COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

AUDITED CONSOLIDATED FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION AND A-133 SINGLE AUDIT REPORTS AND SCHEDULES
Year ended June 30, 2009

DeVries CPAs of Arizona, P.C.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
AUDITED CONSOLIDATED FINANCIAL STATEMENTS,
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statement of financial position of Community Foundation for Southern Arizona and Affiliates (Arizona nonprofit organizations) as of June 30, 2009 and the related consolidated statement of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of the Worth & Dot Howard Foundation, a supporting organization of Community Foundation for Southern Arizona, which statements reflect total assets of $2,026,820 as of June 30, 2009, respectively, and total revenues of $76,251 for the year then ended, respectively. Those statements were audited by another auditor whose report 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 report 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides 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, 2009, and the changes in their net assets and their 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 April 9, 2010 on our consideration of Community Foundation for Southern Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements of the Community Foundation for Southern Arizona and Affiliates taken as a whole. The accompanying supplementary information on pages 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 consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

DeVries CPAs of Arizona, P.C.

DEVRIES CPAS OF ARIZONA, P.C.

April 9, 2010

Integrity is the highest form of service.

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COMMUNITY FOUNDATION FOR
SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2009

ASSETS

Cash and cash equivalents	$ 11,507,185
Investments - Notes 3 and 16	63,395,288
Pledges receivable - Notes 4 and 16	552,073
Bequest receivable	11,389
Government contracts receivable	316,804
Interest receivable	68,002
Charitable remainder annuity trusts - Note 5	542,998
Property and equipment - Note 6	804,422
Permanent collections - conservation easements - Note 2	0
Other assets - Notes 7 and 16	74,816
	$ 77,272,977

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued liabilities	$ 83,403
Grants and distributions payable	1,258,332
Designated obligations - Note 8	2,150,339
Due to other agencies - Note 9	2,347,394
	5,839,468
Net assets:	
Unrestricted:	
Available for operations	755,523
Designated for endowment purposes	12,876,650
Designated for supporting organizations	34,176,441
Designated for donor advised purposes	9,466,769
	57,275,383
Temporarily restricted - Notes 11 and 13	2,720,395
Permanently restricted - Notes 12 and 13	11,437,731
	71,433,509
	$ 77,272,977

See Accompanying Notes.

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

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and other support:				
Contributions and bequests	$ 3,856,688	$ 384,507	$ 414,175	$ 4,655,370
Interest, dividends and royalties	4,178,479	536,950		4,715,429
Governmental grant revenues	2,283,808			2,283,808
Programmatic and administrative support	2,100			2,100
Fund management fees	29,929			29,929
Special event revenues	188,622			188,622
Other revenue	43,623			43,623
	10,583,249	921,457	414,175	11,918,881
Net assets released from restrictions	858,091	(858,091)		0
Total revenues and other support	11,441,340	63,366	414,175	11,918,881
Expenses and losses - Note 14:				
Grants and distributions	3,703,213			3,703,213
Program subcontracts	2,137,168			2,137,168
Salaries, wages and related expenses	1,535,013			1,535,013
Office expenses	598,308			598,308
Professional services	350,149			350,149
Promotion and development	78,993			78,993
Special event expenses	56,752			56,752
Other expenses	62,731			62,731
Loss on disposal of property and equipment	9,188			9,188
	8,531,515	0	0	8,531,515
Increase (decrease) in net assets before net gain (loss) on investments	2,909,825	63,366	414,175	3,387,366
Net gain (loss) on investments:				
Realized (loss) on investments	(7,780,373)	(468,825)		(8,249,198)
Unrealized (loss) on investments	(10,259,670)	(3,234,106)		(13,493,776)
(Loss) on forgiveness of receivables	(150,000)			(150,000)
Change in fair value	(1,180)	402,495		401,315
	(18,191,223)	(3,300,436)	0	(21,491,659)
Increase (decrease) in net assets	(15,281,398)	(3,237,070)	414,175	(18,104,293)
Net assets, beginning of year, as restated - Note 18	74,613,930	3,900,316	11,023,556	89,537,802
Reclassification for UPMIFA adoption - Note 17	(447,834)	447,834		0
Reclassification for fund deficiencies - Note 13	(1,609,315)	1,609,315		0
Net assets, end of year	$ 57,275,383	$ 2,720,395	$ 11,437,731	$ 71,433,509

See Accompanying Notes.

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

Cash flows from operating activities:	
(Decrease) in net assets	$ (18,104,293)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Donation of stock	(370,897)
Realized (gain) loss on investments	8,249,198
Unrealized (gain) loss on investments	13,493,776
Loss on disposal of property and equipment	9,188
Depreciation	50,512
(Increase) decrease in operating assets:	
Pledges receivable	(113,666)
Bequest receivable	215,864
Note receivable	150,000
Government contracts receivable	262,192
Interest receivable	43,194
Charitable remainder annuity trusts	45,299
Other assets	1,556
Increase (decrease) in operating liabilities:	
Accounts payable and accrued liabilities	(52,700)
Grants and distributions payable	(591,633)
Designated obligations	(598,643)
Contributions restricted for long-term purposes	(414,175)
Change in agency funds, including investment gains (losses)	(53,972)
Net cash provided by operating activities	2,220,800
Cash flows from investing activities:	
Proceeds from sales of investments	19,010,449
Purchases of investments	(24,690,825)
Purchases of property and equipment	(71,566)
Net cash (used in) investing activities	(5,751,942)
Cash flows provided by financing activities - Contributions restricted for long-term purposes	414,175
(Decrease) in cash and cash equivalents	(3,116,967)
Cash and cash equivalents, beginning of year	14,624,152
Cash and cash equivalents, end of year	$ 11,507,185

Supplemental cash flow information:
No cash paid for interest or income taxes in 2009.

See Accompanying Notes.

NOTE 1 – Organization

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

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

The consolidated financial statements include the following:

The CFSA Pooled Income Fund - a fund established to maintain collective investments and reinvestment of property transferred to the fund. The donor creates a life income interest for one or more beneficiaries and contributes an irrevocable remainder interest to, or for, the use of CFSA.

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

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

Supporting organizations include:

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

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

The I Have a Dream Foundation of Tucson provides scholarships to students of economically disadvantaged families for college and vocational schools. This supporting organization dissolved during the year ended June 30, 2009.

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

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

The Women's Foundation of Southern Arizona supports the purposes of CFSA through grants to organizations and projects supportive of women's issues.

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

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

The 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. This supporting organization dissolved during the year ended June 30, 2009.

NOTE 1 – Organization - continued

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, CFSA and its Affiliates consider all highly liquid instruments purchased with a maturity of three months or less at the date of purchase to be cash equivalents. Certain entities maintain cash in bank deposit or brokerage accounts which may exceed federally insured limits or be uninsured. At June 30, 2009, CFSA and its Affiliates' uninsured cash balances totaled $9,277,525.

Land held for conservation

Sycamore Canyon Conservation Foundation (SCCF) is a conservation organization having among its purposes the protection on behalf of the public of open space, scenic, historic, and recreational lands. As a qualified holder of conservation easements, SCCF is generally responsible for ensuring that the terms of the easements are not violated. As of June 30, 2009, SCCF held one conservation easement. SCCF has opted to expense purchased conservation easements, and donated easements are not recorded.

Permanent collections - conservation easements

In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, CFSA has opted to expense purchased conservation easements, and donated easements are not recorded.

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.

NOTE 2 – Summary of significant accounting policies – continued

CFSA maintains pooled investment accounts. Realized and unrealized gains and losses from investments in the pooled accounts are allocated to the individual funds based on the relationship of the fair value of each fund to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts. Oil and gas interests are valued at a multiple of prior year earnings based upon estate valuation guidance issued by the Internal Revenue Service.

Receivables

Pledges (or unconditional promises to give) are recognized as revenues in the period received and as assets, decrease of liabilities, or expenses depending on the form of the benefits received. Such pledges are recorded at their present value calculated over the time period of the commitment and recognized as contribution revenue as the present value increases. An allowance for doubtful pledges is not maintained as management considers all pledges to be fully collectible. Conditional pledges are recognized when the conditions on which they depend are substantially met. The Foundation has been notified of numerous conditional pledges which could not be reasonably valued at year-end.

Property and equipment

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

Accounts payable and accrued liabilities

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

Grants and distributions payable

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

Designated obligations

CFSA's trustees manage assets contributed to the Pooled Income Fund and the Charitable Remainder Trust Fund under which CFSA is the irrevocable remainder interest. Such assets are restricted as to use until the death of the designated income beneficiaries. Upon the death of the income beneficiaries, the assets of each of these entities will be distributed to certain charities or to CFSA, as dictated by the corresponding agreement. The present value of the expected obligations has been recorded as a designated obligation, and any year-to-year changes in that obligation are reflected as a change in value.

Due to other agencies

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

NOTE 2 – Summary of significant accounting policies – continued

Interest income

Interest income is allocated monthly within CFSA, the Pooled Income Fund, and several trusts and supporting organizations participating in the CFSA investment pools. These allocations are based on the fair market value balances of the respective funds invested during the month.

Contributions/restricted revenue

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated services

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

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

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

Administrative allocation

Charges for administrative and overhead expenses of CFSA are allocated against the resources of CFSA and its Affiliates based on rates determined by the Board of Trustees or individual fund agreements. Management believes such rates do not exceed what is normally charged to funds by community foundations nationwide.

Income taxes

CFSA is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Income from certain activities not directly related to CFSA's tax-exempt purpose may be subject to taxation as unrelated business income. CFSA also qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1). Supporting organizations are classified under Section 509(a)(3) of the IRC. During the year ended June 30, 2009, CFSA did not earn any unrelated business taxable income; therefore, the accompanying financial statements contain no provision for income taxes.

CFSA has elected to defer the application of Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN48), until the fiscal year beginning July 1, 2009. CFSA and its Affiliates have not taken any uncertain tax positions and, therefore, have no policy for evaluating them, nor do they expect that the adoption of FIN48 will have a material impact on their financial statements.

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.

NOTE 2 – Summary of significant accounting policies – continued

Endowments

CFSA and its Affiliates' endowments consist of several individual funds established under either donor restriction or as designated by the Board of Trustees for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds (including funds designated by the Board of Trustees to function as endowments) are classified and reported based on the existence or absence of donor-imposed restrictions. During the year ended June 30, 2009, The State of Arizona adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) (the Act). The Board of Trustees of CFSA and its Affiliates have interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CFSA and Affiliates classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, CFSA and Affiliates consider the following factors in making a determination to appropriate or accumulate endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the organization
(7) The investment policies of the organization.

NOTE 3 – Investments

Investments at June 30, 2009 were as follows:

Equity securities	$ 16,109,715
Fixed income investments	3,814,510
Corporate bonds	50,370
Mutual funds	35,448,074
Oil and gas interests	455,040
Investments in limited and offshore partnerships	6,965,851
Certificates of deposit	191,543
US Treasuries	231,713
Municipal securities	128,472
	$ 63,395,288

Investment fees are reported in office expenses on the consolidated statement of activities. For the year ended June 30, 2009, investment fees charged by outside investment managers were $224,843.

At June 30, 2009, $28,003,621 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, 2009, $4,110,680 of limited partnerships are held and managed by one supporting organization.

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

NOTE 4 – Pledges receivable

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

Pledges receivable in less than one year	$	344,608
Pledges receivable in one to five years		248,590
		593,198
Allowance for uncollectible pledges		(6,745)
Less discount to present value		(34,380)
	$	552,073

NOTE 5 – Charitable remainder annuity trusts

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

NOTE 6 – Property and equipment

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

Equipment and furniture	$	75,311
Buildings and improvements		578,470
Computer equipment and software		178,178
Land		276,400
Leasehold improvements		4,892
		1,113,251
Less accumulated depreciation		(308,829)
	$	804,422

NOTE 7 – Other assets

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

Prepaid and miscellaneous assets	$	20,416
Land held for conservation		1,500
Land held for sale		14,600
Split dollar life insurance policies		38,300
	$	74,816

NOTE 8 – Designated obligations

Designated obligations at June 30, 2009 were as follows:

Charitable gift annuities	$	1,082,606
Unitrusts		135,600
Lead trusts		802,858
Pooled income fund		129,275
	$	2,150,339

NOTE 9 – Due to other agencies

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

Casa de Esperanza endowment	$	60,471
Community Food Bank		140,928
Eighty-Eight Crime fund		59,835
Green Valley Assistance Services endowment		579,848
Handi-Dogs endowment fund		35,226
Sarah P. Hausman endowment fund		146,884
Lorraine Maria Hamilton fund		90,607
Holsclaw fund for Goodwill Industries		60,601
Holmes Tuttle memorial fund		98,203
Alice Y. Holsclaw YWCA fund		44,921
St. Andrew's Crippled Children's Clinic		106,751
Tohono O'odham Community College endowment		132,688
Tucson Audubon Society		95,640
Tucson Audubon endowment fund		135,465
Tucson Botanical Gardens		77,520
Up with People		170,748
Oro Valley Community Foundation custodial		115,755
Other funds		195,303
	$	2,347,394

NOTE 10 - 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, 2008, the Board of Trustees approved a contribution to the plan attributable to compensation earned during the year ended June 30, 2008. The contribution was accrued as a liability at June 30, 2008. Pension plan expense was $34,471 for June 30, 2009. The SEP plan was converted to a 403(b) plan in February 2009.

CFSA has established a deferred compensation plan in which participation is explicitly restricted to CFSA's current CEO. 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. CFSA contributed $ 15,000 to the plan for the year ended June 30, 2009.

NOTE 11 – Temporarily restricted net assets

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

	Field of interest funds	Future year operations CFSA	Future year operations WFSA	Accumulated earnings for endowments	Gift annuities/ charitable remainder trusts	Pooled income funds	Total
Beginning balance	$ 444,272	$ 146,218	$ 25,106	$ 995,636	$ 2,118,183	$ 170,901	$ 3,900,316
Reclassification for UPMIFA adoption				447,834			447,834
Contributions	175,889	179,270	2,586		26,762		384,507
Interest and dividends	14,948			362,438	141,751	17,813	536,950
Realized (losses)	(13,288)			(347,520)	(107,122)	(895)	(468,825)
Unrealized gains (losses)	(70,662)			(2,386,878)	(737,625)	(38,941)	(3,234,106)
Change in value of split interest investments					389,216	13,279	402,495
Releases/appropriations	(28,517)	(143,883)	(7,527)	(391,948)	(283,748)	(2,468)	(858,091)
Reclassification for fund deficiencies				1,609,315			1,609,315
Ending balance	$ 522,642	$ 181,605	$ 20,165	$ 288,877	$ 1,547,417	$ 159,689	$ 2,720,395

NOTE 12 – Permanently restricted net assets

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

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

NOTE 13 – Endowments

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires CFSA and its Affiliates to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, accumulated deficiencies of this nature that are reported as reclassification from unrestricted net assets to temporarily restricted net assets were $1,609,315 at June 30, 2009.

Return objectives and risk parameters

CFSA and its Affiliates have adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk.

NOTE 13 – Endowments – continued

Investment strategies

To satisfy its long-term rate-of-return objectives, CFSA and its Affiliates rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). CFSA and its Affiliates target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policies

CFSA has a formally adopted spending policy, which reads as follows:

CFSA's spending policy governs the rate at which annual distributions are made from each of its individual endowment funds. The rate is used to calculate the amount "available to grant" from each separate endowment fund. CFSA's spending policy was developed to be compatible with CFSA's investment policy. The spending policy rate will be 4.25 percent of a 20-quarter rolling average of the fund's total market value at the end of each quarter. If the fund is in existence for less than 20 quarters, the calculation will use the average of the existing historical quarters. The current year's spending amount, plus each prior year's unspent "available to grant" balance, becomes the "available to grant" amount for the new fiscal year. The formula shall be applied to the 20 quarters at the end of CFSA's fiscal year. CFSA operates under the total return concept, meaning that the distributions will be made from the income and, if necessary, the realized and unrealized capital appreciation of the fund. Notwithstanding the preceding, pursuant to Arizona Revised Statute §10-11802, the historical value of the fund will not be used to fund any amount of the "available to grant" in excess of the income and capital appreciation of the fund, unless the gift instrument provides otherwise. The "Historical dollar value" means the aggregate fair market value in dollars of an endowment fund at the time it became an endowment fund, each subsequent donation to the fund at the time it is made, and each accumulation made pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the fund.

Endowment fund net assets

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

	Unrestricted				
	Board designated	Fund deficiencies	Temporarily restricted	Permanently restricted	Total
Balance at June 30, 2008	$ 15,072,815		$ 995,636	$ 11,023,556	$ 27,092,007
Reclassification for UPMIFA adoption			447,834		447,834
Contributions	55,976			414,175	470,151
Interest/dividends	260,811		362,438		623,249
Realized loss	(240,511)		(347,520)		(588,031)
Unrealized loss	(1,795,115)		(2,386,878)		(4,181,993)
Appropriated for expenditure	(477,326)		(391,948)		(869,274)
Reclassification of deficient funds		$ (1,609,315)	1,609,315		0
Balance at June 30, 2009	$ 12,876,650	$ (1,609,315)	$ 288,877	$ 11,437,731	$ 22,993,943

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

NOTE 14 – Functional expenses

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

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

NOTE 15 – Lease commitments

CFSA leases office space under the terms of a month to month lease and office equipment under the terms of leases expiring March 2010. In addition, the Robidoux Foundation leases office space under the terms of a lease expiring September 2010. Rental expense for the year ended June 30, 2009 was as follows:

Robidoux Foundation	$ 30,590
CFSA	30,316
	$ 60,906

Future minimum lease payments for the CFSA and Robidoux Foundation lease at June 30, 2009 are as follows:

	CFSA	Robidoux	Total
Year ending June 30, 2010	$ 13,643	$ 15,754	$ 29,397
2011	0	3,968	3,968
	$ 13,643	$ 19,722	$ 33,365

NOTE 16 – Fair value measurements

During the year ended June 30, 2009, CFSA and its Affiliates adopted SFAS No. 157 *Fair Value Measurements*. This Statement defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements.

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

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

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

NOTE 16 – Fair value measurements – continued

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

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

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

	Fair value measurements at reporting date using:			
	Level 1	Level 2	Level 3	Total fair value
Investments:				
Equity securities	$ 16,109,715			$ 16,109,715
Fixed income investments	3,814,510			3,814,510
Corporate bonds	50,370			50,370
Mutual funds		$ 35,448,074		35,448,074
Oil and gas interests			$ 455,040	455,040
Investments in limited and offshore partnerships			6,965,851	6,965,851
Certificates of deposit	191,543			191,543
US Treasuries	231,713			231,713
Municipal securities	128,472			128,472
Total investments	20,526,323	35,448,074	7,420,891	63,395,288
Charitable remainder annuity trusts		542,998		542,998
Split dollar life insurance policies		38,300		38,300
	$ 20,526,323	$ 36,029,372	$ 7,420,891	$ 63,976,586

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

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

NOTE 17 – Reclassification for UPMIFA adoption

During the year ended June 30, 2009, CFSA and its Affiliates adopted Financial Accountings Standards Board Statement of Financial Accounting Standards (SFAS) No. 117-1 *Endowments for Non-for-Profit Organizations: Net Asset Classification of Funds Subject to the Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds.* This resulted in a reclassification of net assets during the year ended June 30, 2009 of $447,834.

NOTE 18 – Prior period adjustments

During the year ended June 30, 2009, the following corrections were made to net assets at June 30, 2008:

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total net assets
Balance at June 30, 2008, as previously reported	$ 74,629,657	$ 3,958,310	$ 10,949,835	$ 89,537,802
Reclassification of net assets	(15,727)	(57,994)	73,721	0
Balance at June 30, 2008, as restated	$ 74,613,930	$ 3,900,316	$ 11,023,556	$ 89,537,802

NOTE 19 – Subsequent events

Subsequent to June 30, 2009, Robidoux Foundation's Board of Directors forgave a note receivable totaling $150,000. Thus, the note receivable has been written off as of June 30, 2009.

Subsequent events have been evaluated through April 9, 2010, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2009

	Community Foundation for Southern Arizona, Inc.	Pooled income fund	Gift annuities/ charitable remainder trusts	Total without supporting organizations	Supporting organizations	Consolidating entries	Total with supporting organizations
ASSETS							
Cash and cash equivalents	$ 6,236,114	$ 1,749	$ 16,845	$ 6,254,708	$ 5,252,477		$ 11,507,185
Investments	30,467,246	288,785	3,116,616	33,872,647	29,522,641		63,395,288
Pledges receivable	259,107			259,107	392,966	$ (100,000)	552,073
Bequest receivable	11,389			11,389			11,389
Government contracts receivable	316,804			316,804			316,804
Interest and other receivables	179,870	921	6,524	187,315	24,897	(144,210)	68,002
Charitable remainder annuity trusts			542,998	542,998			542,998
Property and equipment	122,648			122,648	681,774		804,422
Other assets	43,769			43,769	31,047		74,816
	$ 37,636,947	$ 291,455	$ 3,682,983	$ 41,611,385	$ 35,905,802	$ (244,210)	$ 77,272,977
LIABILITIES AND NET ASSETS							
Liabilities:							
Accounts payable and accrued liabilities	$ 53,005	$ 2,491	$ 114,502	$ 169,998	$ 57,615	$ (144,210)	$ 83,403
Grants and distributions payable	809,706			809,706	548,626	(100,000)	1,258,332
Designated obligations		129,275	2,021,064	2,150,339			2,150,339
Due to other agencies	2,347,394			2,347,394			2,347,394
	3,210,105	131,766	2,135,566	5,477,437	606,241	(244,210)	5,839,468
Net assets (deficit):							
Unrestricted	23,098,942			23,098,942	34,176,441		57,275,383
Temporarily restricted	993,125	159,689	1,547,417	2,700,231	20,164		2,720,395
Permanently restricted	10,334,775			10,334,775	1,102,956		11,437,731
	34,426,842	159,689	1,547,417	36,133,948	35,299,561		71,433,509
	$ 37,636,947	$ 291,455	$ 3,682,983	$ 41,611,385	$ 35,905,802	$ (244,210)	$ 77,272,977

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended June 30, 2009

	Community Foundation for Southern Arizona, Inc.	Pooled income fund	Gift annuities/ charitable remainder trusts	Total without supporting organizations	Supporting organizations	Consolidating entries	Total with supporting organizations
Revenues and other support:							
Contributions and bequests	$ 2,501,548		$ 26,762	$ 2,528,310	$ 2,190,660	$ (63,600)	$ 4,655,370
Interest, dividends and royalties	1,334,755	$ 17,814	141,748	1,494,317	3,221,112		4,715,429
Governmental grant revenues	2,283,808			2,283,808			2,283,808
Programmatic and administrative support	6,000			6,000		(3,900)	2,100
Fund management fees	189,009			189,009		(159,080)	29,929
Special event revenues	74,627			74,627	113,995		188,622
Other revenue	16,722			16,722	26,901		43,623
Total revenues and other support	6,406,469	17,814	168,510	6,592,793	5,552,668	(226,580)	11,918,881
Expenses and losses:							
Grants and distributions	2,292,255		96,024	2,388,279	1,378,534	(63,600)	3,703,213
Program subcontracts	2,137,168			2,137,168			2,137,168
Salaries, wages and related expenses	1,301,332			1,301,332	233,681		1,535,013
Office expenses	397,496	1,544	21,203	420,243	181,965	(3,900)	598,308
Professional services	241,255	925	34,815	276,995	232,234	(159,080)	350,149
Promotion and development	73,037			73,037	5,956		78,993
Special event expenses	20,675			20,675	36,077		56,752
Other expenses	28,106			28,106	34,625		62,731
Loss on disposal of property and equipment					9,188		9,188
	6,491,324	2,469	152,042	6,645,835	2,112,260	(226,580)	8,531,515
Increase (decrease) in net assets before net gain (loss) on investments and transfers	(84,855)	15,345	16,468	(53,042)	3,440,408		3,387,366
Net gain (loss) on investments:							
Realized (loss) on investments	(833,365)	(895)	(107,122)	(941,382)	(7,307,816)		(8,249,198)
Unrealized (loss) on investments	(8,241,013)	(38,941)	(737,620)	(9,017,574)	(4,476,202)		(13,493,776)
(Loss) on forgiveness of receivables					(150,000)		(150,000)
Change in fair value	(1,180)	13,279	389,216	401,315			401,315
Transfers in (out)	131,777		(131,708)	69	(69)		0
	(8,943,781)	(26,557)	(587,234)	(9,557,572)	(11,934,087)	0	(21,491,659)
Increase (decrease) in net assets	(9,028,636)	(11,212)	(570,766)	(9,610,614)	(8,493,679)	0	(18,104,293)
Net assets, beginning of year	43,455,478	170,901	2,118,183	45,744,562	43,793,240	0	89,537,802
Net assets, end of year	$ 34,426,842	$ 159,689	$ 1,547,417	$ 36,133,948	$ 35,299,561	$ 0	$ 71,433,509

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION - SUPPORTING ORGANIZATIONS
June 30, 2009

	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
ASSETS							
Cash and cash equivalents	$ 1,293,102		$ 4,126	$ 1,991	$ 696,540	$ 310,335	$ 54,450
Investments	11,410,380	$ 562,381			5,412,800	956,633	2,868,240
Pledges receivable						392,966	
Interest and other receivables							10,150
Property and equipment	6,365			675,409			
Other assets				14,600	6,562	8,385	
	$ 12,709,847	$ 562,381	$ 4,126	$ 692,000	$ 6,115,902	$ 1,668,319	$ 2,932,840
LIABILITIES AND NET ASSETS							
Liabilities:							
Accounts payable and accrued liabilities		$ 1,151			$ 10,157	$ 20,822	$ 9,747
Grants and distributions payable	$ 375,000		$ 4,126		85,000		
	375,000	1,151	4,126		95,157	20,822	9,747
Net assets:							
Unrestricted	12,334,847	561,230		$ 692,000	6,020,745	525,877	2,923,093
Temporaily restricted						20,164	
Permanently restricted						1,101,456	
	12,334,847	561,230	0	692,000	6,020,745	1,647,497	2,923,093
	$ 12,709,847	$ 562,381	$ 4,126	$ 692,000	$ 6,115,902	$ 1,668,319	$ 2,932,840

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION - SUPPORTING ORGANIZATIONS - continued

June 30, 2009

	Worth and Dot Howard Foundation	Madden/ Darrall Foundation	The Zuckerman Community Outreach Foundation	Howard V. Moore Foundation	Sycamore Canyon Conservation Foundation	Total
ASSETS						
Cash and cash equivalents	$ 35,309		$ 636,534	$ 2,164,155	$ 55,935	$ 5,252,477
Investments	1,984,414		6,327,793			29,522,641
Pledges receivable						392,966
Interest and other receivables	7,097		7,650			24,897
Property and equipment						681,774
Other assets					1,500	31,047
	$ 2,026,820	$ 0	$ 6,971,977	$ 2,164,155	$ 57,435	$ 35,905,802
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued liabilities	$ 5,456		$ 10,282			$ 57,615
Grants and distributions payable	69,500		15,000			548,626
	74,956		25,282			606,241
Net assets:						
Unrestricted	1,951,864		6,946,695	$ 2,164,155	$ 55,935	34,176,441
Temporaily restricted						20,164
Permanently restricted					1,500	1,102,956
	1,951,864		6,946,695	2,164,155	57,435	35,299,561
	$ 2,026,820	$ 0	$ 6,971,977	$ 2,164,155	$ 57,435	$ 35,905,802

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES - SUPPORTING ORGANIZATIONS

Year ended June 30, 2009

	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			$ 1,018		$ 1,220,000	$ 505,625	$ 15,813
Interest, dividends and royalties	$ 2,198,698	$ 26,423	2,302	$ 1	240,863	33,913	154,780
Special event revenues						113,995	
Other revenue					1,033	3,229	
Total revenues and other support	2,198,698	26,423	3,320	1	1,461,896	656,762	170,593
Expenses and losses:							
Grants and distributions	364,883	30,000	49,476		360,000	116,175	137,000
Salaries, wages and related expenses	68,897					107,428	
Office expenses	48,970	2,149	197	186	22,103	43,677	14,821
Professional services	9,243	10,487	1,406	800	14,497	56,951	16,611
Promotion and development					39	5,917	
Special event expenses						36,077	
Other expenses	1,809			23,390	9,310	116	
Loss on disposal of property and equipment	9,188						
	502,990	42,636	51,079	24,376	405,949	366,341	168,432
Increase (decrease) in net assets before net gain (loss) on investments and transfers	1,695,708	(16,213)	(47,759)	(24,375)	1,055,947	290,421	2,161
Net gain (loss) on investments:							
Realized gain (loss) on investments	(6,000,738)	(8,631)	(29,918)		(698,019)	(22,640)	8,867
Unrealized (loss) on investments	(2,183,743)	(192,063)			(221,951)	(64,320)	(738,639)
(Loss) on forgiveness of receivables	(150,000)						
Transfers in (out)			(69)				
	(8,334,481)	(200,694)	(29,987)	0	(919,970)	(86,960)	(729,772)
Increase (decrease) in net assets	(6,638,773)	(216,907)	(77,746)	(24,375)	135,977	203,461	(727,611)
Net assets, beginning of year	18,973,620	778,137	77,746	716,375	5,884,768	1,444,036	3,650,704
Net assets, end of year	$ 12,334,847	$ 561,230	$ 0	$ 692,000	$ 6,020,745	$ 1,647,497	$ 2,923,093

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES - SUPPORTING ORGANIZATIONS - continued
Year ended June 30, 2009

	Worth and Dot Howard Foundation	Madden/ Darrall Foundation	The Zuckerman Community Outreach Foundation	Howard V. Moore Foundation	Sycamore Canyon Conservation Foundation	Total
Revenue and other support:						
Contributions and bequests				$ 433,818	$ 14,386	$ 2,190,660
Interest, dividends and royalties	$ 76,251		$ 461,483	25,491	907	3,221,112
Special event revenues						113,995
Other revenue					22,639	26,901
Total revenues and other support	76,251		461,483	459,309	37,932	5,552,668
Expenses and losses:						
Grants and distributions	67,000		254,000			1,378,534
Salaries, wages and related expenses	57,356					233,681
Office expenses	471		48,774	10	607	181,965
Professional services	29,695	$ 184	40,703	17,246	34,411	232,234
Promotion and development						5,956
Special event expenses						36,077
Other expenses						34,625
Loss on disposal of property and equipment						9,188
	154,522	184	343,477	17,256	35,018	2,112,260
Increase (decrease) in net assets before net gain (loss) on investments and transfers	(78,271)	(184)	118,006	442,053	2,914	3,440,408
Net gain (loss) on investments:						
Realized (loss) on investments	(23,550)		(533,187)			(7,307,816)
Unrealized gain (loss) on investments	(431,041)		(644,445)			(4,476,202)
(Loss) on forgiveness of receivables						(150,000)
Transfers in (out)						(69)
	(454,591)	0	(1,177,632)	0	0	(11,934,087)
Increase (decrease) in net assets	(532,862)	(184)	(1,059,626)	442,053	2,914	(8,493,679)
Net assets, beginning of year	2,484,726	184	8,006,321	1,722,102	54,521	43,793,240
Net assets, end of year	$ 1,951,864	$ 0	$ 6,946,695	$ 2,164,155	$ 57,435	$ 35,299,561

A-133 SINGLE AUDIT REPORTS AND SCHEDULES

DeVries CPAs of Arizona, P.C.
Certified Public Accountants

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

Board of Trustees
Community Foundation for Southern Arizona
Tucson, Arizona

We have audited the financial statements of Community Foundation for Southern Arizona (CFSA) (a nonprofit organization) as of and for the year ended June 30, 2009 and have issued our report thereon dated April 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered CFSA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CFSA's internal control over financial reporting.

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. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control. We consider the deficiency noted described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting, listed as item 09-1.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

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 consider item 09-1 to also be a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of CFSA in a separate letter dated April 9, 2010.

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Compliance and Other Matters

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

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

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.

DeVries CPAs of Arizona, P.C.

DEVRIES CPAS OF ARIZONA, P.C.

April 9, 2010

DeVries CPAs of Arizona, P.C.
Certified Public Accountants

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 (CFSA) 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, 2009. CFSA'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 CFSA's management. Our responsibility is to express an opinion on CFSA'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 CFSA'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 CFSA's compliance with those requirements.

In our opinion, CFSA 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, 2009. However, we did note other matters involving immaterial non-compliance, which we have reported to management of CFSA in a separate letter dated April 9, 2010.

Internal Control Over Compliance

The management of CFSA 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 CFSA'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 CFSA's internal control over compliance.

Integrity is the highest form of service.

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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 CFSA'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 CFSA'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 CFSA'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.

DeVries CPAs of Arizona, P.C.

DEVRIES CPAS OF ARIZONA, P.C.

April 9, 2010

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

Finding: 09-1	**Program:** *Government Auditing Standards*	**Questioned Cost:** None

Criteria: A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Condition: For the year audited, 20 audit adjustments were required for the financial statements to be materially correct at year-end, thus the unadjusted general ledger was not materially correct under generally accepted accounting principles. This is a repeat comment from 08-1. Below is the allocation of these adjustments by organization:

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

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

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

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

Financial statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting: One material weakness identified. No significant deficiencies identified.	09-1

No noncompliance material to financial statements noted.

Federal awards

Internal control over major programs:
No material weaknesses identified.
No significant deficiencies identified.

Type of auditors' report issued on compliance for major programs:	Unqualified

No audit findings disclosed as required to be reported in accordance with Circular A-133, Section .510(a).

Identification of major program:
93.917 HIV Care Formula Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000

Auditee does not qualify as a low risk auditee.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2009

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA number	Pass-through grantor's number	Expenditures
U.S. Department of Health and Human Services			
Passed through Arizona Department of Health Services:			
HIV Care Formula Grants	93.917	HR754080	$ 2,283,808 *
TOTAL FEDERAL EXPENDITURES			$ 2,283,808

* Major program expenditures = $2,283,808

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

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

Finding: 08-1	**Program:** *Government Auditing Standards*	**Questioned Cost:** None

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

Community Foundation for Southern Arizona	46
Women's Foundation of Southern Arizona	11
Melody S. Robidoux Foundation	6
	63

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

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

Management response: As we go through the transition to a new information technology system, steps are being taken to ensure accurate accounting throughout the year. In addition, we will work with our supporting organizations to do the same.

Status: This is a repeat comment. See 09-1.