

COMMUNITY FOUNDATION FOR
SOUTHERN ARIZONA AND AFFILIATES

Audited Consolidated Financial Statements
and Supplementary Information

For the years ended June 30, 2016 and 2015

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LUDWIG KLEWER & CO. PLLC

Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Community Foundation for Southern Arizona and Affiliates (nonprofit organizations) which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Worth & Dot Howard Foundation, a supporting organization of Community Foundation for Southern Arizona, which statements reflect total assets of \$2,061,618 as of June 30, 2016, and total revenue and support of \$174,153 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for Worth & Dot Howard Foundation, is based solely on the report of the other auditors. We did not audit the financial statements of Thomas R. Brown Family Foundation, a supporting organization of Community Foundation for Southern Arizona, which statements reflect total assets of \$9,597,336 as of June 30, 2016, and total revenue and support of \$2,370,542 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for Thomas R. Brown Family Foundation, is based solely on the report of the other auditors. We did not audit the financial statements of Women's Foundation of Southern Arizona, a supporting organization of Community Foundation for Southern Arizona, which statements reflect total assets of \$3,166,624 as of June 30, 2016, and total revenue and support of \$930,287 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for Women's Foundation of Southern Arizona, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Chris Wm. Ludwig, CPA Julie S. Klewer, CPA, MBA Eric S. Rudner, CPA

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INDEPENDENT AUDITOR'S REPORT, Continued

Auditor's Responsibility, continued

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the reports of other auditors, 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 23 through 28 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Luanig Kiewer & Co. PLLC

January 9, 2017

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

ASSETS

	2016	2015
Current assets:		
Cash and cash equivalents	\$ 12,210,106	\$ 10,611,943
Unconditional promises to give, net, current portion	207,167	102,632
Contributions and bequests receivable	14,248,633	9,829,994
Notes receivable, net, current portion	308,671	138,944
Interest and other receivables	9,948	25,229
Prepaid expenses	23,066	15,336
Total current assets	27,007,591	20,724,078
Unconditional promises to give, net, non-current portion	34,923	7,526
Notes receivable, non-current portion	-	45,000
Investments	104,391,133	103,609,457
Property and equipment, net	545,873	586,579
Other assets	50,269	56,552
Total assets	<u>\$ 132,029,789</u>	<u>\$ 125,029,192</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 205,572	\$ 156,300
Grants and distributions payable	1,344,415	672,679
Designated obligations	1,356,069	3,232,803
Due to other agencies	4,508,760	2,083,159
Notes payable, current portion	75,000	50,000
Total current liabilities	7,489,816	6,194,941
Notes payable, non-current portion	450,000	150,000
Total liabilities	7,939,816	6,344,941
Net assets:		
Unrestricted:		
Available for operations	(1,946,664)	3,782,102
Designated for supporting organizations	21,656,604	22,061,089
Designated for donor advised purposes	43,629,592	37,401,080
	63,339,532	63,244,271
Temporarily restricted	6,872,516	8,203,902
Permanently restricted	53,877,925	47,236,078
Total net assets	124,089,973	118,684,251
Total liabilities and net assets	<u>\$ 132,029,789</u>	<u>\$ 125,029,192</u>

See independent auditor's report and accompanying notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:				
Support:				
Contributions and bequests	\$ 7,600,662	\$ 1,190,541	\$ 6,641,847	\$ 15,433,050
Grants and trusts	612,129	-	-	612,129
Special events, net	406,280	-	-	406,280
Total support	8,619,071	1,190,541	6,641,847	16,451,459
Revenue, investment and other income:				
Fund management fees	17,114	-	-	17,114
Other revenue	79,293	-	-	79,293
Change in fair value	(290,281)	(78,638)	-	(368,919)
Investment income (loss), net	75,778	(873,572)	-	(797,794)
Total revenue, investment and other income	(118,096)	(952,210)	-	(1,070,306)
Net assets released from restrictions	3,097,709	(3,097,709)	-	-
Total revenue and support	11,598,684	(2,859,378)	6,641,847	15,381,153
Expenses:				
Grants and distributions	7,105,704	-	-	7,105,704
Salaries, wages and related expense	1,708,466	-	-	1,708,466
Professional services	431,262	-	-	431,262
Other expense	259,237	-	-	259,237
Office expense	239,625	-	-	239,625
Promotion and development	121,950	-	-	121,950
Program subcontracts	109,187	-	-	109,187
Total expenses	9,975,431	-	-	9,975,431
Change in net assets	1,623,253	(2,859,378)	6,641,847	5,405,722
Net assets, beginning of year	63,244,271	8,203,902	47,236,078	118,684,251
Reclassification for fund deficiencies increased	(1,527,992)	1,527,992	-	-
Net assets, end of year	\$ 63,339,532	\$ 6,872,516	\$ 53,877,925	\$ 124,089,973

See independent auditor's report and accompanying notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:				
Support:				
Contributions and bequests	\$ 10,774,397	\$ 278,441	\$ 7,783,775	\$ 18,836,613
Special events, net	232,788	-	-	232,788
Total support	11,007,185	278,441	7,783,775	19,069,401
Revenue, investment and other income:				
Investment income, net	78,504	630,568	-	709,072
Other revenue	73,430	-	-	73,430
Fund management fees	2,658	-	-	2,658
Change in fair value	50,243	(87,441)	-	(37,198)
Total revenue, investment and other income	204,835	543,127	-	747,962
Net assets released from restrictions	3,317,102	(3,317,102)	-	-
Total revenue and support	14,529,122	(2,495,534)	7,783,775	19,817,363
Expenses:				
Grants and distributions	7,528,434	-	-	7,528,434
Salaries, wages and related expense	1,523,336	-	-	1,523,336
Office expense	257,077	-	-	257,077
Professional services	227,756	-	-	227,756
Other expense	167,202	-	-	167,202
Promotion and development	137,906	-	-	137,906
Program subcontracts	16,967	-	-	16,967
Total expenses	9,858,678	-	-	9,858,678
Change in net assets	4,670,444	(2,495,534)	7,783,775	9,958,685
Net assets, beginning of year	59,136,431	10,136,832	39,452,303	108,725,566
Reclassification for fund deficiencies increased	(562,604)	562,604	-	-
Net assets, end of year	\$ 63,244,271	\$ 8,203,902	\$ 47,236,078	\$ 118,684,251

See independent auditor's report and accompanying notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS
For the years ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 5,405,722	\$ 9,958,685
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donation of land	-	(566,342)
Realized loss on sale of investments, net	1,373,439	237,983
Unrealized loss on investments, net	2,447,371	1,876,128
Provision for losses on notes receivable	13,307	9,413
Depreciation	40,706	41,393
Change in operating assets and liabilities:		
Unconditional promises to give	(131,932)	52,872
Contributions and bequests receivable	(4,418,639)	(9,265,916)
Interest and other receivables	15,281	(19,565)
Prepaid expenses	(7,730)	(9,897)
Other assets	6,283	(5,517)
Accounts payable and accrued expenses	49,272	46,191
Grants and distributions payable	671,736	194,485
Designated obligations	(1,876,734)	13,728
Contributions restricted for long-term purposes	6,641,847	7,783,775
Change in agency funds, including investment gains	2,425,601	(284,588)
Total adjustments	7,249,808	104,143
Net cash provided by operating activities	12,655,530	10,062,828
Cash flows from investing activities:		
Advances on notes receivable	(644,000)	(170,000)
Repayments on notes receivable	505,966	57,393
Proceeds from sale of investments	20,686,550	27,138,689
Purchases of investments	(25,289,036)	(28,762,994)
Purchases of property and equipment	-	(1,342)
Net cash used in investing activities	(4,740,520)	(1,738,254)
Cash flows from financing activities:		
Advances on notes payable	375,000	50,000
Repayments of notes payable	(50,000)	-
Contributions restricted for long-term purposes	(6,641,847)	(7,783,775)
Net cash used in financing activities	(6,316,847)	(7,733,775)
Net change in cash and cash equivalents	1,598,163	590,799
Cash and cash equivalents, beginning of year	10,611,943	10,021,144
Cash and cash equivalents, end of year	\$ 12,210,106	\$ 10,611,943
Supplemental cash flow information:		
Cash paid during the year for interest	\$ 6,472	\$ 6,256
Supplemental schedule of non-cash investing and financing activities:		
Donation of land	\$ -	\$ 566,342
Land reclassified from property and equipment to investments	\$ -	\$ 53,720

See independent auditor's report and accompanying notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2016 and 2015

1. Organization

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. The mission of CFSA is to inspire and support donors in making a difference now and forever. As a public charity, we accomplish our mission by building permanent charitable funds, connecting donors to organizations and programs they care about, making effective grants and providing leadership on community issues.

The consolidated financial statements include the following:

The CFSA Pooled Income Fund (PIF) – a fund established to maintain collective investments and reinvestment of property transferred to the fund. The donor creates a life income interest for one or more beneficiaries and contributes an irrevocable remainder interest to, or for, the use of CFSA unless further restricted by the donor.

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

Section 509(a)(3) Supporting Organizations – an Internal Revenue Code (IRC) Section 509(a)(3) support organization is an entity which achieves tax-exempt charitable organization status by having a close relationship with a public charity. In order to establish a close relationship, a majority of the supporting organization's Board of Trustees are elected by CFSA's Board of Trustees, and the supporting organization and CFSA have common charitable purposes and goals.

Supporting organizations include:

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

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

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

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

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

The Zuckerman Community Outreach Foundation (ZCOF) supports the community through grants to organizations that promote health and wellness on local and national levels, as well as creative and artistic endeavors that positively impact the human experience.

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

The Nonprofit Loan Fund of Tucson and Southern Arizona (NPLF) provides loans to nonprofit organizations and educates nonprofit organizations on the prudent use of loan capital.

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

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the years ended June 30, 2016 and 2015

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Community Foundation for Southern Arizona and its Affiliates (collectively referred to as the Foundation). Each of the entities maintains their own net assets. All significant inter-organization transactions have been eliminated in consolidation.

Basis of Accounting

The consolidated financial statements are prepared using the accrual method of accounting and are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets in accordance with accounting principles generally accepted in the United States of America applicable to nonprofit organizations.

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

Unrestricted net assets represent those assets available to the Foundation for normal operations, support of community activities and charitable endeavors as designated by the Board of Trustees.

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. This category of net assets also includes earnings on permanently restricted endowments that have not yet been appropriated for expenditure by the Board of Trustees. The balance of temporarily restricted net assets at June 30, 2016 and 2015 was \$6,872,516 and \$8,203,902, respectively.

Permanently restricted net assets carry a donor-imposed restriction that they be maintained in perpetuity to provide a permanent source of income. In accordance with Internal Revenue Service (IRS) regulations for community foundations, the Foundation's bylaws provide for variance power. Under certain unanticipated circumstances, this variance power allows for the modification of restrictions; however, management believes that such variance power is not intended to apply to endowment restrictions made by the donor. Accordingly, these amounts are included as a component of permanently restricted net assets.

It is the Foundation's policy that permanently restricted assets are reported at their original value at the time of the gift. Realized and unrealized gains and losses on those assets are recorded as temporarily restricted assets until appropriated for expenditure. The balance of permanently restricted net assets at June 30, 2016 and 2015 was \$53,877,925 and \$47,236,078, respectively.

Accounting Estimates

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

Administrative Allocation

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

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2016 and 2015

2. Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are maintained at various financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures cash accounts up to \$250,000 per institution. The Foundation had \$6,443,268 and \$7,241,677 in cash in excess of the FDIC limit at June 30, 2016 and 2015, respectively.

Investments held by brokerage institutions are covered up to \$500,000 under insurance provided by the Securities Investor Protection Corporation (SIPC). However, the SIPC does not protect against losses in market value. The Foundation had \$91,368,062 and \$89,466,945 in investments in excess of the SIPC limit at June 30, 2016 and 2015, respectively. The Foundation's investments on deposit with brokerage institutions are also insured under additional insurance in varying amounts based on the brokerage institution. This additional protection becomes available in the event that SIPC limits are exhausted. It is the opinion of management that the solvency of the referenced financial institutions is not of concern at this time.

Investments

In accordance with accounting principles generally accepted in the United States of America applicable to nonprofit organizations, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets section in the accompanying consolidated statements of activities. CFSA maintains pooled investment accounts. Realized and unrealized gains and losses from investments in the pooled accounts are allocated to the individual funds based on the relationship of the fair value of each fund to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts. Oil and gas interests are valued at a multiple of the average of five years' earnings based on estate valuation guidance issued by the IRS.

Unconditional Promises to Give

Unconditional promises to give are recognized as revenue in the period received and as assets, decrease of liabilities or expenses depending on the form of the benefits received. Such unconditional promises to give are recorded at their present value calculated over the time period of the commitment and recognized as contribution revenue as the net present value increases. Management evaluates unconditional promises to give and establishes an allowance for doubtful unconditional promises to give based on an estimate of uncollectible amounts.

Contributions and Bequests Receivable

Bequests are recognized as contribution revenue in the period in which the Foundation receives notification that a will or trust has been enacted, the court has deemed the will or trust valid and all conditions have been substantially met. The revenue and related receivable are recorded at the amount which management estimates it will collect. At June 30, 2016 and 2015, management believes all bequests receivable are fully collectible and, therefore, no allowance has been provided.

Property and Equipment

Property and equipment is stated at cost if purchased or fair market value if donated. The costs of maintenance, repairs and minor renewals are charged to expense in the year incurred. The Foundation's policy is to capitalize expenditures for property and equipment that exceed \$2,500 and have a useful life that extends beyond one year.

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2016 and 2015

2. Summary of Significant Accounting Policies, Continued

Property and Equipment, continued

When items are retired or disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the consolidated statements of activities. Donated property and equipment is reported as unrestricted revenue and support unless the granting agency or donor has restricted the asset to a specific purpose. Property and equipment purchased with restricted funds or donated with explicit restrictions regarding their use are reported as restricted revenue and support. Depreciation is calculated using the straight-line method over the following estimated useful lives of the assets:

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

Grants and Distributions Payable

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

Land Held for Conservation/Permanent Collections – Conservation Easements

SYCAM is a conservation organization having among its purposes the protection on behalf of the public of open space, scenic, historic and recreational lands. As a qualified holder of conservation easements, SYCAM is generally responsible for ensuring that the terms of the easements are not violated. As of June 30, 2016 and 2015, SYCAM held one conservation easement. SYCAM has opted to expense purchased conservation easements and donated easements are not recorded.

Designated Obligations

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

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 CFSA, the PIF 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 and 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.

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2016 and 2015

2. Summary of Significant Accounting Policies, Continued

Income Taxes

CFSA is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the IRC. Income from certain activities not directly related to CFSA's tax-exempt purpose may be subject to taxation as unrelated business income. CFSA also qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1). Supporting organizations are classified under Section 509(a)(3) of the IRC. There were no income taxes paid during the years ended June 30, 2016 and 2015.

The Foundation's policy is to disclose or recognize income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax positions. As of June 30, 2016, management is not aware of any uncertain tax positions that are potentially material. The Foundation's Federal Form 990, *Return of Organization Exempt from Income Tax*, and Arizona Form 99, *Arizona Exempt Organization Annual Information Return*, are generally subject to examination by the IRS for three years and the Arizona Department of Revenue for four years, respectively, after the date the returns were filed.

3. Unconditional Promises to Give

Unconditional promises to give due after one year are discounted at 3%. At June 30, 2016 and 2015, unconditional promises to give consists of balances to be paid in future years as follows:

	2016	2015
2016	\$ -	\$ 102,632
2017	207,167	4,250
2018	33,150	1,650
2019	2,200	1,100
2020	1,600	1,100
2021	100	100
Total unconditional promises to give	244,217	110,832
Less interest component	(2,127)	(674)
Unconditional promises to give, net	242,090	110,158
Less current portion	(207,167)	(102,632)
Non-current portion	\$ 34,923	\$ 7,526

4. Notes Receivable

Notes receivable consist of the following at June 30,:

	2016	2015
Notes receivable from nonprofit organizations with monthly interest only payments at annual rates of 7.75% and 8%. Principal balances plus any unpaid interest is due November 2015 through November 2016. The notes receivable are unsecured or secured by personal property and accounts.	\$ 225,000	\$ 120,000

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2016 and 2015

4. Notes Receivable, Continued

Notes receivable from nonprofit organizations with monthly principal and interest payments ranging from \$1,000 to \$4,496 with an annual interest rate of 7.75%. Principal balances plus any unpaid interest is due November 2015 through March 2017. The notes receivable are secured by deeds of trust on real property. At June 30, 2015, a note receivable with a principal balance of \$33,607 was unsecured. At June 30, 2015, a note receivable with a principal balance of \$44,000 was refinanced.

Total notes receivable

Less allowance for uncollectible notes receivable

Notes receivable, net

Current portion

Non-current portion

	2016	2015
	110,641	77,607
	335,641	197,607
	(26,970)	(13,663)
	308,671	183,944
	(308,671)	(138,944)
	\$ -	\$ 45,000

Management evaluates notes receivable and establishes an allowance for doubtful notes receivable based on an estimate of uncollectible amounts. It is the Foundation's policy to record a minimum allowance of 5% of the outstanding notes receivable balance.

5. Property and Equipment

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

	2016	2015
Land	\$ 249,680	\$ 249,680
Building and improvements	578,470	578,470
Equipment and furniture	106,307	106,307
Computers and software	88,005	88,265
Total property and equipment	1,022,462	1,022,722
Less accumulated depreciation	(476,589)	(436,143)
Property and equipment, net	\$ 545,873	\$ 586,579

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2016 and 2015

6. Investments

Investments consist of the following at June 30,:

	2016	2015
Mutual funds	\$ 87,494,076	\$ 85,755,915
Stocks	9,813,081	8,905,695
Fixed income	3,259,595	4,534,030
Pooled equity funds	1,320,372	1,607,529
Limited and offshore partnerships	1,063,797	1,099,685
Oil and gas interests	855,615	910,884
Investment in land	355,220	566,342
Interest in trust	229,377	229,377
Total investments	<u>\$ 104,391,133</u>	<u>\$ 103,609,457</u>

Investment (loss) income for the years ended June 30, 2016 and 2015 consists of:

	CFSA, CRTF and PIF	Supporting Organizations	2016 Total	2015
Interest and dividends	\$ 2,555,710	\$ 658,180	\$ 3,213,890	\$ 2,935,370
Unrealized losses, net	(2,056,721)	(390,650)	(2,447,371)	(1,876,128)
Realized (losses) gains, net	(1,570,195)	196,756	(1,373,439)	(237,983)
Royalties	-	118,569	118,569	209,600
Foreign taxes	-	-	-	(37)
Administrative charges	(226,672)	(82,771)	(309,443)	(321,750)
Investment (loss) income, net	<u>\$ (1,297,878)</u>	<u>\$ 500,084</u>	<u>\$ (797,794)</u>	<u>\$ 709,072</u>

At June 30, 2016 and 2015, \$19,100,237 and \$18,669,351, respectively, of the total investments are invested and valued by each supporting organization's own investment policies and guidelines. Of the supporting organization's total investments at June 30, 2016 and 2015, \$1,063,797 and \$1,099,685, respectively, of limited and offshore partnerships are held and managed by one supporting organization.

At June 30, 2016 and 2015, \$52,235,577 and \$47,220,512, respectively, of the investments held by CFSA were permanently restricted for endowment net assets and, as such, were unavailable for operations.

7. Fair Value Measurements

The Financial Accounting Standards Board has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2016 and 2015

7. Fair Value Measurements, Continued

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

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

Stocks and bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

Pooled equity funds: Valued at the fair value of the underlying investments as reported by the third parties.

Other investments: Other investments include limited offshore partnerships, oil and gas interests and land. Limited offshore partnerships are valued at fair value as reported by the fund managers or general partners and may differ significantly from the values reported on an active market. Oil and gas interests are valued at a multiple of the average of five years' earnings based on estate valuation guidance issued by the IRS. Land is valued at the offer price of a third party.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2016 and 2015

7. Fair Value Measurements, Continued

The table below sets forth by level, within the fair value hierarchy, investments at fair value as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Equity funds	\$ 53,893,244	\$ -	\$ -	\$ 53,893,244
Bond funds	24,552,831	-	-	24,552,831
Specialty funds	9,048,001	-	-	9,048,001
Total mutual funds	87,494,076	-	-	87,494,076
Stocks	9,813,081	-	-	9,813,081
Bonds:				
Corporate bonds	1,604,893	-	-	1,604,893
Treasury bonds	1,602,022	-	-	1,602,022
Municipal bonds	52,680	-	-	52,680
Total bonds	3,259,595	-	-	3,259,595
Pooled equity funds	-	1,320,372	-	1,320,372
Other investments	-	229,377	2,274,632	2,504,009
Total investments	\$ 100,566,752	\$ 1,549,749	\$ 2,274,632	\$ 104,391,133

The table below sets forth by level, within the fair value hierarchy, investments at fair value as of June 30, 2015:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Equity funds	\$ 50,221,470	\$ -	\$ -	\$ 50,221,470
Bond funds	28,574,061	-	-	28,574,061
Specialty funds	6,960,384	-	-	6,960,384
Total mutual funds	85,755,915	-	-	85,755,915
Stocks	8,905,695	-	-	8,905,695
Bonds:				
Corporate bonds	2,670,265	-	-	2,670,265
Treasury bonds	1,812,931	-	-	1,812,931
Municipal bonds	50,834	-	-	50,834
Total bonds	4,534,030	-	-	4,534,030
Pooled equity funds	-	1,607,529	-	1,607,529
Other investments	-	229,377	2,576,911	2,806,288
Total investments	\$ 99,195,640	\$ 1,836,906	\$ 2,576,911	\$ 103,609,457

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2016 and 2015

7. Fair Value Measurements, Continued

The table below sets forth a summary of changes in level 3 investments for the year ended June 30, 2016:

	Other Investments
Balance, beginning of year	\$ 2,576,911
Transfer in	500,000
Realized loss, net	(23,451)
Unrealized loss, net	(91,157)
Change in fair value	(198,500)
Proceeds	(489,171)
Balance, end of year	<u>\$ 2,274,632</u>

The table below sets forth a summary of changes in level 3 investments for the year ended June 30, 2015:

	Other Investments
Balance, beginning of year	\$ 1,929,882
Acquisitions	566,342
Unrealized gain, net	80,687
Balance, end of year	<u>\$ 2,576,911</u>

8. Due to Other Agencies

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

	2016	2015
Sonoran Institute Endowment Fund	\$ 1,268,761	\$ -
Community Partnership Foundation Fund	1,026,055	-
Tohono O'Odham Community College Endowment	302,719	314,747
Handi-Dogs Endowment Fund	277,775	276,977
Green Valley Assistance Services Endowment	226,381	244,840
Sarah P. Hausman Endowment Fund	182,330	197,122
Tucson Audubon Endowment Fund	145,610	189,313
Holmes Tuttle Memorial Fund	121,771	131,655
B-26 Marauder Historical Society Endowment	102,581	110,982
Libraries LTD Reserve Fund	99,850	-
Youth On Their Own Endowment Fund	88,306	90,122
Holsclaw Family Endowment for Goodwill Industries of Tucson	82,346	85,467
Alice Y. Holsclaw YWCA Fund	55,723	60,245
Other funds	528,552	381,689
Total due to other agencies	<u>\$ 4,508,760</u>	<u>\$ 2,083,159</u>

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COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2016 and 2015

9. Designated Obligations

Designated obligations consist of the following at June 30,:

	2016	2015
Charitable gift annuities	\$ 1,163,030	\$ 1,216,082
Pooled income fund	111,336	124,162
Unitrusts	81,703	183,742
Lead trusts	-	1,708,817
Total designated obligations	<u>\$ 1,356,069</u>	<u>\$ 3,232,803</u>

10. Notes Payable

Notes payable consist of the following at June 30,:

	2016	2015
Note payable to a City of Tucson agency with semi-annual interest only payments at 2%. The principal balance plus any unpaid interest is due December 2018. Total principal amount of \$150,000 is available for draw at \$50,000 increments. The note payable is unsecured.	\$ 100,000	\$ 100,000
Notes payable to nonprofit organizations and individuals with quarterly interest only payments at 2%. Principal balances plus any unpaid interest is due December 2015 through December 2021. The notes payable are unsecured.	200,000	50,000
Note payable to a Pima County agency with semi-annual interest only payments at 2%. The principal balance plus any unpaid interest is due November 2023. Total principal amount of \$250,000 is available for draw at \$50,000 increments. The note payable is unsecured.	225,000	50,000
Total notes payable	525,000	200,000
Current portion	(75,000)	(50,000)
Non-current portion	<u>\$ 450,000</u>	<u>\$ 150,000</u>

Future maturities at June 30, 2016 are:

Year ended	
<u>June 30,</u>	
2017	\$ 75,000
2018	75,000
2019	100,000
2020	-
2021	50,000
Thereafter	225,000
	<u>\$ 525,000</u>

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COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2016 and 2015

11. Temporarily Restricted Net Assets

Temporarily restricted net asset activity for the year ended June 30, 2016 consists of:

	Time and Purpose	Endowment Earnings	CRTF	PIF	Total
Beginning balance	\$ 3,738,296	\$ 3,726,160	\$ 682,731	\$ 56,715	\$ 8,203,902
Contributions	557,332	-	624,278	8,931	1,190,541
Investment loss, net	(47,871)	(949,671)	119,017	4,953	(873,572)
Change in value of split interest investments	-	-	(78,148)	(490)	(78,638)
Releases and appropriations	(502,072)	(2,382,603)	(177,353)	(35,681)	(3,097,709)
Reclassifications:					
Increased fund deficiency	-	1,527,992	-	-	1,527,992
Ending balance	<u>\$ 3,745,685</u>	<u>\$ 1,921,878</u>	<u>\$ 1,170,525</u>	<u>\$ 34,428</u>	<u>\$ 6,872,516</u>

Temporarily restricted net asset activity for the year ended June 30, 2015 consists of:

	Time and Purpose	Endowment Earnings	CRTF	PIF	Total
Beginning balance	\$ 3,703,716	\$ 5,435,880	\$ 921,997	\$ 75,239	\$ 10,136,832
Contributions	262,585	-	15,856	-	278,441
Investment income, net	38,603	655,231	(62,303)	(963)	630,568
Change in value of split interest investments	-	-	(79,795)	(7,646)	(87,441)
Releases and appropriations	(266,608)	(2,927,555)	(113,024)	(9,915)	(3,317,102)
Reclassifications:					
Increased fund deficiency	-	562,604	-	-	562,604
Ending balance	<u>\$ 3,738,296</u>	<u>\$ 3,726,160</u>	<u>\$ 682,731</u>	<u>\$ 56,715</u>	<u>\$ 8,203,902</u>

12. Permanently Restricted Net Assets

The Foundation's endowments consist of several individual funds established under donor restriction for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds (including funds designated by the Board of Trustees to function as endowments) are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the state of Arizona as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as 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.

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COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2016 and 2015

12. Permanently Restricted Net Assets, Continued

The remaining portion, if any, 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 Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation and (7) the Foundation's investment policies.

Permanently restricted net assets at June 30, 2016 consist of:

	CFSA	WFSA	SYCAM	Total
Beginning balance	\$ 45,684,455	\$ 1,550,123	\$ 1,500	\$ 47,236,078
Contributions	6,552,622	89,225	-	6,641,847
Ending balance	<u>\$ 52,237,077</u>	<u>\$ 1,639,348</u>	<u>\$ 1,500</u>	<u>\$ 53,877,925</u>

Permanently restricted net assets at June 30, 2015 consist of:

	CFSA	WFSA	SYCAM	Total
Beginning balance	\$ 37,902,116	\$ 1,548,687	\$ 1,500	\$ 39,452,303
Contributions	7,782,339	1,436	-	7,783,775
Ending balance	<u>\$ 45,684,455</u>	<u>\$ 1,550,123</u>	<u>\$ 1,500</u>	<u>\$ 47,236,078</u>

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 UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, accumulated deficiencies of this nature that are reported as reclassification from unrestricted net assets to temporarily restricted net assets were \$3,620,249 and \$2,092,257, at June 30, 2016 and 2015, respectively.

Return Objectives and Risk Parameters

The Foundation has 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 Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a 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.

Investment Strategies

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

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COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2016 and 2015

13. Endowments, Continued

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 and UPMIFA. The spending policy rate will be 4% of the June 30th nonspendable (corpus) balance plus a 20-quarter rolling average of the fund's spendable and accumulated earnings balance at the end of each quarter. If the fund is in existence for less than 20 quarters, the calculation will use the average of the existing historical quarters. The current year's spending amount, plus each prior year's unspent "available to grant" balance, becomes the "available to grant" amount for the new fiscal year. The formula shall be applied to the 20 quarters at the end of CFSA's fiscal year.

The components of UPMIFA went into effect in Arizona on September 15, 2008. UPMIFA essentially states that subject to the intent of a donor expressed in a gift instrument, an institution may appropriate or accumulate endowment funds in a prudent manner. In deciding whether to appropriate funds (make grants according to the spending policy) or accumulate funds (retain earnings and gains greater than the spending policy rate) the institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. CFSA acknowledges that UPMIFA governs its management of endowed funds and will let it serve as a guide for its distribution policy.

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

Endowment Fund Net Assets

Net assets in the endowment funds at June 30, 2016 consist of:

	Fund Deficiencies	Temporarily Restricted	Permanently Restricted	Total
Beginning balance	\$ (2,092,258)	\$ 3,726,160	\$ 47,236,078	\$ 48,869,980
Contributions	-	-	6,641,847	6,641,847
Investment loss, net	-	(949,671)	-	(949,671)
Appropriated for expenditure	-	(2,382,603)	-	(2,382,603)
Fund deficiency reclassifications	(1,527,992)	1,527,992	-	-
Ending balance	<u>\$ (3,620,250)</u>	<u>\$ 1,921,878</u>	<u>\$ 53,877,925</u>	<u>\$ 52,179,553</u>

Net assets in the endowment funds at June 30, 2015 consist of:

	Fund Deficiencies	Temporarily Restricted	Permanently Restricted	Total
Beginning balance	\$ (1,529,654)	\$ 5,435,880	\$ 39,452,303	\$ 43,358,529
Contributions	-	-	7,783,775	7,783,775
Investment income, net	-	655,231	-	655,231
Appropriated for expenditure	-	(2,927,555)	-	(2,927,555)
Fund deficiency reclassifications	(562,604)	562,604	-	-
Ending balance	<u>\$ (2,092,258)</u>	<u>\$ 3,726,160</u>	<u>\$ 47,236,078</u>	<u>\$ 48,869,980</u>

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COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2016 and 2015

14. Pension Plan

CFSA has a 403(b) employee benefit plan (Plan) that allows eligible employees to defer a portion of their salaries, not to exceed IRC limitations. CFSA may make discretionary contributions to the Plan. The employer contribution for the years ended June 30, 2016 and 2015 was \$38,269 and \$35,438, respectively.

15. Functional Expenses

Functional expenses for the year ended June 30, 2016 for the consolidated entities follows:

	CFSA, CRTF and PIF	Supporting Organizations	Eliminations	Total
Program services	\$ 6,094,956	\$ 3,584,828	\$ (1,364,403)	\$ 8,315,381
Management and general	778,214	261,572	(36,700)	1,003,086
Development and public relations	553,948	139,772	(36,756)	656,964
Total functional expenses	<u>\$ 7,427,118</u>	<u>\$ 3,986,172</u>	<u>\$ (1,437,859)</u>	<u>\$ 9,975,431</u>

Functional expenses for the year ended June 30, 2015 for the consolidated entities follows:

	CFSA, CRTF and PIF	Supporting Organizations	Eliminations	Total
Program services	\$ 6,965,271	\$ 2,201,029	\$ (758,642)	\$ 8,407,658
Management and general	722,811	303,979	(64,829)	961,961
Development and public relations	521,529	24,255	(56,725)	489,059
Total functional expenses	<u>\$ 8,209,611</u>	<u>\$ 2,529,263</u>	<u>\$ (880,196)</u>	<u>\$ 9,858,678</u>

16. Lease Commitments

CFSA leases office equipment under lease agreements that expire in June 2017 and March 2018. Rental expense, which is included in office expense in the consolidated statement of activities, for each of the years ended June 30, 2016 and 2015 was \$5,761. Minimum annual future rental expense as of June 30, 2016, due under the agreement is:

Year ended
June 30,

2017	\$ 1,861
2018	447
	<u>\$ 2,308</u>

17. Subsequent Events

During November 2016, CFSA entered into a purchase agreement with another nonprofit organization. Under the terms of the agreement, CFSA will sell its existing building to the nonprofit organization for \$500,000 and purchase the nonprofit organization's building for a net cost of \$1,800,000.

WFSA was a supporting organization of CFSA as of June 30, 2016. WFSA had assets totaling \$3,166,624 at June 30, 2016 and its activity is included in the accompanying consolidated financial statements. WFSA has made the progression from a supporting organization to an independent nonprofit organization, and as a result, it will begin operating under its own 501(c)(3) exemption during the year ended June 30, 2017. Management anticipates continued collaboration with WFSA on future projects.

The Foundation was unaware of any additional subsequent events as of January 9, 2017, the date the consolidated financial statements were available to be issued.

See independent auditor's report.

SUPPLEMENTARY INFORMATION

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2016

ASSETS	Community Foundation for Southern Arizona, Inc.	CFSA Pooled Income Fund	CFSA Charitable Remainder Trust Fund	Total without Supporting Organizations	Supporting Organizations	Consolidating Entries	Total	2015
Current assets:								
Cash and cash equivalents	\$ 7,427,764	\$ 277	\$ 25,060	\$ 7,453,101	\$ 4,757,005	\$ -	\$ 12,210,106	\$ 10,611,943
Unconditional promises to give, net, current portion	4,025	-	-	4,025	203,142	-	207,167	102,632
Contributions and bequests receivable	13,664,530	-	582,386	14,246,916	1,717	-	14,248,633	9,829,994
Notes receivable, net, current portion	100,000	-	-	100,000	308,671	(100,000)	308,671	138,944
Interest and other receivables	2,006	-	-	2,006	7,942	-	9,948	25,229
Prepaid expenses	15,752	-	-	15,752	7,314	-	23,066	15,336
Total current assets	21,214,077	277	607,446	21,821,800	5,285,791	(100,000)	27,007,591	20,724,078
Unconditional promises to give, net, non-current portion	-	-	-	-	34,923	-	34,923	7,526
Notes receivable, non-current portion	-	-	-	-	-	-	-	45,000
Investments	82,713,038	145,544	1,812,394	84,670,976	19,720,157	-	104,391,133	103,609,457
Property and equipment, net	34,883	-	-	34,883	510,990	-	545,873	586,579
Other assets	29,066	-	-	29,066	21,203	-	50,269	56,552
Total assets	\$ 103,991,064	\$ 145,821	\$ 2,419,840	\$ 106,556,725	\$ 25,573,064	\$ (100,000)	\$ 132,029,789	\$ 125,029,192
<u>LIABILITIES AND NET ASSETS</u>								
Current liabilities:								
Accounts payable and accrued expenses	\$ 155,765	\$ 58	\$ 4,581	\$ 160,404	\$ 45,168	\$ -	\$ 205,572	\$ 156,300
Grants and distributions payable	95,956	-	-	95,956	1,248,459	-	1,344,415	672,679
Designated obligations	-	111,335	1,244,734	1,356,069	-	-	1,356,069	3,232,803
Due to other agencies	4,508,760	-	-	4,508,760	-	-	4,508,760	2,083,159
Notes payable, current portion	-	-	-	-	175,000	(100,000)	75,000	50,000
Total current liabilities	4,760,481	111,393	1,249,315	6,121,189	1,468,627	(100,000)	7,489,816	6,194,941
Notes payable, non-current portion	-	-	-	-	450,000	-	450,000	150,000
Total liabilities	4,760,481	111,393	1,249,315	6,121,189	1,918,627	(100,000)	7,939,816	6,344,941
Net assets:								
Unrestricted	41,682,928	-	-	41,682,928	21,656,604	-	63,339,532	63,244,271
Temporarily restricted	5,310,578	34,428	1,170,525	6,515,531	356,985	-	6,872,516	8,203,902
Permanently restricted	52,237,077	-	-	52,237,077	1,640,848	-	53,877,925	47,236,078
Total net assets	99,230,583	34,428	1,170,525	100,435,536	23,654,437	-	124,089,973	118,684,251
Total liabilities and net assets	\$ 103,991,064	\$ 145,821	\$ 2,419,840	\$ 106,556,725	\$ 25,573,064	\$ (100,000)	\$ 132,029,789	\$ 125,029,192

Supplementary Information
See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES

For the year ended June 30, 2016

	Community Foundation for Southern Arizona, Inc.	CFSA Pooled Income Fund	CFSA Charitable Remainder Trust Fund	Total without Supporting Organizations	Supporting Organizations	Consolidating Entries	Total	2015
Revenue and support:								
Support:								
Contributions and bequests	\$ 13,085,575	\$ 8,932	\$ 624,278	\$ 13,718,785	\$ 3,028,422	\$ (1,314,157)	\$ 15,433,050	\$ 18,836,613
Grants and trusts	-	-	-	-	612,129	-	612,129	-
Special events, net	292,529	-	-	292,529	113,751	-	406,280	232,788
Total support	13,378,104	8,932	624,278	14,011,314	3,754,302	(1,314,157)	16,451,459	19,069,401
Revenue, investment and other income:								
Fund management fees	128,944	-	-	128,944	-	(111,830)	17,114	2,658
Other revenue	46,297	-	-	46,297	44,868	(11,872)	79,293	73,430
Change in fair value	(624)	(490)	(78,148)	(79,262)	(289,657)	-	(368,919)	(37,198)
Investment income (loss), net	(1,421,849)	4,953	119,018	(1,297,878)	500,084	-	(797,794)	709,072
Total revenue, investment and other income	(1,247,232)	4,463	40,870	(1,201,899)	255,295	(123,702)	(1,070,306)	747,962
Total revenue and support	12,130,872	13,395	665,148	12,809,415	4,009,597	(1,437,859)	15,381,153	19,817,363
Expenses:								
Grants and distributions	5,032,795	35,408	158,118	5,226,321	3,193,540	(1,314,157)	7,105,704	7,528,434
Salaries, wages and related expense	1,387,760	-	-	1,387,760	320,706	-	1,708,466	1,523,336
Professional services	356,596	274	19,236	376,106	166,986	(111,830)	431,262	227,756
Other expense	104,794	-	-	104,794	160,315	(5,872)	259,237	167,202
Office expense	192,082	-	-	192,082	53,543	(6,000)	239,625	257,077
Promotion and development	110,868	-	-	110,868	11,082	-	121,950	137,906
Program subcontracts	29,187	-	-	29,187	80,000	-	109,187	16,967
Total expenses	7,214,082	35,682	177,354	7,427,118	3,986,172	(1,437,859)	9,975,431	9,858,678
Change in net assets	4,916,790	(22,287)	487,794	5,382,297	23,425	-	5,405,722	9,958,685
Net assets, beginning of year	94,313,793	56,715	682,731	95,053,239	23,631,012	-	118,684,251	108,725,566
Net assets, end of year	\$ 99,230,583	\$ 34,428	\$ 1,170,525	\$ 100,435,536	\$ 23,654,437	\$ -	\$ 124,089,973	\$ 118,684,251

Supplementary Information
See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION – SUPPORTING ORGANIZATIONS

June 30, 2016

	William E. Hall Foundation	Worth & Dot Howard Foundation	CFSA Properties, Inc.	Thomas R. Brown Family Foundation	Women's Foundation of Southern Arizona
<u>ASSETS</u>					
Current assets:					
Cash and cash equivalents	\$ -	\$ 147,228	\$ -	\$ 1,760,861	\$ 182,730
Contributions and bequests receivable	-	-	-	-	-
Unconditional promises to give, net, current portion	-	-	-	-	193,142
Notes receivable, net, current portion	-	-	-	-	-
Interest and other receivables	-	5,489	-	-	1,453
Prepaid expenses	-	-	-	775	6,539
Total current assets	-	152,717	-	1,761,636	383,864
Unconditional promises to give, net, non-current portion	-	-	-	-	34,923
Notes receivable, non-current portion	-	-	-	-	-
Investments	619,920	1,907,917	355,220	7,823,954	2,747,472
Property and equipment, net	-	984	502,998	6,643	365
Other assets	-	-	14,600	5,103	-
Total assets	<u>\$ 619,920</u>	<u>\$ 2,061,618</u>	<u>\$ 872,818</u>	<u>\$ 9,597,336</u>	<u>\$ 3,166,624</u>
<u>LIABILITIES AND NET ASSETS</u>					
Current liabilities:					
Accounts payable and accrued expenses	\$ -	\$ 6,086	\$ 13,264	\$ 4,377	\$ 8,316
Grants and distributions payable	-	108,000	-	881,114	220,695
Notes payable, current portion	-	-	-	-	-
Total current liabilities	-	114,086	13,264	885,491	229,011
Notes payable, non-current portion	-	-	-	-	-
Total liabilities	-	114,086	13,264	885,491	229,011
Net assets:					
Unrestricted	619,920	1,947,532	859,554	8,711,845	951,280
Temporarily restricted	-	-	-	-	346,985
Permanently restricted	-	-	-	-	1,639,348
Total net assets	<u>619,920</u>	<u>1,947,532</u>	<u>859,554</u>	<u>8,711,845</u>	<u>2,937,613</u>
Total liabilities and net assets	<u>\$ 619,920</u>	<u>\$ 2,061,618</u>	<u>\$ 872,818</u>	<u>\$ 9,597,336</u>	<u>\$ 3,166,624</u>

Supplementary Information
See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION – SUPPORTING ORGANIZATIONS, Continued

June 30, 2016

	The Zuckerman Community Outreach Foundation	Howard V. Moore Foundation	Nonprofit Loan Fund of Tucson and Southern Arizona	Sycamore Canyon Conservation Foundation	Total	2015
<u>ASSETS</u>						
Current assets:						
Cash and cash equivalents	\$ 153,189	\$ 2,113,442	\$ 364,731	\$ 34,824	\$ 4,757,005	\$ 4,040,421
Contributions and bequests receivable	-	-	-	1,717	1,717	-
Unconditional promises to give, net, current portion	-	-	10,000	-	203,142	59,448
Notes receivable, net, current portion	-	-	308,671	-	308,671	138,944
Interest and other receivables	-	-	1,000	-	7,942	5,664
Prepaid expenses	-	-	-	-	7,314	-
Total current assets	153,189	2,113,442	684,402	36,541	5,285,791	4,244,477
Unconditional promises to give, net, non-current portion	-	-	-	-	34,923	7,526
Notes receivable, non-current portion	-	-	-	-	-	45,000
Investments	6,265,674	-	-	-	19,720,157	19,349,960
Property and equipment, net	-	-	-	-	510,990	535,740
Other assets	-	-	-	1,500	21,203	26,862
Total assets	<u>\$ 6,418,863</u>	<u>\$ 2,113,442</u>	<u>\$ 684,402</u>	<u>\$ 38,041</u>	<u>\$ 25,573,064</u>	<u>\$ 24,209,565</u>
<u>LIABILITIES AND NET ASSETS</u>						
Current liabilities:						
Accounts payable and accrued expenses	\$ 9,486	\$ -	\$ 3,639	\$ -	\$ 45,168	\$ 49,725
Grants and distributions payable	8,650	30,000	-	-	1,248,459	328,828
Notes payable, current portion	-	-	175,000	-	175,000	50,000
Total current liabilities	18,136	30,000	178,639	-	1,468,627	428,553
Notes payable, non-current portion	-	-	450,000	-	450,000	150,000
Total liabilities	18,136	30,000	628,639	-	1,918,627	578,553
Net assets:						
Unrestricted	6,400,727	2,083,442	45,763	36,541	21,656,604	22,061,089
Temporarily restricted	-	-	10,000	-	356,985	18,300
Permanently restricted	-	-	-	1,500	1,640,848	1,551,623
Total net assets	6,400,727	2,083,442	55,763	38,041	23,654,437	23,631,012
Total liabilities and net assets	<u>\$ 6,418,863</u>	<u>\$ 2,113,442</u>	<u>\$ 684,402</u>	<u>\$ 38,041</u>	<u>\$ 25,573,064</u>	<u>\$ 24,209,565</u>

Supplementary Information
See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATING STATEMENT ACTIVITIES – SUPPORTING ORGANIZATIONS

For the year ended June 30, 2016

	William E. Hall Foundation	Worth & Dot Howard Foundation	CFSA Properties, Inc.	Thomas R. Brown Family Foundation	Women's Foundation of Southern Arizona
Revenue and support:					
Support:					
Contributions and bequests	\$ -	\$ 2,000	\$ 515,355	\$ 2,200,000	\$ 217,813
Grants and trusts	-	-	-	-	612,129
Special events, net	-	-	-	-	113,751
Total support	-	2,000	515,355	2,200,000	943,693
Revenue, investment and other income:					
Investment income (loss), net	(17,623)	172,153	(23,451)	261,560	(31,068)
Other revenue	-	-	-	139	17,662
Change in fair value	-	-	(198,500)	(91,157)	-
Total revenue, investment and other income	(17,623)	172,153	(221,951)	170,542	(13,406)
Total revenue and support	(17,623)	174,153	293,404	2,370,542	930,287
Expenses:					
Grants and distributions	32,500	107,000	497,486	1,385,760	726,495
Salaries, wages and related expense	-	58,243	-	-	216,815
Professional services	8,056	24,118	5,681	-	37,370
Other expense	-	-	27,814	74,416	26,371
Program subcontracts	-	-	-	-	80,000
Office expense	10	586	2,022	-	48,364
Promotion and development	-	-	-	-	9,134
Total expenses	40,566	189,947	533,003	1,460,176	1,144,549
Change in net assets	(58,189)	(15,794)	(239,599)	910,366	(214,262)
Net assets, beginning of year	678,109	1,963,326	1,099,153	7,801,479	3,151,875
Net assets, end of year	\$ 619,920	\$ 1,947,532	\$ 859,554	\$ 8,711,845	\$ 2,937,613

Supplementary Information
See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATING STATEMENT ACTIVITIES – SUPPORTING ORGANIZATIONS, Continued
For the year ended June 30, 2016

	The Zuckerman Community Outreach Foundation	Howard V. Moore Foundation	Nonprofit Loan Fund of Tucson and Southern Arizona	Sycamore Canyon Conservation Foundation	Total	2015
Revenue and support:						
Support:						
Contributions and bequests	\$ 21,896	\$ 111	\$ 65,622	\$ 5,625	\$ 3,028,422	\$ 3,716,341
Grants and trusts	-	-	-	-	612,129	-
Special events, net	-	-	-	-	113,751	103,776
Total support	21,896	111	65,622	5,625	3,754,302	3,820,117
Revenue, investment and other income:						
Investment income (loss), net	111,812	3,190	23,427	84	500,084	(71,066)
Other revenue	41	-	7,721	19,305	44,868	42,712
Change in fair value	-	-	-	-	(289,657)	36,833
Total revenue, investment and other income	111,853	3,190	31,148	19,389	255,295	8,479
Total revenue and support	133,749	3,301	96,770	25,014	4,009,597	3,828,596
Expenses:						
Grants and distributions	291,505	133,794	-	19,000	3,193,540	1,909,136
Salaries, wages and related expense	-	-	45,648	-	320,706	293,401
Professional services	39,287	21,384	3,820	27,270	166,986	164,268
Other expense	-	110	30,733	871	160,315	79,469
Program subcontracts	-	-	-	-	80,000	-
Office expense	1,172	10	1,369	10	53,543	73,338
Promotion and development	61	61	1,826	-	11,082	9,651
Total expenses	332,025	155,359	83,396	47,151	3,986,172	2,529,263
Change in net assets	(198,276)	(152,058)	13,374	(22,137)	23,425	1,299,333
Net assets, beginning of year	6,599,003	2,235,500	42,389	60,178	23,631,012	22,331,679
Net assets, end of year	\$ 6,400,727	\$ 2,083,442	\$ 55,763	\$ 38,041	\$ 23,654,437	\$ 23,631,012

Supplementary Information
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