

COMMUNITY FOUNDATION FOR  
SOUTHERN ARIZONA AND AFFILIATES

Audited Consolidated Financial Statements  
and Supplementary Information

For the years ended June 30, 2017 and 2016

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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, 2017 and 2016, 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 \$1,875,396 as of June 30, 2017, and total revenue and support of \$4,979 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 \$8,969,480 as of June 30, 2017, and total revenue and support of \$2,688,707 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 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.

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

## INDEPENDENT AUDITOR'S REPORT, Continued

### 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, 2017 and 2016, 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.

*LUDWIG KLEWER & CO. PLLC*

January 5, 2018

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
June 30, 2017 and 2016

ASSETS

	2017	2016
Current assets:		
Cash and cash equivalents	\$ 10,369,460	\$ 12,210,106
Unconditional promises to give, current portion	24,218	207,167
Contributions and bequests receivable, current portion	18,050,633	13,763,459
Notes receivable, net, current portion	213,000	308,671
Interest and other receivables	10,066	9,948
Prepaid expenses	30,850	23,066
Total current assets	28,698,227	26,522,417
Unconditional promises to give, net, non-current portion	4,600	34,923
Contributions and bequests receivable, non-current portion	1,081,258	-
Notes receivable, non-current portion	244,247	-
Investments - other	1,100,000	-
Investments	111,099,767	104,876,307
Property and equipment, net	1,992,810	545,873
Other assets	52,318	50,269
Total assets	<u>\$ 144,273,227</u>	<u>\$ 132,029,789</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 185,239	\$ 205,572
Grants and distributions payable	1,353,721	1,344,415
Designated obligations	1,309,495	1,356,069
Due to other agencies	5,868,144	4,508,760
Notes payable, current portion	198,072	75,000
Total current liabilities	8,914,671	7,489,816
Notes payable, non-current portion	763,314	450,000
Total liabilities	9,677,985	7,939,816
Net assets:		
Unrestricted:		
Available for operations	217,560	(1,946,664)
Designated for supporting organizations	19,559,077	21,656,604
Designated for donor advised purposes	46,643,701	43,629,592
	66,420,338	63,339,532
Temporarily restricted	9,278,389	6,872,516
Permanently restricted	58,896,515	53,877,925
Total net assets	134,595,242	124,089,973
Total liabilities and net assets	<u>\$ 144,273,227</u>	<u>\$ 132,029,789</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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:				
Support:				
Contributions and bequests	\$ 10,106,946	\$ 1,012,959	\$ 6,657,938	\$ 17,777,843
Grants and trusts	445,107	-	-	445,107
Special events, net	200,819	-	-	200,819
Total support	10,752,872	1,012,959	6,657,938	18,423,769
Revenue, investment and other income:				
Investment income, net	4,987,959	5,556,351	-	10,544,310
Fund management fees	56,742	-	-	56,742
Other revenue	39,667	-	-	39,667
Gain on sale of property and equipment	13,940	-	-	13,940
Rental income	10,987	-	-	10,987
Change in fair value	(95,781)	22,674	-	(73,107)
Total revenue, investment and other income	5,013,514	5,579,025	-	10,592,539
Net assets released from restrictions	5,090,507	(3,451,159)	(1,639,348)	-
Total revenue and support	20,856,893	3,140,825	5,018,590	29,016,308
Expenses:				
Grants and distributions	15,769,141	-	-	15,769,141
Salaries, wages and related expense	1,645,735	-	-	1,645,735
Professional services	376,639	-	-	376,639
Office expense	354,115	-	-	354,115
Other expense	195,938	-	-	195,938
Promotion and development	156,506	-	-	156,506
Program subcontracts	12,965	-	-	12,965
Total expenses	18,511,039	-	-	18,511,039
Change in net assets	2,345,854	3,140,825	5,018,590	10,505,269
Net assets, beginning of year	63,339,532	6,872,516	53,877,925	124,089,973
Reclassification for fund deficiencies decreased	734,952	(734,952)	-	-
Net assets, end of year	\$ 66,420,338	\$ 9,278,389	\$ 58,896,515	\$ 134,595,242

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:				
Other revenue	79,293	-	-	79,293
Fund management fees	17,114	-	-	17,114
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 CASH FLOWS

For the years ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 10,505,269	\$ 5,405,722
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized (gain) loss on sale of investments, net	(642,332)	1,373,439
Unrealized (gain) loss on investments, net	(7,305,022)	2,447,371
Provision for losses on notes receivable	9,000	13,307
Gain on sale of property and equipment	(13,940)	-
Depreciation	31,024	40,706
Contributions restricted for long-term purposes	(6,657,938)	(6,641,847)
Change in operating assets and liabilities:		
Unconditional promises to give	213,272	(131,932)
Contributions and bequests receivable	(4,883,258)	(4,418,639)
Interest and other receivables	(118)	15,281
Prepaid expenses	(7,784)	(7,730)
Other assets	(2,049)	6,283
Accounts payable and accrued expenses	(20,333)	49,272
Grants and distributions payable	9,306	671,736
Designated obligations	(46,574)	(1,876,734)
Change in agency funds, including investment gains	1,359,384	2,425,601
Total adjustments	(17,957,362)	(6,033,886)
Net cash used in operating activities	(7,452,093)	(628,164)
Cash flows from investing activities:		
Advances on notes receivable	(523,217)	(644,000)
Repayments on notes receivable	365,641	505,966
Purchases of investments - other	(1,100,000)	-
Proceeds from sale of investments	26,027,833	20,686,550
Purchases of investments	(24,789,113)	(25,289,036)
Proceeds from sale of property and equipment	500,000	-
Purchases of property and equipment	(1,302,635)	-
Net cash used in investing activities	(821,491)	(4,740,520)
Cash flows from financing activities:		
Advances on notes payable	-	375,000
Repayments of notes payable	(225,000)	(50,000)
Contributions restricted for long-term purposes	6,657,938	6,641,847
Net cash provided by financing activities	6,432,938	6,966,847
Net change in cash and cash equivalents	(1,840,646)	1,598,163
Cash and cash equivalents, beginning of year	12,210,106	10,611,943
Cash and cash equivalents, end of year	\$ 10,369,460	\$ 12,210,106
Supplemental cash flow information:		
Cash paid during the year for interest	\$ 13,927	\$ 6,472
Supplemental schedule of non-cash investing and financing activities:		
Purchase of property and equipment with note payable	\$ 661,386	\$ -

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, 2017 and 2016

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.

CFSA Community Campus, LLC (CFSACC) – a limited liability company formed when CFSA purchased a building located at 5049 E. Broadway, Tucson, Arizona, to create a nonprofit campus. The campus will house CFSA and its affiliates as well as smaller nonprofits. There will be co-working space and numerous sizes of offices and suites available to rent. The campus will have quality meeting spaces for small and large gatherings, as well as a center for nonprofits to go for technical assistance.

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. 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 (WEHF) supports grants to programs for children.

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

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

The Thomas R. Brown Family Foundation (TRBFF) 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. During the year ended June 30, 2017, WFSA became an independent nonprofit organization and withdrew its assets from CFSA.

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 (HVMF) 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.

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended June 30, 2017 and 2016

1. Organization, Continued

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.

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, 2017 and 2016 was \$9,278,389 and \$6,872,516, 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, 2017 and 2016 was \$58,896,515 and \$53,877,925, 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.

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2017 and 2016

2. Summary of Significant Accounting Policies, Continued

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.

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 \$7,661,391 and \$6,443,268 in cash in excess of the FDIC limit at June 30, 2017 and 2016, 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 \$96,716,064 and \$91,368,062 in investments in excess of the SIPC limit at June 30, 2017 and 2016, 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 – Other

Investments - other is comprised of certificates of deposit held for investment that are not debt securities. The certificates of deposit maturities range from September 2020 through December 2021, have annual fixed interest rates ranging from 1.75% to 2.1% and are recorded at cost which approximates fair market value. Certificates of deposit with original maturities greater than one year and remaining maturities less than one year are classified as current. Certificates of deposit with remaining maturities greater than one year are classified as non-current.

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.

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2017 and 2016

2. Summary of Significant Accounting Policies, Continued

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, 2017 and 2016, 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.

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, 2017 and 2016, 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.

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2017 and 2016

2. Summary of Significant Accounting Policies, Continued

Due to Other Agencies

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

Interest Income

Interest income is allocated monthly within 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.

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, 2017 and 2016.

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, 2017, management is not aware of any uncertain tax positions that are potentially material.

3. Unconditional Promises to Give

Unconditional promises to give due after one year are discounted at 4.25%. At June 30, 2017 and 2016, unconditional promises to give consists of balances to be paid in future years as follows:

	2017	2016
2017		\$ 207,167
2018	\$ 24,218	33,150
2019	5,000	2,200
2020	-	1,600
2021	-	100
Total unconditional promises to give	29,218	244,217
Less interest component	(400)	(2,127)
Unconditional promises to give, net	28,818	242,090
Less current portion	(24,218)	(207,167)
Non-current portion	\$ 4,600	\$ 34,923

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2017 and 2016

4. Notes Receivable

Notes receivable consist of the following at June 30,:

	2017	2016
Notes receivable from nonprofit organizations with monthly interest only payments at annual rates of 6.9% to 8%. Principal balances plus any unpaid interest is due November 2016 through May 2022. The notes receivable are unsecured or secured by personal property and accounts.	\$ 493,217	\$ 225,000
Note receivable from a nonprofit organization with monthly principal and interest payments of \$4,496 with an annual interest rate of 7.75%. Principal balance plus any unpaid interest was due by March 2017. The note receivable is secured by a deed of trust on real property.	-	110,641
Total notes receivable	493,217	335,641
Less allowance for uncollectible notes receivable	(35,970)	(26,970)
Notes receivable, net	457,247	308,671
Current portion	(213,000)	(308,671)
Non-current portion	\$ 244,247	\$ -

Future maturities at June 30, 2017 are:

Year ended  
June 30,

2018	\$ 213,000
2019	100,000
2020	-
2021	-
2022	180,217
	\$ 493,217

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,:

	2017	2016
Land	\$ 495,782	\$ 249,680
Building and improvements	1,462,452	578,470
Equipment and furniture	112,458	106,307
Computers and software	80,982	88,005
Total property and equipment	2,151,674	1,022,462
Less accumulated depreciation	(158,864)	(476,589)
Property and equipment, net	\$ 1,992,810	\$ 545,873

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended June 30, 2017 and 2016

6. Investments

Investments consist of the following at June 30,:

	2017	2016
Mutual funds	\$ 92,615,125	\$ 87,494,076
Stocks	10,321,075	9,813,081
Fixed income	4,314,397	3,259,595
Interest in trust	1,737,382	714,551
Pooled equity funds	1,299,033	1,320,372
Oil and gas interests	759,035	855,615
Investment in land	53,720	355,220
Limited and offshore partnerships	-	1,063,797
Total investments	<u>\$ 111,099,767</u>	<u>\$ 104,876,307</u>

Investment income (loss) for the years ended June 30, 2017 and 2016 consists of:

	CFSA, CRTF and PIF	Supporting Organizations	2017 Total	2016
Unrealized gains (losses), net	\$ 6,608,800	\$ 696,222	\$ 7,305,022	\$ (2,447,371)
Interest and dividends	2,157,755	650,177	2,807,932	3,213,890
Realized gains (losses), net	541,098	101,234	642,332	(1,373,439)
Royalties	-	112,087	112,087	118,569
Administrative charges	(261,303)	(61,760)	(323,063)	(309,443)
Investment income (loss), net	<u>\$ 9,046,350</u>	<u>\$ 1,497,960</u>	<u>\$ 10,544,310</u>	<u>\$ (797,794)</u>

At June 30, 2017 and 2016, \$17,091,579 and \$19,100,237, 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, 2017 and 2016, \$-0- and \$1,063,797, respectively, of limited and offshore partnerships are held and managed by one supporting organization. At June 30, 2017 and 2016, \$58,895,015 and \$52,235,577, 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:

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;

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2017 and 2016

7. Fair Value Measurements, Continued

- 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, 2017 and 2016.

*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 they 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.

The table below sets forth by level, investments at fair value as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Equity funds	\$ 58,264,725	\$ -	\$ -	\$ 58,264,725
Bond funds	25,979,308	-	-	25,979,308
Specialty funds	8,371,092	-	-	8,371,092
Total mutual funds	92,615,125	-	-	92,615,125
Stocks	10,321,075	-	-	10,321,075
Bonds:				
Corporate bonds	2,249,461	-	-	2,249,461
Treasury bonds	1,740,757	-	-	1,740,757
Municipal bonds	324,179	-	-	324,179
Total bonds	4,314,397	-	-	4,314,397
Pooled equity funds	-	1,299,033	-	1,299,033
Other investments	-	1,737,382	812,755	2,550,137
Total investments	\$ 107,250,597	\$ 3,036,415	\$ 812,755	\$ 111,099,767

See independent auditor's report.



COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2017 and 2016

7. Fair Value Measurements, Continued

The table below sets forth by level, 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	-	714,551	2,274,632	2,989,183
Total investments	\$ 100,566,752	\$ 2,034,923	\$ 2,274,632	\$ 104,876,307

The tables below set forth a summary of changes in level 3 investments for the years ended June 30, 2017 and 2016:

	2017	2016
Balance, beginning of year	\$ 2,274,632	\$ 2,576,911
Transfer in	-	500,000
Realized loss, net	52,181	(23,451)
Unrealized loss, net	-	(91,157)
Change in fair value	(96,580)	(198,500)
Proceeds	(1,417,478)	(489,171)
Balance, end of year	\$ 812,755	\$ 2,274,632

8. Designated Obligations

Designated obligations consist of the following at June 30,:

	2017	2016
Charitable gift annuities	\$ 1,112,498	\$ 1,163,030
Pooled income fund	107,461	111,336
Unitrusts	89,536	81,703
Total designated obligations	\$ 1,309,495	\$ 1,356,069

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2017 and 2016

9. Due to Other Agencies

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

	2017	2016
Yuma Library Foundation Endowment Fund	\$ 1,812,415	\$ -
Sonoran Institute Endowment Fund	1,405,436	1,268,761
Tohono O'Odham Community College Endowment	336,495	302,719
Handi-Dogs Endowment Fund	279,843	277,775
Green Valley Assistance Services Endowment	242,516	226,381
Sarah P. Hausman Endowment Fund	195,189	182,330
Tucson Audubon Endowment Fund	143,499	145,610
Holmes Tuttle Memorial Fund	130,341	121,771
NAMI Southern Arizona Endowment Fund	118,779	-
B-26 Marauder Historical Society Endowment	109,775	102,581
Libraries LTD Reserve Fund	105,589	99,850
Archaeology Southwest Fund	104,629	-
Youth On Their Own Endowment Fund	99,034	88,306
Holsclaw Family Endowment for Goodwill Industries of Tucson	91,739	82,346
Community Partnership Foundation Fund	-	1,026,055
Other funds	692,865	584,275
Total due to other agencies	<u>\$ 5,868,144</u>	<u>\$ 4,508,760</u>

10. Notes Payable

Notes payable consist of the following at June 30,:

	2017	2016
Note payable to Western Alliance Bank with interest only payments at 4.445% through April 2018. Principal and interest payments of \$26,441 begin May 2018 and continue through April 2028 if total available principal of \$2,550,000 is withdrawn. The note payable is secured by existing or future proceeds from capital campaigns, fundraising and accounts receivable. Advances on the note payable are used to pay for construction of a new office building.	\$ 661,386	\$ -
Notes payable to nonprofit organizations and individuals with quarterly interest only payments at 2%. Principal balances plus any unpaid interest is due August 2017 through December 2020. The notes payable are unsecured.	200,000	200,000
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

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended June 30, 2017 and 2016

10. Notes Payable, Continued

	2017	2016
Note payable to a Pima County agency with semi-annual interest only payments at 2%. The note payable is unsecured. The note payable was paid-in full in May 2017.	-	225,000
Total notes payable	961,386	525,000
Current portion	(198,072)	(75,000)
Non-current portion	\$ 763,314	\$ 450,000
Future maturities at June 30, 2017 are:		
Year ended		
June 30,		
2018	\$ 198,072	
2019	396,016	
2020	317,298	
2021	50,000	
	\$ 961,386	

11. Temporarily Restricted Net Assets

Temporarily restricted net asset activity for the year ended June 30, 2017 consists of:

	Time and Purpose	Endowment Earnings	CRTF	PIF	Total
Beginning balance	\$ 3,745,685	\$ 1,921,878	\$ 1,170,525	\$ 34,428	\$ 6,872,516
Contributions	87,340	-	925,619	-	1,012,959
Investment gain, net	331,233	5,292,588	(61,135)	(6,335)	5,556,351
Change in value of split interest investments	-	-	14,752	7,922	22,674
Releases, appropriations and distributions	(373,333)	(3,060,060)	(17,532)	(234)	(3,451,159)
Reclassifications:					
decreased fund deficiency	-	(734,952)	-	-	(734,952)
Ending balance	\$ 3,790,925	\$ 3,419,454	\$ 2,032,229	\$ 35,781	\$ 9,278,389

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended June 30, 2017 and 2016

11. Temporarily Restricted Net Assets, Continued

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>

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.

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, 2017 consist of:

	CFSA	WFSA	SYCAM	Total
Beginning balance	\$ 52,237,077	\$ 1,639,348	\$ 1,500	\$ 53,877,925
Contributions	6,657,938	-	-	6,657,938
Distributions	-	(1,639,348)	-	(1,639,348)
Ending balance	<u>\$ 58,895,015</u>	<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$ 58,896,515</u>

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended June 30, 2017 and 2016

12. Permanently Restricted Net Assets, Continued

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>

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 \$2,881,026 and \$3,620,250, at June 30, 2017 and 2016, 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.

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 30<sup>th</sup> 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.

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2017 and 2016

13. Endowments, Continued

Spending Policies

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, 2017 consist of:

	Fund Deficiencies	Temporarily Restricted	Permanently Restricted	Total
Beginning balance	\$ (3,620,250)	\$ 1,921,878	\$ 53,877,925	\$ 52,179,553
Contributions	-	-	6,657,938	6,657,938
Distributions	4,272	-	(1,639,348)	(1,635,076)
Investment loss, net	-	5,292,588	-	5,292,588
Appropriated for expenditure	-	(3,060,060)	-	(3,060,060)
Fund deficiency reclassifications	734,952	(734,952)	-	-
Ending balance	\$ (2,881,026)	\$ 3,419,454	\$ 58,896,515	\$ 59,434,943

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 income, 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	\$ (3,620,250)	\$ 1,921,878	\$ 53,877,925	\$ 52,179,553

14. Pension Plan

CFSA has a 401(k) 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, 2017 and 2016 was \$33,365 and \$38,269, respectively.

15. Functional Expenses

Functional expenses for the year ended June 30, 2017 for the consolidated entities follows:

	CFSA, CRTF and PIF	Supporting Organizations	Eliminations	Total
Program services	\$ 10,621,891	\$ 7,841,814	\$ (1,624,837)	\$ 16,838,868
Management and general	700,304	279,529	(42,769)	937,064
Development and public relations	672,997	94,221	(32,111)	735,107
Total functional expenses	\$ 11,995,192	\$ 8,215,564	\$ (1,699,717)	\$ 18,511,039

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the years ended June 30, 2017 and 2016

15. Functional Expenses, Continued

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>

16. Lease Commitments

CFSA leases office space and equipment under lease agreements that expire in July 2017 and March 2018, respectively. Rental expense, which is included in office expense in the consolidated statement of activities, for the years ended June 30, 2017 and 2016 was \$18,061 and \$5,761, respectively. Rent expense under lease agreements for the year ended June 30, 2018 is expected to be \$6,447.

17. Subsequent Events

Interior demolition of the building located at 5049 E. Broadway, Tucson, Arizona began in December 2017. See Note 1. The total cost of renovating the building is estimated at \$2,900,000. The renovation is expected to be completed in July 2018.

The Foundation was unaware of any additional subsequent events as of January 5, 2018, 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, 2017

	Community Foundation for Southern Arizona, Inc.	CFSA Community Campus, LLC	CFSA Pooled Income Fund	CFSA Charitable Remainder Trust Fund	Total without Supporting Organizations	Supporting Organizations	Consolidating Entries	Total	2016
<b>ASSETS</b>									
Current assets:									
Cash and cash equivalents	\$ 7,442,823	\$ 232,919	\$ 1,254	\$ 25,186	\$ 7,702,182	\$ 2,667,278	\$ -	\$ 10,369,460	\$ 12,210,106
Unconditional promises to give, current portion	14,050	-	-	-	14,050	10,168	-	24,218	207,167
Contributions and bequests receivable, current portion	18,149,607	-	-	-	18,149,607	1,026	(100,000)	18,050,633	13,763,459
Notes receivable, current portion	100,000	-	-	-	100,000	213,000	(100,000)	213,000	308,671
Interest and other receivables	5,047	-	-	-	5,047	5,019	-	10,066	9,948
Prepaid expenses	30,850	-	-	-	30,850	-	-	30,850	23,066
Total current assets	25,742,377	232,919	1,254	25,186	26,001,736	2,896,491	(200,000)	28,698,227	26,522,417
Unconditional promises to give, net, non-current portion	4,600	-	-	-	4,600	-	-	4,600	34,923
Contributions and bequests receivable, non-current portion	1,081,258	-	-	-	1,081,258	-	-	1,081,258	-
Notes receivable, net, non-current portion	150,000	-	-	-	150,000	344,247	(250,000)	244,247	-
Investments - other	1,100,000	-	-	-	1,100,000	-	-	1,100,000	-
Investments	90,045,994	-	142,043	3,213,391	93,401,428	17,698,339	-	111,099,767	104,876,307
Property and equipment, net	29,576	1,958,234	-	-	1,987,810	5,000	-	1,992,810	545,873
Other assets	29,865	-	-	-	29,865	22,453	-	52,318	50,269
Total assets	\$ 118,183,670	\$ 2,191,153	\$ 143,297	\$ 3,238,577	\$ 123,756,697	\$ 20,966,530	\$ (450,000)	\$ 144,273,227	\$ 132,029,789
<b>LIABILITIES AND NET ASSETS</b>									
Current liabilities:									
Accounts payable and accrued expenses	\$ 114,832	\$ 23,065	\$ 55	\$ 4,314	\$ 142,266	\$ 42,973	\$ -	\$ 185,239	\$ 205,572
Grants and distributions payable	650,741	-	-	-	650,741	702,980	-	1,353,721	1,344,415
Designated obligations	-	-	107,461	1,202,034	1,309,495	-	-	1,309,495	1,356,069
Due to other agencies	5,868,144	100,000	-	-	5,968,144	-	(100,000)	5,868,144	4,508,760
Notes payable, current portion	-	48,072	-	-	48,072	250,000	(100,000)	198,072	75,000
Total current liabilities	6,633,717	171,137	107,516	1,206,348	8,118,718	995,953	(200,000)	8,914,671	7,489,816
Notes payable, non-current portion	-	613,314	-	-	613,314	400,000	(250,000)	763,314	450,000
Total liabilities	6,633,717	784,451	107,516	1,206,348	8,732,032	1,395,953	(450,000)	9,677,985	7,939,816
Net assets:									
Unrestricted	45,454,559	1,406,702	-	-	46,861,261	19,559,077	-	66,420,338	63,339,532
Temporarily restricted	7,200,379	-	35,781	2,032,229	9,268,389	10,000	-	9,278,389	6,872,516
Permanently restricted	58,895,015	-	-	-	58,895,015	1,500	-	58,896,515	53,877,925
Total net assets	111,549,953	1,406,702	35,781	2,032,229	115,024,665	19,570,577	-	134,595,242	124,089,973
Total liabilities and net assets	\$ 118,183,670	\$ 2,191,153	\$ 143,297	\$ 3,238,577	\$ 123,756,697	\$ 20,966,530	\$ (450,000)	\$ 144,273,227	\$ 132,029,789

Supplementary Information  
See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES

For the year ended June 30, 2017

	Community Foundation for Southern Arizona, Inc.	CFSA Community Campus, LLC	CFSA Pooled Income Fund	CFSA Charitable Remainder Trust Fund	Total without Supporting Organizations	Supporting Organizations	Consolidating Entries	Total	2016
Revenue and support:									
Support:									
Contributions and bequests	\$ 14,688,553	\$ 1,426,013	\$ -	\$ 925,619	\$ 17,040,185	\$ 2,310,658	\$ (1,573,000)	\$ 17,777,843	\$ 15,433,050
Grants and trusts	74,862	-	-	-	74,862	370,245	-	445,107	612,129
Special events, net	197,559	-	-	-	197,559	3,260	-	200,819	406,280
Total support	14,960,974	1,426,013	-	925,619	17,312,606	2,684,163	(1,573,000)	18,423,769	16,451,459
Revenue, investment and other income:									
Investment income (loss), net	9,116,483	-	(6,335)	(61,135)	9,049,013	1,498,546	(3,249)	10,544,310	(797,794)
Fund management fees	179,710	-	-	-	179,710	-	(122,968)	56,742	50,465
Other revenue	8,032	-	-	-	8,032	31,635	-	39,667	45,942
Gain on sale of property and equipment	-	-	-	-	-	13,940	-	13,940	-
Rental income	-	11,487	-	-	11,487	-	(500)	10,987	-
Change in fair value	799	-	7,922	14,752	23,473	(96,580)	-	(73,107)	(368,919)
Total revenue, investment and other income	9,305,024	11,487	1,587	(46,383)	9,271,715	1,447,541	(126,717)	10,592,539	(1,070,306)
Total revenue and support	24,265,998	1,437,500	1,587	879,236	26,584,321	4,131,704	(1,699,717)	29,016,308	15,381,153
Expenses:									
Grants and distributions	9,803,680	-	-	-	9,803,680	7,538,461	(1,573,000)	15,769,141	7,105,704
Salaries, wages and related expense	1,425,699	-	-	-	1,425,699	220,036	-	1,645,735	1,708,466
Professional services	240,232	14,411	234	17,532	272,409	227,198	(122,968)	376,639	431,262
Office expense	226,844	13,673	-	-	240,517	117,347	(3,749)	354,115	239,625
Other expense	91,565	2,714	-	-	94,279	101,659	-	195,938	259,237
Promotion and development	145,643	-	-	-	145,643	10,863	-	156,506	121,950
Program subcontracts	12,965	-	-	-	12,965	-	-	12,965	109,187
Total expenses	11,946,628	30,798	234	17,532	11,995,192	8,215,564	(1,699,717)	18,511,039	9,975,431
Change in net assets	12,319,370	1,406,702	1,353	861,704	14,589,129	(4,083,860)	-	10,505,269	5,405,722
Net assets, beginning of year	99,230,583	-	34,428	1,170,525	100,435,536	23,654,437	-	124,089,973	118,684,251
Net assets, end of year	\$ 111,549,953	\$ 1,406,702	\$ 35,781	\$ 2,032,229	\$ 115,024,665	\$ 19,570,577	\$ -	\$ 134,595,242	\$ 124,089,973

Supplementary Information  
See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION – SUPPORTING ORGANIZATIONS

June 30, 2017

	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	\$ -	\$ 5,651	\$ -	\$ 137,273	\$ -
Unconditional promises to give, current portion	-	-	-	-	-
Contributions and bequests receivable	-	-	-	-	-
Notes receivable, current portion	-	-	-	-	-
Interest and other receivables	-	4,791	-	228	-
Prepaid expenses	-	-	-	-	-
Total current assets	-	10,442	-	137,501	-
Unconditional promises to give, net, non-current portion	-	-	-	-	-
Notes receivable, net, non-current portion	-	-	-	50,000	-
Investments	606,760	1,862,988	53,720	8,772,592	-
Property and equipment, net	-	716	-	4,284	-
Other assets	-	1,250	14,600	5,103	-
Total assets	<u>\$ 606,760</u>	<u>\$ 1,875,396</u>	<u>\$ 68,320</u>	<u>\$ 8,969,480</u>	<u>\$ -</u>
<u>LIABILITIES AND NET ASSETS</u>					
Current liabilities:					
Accounts payable and accrued expenses	\$ -	\$ 6,589	\$ 18,530	\$ 5,080	\$ -
Grants and distributions payable	-	114,000	-	588,980	-
Notes payable, current portion	-	-	-	-	-
Total current liabilities	-	120,589	18,530	594,060	-
Notes payable, non-current portion	-	-	-	-	-
Total liabilities	-	120,589	18,530	594,060	-
Net assets:					
Unrestricted	606,760	1,754,807	49,790	8,375,420	-
Temporarily restricted	-	-	-	-	-
Permanently restricted	-	-	-	-	-
Total net assets	<u>606,760</u>	<u>1,754,807</u>	<u>49,790</u>	<u>8,375,420</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 606,760</u>	<u>\$ 1,875,396</u>	<u>\$ 68,320</u>	<u>\$ 8,969,480</u>	<u>\$ -</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, 2017

	The Zuckerman Community Outreach Foundation	Howard V. Moore Foundation	Nonprofit Loan Fund of Tucson and Southern Arizona	Sycamore Canyon Conservation Foundation	Total	2016
<u>ASSETS</u>						
Current assets:						
Cash and cash equivalents	\$ 189,167	\$ 2,069,432	\$ 235,067	\$ 30,688	\$ 2,667,278	\$ 4,757,005
Unconditional promises to give, current portion	-	-	10,168	-	10,168	203,142
Contributions and bequests receivable	-	-	-	1,026	1,026	1,717
Notes receivable, current portion	-	-	213,000	-	213,000	308,671
Interest and other receivables	-	-	-	-	5,019	7,942
Prepaid expenses	-	-	-	-	-	7,314
Total current assets	189,167	2,069,432	458,235	31,714	2,896,491	5,285,791
Unconditional promises to give, net, non-current portion	-	-	-	-	-	34,923
Notes receivable, net, non-current portion	50,000	-	244,247	-	344,247	-
Investments	6,402,279	-	-	-	17,698,339	19,720,157
Property and equipment, net	-	-	-	-	5,000	510,990
Other assets	-	-	-	1,500	22,453	21,203
Total assets	<u>\$ 6,641,446</u>	<u>\$ 2,069,432</u>	<u>\$ 702,482</u>	<u>\$ 33,214</u>	<u>\$ 20,966,530</u>	<u>\$ 25,573,064</u>
<u>LIABILITIES AND NET ASSETS</u>						
Current liabilities:						
Accounts payable and accrued expenses	\$ 9,731	\$ -	\$ 3,043	\$ -	\$ 42,973	\$ 45,168
Grants and distributions payable	-	-	-	-	702,980	1,248,459
Notes payable, current portion	-	-	250,000	-	250,000	175,000
Total current liabilities	9,731	-	253,043	-	995,953	1,468,627
Notes payable, non-current portion	-	-	400,000	-	400,000	450,000
Total liabilities	9,731	-	653,043	-	1,395,953	1,918,627
Net assets:						
Unrestricted	6,631,715	2,069,432	39,439	31,714	19,559,077	21,656,604
Temporarily restricted	-	-	10,000	-	10,000	356,985
Permanently restricted	-	-	-	1,500	1,500	1,640,848
Total net assets	6,631,715	2,069,432	49,439	33,214	19,570,577	23,654,437
Total liabilities and net assets	<u>\$ 6,641,446</u>	<u>\$ 2,069,432</u>	<u>\$ 702,482</u>	<u>\$ 33,214</u>	<u>\$ 20,966,530</u>	<u>\$ 25,573,064</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, 2017

	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	\$ 1,308	\$ 2,060,000	\$ 145,899
Grants and trusts	-	-	-	-	370,245
Special events, net	-	-	-	-	3,260
Total support	-	2,000	1,308	2,060,000	519,404
Revenue, investment and other income:					
Investment income, net	79,246	2,979	34,424	725,175	107,924
Other revenue	-	-	-	112	2,793
Gain on sale of property and equipment	-	-	13,940	-	-
Change in fair value	-	-	-	(96,580)	-
Total revenue, investment and other income	79,246	2,979	48,364	628,707	110,717
Total revenue and support	79,246	4,979	49,672	2,688,707	630,121
Expenses:					
Grants and distributions	84,000	111,250	809,345	2,931,706	3,352,910
Salaries, wages and related expense	-	60,002	-	-	103,530
Professional services	8,396	24,254	21,159	-	61,624
Office expense	10	2,198	8,614	73,974	29,784
Other expense	-	-	20,318	19,452	17,648
Promotion and development	-	-	-	-	2,238
Program subcontracts	-	-	-	-	-
Total expenses	92,406	197,704	859,436	3,025,132	3,567,734
Change in net assets	(13,160)	(192,725)	(809,764)	(336,425)	(2,937,613)
Net assets, beginning of year	619,920	1,947,532	859,554	8,711,845	2,937,613
Net assets, end of year	\$ 606,760	\$ 1,754,807	\$ 49,790	\$ 8,375,420	\$ -

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, 2017

	The Zuckerman Community Outreach Foundation	Howard V. Moore Foundation	Nonprofit Loan Fund of Tucson and Southern Arizona	Sycamore Canyon Conservation Foundation	Total	2016
Revenue and support:						
Support:						
Contributions and bequests	\$ -	\$ -	\$ 101,451	\$ -	\$ 2,310,658	\$ 3,028,422
Grants and trusts	-	-	-	-	370,245	612,129
Special events, net	-	-	-	-	3,260	113,751
Total support	-	-	101,451	-	2,684,163	3,754,302
Revenue, investment and other income:						
Investment income, net	522,027	6,233	20,441	97	1,498,546	500,084
Other revenue	-	-	8,399	20,331	31,635	44,868
Gain on sale of property and equipment	-	-	-	-	13,940	-
Change in fair value	-	-	-	-	(96,580)	(289,657)
Total revenue, investment and other income	522,027	6,233	28,840	20,428	1,447,541	255,295
Total revenue and support	522,027	6,233	130,291	20,428	4,131,704	4,009,597
Expenses:						
Grants and distributions	249,250	-	-	-	7,538,461	3,193,540
Salaries, wages and related expense	-	-	56,504	-	220,036	320,706
Professional services	40,376	20,233	26,126	25,030	227,198	166,986
Office expense	1,413	10	1,119	225	117,347	53,543
Other expense	-	-	44,241	-	101,659	160,315
Promotion and development	-	-	8,625	-	10,863	11,082
Program subcontracts	-	-	-	-	-	80,000
Total expenses	291,039	20,243	136,615	25,255	8,215,564	3,986,172
Change in net assets	230,988	(14,010)	(6,324)	(4,827)	(4,083,860)	23,425
Net assets, beginning of year	6,400,727	2,083,442	55,763	38,041	23,654,437	23,631,012
Net assets, end of year	\$ 6,631,715	\$ 2,069,432	\$ 49,439	\$ 33,214	\$ 19,570,577	\$ 23,654,437

Supplementary Information  
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