled Income Fund 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:

An IRC Section 509(a)(3) support organization is an entity which achieves tax-exempt charitable organization status by having a close relationship with a public charity. 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 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.

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

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2005 and 2004

NOTE 1 – Organization - continued

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.

The Sycamore Canyon Conservation Foundation, which will monitor and repair certain environmentally sensitive areas near Tucson, Arizona, was formed during the year ended June 30, 2005. However, there were no financial transactions which took place during the year.

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. Oil and gas interests are valued at a multiple of prior year earnings based upon estate valuation guidance issued by the Internal Revenue Service.

The Melody S. Robidoux Foundation maintains investments with a single investment company which are in excess of 5% of total investments held by the Foundation. These investments of \$4,340,100 in Spindrift Share Classes of Wellington Management Investors (Bermuda) Ltd. represent a credit risk of financial instruments.

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 as management considers all pledges are fully collectible. 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.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2005 and 2004

NOTE 2 – Summary of significant accounting policies – continued

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.

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.

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, 2005 and 2004

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)(1). 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, 2005 and 2004 consisted of the following:

	2005	2004
U.S. treasury obligations	\$ 4,367,554	\$ 881,853
Agency obligations	0	427,247
Corporate bonds	7,434,058	5,316,089
Marketable securities	44,163,702	37,997,595
Oil and gas interests	222,568	0
Investments in limited partnerships	10,169,230	10,054,678
Certificates of deposit	259,558	150,000
	<u>\$ 66,616,670</u>	<u>\$ 54,827,462</u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
June 30, 2005 and 2004

NOTE 3 – Investments – continued

Investment fees are reported in office expenses on the statement of activities. For the fiscal years ended June 30, 2005 and 2004, investment fees charged by outside investment managers was \$151,980 and \$126,453, respectively.

At June 30, 2005 and 2004, \$29,922,893 and \$27,211,032, respectively, of the total investments are invested and valued by each supporting organization's own investment policies and guidelines. \$150,000 of the certificates of deposit are held as collateral for a guarantee of a school loan. Of the supporting organizations' total investments at June 30, 2005 and 2004, \$10,161,721 and \$10,048,380, 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, 2005 and 2004, \$13,025,364 and \$12,949,776, 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, 2005 and 2004 were \$42,047 and \$30,545, respectively, which are due in less than one year.

NOTE 5 – Notes receivable

At June 30, 2005 and 2004, CFSA's notes receivable consisted of:

	<u>2005</u>	<u>2004</u>
Note receivable, bearing interest at 8% per annum, due in monthly installments of \$621, including interest through February 2012.	\$ 42,632	\$ 46,812
Note receivable, bearing interest at 9% per annum, due in annual installments of \$6,500, including interest through January 2007.	13,087	17,395
	<u>\$ 55,719</u>	<u>\$ 64,207</u>

NOTE 6 - Grants and other receivables

At June 30, 2005 and 2004, CFSA's grants and other receivables consisted of:

	<u>2005</u>	<u>2004</u>
Governmental grants receivable	\$ 468,200	\$ 414,727
Interest receivable	181,560	137,522
Fees receivable	15,888	3,989
	<u>\$ 665,648</u>	<u>\$ 556,238</u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2005 and 2004

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 total receivables related to the remainder value of trusts for which the Foundation is not the trustee were \$200,367 and \$150,153 at June 30, 2005 and 2004, respectively.

NOTE 8 – Property and equipment

At June 30, 2005 and 2004, property, equipment and accumulated depreciation consisted of the following:

	2005	2004
Equipment and furniture	\$ 194,162	\$ 200,199
Buildings and improvements	857,884	854,305
Land	336,400	336,400
	<u>1,388,446</u>	<u>1,390,904</u>
Less accumulated depreciation	(344,430)	(308,613)
	<u>\$ 1,044,016</u>	<u>\$ 1,082,291</u>

NOTE 9 – Other assets

At June 30, 2005 and 2004, other assets consisted of the following:

	2005	2004
Prepaid and miscellaneous assets	\$ 5,887	\$ 7,949
Land held for sale	31,220	31,220
Artwork	211,522	211,522
Split dollar life insurance policies	39,093	39,295
	<u>\$ 287,722</u>	<u>\$ 289,986</u>

NOTE 10 – Designated obligations

At June 30, 2005 and 2004, designated obligations consisted of the following:

	2005	2004
Charitable gift annuities	\$ 1,026,890	\$ 386,386
Unitrusts	282,835	293,322
Annuity trusts	715,459	788,523
Lead trusts	1,556,369	1,462,411
Pooled income fund	224,791	211,365
	<u>\$ 3,806,344</u>	<u>\$ 3,142,007</u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2005 and 2004

NOTE 11 – Due to other agencies

At June 30, 2005 and 2004, due to other agencies consisted of the following:

	<u>2005</u>	<u>2004</u>
William A. Calder III Endowment fund for Tucson		
Audubon Society	\$ 30,609	\$ 0
Casa de Esperanza Endowment	79,950	0
Community Food Bank	22,968	21,578
Gerald Ferro memorial fund for Big Brothers	20,121	19,894
Green Valley Assistance Services Endowment	674,830	0
Guardianships of Southern Arizona	19,996	19,682
Eighty-Eight Crime fund	66,536	62,287
Sarah P. Hausman Endowment fund	199,877	197,103
Hersh Family Fund	13,721	17,128
Holsclaw family fund	89,995	99,227
Holmes Tuttle memorial fund	133,589	131,713
Alice Y. Holsclaw YWCA fund	61,129	60,280
Junior League of Tucson	58,874	54,937
Claire B. Norton fund	177,000	172,824
Northwest Interfaith Center	25,951	25,521
Irish Famine Commemorative fund	167,520	148,748
One Hundred Club	120,052	113,606
St. Andrew's Crippled Children	151,709	141,390
Tanque Verde Schools education enrichment	88,946	83,041
Tanque Verde education fine arts	54,414	55,768
Tucson Audubon Society	119,722	22,286
Tucson Audubon Endowment fund	174,627	34,459
Tucson Botanical Gardens	108,442	101,676
Tucson Music Teachers Association	27,736	27,061
Up with People	208,048	197,835
Volunteer Center	23,979	23,431
Other funds	187,858	145,584
	<u>\$ 3,108,199</u>	<u>\$ 1,977,059</u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
June 30, 2005 and 2004

NOTE 12 – Temporarily restricted net assets

Temporarily restricted net assets activity for the year ended June 30, 2005 was as follows:

	Beginning balance	Contributions/ investment income	Releases	Ending balance
Charles E. and Louise T. Davis family fund	\$ 49,369	\$ 3,646	\$ (6,587)	\$ 46,428
Degrazia Art & Cultural Foundation fund	60,063	4,772	(4,132)	60,703
Shaaron Kent fund	184,620	96,108	(75,804)	204,924
Annetta Belinda Miller fund	57,443	4,558	(4,005)	57,996
Tennis for Tucson fund	61,053	5,142	(422)	65,773
Diane Lynn Anderson memorial fund	15,253	1,213	(720)	15,746
Mary Jane McIntosh Atwood scholarship	13,111	18,939	(11,263)	20,787
Herma Beuhrer fund	11,398	4,856	(4,232)	12,022
Nonprofit capacity building fund	0	16,519	(339)	16,180
FHL Neighborhood projects	10,117	2,489	(551)	12,055
Margaret T. Morris Children's Fund	13,154	5,036	(4,362)	13,828
HIV/AIDS - technical assistance	0	38,960		38,960
Gift annuities/charitable remainder trusts	1,464,048	511,599	(51,155)	1,924,492
Pooled income funds	157,590	(11,703)	(1,441)	144,446
Other funds	134,693	49,482	(54,429)	129,746
	<u>\$ 2,231,912</u>	<u>\$ 751,616</u>	<u>\$ (219,442)</u>	<u>\$ 2,764,086</u>

NOTE 13 – Functional expenses

Functional expenses at June 30, 2005 for the consolidated entities were as follows:

	CFSA with trusts and pooled income	Supporting organizations	Total
Program services	\$ 4,478,979	\$ 1,486,393	\$ 5,965,372
Development and public relations	88,084	22,510	110,594
Management and general	388,745	154,962	543,707
	<u>\$ 4,955,808</u>	<u>\$ 1,663,865</u>	<u>\$ 6,619,673</u>

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

	CFSA with trusts and pooled income	Supporting organizations	Total
Program services	\$ 5,452,374	\$ 6,205,149	\$ 11,657,523
Development and public relations	90,434	28,756	119,190
Management and general	461,373	229,567	690,940
	<u>\$ 6,004,181</u>	<u>\$ 6,463,472</u>	<u>\$ 12,467,653</u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2005 and 2004

NOTE 14 – Permanently restricted net assets

At June 30, 2005 and 2004, permanently restricted net assets consisted of the following:

	2005	2004
Administrative endowment fund	\$ 801,376	\$ 801,376
Larry R. and Florence A. Adamson Fund	66,282	66,282
Advertising education fund	60,325	40,225
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	1,872,400
Herma B. Buerher fund	50,102	50,102
Buffalo Exchange fund for the arts	143,973	143,973
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	81,622	60,000
Igor Gorin memorial fund	222,604	222,604
Mary S. Gorin fund	175,928	175,928
Holly and Donald Hammonds family fund	0	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	1,035,392	980,559
Janet P. Miller fund	229,630	0
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	450,695	434,486
William G. & Kathleen Rector trust fund	64,463	0
Rosa Parks scholarship fund	83,488	82,887
Sue Ann Reynolds Tucson Women Physician's Endowment	196,207	125,714
The Stocker Foundation fund	258,130	258,130
Tucson-Pima County library foundation fund	119,922	112,161
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	1,099,937	1,054,049
	<u>\$ 13,025,364</u>	<u>\$ 12,949,776</u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2005 and 2004

NOTE 15 - 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 \$12,813 and \$6,941 for June 30, 2005 and 2004, respectively.

NOTE 16 - 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, 2005 and 2004 was as follows:

	2005	2004
Robidoux Foundation	\$ 14,850	\$ 14,417
Women's Foundation	3,900	13,094
	<u>\$ 18,750</u>	<u>\$ 27,511</u>

NOTE 17 - Prior period adjustment

During the year ended June 30, 2005, the following corrections were made to the net assets at June 30, 2003 and 2004:

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total net assets
Balance at June 30, 2003, as originally stated	\$ 45,684,496	\$ 1,992,189	\$ 10,904,657	\$ 58,581,342
Overstatement of custodial liabilities	567,091			567,091
Balance at June 30, 2003, as restated	46,251,587	1,992,189	10,904,657	59,148,433
Originally reported increase in net assets for the year ended June 30, 2004	409,812	443,400	2,045,119	2,898,331
Reclassification of change in value	203,677	(203,677)		0
Balance at June 30, 2004, as restated	<u>\$ 46,865,076</u>	<u>\$ 2,231,912</u>	<u>\$ 12,949,776</u>	<u>\$ 62,046,764</u>

NOTE 18 - Change in accounting estimate

During 2005, the Thomas R. Brown Foundation's Board of Directors rescinded \$500,000 of the grant payable to Massachusetts Institute of Technology that was awarded in the year ended June 30, 2004. This action was recorded as a change in estimate in the 2005 consolidated statement of activities.

NOTE 19 - Subsequent event

Subsequent to year end, the Foundation added another supporting organization, Zuckerman Community Outreach Foundation, which will support individuals and organizations for the promotion of health and wellness on a local and national level, as well as extending generosity to necessary, creative and artistic endeavors that positively impact the human experience. This supporting organization was funded by an \$8 million contribution.

NOTE 20 - Related party transaction

During the year ended June 30, 2005, the Thomas R. Brown Foundation purchased oil and gas interests from family trusts in the amount of \$222,568. The bank trustee in control of the family trusts valued the interests at an amount approximating the value that the Internal Revenue Service uses in valuing such interests for estate tax purposes. The members of the Brown Family who serve on the Brown Foundation's board of directors abstained from voting on the acquisition of the oil and gas interests.

SUPPLEMENTARY INFORMATION

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

June 30, 2005
(with comparative totals for June 30, 2004)

	Community Foundation for Southern Arizona, Inc.	CFSA Pooled Income Fund	Gift Annuities/ Charitable Remainder Trusts	Total without supporting organizations	Supporting organizations	Consolidating entries	Total with supporting organizations	
							2005	2004
ASSETS								
Cash and cash equivalents	\$ 2,198,751	\$	\$ 931,701	\$ 3,130,452	\$ 4,712,436	\$	\$ 7,842,888	\$ 12,886,048
Investments	31,261,748	\$ 863,546	4,568,483	36,693,777	29,922,893		66,616,670	54,827,462
Pledges receivable	312,947			312,947	29,100	\$ (300,000)	42,047	30,545
Notes receivable	55,719			55,719			55,719	64,207
Grants and other receivables	610,435	3,532	17,350	631,317	43,590	(9,259)	665,648	556,238
Charitable remainder annuity trust			200,367	200,367			200,367	150,153
Property and equipment	8,977			8,977	1,035,039		1,044,016	1,082,291
Other assets	75,450			75,450	212,272		287,722	289,986
	<u>\$ 34,524,027</u>	<u>\$ 867,078</u>	<u>\$ 5,717,901</u>	<u>\$ 41,109,006</u>	<u>\$ 35,955,330</u>	<u>\$ (309,259)</u>	<u>\$ 76,755,077</u>	<u>\$ 69,886,930</u>

LIABILITIES AND NET ASSETS

Liabilities:								
Accounts payable and accrued liabilities	\$ 37,990	\$ 52,090		\$ 90,080	\$ 30,335	\$ (9,259)	\$ 111,156	\$ 336,183
Grants and distributions payable	591,031			591,031	394,000	(300,000)	685,031	2,384,917
Designated obligations		224,791	\$ 3,581,553	3,806,344			3,806,344	3,142,007
Due to other agencies	3,108,199			3,108,199			3,108,199	1,977,059
	<u>3,737,220</u>	<u>276,881</u>	<u>3,581,553</u>	<u>7,595,654</u>	<u>424,335</u>	<u>(309,259)</u>	<u>7,710,730</u>	<u>7,840,166</u>
Net assets:								
Unrestricted	17,066,293	445,751	211,858	17,723,902	35,530,995		53,254,897	46,865,076
Temporarily restricted	695,150	144,446	1,924,490	2,764,086			2,764,086	2,231,912
Permanently restricted	13,025,364			13,025,364			13,025,364	12,949,776
	<u>30,786,807</u>	<u>590,197</u>	<u>2,136,348</u>	<u>33,513,352</u>	<u>35,530,995</u>	<u>0</u>	<u>69,044,347</u>	<u>62,046,764</u>
	<u>\$ 34,524,027</u>	<u>\$ 867,078</u>	<u>\$ 5,717,901</u>	<u>\$ 41,109,006</u>	<u>\$ 35,955,330</u>	<u>\$ (309,259)</u>	<u>\$ 76,755,077</u>	<u>\$ 69,886,930</u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended June 30, 2005

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

	Community Foundation for Southern Arizona, Inc.	CFSA Pooled Income Fund	Gift Annuities/ Charitable Remainder Trusts	Total without supporting organizations	Supporting organizations	Consolidating entries	supporting organizations 2005	Total with supporting organizations 2004
Revenues and other support:								
Contributions and bequests	\$ 3,524,205	\$	\$ 492,616	\$ 4,016,821	\$ 1,281,638	\$ (376,950)	\$ 4,921,509	\$ 4,534,155
Interest and dividends	806,617	\$ 34,570	72,619	913,806	524,088		1,437,894	1,295,171
Governmental grant revenues	2,218,312			2,218,312			2,218,312	2,910,648
Programatic and administrative support	61,208			61,208			61,208	77,751
Fund management fees	497,961			497,961		(473,759)	24,202	20,965
Special event revenues	51,527			51,527	79,351		130,878	137,307
Other revenue	41,451			41,451	2,019		43,470	204,814
Total revenues and other support	7,201,281	34,570	565,235	7,801,086	1,887,096	(850,709)	8,837,473	9,180,811
Expenses:								
Grants and distributions	1,558,547			1,558,547	1,642,582	(376,950)	2,824,179	8,238,892
Program sub-contracts	2,057,210			2,057,210	160		2,057,370	2,250,572
Salaries, wages and related expenses	820,058			820,058	189,443		1,009,501	1,082,470
Office expenses	260,969	3,641	14,564	279,174	130,913		410,087	480,253
Professional services	524,045	2,036	37,599	563,680	51,349	(473,759)	141,270	181,981
Promotion and development	62,704			62,704	901		63,605	45,196
Special event expenses	27,207			27,207	27,660		54,867	47,342
Other expenses	8,854			8,854	49,940		58,794	140,947
	5,319,594	5,677	52,163	5,377,434	2,092,948	(850,709)	6,619,673	12,467,653
Increase (decrease) in net assets before net gain (loss) on investments	1,881,687	28,893	513,072	2,423,652	(205,852)		2,217,800	(3,286,842)
Net gain (loss) on investments:								
Realized gain on investment	143,971	8,281	9,289	161,541	(80,060)		81,481	548,512
Unrealized gain (loss) on investment	1,139,191	19,965	85,780	1,244,936	2,940,649		4,185,585	5,574,510
Transfers in (out)	45,376	(48,955)		(3,579)	3,579		0	0
Change in value-split interest		(42,828)	55,545	12,717			12,717	62,151
	1,328,538	(63,537)	150,614	1,415,615	2,864,168	0	4,279,783	6,185,173
Increase (decrease) in net assets	3,210,225	(34,644)	663,686	3,839,267	2,658,316	0	6,497,583	2,898,331
Change in accounting estimate					500,000		500,000	0
Net assets, beginning of year	27,576,582	624,841	1,472,662	29,674,085	32,372,679	0	62,046,764	59,148,433
Net assets, end of year	\$ 30,786,807	\$ 590,197	\$ 2,136,348	\$ 33,513,352	\$ 35,530,995	\$ 0	\$ 69,044,347	\$ 62,046,764

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

Year ended June 30, 2005

(with comparative totals for June 30, 2004)

	Melody S. Robidoux Foundation	William E. Hall Foundation	I Have A Dream Foundation of Tucson	CFSA Properties Inc.	Thomas R. Brown Family Foundation
ASSETS					
Cash and cash equivalents	\$ 701,318		\$ 15,588		\$ 3,556,947
Investments	15,824,363	\$ 783,677	139,673		7,805,694
Pledges receivable					
Grants and other receivables			887		18,480
Property and equipment	15,856			\$ 1,018,279	
Other assets	181,052			31,220	
	<u>\$ 16,722,589</u>	<u>\$ 783,677</u>	<u>\$ 156,148</u>	<u>\$ 1,049,499</u>	<u>\$ 11,381,121</u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable and accrued liabilities	\$	1,574		\$ 1,246	\$ 1,364
Grants and distributions payable	<u>\$ 150,000</u>	<u>1,574</u>		<u>1,246</u>	<u>150,000</u>
					<u>151,364</u>
Unrestricted net assets	<u>16,572,589</u>	<u>782,103</u>	<u>\$ 156,148</u>	<u>1,048,253</u>	<u>11,229,757</u>
	<u>\$ 16,722,589</u>	<u>\$ 783,677</u>	<u>\$ 156,148</u>	<u>\$ 1,049,499</u>	<u>\$ 11,381,121</u>

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

June 30, 2005

(with comparative totals for June 30, 2004)

	Women's Foundation of Southern Arizona	Knisely Family Foundation	Worth and Dot Howard Foundation	Madden/ Darrall Foundation	Total
ASSETS					
Cash and cash equivalents	\$ 55,578	\$ 377,649	\$ 4,288	\$ 1,068	\$ 5,945,156
Investments	267,968	2,817,781	2,283,737		27,211,032
Pledges receivable	29,100				14,150
Grants and other receivables	500	15,028	8,695		49,650
Property and equipment	599		305		1,064,687
Other assets					213,575
	<u>\$ 353,745</u>	<u>\$ 3,210,458</u>	<u>\$ 2,297,025</u>	<u>\$ 1,068</u>	<u>\$ 34,498,250</u>

LIABILITIES AND NET ASSETS

Liabilities:					
Accounts payable and accrued liabilities	\$ 10,327	\$	15,824	\$	37,071
Grants and distributions payable		6,500	87,500	394,000	2,088,500
	<u>10,327</u>	<u>6,500</u>	<u>103,324</u>	<u>424,335</u>	<u>2,125,571</u>
Unrestricted net assets	<u>343,418</u>	<u>3,203,958</u>	<u>2,193,701</u>	<u>1,068</u>	<u>32,372,679</u>
	<u>\$ 353,745</u>	<u>\$ 3,210,458</u>	<u>\$ 2,297,025</u>	<u>\$ 1,068</u>	<u>\$ 34,498,250</u>

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

Year ended June 30, 2005

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

	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			\$ 1,057		\$ 1,101,445
Interest and dividends	\$ 101,099	\$ 22,008	3,623		195,493
Special event revenues					
Other revenue					144
Total revenues and other support	<u>101,099</u>	<u>22,008</u>	<u>4,680</u>		<u>1,297,082</u>
Expenses:					
Grants and distributions	734,907	48,000	40,825		592,500
Program sub-contracts					
Salaries, wages and related expenses	66,699				
Office expenses	48,122	3,024	165	\$ 21	20,329
Professional services	8,042	8,660	2,197	600	
Promotion and development					
Special event expenses					
Other expenses	<u>2,577</u>			<u>30,107</u>	
	<u>860,347</u>	<u>59,684</u>	<u>43,187</u>	<u>30,728</u>	<u>612,829</u>
Increase (decrease) in net assets before net gain on investments	<u>(759,248)</u>	<u>(37,676)</u>	<u>(38,507)</u>	<u>(30,728)</u>	<u>684,253</u>
Net gain on investments					
Realized gain on investment	(114,992)	4,397	3,356		22,645
Unrealized gain on investment	1,832,766	36,664	11,505		668,752
Transfers in (out)	<u>1,717,774</u>	<u>41,061</u>	<u>14,861</u>	<u>3,579</u>	<u>691,397</u>
	<u>958,526</u>	<u>3,385</u>	<u>(23,646)</u>	<u>(27,149)</u>	<u>1,375,650</u>
Increase (decrease) in net assets					500,000
Change in accounting estimate					
Net assets, beginning of year	<u>15,614,063</u>	<u>778,718</u>	<u>179,794</u>	<u>1,075,402</u>	<u>9,354,107</u>
Net assets, end of year	<u>\$ 16,572,589</u>	<u>\$ 782,103</u>	<u>\$ 156,148</u>	<u>\$ 1,048,253</u>	<u>\$ 11,229,757</u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES -SUPPORTING ORGANIZATIONS - continued
Year ended June 30, 2005
(with comparative totals for the year ended June 30, 2004)

	Women's Foundation of Southern Arizona	Knisely Family Foundation	Worth and Dot Howard Foundation	Madden/ Darrall Foundation	Total
					2005
					2004
Revenue and other support:					
Contributions and bequests	\$ 158,043	\$ 15,093		\$ 6,000	\$ 1,281,638
Interest and dividends	6,403	113,734	\$ 81,728		\$ 524,088
Special event revenues	79,351				79,351
Other revenue	1,875				2,019
Total revenues and other support	245,672	128,827	81,728	6,000	1,887,096
Expenses:					
Grants and distributions	75,350	55,500	88,000	7,500	1,642,582
Program sub-contracts	160				160
Salaries, wages and related expenses	66,962		55,782		189,443
Office expenses	33,367	20,584	5,206	95	130,913
Professional services	4,842	16,108	8,000	2,900	51,349
Promotion and development	901				901
Special event expenses	27,660				27,660
Other expenses	922		16,334		49,940
	210,164	92,192	173,322	10,495	2,092,948
Increase (decrease) in net assets before net gain (loss) on investments	35,508	36,635	(91,594)	(4,495)	(205,852)
Net gain (loss) on investments					(5,531,691)
Realized gain (loss) on investment	1,096	51,705	(48,267)		(80,060)
Unrealized gain (loss) on investment	9,524	139,165	242,273		2,940,649
Transfers in (out)	10,620	190,870	194,006	0	3,579
	46,128	227,505	102,412	(4,495)	2,658,316
Increase (decrease) in net assets					(1,864,213)
Change in accounting estimate					500,000
Net assets, beginning of year	297,290	2,976,453	2,091,289	5,563	32,372,679
Net assets, end of year	\$ 343,418	\$ 3,203,958	\$ 2,193,701	\$ 1,068	\$ 35,530,995
					\$ 32,372,679