

**COMMUNITY FOUNDATION FOR
SOUTHERN ARIZONA AND AFFILIATES**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
A-133 SINGLE AUDIT REPORTS AND SCHEDULES
Years ended June 30, 2007 and 2006**



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statements of financial position of Community Foundation for Southern Arizona and Affiliates (Foundation) as of June 30, 2007 and 2006 and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation'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 \$2,863,946 and \$2,304,357 as of June 30, 2007 and 2006, respectively, and total revenues of \$83,451 and \$79,218 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the 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, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2008 on our consideration of Community Foundation for Southern Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Community Foundation for Southern Arizona and Affiliates taken as a whole. The accompanying supplementary information on pages 16 to 22 and the accompanying schedule of expenditures of federal awards on page 29 are presented for purposes of additional analysis and as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

March 28, 2008

Integrity is the highest form of service.

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COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 21,941,443	\$ 16,117,393
Investments - Note 3	89,159,019	80,984,483
Pledges receivable - Note 4	238,703	55,451
Note receivable - Note 5	150,000	0
Government contracts receivable	407,641	620,075
Interest and other receivables - Note 6	227,482	388,557
Charitable remainder annuity trusts - Note 7	467,755	535,089
Property and equipment - Note 8	771,268	779,047
Other assets - Note 9	<u>4,695,558</u>	<u>299,195</u>
	<u>\$ 118,058,869</u>	<u>\$ 99,779,290</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued liabilities	\$ 146,679	\$ 83,016
Grants and distributions payable	4,366,848	1,748,327
Designated obligations - Note 10	3,380,200	3,293,479
Due to other agencies - Note 11	<u>3,594,568</u>	<u>3,186,089</u>
	11,488,295	8,310,911

Net assets:

Unrestricted:

Available for operations	5,487,939	4,233,784
Designated for endowment purposes	13,790,159	13,342,744
Designated for supporting organizations	52,238,343	47,700,899
Designated for donor advised purposes	<u>16,096,692</u>	<u>13,272,493</u>
	87,613,133	78,549,920
Temporarily restricted - Note 13	5,174,962	4,150,853
Permanently restricted - Note 15	<u>13,782,479</u>	<u>8,767,606</u>
	106,570,574	91,468,379

	<u>\$ 118,058,869</u>	<u>\$ 99,779,290</u>
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See Accompanying Notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues and other support:				
Contributions and bequests	\$ 6,723,051	\$ 181,712	\$ 5,014,873	\$ 11,919,636
Interest, dividends and royalties	4,680,076	1,103,870		5,783,946
Governmental grant revenues	2,446,431			2,446,431
Programatic and administrative support	2,570			2,570
Fund management fees	36,016			36,016
Special event revenues	249,631			249,631
Other revenue	71,137			71,137
	<u>14,208,912</u>	<u>1,285,582</u>	<u>5,014,873</u>	<u>20,509,367</u>
Net assets released from restrictions	<u>1,072,077</u>	<u>(1,072,077)</u>		<u>0</u>
Total revenues and other support	15,280,989	213,505	5,014,873	20,509,367
Expenses - Note 14:				
Grants and distributions	8,894,062			8,894,062
Program sub-contracts	2,341,601			2,341,601
Salaries, wages and related expenses	1,242,678			1,242,678
Office expenses	561,203			561,203
Professional services	206,720			206,720
Promotion and development	117,593			117,593
Special event expenses	70,197			70,197
Other expenses	51,898			51,898
	<u>13,485,952</u>	<u>0</u>	<u>0</u>	<u>13,485,952</u>
Increase in net assets before net gain on investments	1,795,037	213,505	5,014,873	7,023,415
Net gain on investments:				
Realized gain on investments	463,129	71,761		534,890
Unrealized gain on investments	6,803,814	1,011,100		7,814,914
Change in value - split interest agreements	1,233	(272,257)		(271,024)
	<u>7,268,176</u>	<u>810,604</u>	<u>0</u>	<u>8,078,780</u>
Increase in net assets	9,063,213	1,024,109	5,014,873	15,102,195
Net assets, beginning of year, as restated - Note 17	<u>78,549,920</u>	<u>4,150,853</u>	<u>8,767,606</u>	<u>91,468,379</u>
Net assets, end of year	<u>\$ 87,613,133</u>	<u>\$ 5,174,962</u>	<u>\$ 13,782,479</u>	<u>\$ 106,570,574</u>

See Accompanying Notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2006

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues and other support:				
Contributions and bequests	\$ 16,133,341	\$ 310,838	\$ 4,108,653	\$ 20,552,832
Interest, dividends and royalties	2,279,497	414,232		2,693,729
Governmental grant revenues	2,660,849			2,660,849
Programatic and administrative support	49,637			49,637
Fund management fees	27,521			27,521
Special event revenues	258,836			258,836
Other revenue	37,127			37,127
	<u>21,446,808</u>	<u>725,070</u>	<u>4,108,653</u>	<u>26,280,531</u>
Net assets released from restrictions	<u>1,800,669</u>	<u>(1,800,669)</u>		<u>0</u>
Total revenues and other support	<u>23,247,477</u>	<u>(1,075,599)</u>	<u>4,108,653</u>	<u>26,280,531</u>
Expenses - Note 14:				
Grants and distributions	5,526,047			5,526,047
Program sub-contracts	2,544,712			2,544,712
Salaries, wages and related expenses	1,123,866			1,123,866
Office expenses	535,559			535,559
Professional services	185,942			185,942
Promotion and development	109,213			109,213
Special event expenses	83,052			83,052
Other expenses	84,631			84,631
	<u>10,193,022</u>	<u>0</u>	<u>0</u>	<u>10,193,022</u>
Increase (decrease) in net assets before net gain on investments	13,054,455	(1,075,599)	4,108,653	16,087,509
Net gain (loss) on investments:				
Realized gain on investments	761,810	681,876		1,443,686
Unrealized gain (loss) on investments	4,371,948	(24,484)		4,347,464
Change in value - split interest agreements	627	845,938		846,565
	<u>5,134,385</u>	<u>1,503,330</u>	<u>0</u>	<u>6,637,715</u>
Increase in net assets	18,188,840	427,731	4,108,653	22,725,224
Net assets, beginning of year, as restated - Note 17	<u>60,361,080</u>	<u>3,723,122</u>	<u>4,658,953</u>	<u>68,743,155</u>
Net assets, end of year, as restated - Note 17	<u>\$ 78,549,920</u>	<u>\$ 4,150,853</u>	<u>\$ 8,767,606</u>	<u>\$ 91,468,379</u>

See Accompanying Notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Increase in net assets	\$ 15,102,195	\$ 22,725,224
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Loss on disposal of property and equipment	0	39,330
Donation of stock	(1,095,284)	(5,275,705)
Donation of land	(4,400,000)	0
Net realized (gain) on investments	(534,890)	(4,347,464)
Unrealized (gain) on investments	(7,814,914)	(1,443,686)
Depreciation	35,619	37,452
(Increase) decrease in operating assets:		
Pledges receivable	(183,252)	(13,404)
Government contracts receivable	212,434	(117,303)
Interest and other receivables	161,075	(191,109)
Charitable remainder annuity trusts	67,334	(334,722)
Other assets	3,637	(11,473)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	35,699	(28,140)
Grants and distributions payable	2,646,485	540,348
Designated obligations	86,721	(512,865)
Contributions restricted for long-term purposes	(5,014,873)	(4,108,653)
Net cash provided by (used in) operating activities	<u>(692,014)</u>	<u>6,957,830</u>
Cash flows from investing activities:		
Proceeds from sales of investments	20,913,393	23,632,132
Purchases of investments	(19,642,841)	(26,933,090)
Issuance of note receivable	(150,000)	55,719
Purchases of property and equipment	(27,840)	(26,406)
Proceeds from sale of property and equipment	0	214,593
Net cash provided by (used in) investing activities	<u>1,092,712</u>	<u>(3,057,052)</u>
Cash flows provided by financing activities -		
Contributions restricted for long-term purposes	5,014,873	4,108,653
Cash flows provided by custodial activities -		
Increase in agency funds	<u>408,479</u>	<u>265,074</u>
Increase in cash and cash equivalents	5,824,050	8,274,505
Cash and cash equivalents, beginning of year	<u>16,117,393</u>	<u>7,842,888</u>
Cash and cash equivalents, end of year	<u>\$ 21,941,443</u>	<u>\$ 16,117,393</u>

Supplemental cash flow information:

No cash paid for interest or income taxes in 2007 or 2006.

See Accompanying Notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007 and 2006

NOTE 1 – Organization

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

The 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 - 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 Trust Fund - a fund that includes trusts whereby the individuals receive income from the trusts during their lifetime. Upon the donor's death, the assets will be transferred to CFSA's unrestricted fund unless further restricted by the donor.

Section 509(a)(3) supporting organizations - An IRC Section 509(a)(3) support organization is an entity which achieves tax-exempt charitable organization status by having a close relationship with a public charity. In order to establish a close relationship, a majority of the supporting organization's Board of Directors are also members of the Foundation's Board of Directors, the Foundation appoints the supporting organization's Board of Directors and the supporting organization and the Foundation have common charitable purposes and goals.

Supporting organizations include:

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

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

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 (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, 2007 and 2006

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

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

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

NOTE 2 – Summary of significant accounting policies

Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Community Foundation for Southern Arizona and its Affiliates. Each of the entities maintains their own net assets. Inter-organization transactions and balances have been eliminated in consolidation.

Use of estimates in preparing consolidated financial statements

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid instruments purchased with a maturity of three months or less at the date of purchase to be cash equivalents. Certain entities maintain cash in bank deposit or brokerage accounts which may exceed federally insured limits or be uninsured. At June 30, 2007, CFSA's uninsured cash balances totaled \$ 22,152,959.

Investments

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

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
June 30, 2007 and 2006

NOTE 2 – Summary of significant accounting policies – continued

Certain investments exceed 5% of total investments, representing a credit risk at June 30, 2007. Those investments follow:

Community Foundation for Southern Arizona:	
SEI Investments large cap fund	\$ 15,921,616
SEI Investments core fixed income fund	12,716,935
SEI Investments international equity fund	7,993,541
SEI investments small cap fund	5,668,190
Melody S. Robidoux Foundation:	
Spindrift Limited Partnership	5,441,863
	<u>\$ 47,742,145</u>

Receivables

Pledges (or unconditional promises to give) are recognized as revenues in the period received and as assets, decrease of liabilities, or expenses depending on the form of the benefits received. Such pledges are recorded at their present value calculated over the time period of the commitment and recognized as contribution revenue as the present value increases. An allowance for doubtful pledges is not maintained as management considers all pledges to be fully collectible. Conditional pledges are recognized when the conditions on which they depend are substantially met. 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, prepaid expenses and art objects which were valued at the fair value on the date of donation and adjusted annually to reflect current valuations.

Property and equipment

Property and equipment are stated at cost, if purchased, or if donated, at fair value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Land improvements are depreciated over five to ten years, buildings 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 a cost 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 that are not yet disbursed.

Designated obligations

The Foundation or trustees manage assets contributed to the Pooled Income Fund and the Charitable Remainder Trust Fund under which the Foundation is the irrevocable remainder interest. Such assets are restricted as to use until the death of the designated income beneficiaries. Upon the death of the income beneficiaries, the assets of each of these entities will be distributed to certain charities or to 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 are reflected as a change in value.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2007 and 2006

NOTE 2 – Summary of significant accounting policies – continued

Due to other agencies

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

Interest income

Interest income is allocated monthly within 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.

Donated services

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

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

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

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.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2007 and 2006

NOTE 3 – Investments

Investments at June 30, 2007 and 2006 follow:

	2007	2006
Equity securities	\$ 51,388,034	\$ 45,251,494
Fixed income investments	23,001,325	21,797,764
Corporate bonds	585,995	1,038,208
Oil and gas interests	324,518	301,130
Investments in limited partnerships	12,875,534	11,626,583
Certificates of deposit	0	244,615
Other	983,613	724,689
	<u>\$ 89,159,019</u>	<u>\$ 80,984,483</u>

Investment fees are reported in office expenses on the consolidated statements of activities. For the fiscal years ended June 30, 2007 and 2006, investment fees charged by outside investment managers was \$252,244 and \$214,342, respectively.

At June 30, 2007 and 2006, \$38,827,579 and \$35,797,911, respectively, of the total investments are invested and valued by each supporting organization's own investment policies and guidelines. Of the supporting organizations' total investments at June 30, 2007 and 2006, \$12,869,296 and \$11,619,125, respectively, of limited partnerships are held and managed by one supporting organization.

At June 30, 2007 and 2006, \$9,334,689 and \$8,767,606, respectively, of the above investments were permanently restricted for the endowment net assets and, as such, were unavailable for operations.

In July 2007, one of the investments in limited partnerships suffered substantial losses. The majority of remaining assets have been liquidated by the partnership and the operations are being wound down. An other-than-temporary decline in value of \$1,232,790 was recorded subsequent to year end.

NOTE 4 – Pledges receivable

CFSA and its Affiliates have received unconditional promises to give or pledges that are due in less than one year. The consolidated balances at June 30, 2007 and 2006 were \$238,703 and \$55,451, respectively, net of present value discount of \$2,022 and \$0, respectively..

NOTE 5 – Note receivable

One supporting organization has a \$150,000 unsecured note receivable bearing 6.5% interest, with interest only due November 2007 and maturing in full May 2008.

NOTE 6 – Interest and other receivables

Interest and other receivables at June 30, 2007 and 2006 follow:

	2007	2006
Interest receivable	\$ 191,046	\$ 178,883
Due from investment brokerage on investment sale	27,099	200,000
Other	9,337	9,674
	<u>\$ 227,482</u>	<u>\$ 388,557</u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2007 and 2006

NOTE 7 – Charitable remainder annuity trusts

The Foundation is the beneficiary of two irrevocable charitable remainder trusts administered by third party trustees. In addition, the Women's Foundation of Southern Arizona is the remainder interest in an irrevocable charitable remainder trust that is administered by CFSA. The value of the remainder interest is calculated using a discount rate and actuarial tables to show a receivable from the trust. The estimated value of the remainder interest in the three trusts was \$467,755 and \$535,089 at June 30, 2007 and 2006, respectively.

NOTE 8 – Property and equipment

Property and equipment at June 30, 2007 and 2006 follow:

	2007	2006
Equipment and furniture	\$ 246,684	\$ 218,846
Buildings and improvements	595,824	595,824
Land	276,400	276,400
	<u>1,118,908</u>	<u>1,091,070</u>
Less accumulated depreciation	(347,640)	(312,023)
	<u>\$ 771,268</u>	<u>\$ 779,047</u>

NOTE 9 – Other assets

Other assets at June 30, 2007 and 2006 follow:

	2007	2006
Prepaid and miscellaneous assets	\$ 18,583	\$ 22,097
Land held in perpetuity	4,400,000	0
Land held for sale	31,220	31,220
Artwork	206,271	206,272
Split dollar life insurance policies	39,484	39,606
	<u>\$ 4,695,558</u>	<u>\$ 299,195</u>

NOTE 10 – Designated obligations

Designated obligations at June 30, 2007 and 2006 follow:

	2007	2006
Charitable gift annuities	\$ 1,074,235	\$ 1,140,685
Unitrusts	550,308	518,158
Lead trusts	1,559,075	1,339,923
Pooled income fund	196,582	294,713
	<u>\$ 3,380,200</u>	<u>\$ 3,293,479</u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2007 and 2006

NOTE 11 - Due to other agencies

Due to other agencies at June 30, 2007 and 2006 follows:

	2007	2006
Casa de Esperanza endowment	\$ 95,115	\$ 86,537
Community Food Bank	28,362	24,665
Eighty-Eight Crime fund	83,045	71,717
Gerald Ferro memorial fund for Big Brothers	23,098	20,581
Green Valley Assistance Services endowment	922,376	798,853
Guardianships of Southern Arizona	22,920	20,551
Sarah P. Hausman endowment fund	227,280	204,960
Lorraine Maria Hamilton fund	141,022	0
Holsclaw family fund	107,655	92,388
Holmes Tuttle memorial fund	151,941	137,005
Alice Y. Holsclaw YWCA fund	69,508	62,683
Junior League of Tucson	22,393	27,612
Northwest Interfaith Center	31,116	26,703
Irish Famine Commemorative fund	205,474	175,257
One Hundred Club	146,774	127,999
St. Andrew's Crippled Children	172,586	153,630
Tanque Verde Schools education enrichment	0	95,960
Tanque Verde education fine arts	0	47,570
Tohono O'odham Community College endowment	169,895	145,778
Tucson Audubon Society	146,042	126,353
Tucson Audubon endowment fund	216,092	185,448
Tucson Botanical Gardens	112,457	116,697
Tucson Music Teachers Association	43,750	38,678
Up with People	255,784	219,511
Volunteer Center	27,669	24,808
Other funds	172,214	154,145
	<u>\$ 3,594,568</u>	<u>\$ 3,186,089</u>

NOTE 12 - Pension plan

The Foundation has a Simplified Employee Pension Plan (SEP) covering substantially all employees. Employees become participants in the plan after being employed across two fiscal periods and earning at least \$400 in wages. Participants are immediately vested in the employer contribution. Employer contributions are discretionary based on board approval. Subsequent to June 30, 2007, the Board of Directors approved a contribution to the plan attributable to compensation earned during the year ended June 30, 2007. The contribution was accrued as a liability at June 30, 2007. Pension plan expense was \$26,737 and \$21,189 for June 30, 2007 and 2006, respectively.

Subsequent to June 30, 2007, the Foundation established a deferred compensation plan in which participation is explicitly restricted to the Foundation's current Executive Director. The Foundation may make contributions to the plan in any amount at any time. The participant is entitled to receive a distribution of the account balance only if the participant is employed on June 30, 2012 or has a severance prior to that date due to death or disability. Any other termination of employment before July 1, 2012 shall result in a forfeiture of any amounts accumulated under the plan.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued

June 30, 2007 and 2006

NOTE 13 – Temporarily restricted net assets

Temporarily restricted net assets activity for the year ended June 30, 2007 follows:

	Beginning balance	Contributions/ investment income	Releases	Ending balance
Darling Scholarship fund	\$ 336,004	\$ 59,931	\$ (33,279)	\$ 362,656
Hopkins & Vail fund	112,298	115,013	(37,263)	190,048
Shaaron Kent fund	435,121	941,138	(166,584)	1,209,675
Endowment for the Arts of Tucson fund	89,277	57,878	(24,758)	122,397
Wolfe Music Scholarship fund	44,858	7,682	(3,491)	49,049
Mary Jane McIntosh Atwood scholarship	39,587	43,613	(23,474)	59,726
Tennis for Tucson fund	28,096	12,693	(487)	40,302
Gift annuities/charitable remainder trusts	2,155,573	365,834	(246,933)	2,274,474
Pooled income funds	504,408	132,499	(418,335)	218,572
Women's Foundation funds	176,782	20,655	(48,854)	148,583
Other funds	228,849	179,250	(68,619)	339,480
Future years operations	0	160,000		160,000
	<u>\$ 4,150,853</u>	<u>\$ 2,096,186</u>	<u>\$ (1,072,077)</u>	<u>\$ 5,174,962</u>

NOTE 14 – Functional expenses

Functional expenses for the year ended June 30, 2007 for the consolidated entities follows:

	CFSA with trusts and pooled income	Supporting organizations	Eliminations	Total
Program services	\$ 7,200,175	\$ 5,653,809	\$ (559,465)	\$ 12,294,519
Development and public relations	116,094	69,931	(39,106)	146,919
Management and general	1,068,061	336,231	(359,778)	1,044,514
	<u>\$ 8,384,330</u>	<u>\$ 6,059,971</u>	<u>\$ (958,349)</u>	<u>\$ 13,485,952</u>

Functional expenses for the year ended June 30, 2006 for the consolidated entities follows:

	CFSA with trusts and pooled income	Supporting organizations	Eliminations	Total
Program services	\$ 5,667,879	\$ 4,083,461	\$ (658,846)	\$ 9,092,494
Development and public relations	104,615	63,784	(29,158)	139,241
Management and general	962,268	267,277	(268,258)	961,287
	<u>\$ 6,734,762</u>	<u>\$ 4,414,522</u>	<u>\$ (956,262)</u>	<u>\$ 10,193,022</u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
June 30, 2007 and 2006

NOTE 15 – Permanently restricted net assets

Permanently restricted net assets at June 30, 2007 and 2006 follows:

	2007	2006
Endowment for the Arts fund	\$ 266,462	\$ 266,462
Lucille A & Matthias P Lowman Family fund	631,243	631,127
Alden fund	51,423	51,423
Buehrer fund	50,102	50,102
Mary Jane McIntosh Atwood scholarship fund	215,000	215,000
Roger & Mary Baxter scholarship fund	130,335	130,166
DeGrazia Art & Cultural Foundation fund	50,228	50,228
Holsclaw first family fund	50,241	50,241
Miller Endowment fund	50,220	50,220
Margaret T. Morris children's fund	50,241	50,241
William G. & Kathleen Rector trust fund	64,463	64,463
Rosa Parks scholarship fund	85,074	83,488
The Stocker Foundation fund	258,130	258,130
Sundt First Family fund	50,271	50,271
Hopkins & Vail fund	534,905	534,905
Walley Fund	62,496	62,496
Women's Foundation of Southern Arizona fund	261,517	152,246
Holsclaw advisory endowment fund	301,270	301,270
Shaaron Kent endowment fund	4,890,744	4,890,744
Sycamore Canyon conservation land	4,400,000	0
Other funds	1,328,114	824,383
	<u>\$ 13,782,479</u>	<u>\$ 8,767,606</u>

NOTE 16 – Lease commitments

CFSA leases office space under the terms of a month to month lease and office equipment under the terms of leases expiring between October 2007 and September 2009. In addition, the Robidoux Foundation leases office space under the terms of a lease expiring September 30, 2010. Rental expense for the years ended June 30, 2007 and 2006 follows:

	2007	2006
Robidoux Foundation	\$ 14,872	\$ 14,850
CFSA	22,705	15,437
	<u>\$ 37,577</u>	<u>\$ 30,287</u>

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - continued
June 30, 2007 and 2006

NOTE 16 – Lease commitments – continued

Future minimum lease payments for the CFSA and Robidoux Foundation lease at June 30, 2007 follow:

	CFSA	Robidoux	Total
Year ending June 30, 2008	\$ 16,682	\$ 29,699	\$ 46,381
2009	12,636	30,591	43,227
2010	3,353	31,508	34,861
2011	0	7,935	7,935
	<u>\$ 32,671</u>	<u>\$ 99,733</u>	<u>\$ 132,404</u>

NOTE 17 – Prior period adjustments

During the year ended June 30, 2007, the following corrections were made to net assets at June 30, 2006 and 2005:

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total net assets
Balance at June 30, 2005, as previously reported	\$ 60,583,594	\$ 3,723,122	\$ 4,658,953	\$ 68,965,669
Understatement of due to other agencies	(22,514)			(22,514)
Understatement of Thomas R. Brown Family Foundation grants payable	(200,000)			(200,000)
Balance at June 30, 2005, as restated	60,361,080	3,723,122	4,658,953	68,743,155
Originally reported increase in net assets for the year ended June 30, 2006	18,236,804	427,731	4,108,653	22,773,188
Understatement of program expenses	(47,964)			(47,964)
Balance at June 30, 2006, as restated	<u>\$ 78,549,920</u>	<u>\$ 4,150,853</u>	<u>\$ 8,767,606</u>	<u>\$ 91,468,379</u>

NOTE 18 – Related party transactions

The offices of the Brown Family Foundation are located in the office of a Brown Family entity. No in-kind rent has been recorded for the estimated value of this transaction as the fair market value of the donated space is not readily determinable.

SUPPLEMENTARY INFORMATION

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

June 30, 2007

(with comparative totals for June 30, 2006)

	Community Foundation for Southern Arizona, Inc.	Gift Annuities/ Charitable Remainder Trusts				Total without supporting organizations	Supporting organizations	Consolidating entries	Total with supporting organizations		
		Pooled Income Fund	Charitable Remainder Trusts	Total without supporting organizations	Supporting organizations				Consolidating entries	2007	2006
ASSETS											
Cash and cash equivalents	\$ 7,404,332	\$ 2,622	\$ 24,838	\$ 7,431,792	\$ 14,509,651	\$ 21,941,443	\$ 16,117,393				
Investments	43,542,054	414,901	5,081,902	49,038,857	40,120,162	89,159,019	80,984,483				
Pledges receivable	274,425			274,425	64,278	238,703	55,451				
Note receivable					150,000	150,000	0				
Government contracts receivable	407,641			407,641		407,641	620,075				
Interest and other receivables	154,960	1,473	18,547	174,980	110,257	227,482	388,557				
Charitable remainder annuity trusts			467,755	467,755	119,878	467,755	535,089				
Property and equipment	39,170			39,170	732,098	771,268	779,047				
Other assets	69,778			69,778	4,625,780	4,695,558	299,195				
	\$ 51,892,360	\$ 418,996	\$ 5,593,042	\$ 57,904,398	\$ 60,432,104	\$ 118,058,869	\$ 99,779,290				

LIABILITIES AND NET ASSETS

Liabilities:									
Accounts payable and accrued liabilities	\$ 117,259			\$ 117,259	\$ 87,175	\$ (57,755)	\$ 83,016		
Grants and distributions payable	1,151,448	\$ 3,842	\$ 15,072	1,170,362	3,296,486	(100,000)	1,748,327		
Designated obligations		196,582	3,303,496	3,500,078	(119,878)	3,380,200	3,293,479		
Due to other agencies	3,594,568			3,594,568		3,594,568	3,186,089		
	<u>4,863,275</u>	<u>200,424</u>	<u>3,318,568</u>	<u>8,382,267</u>	<u>3,383,661</u>	<u>(277,633)</u>	<u>8,310,911</u>		
Net assets:									
Unrestricted	35,374,790			35,374,790	52,238,343	87,613,133	78,549,920		
Temporarily restricted	2,533,333	218,572	2,274,474	5,026,379	148,583	5,174,962	4,150,853		
Permanently restricted	9,120,962			9,120,962	4,661,517	13,782,479	8,767,606		
	<u>47,029,085</u>	<u>218,572</u>	<u>2,274,474</u>	<u>49,522,131</u>	<u>57,048,443</u>	<u>106,570,574</u>	<u>91,468,379</u>		
	<u>\$ 51,892,360</u>	<u>\$ 418,996</u>	<u>\$ 5,593,042</u>	<u>\$ 57,904,398</u>	<u>\$ 60,432,104</u>	<u>\$ 118,058,869</u>	<u>\$ 99,779,290</u>		

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended June 30, 2007

(with comparative totals for the year ended June 30, 2006)

	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	
								2007	2006
Revenues and other support:									
Contributions and bequests	\$ 4,032,253		\$ 1,057	\$ 4,033,310	\$ 8,062,550	\$ (176,224)	\$ 11,919,636	\$ 20,552,832	
Interest, dividends and royalties	3,546,569	\$ 29,266	322,837	3,898,672	1,885,274		5,783,946	2,693,729	
Governmental grant revenues	2,446,431			2,446,431			2,446,431	2,660,849	
Programatic and administrative support	6,470			6,470		(3,900)	2,570	49,637	
Fund management fees	814,241			814,241		(778,225)	36,016	27,521	
Special event revenues	123,190			123,190	126,441		249,631	258,836	
Other revenue	4,487			4,487	66,650		71,137	37,127	
Total revenues and other support	10,973,641	29,266	323,894	11,326,801	10,140,915	(958,349)	20,509,367	26,280,531	
Expenses:									
Grants and distributions	3,737,270			3,737,270	5,333,016	(176,224)	8,894,062	5,526,047	
Program sub-contracts	2,325,190			2,325,190	16,411		2,341,601	2,544,712	
Salaries, wages and related expenses	1,007,205			1,007,205	235,473		1,242,678	1,123,866	
Office expenses	319,183	2,765	24,675	346,623	218,480	(3,900)	561,203	535,559	
Professional services	748,861	1,162	48,385	798,408	186,537	(778,225)	206,720	185,942	
Promotion and development	113,529			113,529	4,064		117,593	109,213	
Special event expenses	27,349			27,349	42,848		70,197	83,052	
Other expenses	28,756			28,756	23,142		51,898	84,631	
	8,307,343	3,927	73,060	8,384,330	6,059,971	(958,349)	13,485,952	10,193,022	
Increase in net assets before net gain on investments	2,666,298	25,339	250,834	2,942,471	4,080,944		7,023,415	16,087,509	
Net gain on investments:									
Realized gain on investments	223,269	10,994	18,214	252,477	282,413		534,890	1,443,686	
Unrealized gain on investments	2,774,785	14,823	372,165	3,161,773	4,653,141		7,814,914	4,347,464	
Change in value-split interest agreements		77,416	(348,440)	(271,024)			(271,024)	846,565	
Transfers in (out)	586,262	(414,408)	(173,872)	(2,018)	2,018		0	0	
	3,584,316	(311,175)	(131,933)	3,141,208	4,937,572	0	8,078,780	6,637,715	
Increase (decrease) in net assets	6,250,614	(285,836)	118,901	6,083,679	9,018,516	0	15,102,195	22,725,224	
Net assets, beginning of year as restated	40,778,471	504,408	2,155,573	43,438,452	48,029,927	0	91,468,379	68,743,155	
Net assets, end of year	\$ 47,029,085	\$ 218,572	\$ 2,274,474	\$ 49,522,131	\$ 57,048,443	\$ 0	\$ 106,570,574	\$ 91,468,379	

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

Year ended June 30, 2007

(with comparative totals for June 30, 2006)

	I Have					Women's	
	Melody S. Robidoux Foundation	William E. Hall Foundation	A Dream Foundation of Tucson	CFSA Properties Inc.	Thomas R. Brown Family Foundation	Foundation of Southern Arizona	Knisely Family Foundation
Cash and cash equivalents	\$ 1,977,865	\$	837		\$ 10,001,192	\$ 203,252	\$ 212,629
Investments	19,031,351	\$ 898,426	114,965		5,326,671	394,156	3,679,658
Pledges receivable						64,278	
Note receivable	150,000						
Interest and other receivables	27,099		14,290		19,223	119,878	11,634
Charitable remainder annuity trusts				\$ 717,188		90	
Property and equipment	14,820			31,220	10,937	1,315	
Other assets	181,052			748,408			
	<u>\$ 21,382,187</u>	<u>\$ 898,426</u>	<u>\$ 130,092</u>	<u>\$ 748,408</u>	<u>\$ 15,358,023</u>	<u>\$ 782,969</u>	<u>\$ 3,903,921</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued liabilities	\$	662	\$ 15,195	\$ 650	\$ 1,792	\$ 15,574	9,786
Grants and distributions payable	\$ 590,000				2,599,000		\$ 14,986
	<u>590,000</u>	<u>662</u>	<u>15,195</u>	<u>650</u>	<u>2,600,792</u>	<u>15,574</u>	<u>24,772</u>

Net assets:

Unrestricted	20,792,187	897,764	114,897	747,758	12,757,231	357,295	3,879,149
Temporarily restricted						148,583	
Permanently restricted						261,517	
	<u>20,792,187</u>	<u>897,764</u>	<u>114,897</u>	<u>747,758</u>	<u>12,757,231</u>	<u>767,395</u>	<u>3,879,149</u>
	<u>\$ 21,382,187</u>	<u>\$ 898,426</u>	<u>\$ 130,092</u>	<u>\$ 748,408</u>	<u>\$ 15,358,023</u>	<u>\$ 782,969</u>	<u>\$ 3,903,921</u>

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

June 30, 2007

(with comparative totals for June 30, 2006)

	The Zuckerman				Sycamore	
	Worth and Dot Howard Foundation	Madden/ Darrall Foundation	Community Outreach Foundation	Howard V. Moore Foundation	Conservation Foundation	Total
Cash and cash equivalents	\$ 20,465	\$ 340	\$ 777,180	\$ 1,255,436	\$ 60,455	\$ 14,509,651
Investments	2,837,362		7,837,573			40,120,162
Pledges receivable						64,278
Note receivable						150,000
Interest and other receivables	6,119		31,892			110,257
Charitable remainder annuity trusts						119,878
Property and equipment						732,098
Other assets					4,401,256	4,625,780
	<u>\$ 2,863,946</u>	<u>\$ 340</u>	<u>\$ 8,646,645</u>	<u>\$ 1,255,436</u>	<u>\$ 4,461,711</u>	<u>\$ 60,432,104</u>
						<u>\$ 48,871,172</u>

LIABILITIES AND NET ASSETS

Liabilities:						
Accounts payable and accrued liabilities	\$ 6,040		\$ 22,094	\$ 315	\$ 15,067	\$ 87,175
Grants and distributions payable	92,500					3,296,486
	<u>98,540</u>		<u>22,094</u>	<u>315</u>	<u>15,067</u>	<u>3,383,661</u>
						<u>\$ 841,245</u>
Net assets:						
Unrestricted	2,765,406	340	8,624,551	1,255,121	46,644	52,238,343
Temporarily restricted						148,583
Permanently restricted					4,400,000	4,661,517
	<u>2,765,406</u>	<u>340</u>	<u>8,624,551</u>	<u>1,255,121</u>	<u>4,446,644</u>	<u>57,048,443</u>
	<u>\$ 2,863,946</u>	<u>\$ 340</u>	<u>\$ 8,646,645</u>	<u>\$ 1,255,436</u>	<u>\$ 4,461,711</u>	<u>\$ 60,432,104</u>
						<u>\$ 48,871,172</u>

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

June 30, 2007

(with comparative totals for the year ended June 30, 2006)

	Melody S. Robidoux Foundation	William E. Hall Foundation	I Have A Dream Foundation of Tucson	CFSA Properties Inc.	Thomas R. Brown Family Foundation	Women's Foundation of Southern Arizona	Knisely Family Foundation
Revenue and other support:							
Contributions and bequests	\$	100	\$		\$	\$	\$
Interest, dividends and royalties	458,620	74,966	1,613		2,469,553	374,065	20,043
Special event revenues			11,861		691,761	33,825	120,579
Other revenue						126,441	
Total revenues and other support	458,620	75,066	13,474		3,161,314	534,331	140,622
Expenses:							
Grants and distributions	794,213	45,000	51,642		4,081,084	156,077	103,500
Program sub-contracts						16,411	
Salaries, wages and related expenses	69,689					105,975	
Office expenses	49,199	2,649	10		46,615	31,388	18,930
Professional services	6,761	11,530	1,988	\$		21,090	20,323
Promotion and development				649		3,989	
Special event expenses						42,848	
Other expenses	1,491			20,890		761	
	921,353	59,179	53,640	21,539	4,127,699	378,539	142,753
Increase (decrease) in net assets before net gain on investments	(462,733)	15,887	(40,166)	(21,539)	(966,385)	155,792	(2,131)
Net gain on investments							
Realized gain (loss) on investments	(74,139)	4,243	1,415		100,455	1,398	66,785
Unrealized gain on investments	2,635,313	62,237	18,430		710,503	20,503	344,847
Transfers in (out)				2,018			
	2,561,174	66,480	19,845	2,018	810,958	21,901	411,632
Increase (decrease) in net assets	2,098,441	82,367	(20,321)	(19,521)	(155,427)	177,693	409,501
Net assets, beginning of year	18,693,746	815,397	135,218	767,279	12,912,658	589,702	3,469,648
Net assets, end of year	\$ 20,792,187	\$ 897,764	\$ 114,897	\$ 747,758	\$ 12,757,231	\$ 767,395	\$ 3,879,149

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES - SUPPORTING ORGANIZATIONS - continued
Year ended June 30, 2007
(with comparative totals for the year ended June 30, 2006)

	The Zuckerman		Howard V.		Sycamore	
	Worth and	Madden/	Community	Moore	Canyon	Total
	Dot Howard	Darrall	Outreach	Foundation	Foundation	
	Foundation	Foundation	Foundation	Foundation	Foundation	
Revenue and other support:						
Contributions and bequests	\$ 3,410	\$ 3,000	\$	\$ 790,000	\$ 4,400,766	\$ 8,062,550
Interest, dividends and royalties	75,824		\$ 395,599	20,910	1,329	1,885,274
Special event revenues						126,441
Other revenue	4,217				62,433	66,650
Total revenues and other support	83,451	3,000	395,599	810,910	4,464,528	10,140,915
Expenses:						
Grants and distributions	91,500		10,000			5,333,016
Program sub-contracts						16,411
Salaries, wages and related expenses	59,809					235,473
Office expenses	6,546	100	57,264	258	5,521	218,480
Professional services	25,734	3,628	59,981	5,464	29,389	186,537
Promotion and development			75			4,064
Special event expenses						42,848
Other expenses						23,142
Increase (decrease) in net assets before net gain (loss) on investments	183,589	3,728	127,320	5,722	34,910	6,059,971
Net gain (loss) on investments	(100,138)	(728)	268,279	805,188	4,429,618	4,080,944
Realized gain (loss) on investments	(5,656)		187,912			282,413
Unrealized gain on investments	662,501		198,807			4,653,141
Transfers in (out)						2,018
Increase (decrease) in net assets	656,845	0	386,719	0	0	4,937,572
Net assets, beginning of year as restated	556,707	(728)	654,998	805,188	4,429,618	9,018,516
Net assets, end of year	2,208,699	1,068	7,969,553	449,933	17,026	48,029,927
	\$ 2,765,406	\$ 340	\$ 8,624,551	\$ 1,255,121	\$ 4,446,644	\$ 57,048,443
						\$ 48,029,927

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses. We also noted other matters involving the internal control over financial reporting, which we have reported to management of Community Foundation for Southern Arizona in a separate letter dated March 28, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Foundation for Southern Arizona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Community Foundation for Southern Arizona's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Community Foundation for Southern Arizona's responses and, accordingly, we express no opinion on them.

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

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

DEVRIES CPAS OF ARIZONA, P.C.

March 28, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Community Foundation for Southern Arizona
Tucson, Arizona

Compliance

We have audited the compliance of Community Foundation for Southern Arizona with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Community Foundation for Southern Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Community Foundation for Southern Arizona's management. Our responsibility is to express an opinion on Community Foundation for Southern Arizona's compliance based on our audit.

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

In our opinion, Community Foundation for Southern Arizona complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Community Foundation for Southern Arizona is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Community Foundation for Southern Arizona's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community Foundation for Southern Arizona's internal control over compliance.

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Integrity is the highest form of service.

A control deficiency in an organization's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Community Foundation for Southern Arizona's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Community Foundation for Southern Arizona's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Community Foundation for Southern Arizona's internal control.

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

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

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

DEVRIES CPAS OF ARIZONA, P.C.

March 28, 2008

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2007

The following represent significant deficiencies in internal control in accordance with *Government Auditing Standards*

Finding: 07-1	Program: <i>Government Auditing Standards</i>	Questioned Cost: None
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Criteria: A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Condition: For the year audited, multiple audit adjustments were required for the financial statements to be materially correct at year-end. The unadjusted general ledger was not materially correct under generally accepted accounting principles.

Cause and effect: Various accounts' activities are not reported under generally accepted accounting principles during the year. This requires the accounting staff to make significant adjustments after year end to fix the books accordingly, many of which were posted after the audit fieldwork began.

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

Management response: Steps are being taken to ensure accurate accounting throughout the year.

Finding: 07-2	Program: <i>Government Auditing Standards</i>	Questioned Cost: None
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Criteria: A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Condition: During the year, two people were not always opening the mail as had been required by management. For 10 out of the 25 deposits reviewed, the underlying cash receipts (received by mail), did not have evidence of being opened under dual control.

Cause and effect: Although management had implemented the policy of two people opening the mail, it was discovered that the employees who were responsible for performing the task did not comply with the requirement. Contributions or other cash receipts could have been misappropriated without detection.

Recommendation: We recommend that a cash receipts log or even an adding machine tape should be run which is to be signed by the two individuals opening the mail to evidence their agreement on the total receipts each day. This log/tape then should be compared to the actual deposits regularly by a third person independent of the process.

Management response: The recommendation describes the procedure that management established. Our procedures dictate that a calculator tape is to be prepared by one of the people opening the mail while being witnessed by another individual. The witness is responsible for verifying the tape to the actual checks and both individuals are supposed to initial the tape. The tape is then given to Accounting where it is verified to the deposit report. When this was brought to Management's attention during the year, all applicable personnel were notified via email that these procedures must be followed. Management will monitor the procedure and continue to educate the personnel involved of the critical nature of this control procedure.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued
Year ended June 30, 2007

Finding: 07-3	Program: <i>Government Auditing Standards</i>	Questioned Cost: None
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Criteria: A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Condition: Five out of six credit card statements reviewed had purchases that were not documented by receipt or a signed statement by the person who affected the charge that it was a valid CFSA expense, as is management's policy. The undocumented purchases represented approximately 10% of the credit card statements reviewed.

Cause and effect: Although management had implemented the policy of supporting all credit card purchases with either the approved receipts or the signed statement validating the appropriate expense, the accounting personnel were not following up to ensure proper documentation. Therefore, unauthorized purchases could have been made which were not proper expenditures of CFSA.

Recommendation: We recommend that the policy be strictly enforced to ensure proper authorization of all credit card usage.

Management response: Due to the critical timing necessary to process payments for the credit card account, payment may be made prior to obtaining all necessary receipts. Accounting staff has continually worked to obtain missing receipts both verbally and in writing and, as evidenced by the audit procedures, was unable to obtain the missing receipts. In addition, management or personnel that report directly to management are holders of credit cards. Therefore, management is aware of all purchases and unauthorized purchases are unlikely.

Management will continue to monitor this situation and will educate staff regarding the providing of credit card receipts as necessary.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA
SUMMARY OF AUDITORS' RESULTS
Year ended June 30, 2007

Financial statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
No material weaknesses identified.	
Three significant deficiencies identified.	07-1, 07-2, 07-3

No noncompliance material to financial statements noted.

Federal awards

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

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2007

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA number	Pass-through grantor's number	Expenditures
<u>U.S. Department of Health and Human Services</u>			
<i>Passed through Arizona Department of Health Services:</i>			
HIV Care Formula Grants	93.917	152066	\$ 1,727,535 *
HIV Care Formula Grants	93.917	HI552295	129,419 *
HIV Care Formula Grants	93.917	HR754080-001	581,806 *
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed through City of Tucson:</i>			
Community Development Block Grant	14.218	0067-02	<u>7,671</u>
TOTAL FEDERAL EXPENDITURES			\$ <u>2,446,431</u>

* Major program expenditures = \$2,438,760

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

INFORMATION PREPARED BY AUDITEE

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA
SUMMARY OF PRIOR YEAR FINDINGS
Year ended June 30, 2007

The following represents a significant deficiency in internal control in accordance with *Government Auditing Standards* and OMB Circular A-133 and an immaterial instance of noncompliance in accordance with *Government Auditing Standards* and OMB Circular A-133:

Finding: 06-1	Program: <i>Government Auditing Standards</i> and 93.917 HIV Care Formula Grants	Questioned cost: Unknown
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Criteria: Office of Management and Budget Circular A-122, *Cost Principles for Non-Profit Organizations*, establishes criteria for determining costs of grants, contracts and other agreements with non-profit organizations. That circular requires that charges to awards for salaries and wages be based on documented payrolls approved by a responsible official of the organization. The non-profit organization must maintain activity reports reflecting the distribution of activity of all staff members, professionals and nonprofessionals whose compensation is charged, in whole or in part, directly to awards. The circular further states that budget estimates do not qualify as support for charges to awards. Each activity report must be prepared after-the-fact and must account for the total activity of employees. The reports must be signed by the individual employee, or by a responsible supervisory official having first hand knowledge of the activities performed by the employee verifying that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports. Cash management provisions for the program require that expenses should be incurred prior to billing the federal program for reimbursement.

Conditions: Community Foundation for Southern Arizona (Foundation) has two employees that were charged to the federal contract during the year ended June 30, 2007. One employee (the program director) is budgeted as 100%, while the other employee (the program associate) provides services for the federal program as well as other duties.

In order to test charges for compensation billed to federal programs, timesheets for 4 pay periods were requested for the two individuals charged to the federal program. The full-time employee did not prepare activity reports for the time periods in question or throughout the contract period although informal records of activities were prepared. The Foundation did not retain these documents. The timesheets for the part-time employee did not allocate time between the federal program and the other program for which the employee worked. In addition, three of the four reports were not signed by the federal program director.

Payroll reports for the periods tested indicate that 100% of the program director's compensation and approximately 50% of the program associate's compensation were charged to the federal program in accordance with budgeted projections.

In addition to the lack of activity reports, the Foundation billed personnel expenses prior to the period that those expenses were incurred. The advance billings were made at the beginning of the contract year while subsequent billings were for less than the actual expense incurred.

Cause and effect: The Foundation does not require salaried personnel to complete activity reports. As a result of that policy, the full-time federal grant employee did not maintain activity reports. In addition, the part-time employee was not required to allocate her time between the federal contract and other work assignments. The Foundation's policy was to allocate both employees' time based on budget projections.

The Foundation also billed the federal contract for personnel expenses prior to the period in which the services were performed. The program director indicated that the charges had been billed in advance due to cash flow considerations related to lack of timely reimbursements from the funding source.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA
SUMMARY OF PRIOR YEAR FINDINGS – continued
Year ended June 30, 2007

Questioned costs: It was not possible to determine questioned costs associated with the failure to maintain activity reports and to bill the program expenses on a cost reimbursement basis as employees did not prepare activity reports that substantiated charges to the program. However, it is likely that any potential costs would not be material to the federal program as a whole.

Recommendation: The Foundation should design and implement timekeeping procedures in accordance with the requirements of OMB Circular A-122. Those procedures should include preparation of activity reports that account for time expended on the federal contract as well as time expended on other projects. The reports should be prepared to coincide with pay periods and should be signed by the employee as well as a responsible supervisory official having first hand knowledge of the actual work performed by the employee during the period covered by the report in accordance with OMB Circular A-122.

Billings should be prepared from documentation (time sheets and payroll reports) that substantiate the expenses charged to the contract during the billing period and should not be billed prior to the period that the expense was incurred.

Status: Resolved.