

COMMUNITY FOUNDATION FOR
SOUTHERN ARIZONA AND AFFILIATES

Audited Consolidated Financial Statements
and Supplementary Information

For the years ended June 30, 2018 and 2017

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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, 2018 and 2017, 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 \$1,795,234 as of June 30, 2018, and total revenue and support of \$106,654 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 \$10,174,090 as of June 30, 2018, and total revenue and support of \$2,560,451 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.



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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, 2018 and 2017, 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 & RUDNER PLLC

January 14, 2019

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

ASSETS

	2018	2017
Current assets:		
Cash and cash equivalents	\$ 14,200,294	\$ 10,369,460
Unconditional promises to give, current portion	373,622	24,218
Contributions and bequests receivable, current portion	10,125,772	18,050,633
Notes receivable, net, current portion	150,000	213,000
Interest and other receivables	286,084	10,066
Prepaid expenses	38,107	30,850
Total current assets	25,173,879	28,698,227
Unconditional promises to give, net, non-current portion	178,568	4,600
Contributions and bequests receivable, non-current portion	-	1,081,258
Notes receivable, non-current portion	731,268	244,247
Investments - other	1,107,477	1,100,000
Investments	126,415,756	111,099,767
Property and equipment, net	3,266,948	1,992,810
Other assets	50,054	52,318
Total assets	\$ 156,923,950	\$ 144,273,227

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 188,124	\$ 185,239
Grants and distributions payable	1,979,597	1,353,721
Designated obligations	1,260,630	1,309,495
Due to other agencies	7,102,858	5,868,144
Notes payable, current portion	410,566	198,072
Total current liabilities	10,941,775	8,914,671
Deferred compensation liability	24,334	-
Notes payable, non-current portion	2,686,300	763,314
Total liabilities	13,652,409	9,677,985
Net assets:		
Unrestricted:		
Available for operations	(1,766,644)	(1,187,977)
Designated for supporting organizations	25,338,641	19,559,077
Designated for donor advised purposes	43,580,971	46,643,701
	67,152,968	65,014,801
Temporarily restricted	14,692,930	10,683,926
Permanently restricted	61,425,643	58,896,515
Total net assets	143,271,541	134,595,242
Total liabilities and net assets	\$ 156,923,950	\$ 144,273,227

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, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:				
Support:				
Contributions and bequests	\$ 4,391,255	\$ 3,471,902	\$ 3,719,057	\$ 11,582,214
Grants and trusts	981,351	-	-	981,351
Special events, net	181,540	-	-	181,540
Total support	5,554,146	3,471,902	3,719,057	12,745,105
Revenue, investment and other income:				
Investment income, net	3,337,118	3,760,740	-	7,097,858
Fund management fees	77,419	-	-	77,419
Other revenue	60,121	-	-	60,121
Change in fair value	(159,898)	39,863	-	(120,035)
Total revenue, investment and other income	3,314,760	3,800,603	-	7,115,363
Net assets released from restrictions	4,129,627	(2,939,698)	(1,189,929)	-
Total revenue and support	12,998,533	4,332,807	2,529,128	19,860,468
Expenses:				
Grants and distributions	8,233,754	-	-	8,233,754
Salaries, wages and related expense	2,071,749	-	-	2,071,749
Office expense	493,789	-	-	493,789
Professional services	407,121	-	-	407,121
Promotion and development	281,479	-	-	281,479
Other expense	201,558	-	-	201,558
Program subcontracts	11,115	-	-	11,115
Total expenses	11,700,565	-	-	11,700,565
Change in net assets	1,297,968	4,332,807	2,529,128	8,159,903
Net assets, beginning of year, reclassified	65,014,801	10,683,926	58,896,515	134,595,242
Reclassification for fund deficiencies decreased	133,062	(133,062)	-	-
Transfers per donor	247,314	(247,314)	-	-
Transfer from support organization	459,823	56,573	-	516,396
Net assets, end of year	\$ 67,152,968	\$ 14,692,930	\$ 61,425,643	\$ 143,271,541

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	\$ 8,680,933	\$ 2,438,972	\$ 6,657,938	\$ 17,777,843
Grants and trusts	445,107	-	-	445,107
Special events, net	200,819	-	-	200,819
Total support	9,326,859	2,438,972	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	5,110,983	(3,471,635)	(1,639,348)	-
Total revenue and support	19,451,356	4,546,362	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	940,317	4,546,362	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, reclassified	\$ 65,014,801	\$ 10,683,926	\$ 58,896,515	\$ 134,595,242

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, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 8,159,903	\$ 10,505,269
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized gain on sale of investments, net	(545,790)	(642,332)
Unrealized gain on investments, net	(3,359,993)	(7,305,022)
Provision for losses on notes receivable	10,413	9,000
Gain on sale of property and equipment	-	(13,940)
Depreciation	8,216	31,024
Contributions restricted for long-term purposes	(2,544,914)	(8,083,951)
Change in operating assets and liabilities:		
Unconditional promises to give	(523,372)	213,272
Contributions and bequests receivable	9,356,849	(4,883,258)
Interest and other receivables	(276,018)	(118)
Prepaid expenses	9,594	(7,784)
Other assets	2,264	(2,049)
Accounts payable and accrued expenses	(32,871)	(20,333)
Grants and distributions payable	615,786	9,306
Designated obligations	(48,865)	(46,574)
Deferred compensation liability	24,334	-
Change in agency funds, including investment gains	1,234,714	1,359,384
Total adjustments	3,930,347	(19,383,375)
Net cash provided by (used in) operating activities	12,090,250	(8,878,106)
Cash flows from investing activities:		
Advances on notes receivable	(779,783)	(523,217)
Repayments on notes receivable	345,349	365,641
Purchases of investments - other	-	(1,100,000)
Proceeds from sale of investments	16,404,826	26,027,833
Purchases of investments	(27,815,032)	(24,789,113)
Proceeds from sale of property and equipment	-	500,000
Purchases of property and equipment	(1,279,879)	(1,302,635)
Net cash used in investing activities	(13,124,519)	(821,491)
Cash flows from financing activities:		
Advances on notes payable	2,338,363	-
Repayments of notes payable	(202,883)	(225,000)
Contributions restricted for long-term purposes	2,544,914	8,083,951
Net cash provided by financing activities	4,680,394	7,858,951
Net change in cash and cash equivalents	3,646,125	(1,840,646)
Cash and cash equivalents, beginning of year	10,369,460	12,210,106
Cash transferred from support organization	184,709	-
Cash and cash equivalents, end of year	\$ 14,200,294	\$ 10,369,460
Supplemental cash flow information:		
Cash paid during the year for interest	\$ 61,046	\$ 13,927
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, 2018 and 2017

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 other 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 David S. and Norma R. Lewis Foundation (LEWIS) supports global initiatives that give people the tools and resources to build hope, equality, opportunity, justice, equity and compassion in human relations. It also supports Southern Arizona creative arts organizations and initiatives that help the less fortunate succeed. Effective July 1, 2018, LEWIS became a supporting organization of CFSA. Prior to that date, LEWIS was a fund of 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, 2018 and 2017

1. Organization, Continued

Social Venture Partners (SVP Tucson) is a group of diverse, highly experienced and engaged individuals that come from varied business, philanthropic and academic backgrounds to apply venture capital principles to philanthropy. SVP Tucson members collaborate with carefully selected Tucson area nonprofits to deliver meaningful social impact through a combination of funding and volunteering. During the year ended June 30, 2018, SVP Tucson became a supporting organization of CFSA. Prior to that date, it was a fund of CFSA.

The Arts Foundation for Tucson and Southern Arizona (ARTS) fosters artistic expression, civic participation, and the economic growth of the region by supporting, promoting, and advocating for arts and culture through its grants program, public art program and community arts development. During the year ended June 30, 2018, ARTS became a supporting organization of CFSA.

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, 2018 and 2017 was \$14,692,930 and \$10,683,926, respectively.

The contribution and bequest revenue allocated to temporarily restricted net assets has been increased, with a corresponding decrease to the contribution and bequest revenue allocated to unrestricted net assets, by \$1,426,013 for the year ended June 30, 2017 to properly reflect contributions to Community Campus, LLC as temporarily restricted for the nonprofit campus discussed in Note 1.

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2018 and 2017

2. Summary of Significant Accounting Policies, Continued.

Basis of Accounting, continued

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, 2018 and 2017 was \$61,425,643 and \$58,896,515, 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.

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 \$10,662,285 and \$7,661,391 in cash in excess of the FDIC limit at June 30, 2018 and 2017, 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 \$112,257,214 and \$96,716,064 in investments in excess of the SIPC limit at June 30, 2018 and 2017, 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 May 2023, have annual fixed interest rates ranging from 2.05% to 2.96% 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.

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2018 and 2017

2. Summary of Significant Accounting Policies, Continued

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, 2018 and 2017, 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.

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2018 and 2017

2. Summary of Significant Accounting Policies, Continued

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, 2018 and 2017, 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.

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, 2018 and 2017.

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, 2018, 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 5.0% and 4.25% at June 30, 2018 and 2017, respectively. At June 30, 2018 and 2017, unconditional promises to give consists of balances to be paid in future years 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, 2018 and 2017

3. Unconditional Promises to Give, Continued

	2018	2017
2018		\$ 24,218
2019	\$ 378,622	5,000
2020	105,923	-
2021	85,464	-
2022	-	-
Total unconditional promises to give	570,009	29,218
Less interest component	(17,819)	(400)
Unconditional promises to give, net	552,190	28,818
Less current portion	(373,622)	(24,218)
Non-current portion	\$ 178,568	\$ 4,600

4. Notes Receivable

Notes receivable consist of the following at June 30,:

	2018	2017
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 June 2023. The notes receivable are unsecured or secured by personal property and accounts.	\$ 927,651	\$ 493,217
Less allowance for uncollectible notes receivable	(46,383)	(35,970)
Notes receivable, net	881,268	457,247
Current portion	(150,000)	(213,000)
Non-current portion	\$ 731,268	\$ 244,247

Future maturities at June 30, 2018 are:

Year ended	
<u>June 30,</u>	
2019	\$ 150,000
2020	-
2021	66,760
2022	254,201
2023	456,690
	\$ 927,651

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.

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COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2018 and 2017

5. Property and Equipment

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

	2018	2017
Land	\$ 495,782	\$ 495,782
Building and improvements	1,462,452	1,462,452
Construction in progress	1,246,102	-
Equipment and furniture	137,578	112,458
Computers and software	91,256	80,982
Total property and equipment	3,433,170	2,151,674
Less accumulated depreciation	(166,222)	(158,864)
Property and equipment, net	\$ 3,266,948	\$ 1,992,810

Construction in progress at June 30, 2018 includes the costs of renovating the building located at 5049 E. Broadway. The total cost of the project is estimated to be \$5,400,000. The balance of \$1,246,102 includes capitalized interest in the amount of \$26,491.

6. Investments

Investments consist of the following at June 30,:

	2018	2017
Mutual funds	\$ 98,851,327	\$ 92,615,125
Stocks	17,686,934	10,321,075
Fixed income	4,109,584	4,314,397
Interest in trust	1,791,272	1,737,382
Pooled equity funds	1,484,308	1,299,033
Alternative investments	2,438,611	759,035
Investment in land	53,720	53,720
Total investments	\$ 126,415,756	\$ 111,099,767

Investment income for the years ended June 30, 2018 and 2017 consists of:

	CFSA, CRTF and PIF	Supporting Organizations	2018 Total	2017
Unrealized gains	\$ 2,924,346	\$ 435,647	\$ 3,359,993	\$ 7,305,022
Interest and dividends	2,726,660	691,235	3,417,895	2,807,932
Realized gains	508,372	37,418	545,790	642,332
Royalties	-	121,717	121,717	112,087
Administrative charges	(276,186)	(71,351)	(347,537)	(323,063)
Investment income, net	\$ 5,883,192	\$ 1,214,666	\$ 7,097,858	\$ 10,544,310

At June 30, 2018 and 2017, \$18,594,018 and \$17,091,579, respectively, of the total investments are invested and valued by each supporting organization's own investment policies and guidelines. At June 30, 2018 and 2017, \$60,722,224 and \$58,895,015, respectively, of the investments held by CFSA were permanently restricted for endowment net assets and, as such, were unavailable for operations.

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COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2018 and 2017

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;
- 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, 2018 and 2017.

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.

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COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2018 and 2017

7. Fair Value Measurements, Continued

The table below sets forth by level, investments at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 98,851,327	\$ -	\$ -	\$ 98,851,327
Stocks	17,686,934	-	-	17,686,934
Bonds:				
Corporate bonds	3,429,271	-	-	3,429,271
Treasury bonds	579,626	-	-	579,626
Municipal bonds	100,687	-	-	100,687
Total bonds	4,109,584	-	-	4,109,584
Pooled equity funds	-	1,484,308	-	1,484,308
Other investments	-	1,791,272	2,492,331	4,283,603
Total investments	<u>\$ 120,647,845</u>	<u>\$ 3,275,580</u>	<u>\$ 2,492,331</u>	<u>\$ 126,415,756</u>

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	\$ 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	<u>\$ 107,250,597</u>	<u>\$ 3,036,415</u>	<u>\$ 812,755</u>	<u>\$ 111,099,767</u>

The tables below set forth a summary of changes in level 3 investments for the years ended June 30, 2018 and 2017:

	2018	2017
Balance, beginning of year	\$ 812,755	\$ 2,274,632
Realized loss, net	-	52,181
Unrealized loss, net	(25,183)	-
Change in fair value	(116,638)	(96,580)
Purchases	1,821,397	-
Proceeds	-	(1,417,478)
Balance, end of year	<u>\$ 2,492,331</u>	<u>\$ 812,755</u>

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2018 and 2017

8. Designated Obligations

Designated obligations consist of the following at June 30,:

	2018	2017
Charitable gift annuities	\$ 1,063,322	\$ 1,112,498
Pooled income fund	103,609	107,461
Unitrusts	93,699	89,536
Total designated obligations	<u>\$ 1,260,630</u>	<u>\$ 1,309,495</u>

9. Due to Other Agencies

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

	2018	2017
Yuma Library Foundation Endowment Fund	\$ 2,193,628	\$ 1,812,415
Sonoran Institute Endowment Fund	1,540,751	1,405,436
Tohono O'Odham Community College Endowment	362,851	336,495
Handi-Dogs Endowment Fund	287,667	279,843
YWCA of Southern Arizona Endowment Fund	274,210	-
Green Valley Assistance Services Endowment	256,794	242,516
Sarah P. Hausman Endowment Fund	199,234	195,189
Tucson Audubon Endowment Fund	146,205	143,499
Archaeology Southwest Fund	137,461	104,629
Holmes Tuttle Memorial Fund	133,029	130,341
NAMI Southern Arizona Endowment Fund	125,981	118,779
B-26 Marauder Historical Society Endowment	112,025	109,775
Youth On Their Own Endowment Fund	110,780	99,034
JobPath Fund	109,886	-
Tucson Waldorf School Endowment Fund	103,758	75,357
Libraries LTD Reserve Fund	100,020	105,589
Other funds	908,578	709,247
Total due to other agencies	<u>\$ 7,102,858</u>	<u>\$ 5,868,144</u>

10. Notes Payable

Notes payable consist of the following at June 30,:

	2018	2017
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 community campus.	\$ 2,496,866	\$ 661,386

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2018 and 2017

10. Notes Payable, Continued

Notes payable to nonprofit organizations and individuals with quarterly interest only payments at 1.25% to 2.0%. Principal balances plus any unpaid interest is due August 2017 through November 2023. The notes payable are unsecured.

450,000 200,000

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.

150,000 100,000

Total notes payable

3,096,866 961,386

Current portion

(410,566) (198,072)

Non-current portion

\$ 2,686,300 \$ 763,314

Future maturities at June 30, 2018 are:

Year ended

June 30,

2019

\$ 410,566

2020

420,118

2021

280,104

2022

240,544

2023

401,456

Thereafter

1,344,078

\$ 3,096,866

11. Temporarily Restricted Net Assets

Temporarily restricted net asset activity for the year ended June 30, 2018 consists of:

	Time and Purpose	Endowment Earnings	CRTF	PIF	Total
Beginning balance, reclassified	\$ 5,196,462	\$ 3,419,454	\$ 2,032,229	\$ 35,781	\$ 10,683,926
Contributions	3,471,902	-	-	-	3,471,902
Investment gain, net	210,820	3,627,886	(77,966)	-	3,760,740
Change in value of split interest investments	-	-	40,805	(942)	39,863
Releases, appropriations and distributions	(495,657)	(2,427,246)	(16,559)	(236)	(2,939,698)
Transfer from support organization	56,573	-	-	-	56,573
Reclassifications:					
fund transfer	(247,314)	-	-	-	(247,314)
decreased fund deficiency	-	(133,062)	-	-	(133,062)
Ending balance	\$ 8,192,786	\$ 4,487,032	\$ 1,978,509	\$ 34,603	\$ 14,692,930

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2018 and 2017

11. Temporarily Restricted Net Assets, Continued

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	1,513,353	-	925,619	-	2,438,972
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	(393,809)	(3,060,060)	(17,532)	(234)	(3,471,635)
Reclassifications: decreased fund deficiency	-	(734,952)	-	-	(734,952)
Ending balance	<u>\$ 5,196,462</u>	<u>\$ 3,419,454</u>	<u>\$ 2,032,229</u>	<u>\$ 35,781</u>	<u>\$ 10,683,926</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, 2018 consist of:

	CFSA	LEWIS	SYCAM	Total
Beginning balance	\$ 58,895,015	\$ -	\$ 1,500	\$ 58,896,515
Contributions	3,719,057	-	-	3,719,057
Transfers	(701,919)	701,919	-	-
Distributions	(1,189,929)	-	-	(1,189,929)
Ending balance	<u>\$ 60,722,224</u>	<u>\$ 701,919</u>	<u>\$ 1,500</u>	<u>\$ 61,425,643</u>

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2018 and 2017

12. Permanently Restricted Net Assets, Continued

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	\$ 58,895,015	\$ -	\$ 1,500	\$ 58,896,515

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 \$2,747,964 and \$2,881,026, at June 30, 2018 and 2017, 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 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.

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, 2018 and 2017

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, 2018 consist of:

	Fund Deficiencies	Temporarily Restricted	Permanently Restricted	Total
Beginning balance	\$ (2,881,026)	\$ 3,419,454	\$ 58,896,515	\$ 59,434,943
Contributions	-	-	3,719,057	3,719,057
Distributions	-	-	(1,189,929)	(1,189,929)
Investment loss, net	-	3,627,886	-	3,627,886
Appropriated for expenditure	-	(2,427,246)	-	(2,427,246)
Fund deficiency reclassifications	133,062	(133,062)	-	-
Ending balance	<u>\$ (2,747,964)</u>	<u>\$ 4,487,032</u>	<u>\$ 61,425,643</u>	<u>\$ 63,164,711</u>

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 income, 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	<u>\$ (2,881,026)</u>	<u>\$ 3,419,454</u>	<u>\$ 58,896,515</u>	<u>\$ 59,434,943</u>

14. Retirement Plans

401(k) 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, 2018 and 2017 was \$54,426 and \$33,365, respectively.

457(f) Deferred Compensation Plan

CFSA has a 457(f) ineligible deferred compensation plan (457(f) Plan) that requires CFSA to contribute 15% of the current sole participant's base annual salary in each year in which the participant completes 1,000 hours of service. The assets are deposited into a designated reserve account that remains an asset of CFSA until the participant becomes vested. The organization reports assets and liabilities of equal amounts attributable to the amount deferred and the related investment earnings. CFSA's invested deferred compensation assets and liability, in the amount of \$24,334 at June 30, 2018, are included with investments and accrued expenses, respectively.

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2018 and 2017

15. Functional Expenses

Functional expenses for the year ended June 30, 2018 for the consolidated entities follows:

	CFSA, CRTF and PIF	Supporting Organizations	Eliminations	Total
Program services	\$ 7,129,075	\$ 3,849,319	\$ (1,354,263)	\$ 9,624,131
Management and general	821,720	446,524	(68,612)	1,199,632
Development and public relations	774,860	156,130	(54,188)	876,802
Total functional expenses	<u>\$ 8,725,655</u>	<u>\$ 4,451,973</u>	<u>\$ (1,477,063)</u>	<u>\$ 11,700,565</u>

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	<u>\$ 11,995,192</u>	<u>\$ 8,215,564</u>	<u>\$ (1,699,717)</u>	<u>\$ 18,511,039</u>

16. Subsequent Events

The Foundation was unaware of any subsequent events as of January 14, 2019, 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, 2018

	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	2017
ASSETS									
Current assets:									
Cash and cash equivalents	\$ 7,630,437	\$ 2,694,448	\$ 1,069	\$ 20,800	\$ 10,346,754	\$ 3,853,540	\$ -	\$ 14,200,294	\$ 10,369,460
Unconditional promises to give, current portion	29,728	333,894	-	-	363,622	10,000	-	373,622	24,218
Contributions and bequests receivable, current portion	6,730,522	-	-	-	6,730,522	3,395,250	-	10,125,772	18,050,633
Notes receivable, current portion	150,000	-	-	-	150,000	200,000	(200,000)	150,000	213,000
Interest and other receivables	6,348	-	-	-	6,348	279,736	-	286,084	10,066
Prepaid expenses	29,325	6,228	-	-	35,553	2,554	-	38,107	30,850
Total current assets	14,576,360	3,034,570	1,069	20,800	17,632,799	7,741,080	(200,000)	25,173,879	28,698,227
Unconditional promises to give, net, non-current portion	29,954	148,489	-	-	178,443	125	-	178,568	4,600
Contributions and bequests receivable, non-current portion	-	-	-	-	-	-	-	-	1,081,258
Notes receivable, net, non-current portion	100,000	-	-	-	100,000	781,268	(150,000)	731,268	244,247
Investments - other	-	-	-	-	-	1,107,477	-	1,107,477	1,100,000
Investments	103,955,525	-	137,209	3,118,694	107,211,428	19,204,328	-	126,415,756	111,099,767
Property and equipment, net	49,866	3,204,336	-	-	3,254,202	12,746	-	3,266,948	1,992,810
Other assets	26,468	-	-	-	26,468	23,586	-	50,054	52,318
Total assets	\$ 118,738,173	\$ 6,387,395	\$ 138,278	\$ 3,139,494	\$ 128,403,340	\$ 28,870,610	\$ (350,000)	\$ 156,923,950	\$ 144,273,227
LIABILITIES AND NET ASSETS									
Current liabilities:									
Accounts payable and accrued expenses	\$ 107,982	\$ 4,244	\$ 66	\$ 3,964	\$ 116,256	\$ 71,868	\$ -	\$ 188,124	\$ 185,239
Grants and distributions payable	329,320	-	-	-	329,320	1,650,277	-	1,979,597	1,353,721
Designated obligations	-	-	103,609	1,157,021	1,260,630	-	-	1,260,630	1,309,495
Due to other agencies	7,102,858	-	-	-	7,102,858	-	-	7,102,858	5,868,144
Notes payable, current portion	-	210,566	-	-	210,566	450,000	(250,000)	410,566	198,072
Total current liabilities	7,540,160	214,810	103,675	1,160,985	9,019,630	2,172,145	(250,000)	10,941,775	8,914,671
Deferred compensation liability	24,334	-	-	-	24,334	-	-	24,334	-
Notes payable, non-current portion	-	2,286,300	-	-	2,286,300	500,000	(100,000)	2,686,300	763,314
Total liabilities	7,564,494	2,501,110	103,675	1,160,985	11,330,264	2,672,145	(350,000)	13,652,409	9,677,985
Net assets:									
Unrestricted	41,813,162	1,165	-	-	41,814,327	25,338,641	-	67,152,968	65,014,801
Temporarily restricted	8,638,293	3,885,120	34,603	1,978,509	14,536,525	156,405	-	14,692,930	10,683,926
Permanently restricted	60,722,224	-	-	-	60,722,224	703,419	-	61,425,643	58,896,515
Total net assets	111,173,679	3,886,285	34,603	1,978,509	117,073,076	26,198,465	-	143,271,541	134,595,242
Total liabilities and net assets	\$ 118,738,173	\$ 6,387,395	\$ 138,278	\$ 3,139,494	\$ 128,403,340	\$ 28,870,610	\$ (350,000)	\$ 156,923,950	\$ 144,273,227

Supplementary Information
See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES

For the year ended June 30, 2018

	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	2017
Revenue and support:									
Support:									
Contributions and bequests	\$ 7,484,527	\$ 2,645,209	\$ -	\$ 40,805	\$ 10,170,541	\$ 2,713,442	\$ (1,301,769)	\$ 11,582,214	\$ 17,777,843
Grants and trusts	-	-	-	-	-	981,351	-	981,351	445,107
Special events, net	215,152	-	-	-	215,152	(33,612)	-	181,540	200,819
Total support	7,699,679	2,645,209	-	40,805	10,385,693	3,661,181	(1,301,769)	12,745,105	18,423,769
Revenue, investment and other income:									
Investment income (loss), net	5,963,274	(1,174)	(942)	(77,966)	5,883,192	1,220,623	(5,957)	7,097,858	10,544,310
Fund management fees	242,856	-	-	-	242,856	-	(165,437)	77,419	56,742
Other revenue	26,360	-	-	-	26,360	37,661	(3,900)	60,121	39,667
Gain on sale of property and equipment	-	-	-	-	-	-	-	-	13,940
Rental income	-	-	-	-	-	-	-	-	10,987
Change in fair value	(3,397)	-	-	-	(3,397)	(116,638)	-	(120,035)	(73,107)
Total revenue, investment and other income	6,229,093	(1,174)	(942)	(77,966)	6,149,011	1,141,646	(175,294)	7,115,363	10,592,539
Total revenue and support	13,928,772	2,644,035	(942)	(37,161)	16,534,704	4,802,827	(1,477,063)	19,860,468	29,016,308
Expenses:									
Grants and distributions	6,395,427	-	-	-	6,395,427	3,140,096	(1,301,769)	8,233,754	15,769,141
Salaries, wages and related expense	1,487,670	-	-	-	1,487,670	584,079	-	2,071,749	1,645,735
Office expense	246,661	60,335	-	-	306,996	190,693	(3,900)	493,789	354,115
Professional services	205,231	83,820	236	16,559	305,846	266,712	(165,437)	407,121	376,639
Promotion and development	138,429	14,783	-	-	153,212	128,267	-	281,479	156,506
Other expense	70,990	5,514	-	-	76,504	131,011	(5,957)	201,558	195,938
Program subcontracts	-	-	-	-	-	11,115	-	11,115	12,965
Total expenses	8,544,408	164,452	236	16,559	8,725,655	4,451,973	(1,477,063)	11,700,565	18,511,039
Change in net assets	5,384,364	2,479,583	(1,178)	(53,720)	7,809,049	350,854	-	8,159,903	10,505,269
Net assets, beginning 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
Transfers to support organizations	(5,760,638)	-	-	-	(5,760,638)	5,760,638	-	-	-
Transfer from support organization	-	-	-	-	-	516,396	-	516,396	-
Net assets, end of year	\$ 111,173,679	\$ 3,886,285	\$ 34,603	\$ 1,978,509	\$ 117,073,076	\$ 26,198,465	\$ -	\$ 143,271,541	\$ 134,595,242

Supplementary Information
See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION – SUPPORTING ORGANIZATIONS
June 30, 2018

	William E. Hall Foundation	Worth & Dot Howard Foundation	CFSA Properties, Inc.	Thomas R. Brown Family Foundation	Social Venture Partners	David S. and Norma R. Lewis Foundation
<u>ASSETS</u>						
Current assets:						
Cash and cash equivalents	\$ -	\$ 1,148	\$ -	\$ 831,086	\$ 224,955	\$ -
Unconditional promises to give, current portion	-	-	-	-	10,000	-
Contributions and bequests receivable	-	-	-	-	5,000	3,388,204
Notes receivable, current portion	-	-	-	50,000	-	-
Interest and other receivables	-	4,622	-	1,017	-	-
Prepaid expenses	-	-	-	-	-	-
Total current assets	-	5,770	-	882,103	239,955	3,388,204
Unconditional promises to give, net, non-current portion	-	-	-	-	-	-
Notes receivable, net, non-current portion	-	-	-	-	-	-
Investments, other	-	-	-	-	-	1,107,477
Investments	610,310	1,789,016	53,720	9,282,575	-	1,115,914
Property and equipment, net	-	448	-	1,926	-	-
Other assets	-	-	14,600	7,486	-	-
Total assets	<u>\$ 610,310</u>	<u>\$ 1,795,234</u>	<u>\$ 68,320</u>	<u>\$ 10,174,090</u>	<u>\$ 239,955</u>	<u>\$ 5,611,595</u>
<u>LIABILITIES AND NET ASSETS</u>						
Current liabilities:						
Accounts payable and accrued expenses	\$ -	\$ 9,730	\$ 20,894	\$ 5,400	\$ 7,173	\$ -
Grants and distributions payable	-	109,000	-	1,501,277	-	-
Notes payable, current portion	-	-	-	-	-	-
Total current liabilities	-	118,730	20,894	1,506,677	7,173	-
Notes payable, non-current portion	-	-	-	-	-	-
Total liabilities	-	118,730	20,894	1,506,677	7,173	-
Net assets:						
Unrestricted	610,310	1,676,504	47,426	8,667,413	230,284	4,909,676
Temporarily restricted	-	-	-	-	2,498	-
Permanently restricted	-	-	-	-	-	701,919
Total net assets	<u>610,310</u>	<u>1,676,504</u>	<u>47,426</u>	<u>8,667,413</u>	<u>232,782</u>	<u>5,611,595</u>
Total liabilities and net assets	<u>\$ 610,310</u>	<u>\$ 1,795,234</u>	<u>\$ 68,320</u>	<u>\$ 10,174,090</u>	<u>\$ 239,955</u>	<u>\$ 5,611,595</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, 2018

	The Zuckerman Community Outreach Foundation	Howard V. Moore Foundation	Nonprofit Loan Fund of Tucson and Southern Arizona	Sycamore Canyon Conservation Foundation	The Arts Foundation of Tucson and Southern Arizona	Total	2017
<u>ASSETS</u>							
Current assets:							
Cash and cash equivalents	\$ 189,879	\$ 1,911,271	\$ 222,054	\$ 36,552	\$ 436,595	\$ 3,853,540	\$ 2,667,278
Unconditional promises to give, current portion	-	-	-	-	-	10,000	10,168
Contributions and bequests receivable	-	-	-	-	2,046	3,395,250	1,026
Notes receivable, current portion	-	-	150,000	-	-	200,000	213,000
Interest and other receivables	253	-	-	-	273,844	279,736	5,019
Prepaid expenses	-	-	-	-	2,554	2,554	-
Total current assets	190,132	1,911,271	372,054	36,552	715,039	7,741,080	2,896,491
Unconditional promises to give, net, non-current portion	-	-	125	-	-	125	-
Notes receivable, net, non-current portion	50,000	-	731,268	-	-	781,268	344,247
	-	-	-	-	-	1,107,477	-
Investments	6,352,793	-	-	-	-	19,204,328	17,698,339
Property and equipment, net	-	-	-	-	10,372	12,746	5,000
Other assets	-	-	-	1,500	-	23,586	22,453
Total assets	<u>\$ 6,592,925</u>	<u>\$ 1,911,271</u>	<u>\$ 1,103,447</u>	<u>\$ 38,052</u>	<u>\$ 725,411</u>	<u>\$ 28,870,610</u>	<u>\$ 20,966,530</u>
<u>LIABILITIES AND NET ASSETS</u>							
Current liabilities:							
Accounts payable and accrued expenses	\$ 9,658	\$ -	\$ 8,616	\$ -	\$ 10,397	\$ 71,868	\$ 42,973
Grants and distributions payable	12,500	20,000	-	-	7,500	1,650,277	702,980
Notes payable, current portion	-	-	450,000	-	-	450,000	250,000
Total current liabilities	22,158	20,000	458,616	-	17,897	2,172,145	995,953
Notes payable, non-current portion	-	-	500,000	-	-	500,000	400,000
Total liabilities	22,158	20,000	958,616	-	17,897	2,672,145	1,395,953
Net assets:							
Unrestricted	6,570,767	1,891,271	75,180	36,552	623,258	25,338,641	19,559,077
Temporarily restricted	-	-	69,651	-	84,256	156,405	10,000
Permanently restricted	-	-	-	1,500	-	703,419	1,500
Total net assets	6,570,767	1,891,271	144,831	38,052	707,514	26,198,465	19,570,577
Total liabilities and net assets	<u>\$ 6,592,925</u>	<u>\$ 1,911,271</u>	<u>\$ 1,103,447</u>	<u>\$ 38,052</u>	<u>\$ 725,411</u>	<u>\$ 28,870,610</u>	<u>\$ 20,966,530</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, 2018

	William E. Hall Foundation	Worth & Dot Howard Foundation	CFSA Properties, Inc.	Thomas R. Brown Family Foundation	Social Venture Partners	David S. and Norma R. Lewis Foundation
Revenue and support:						
Support:						
Contributions and bequests	\$ -	\$ 2,000	\$ 57	\$ 2,010,000	\$ 388,395	\$ 159,521
Grants and trusts	-	-	-	-	-	-
Special events, net	-	-	-	-	(31,527)	-
Total support	-	2,000	57	2,010,000	356,868	159,521
Revenue, investment and other income:						
Investment income, net	44,902	106,654	-	667,089	190	73,258
Other revenue	-	-	-	-	-	-
Gain on sale of property and equipment	-	-	-	-	-	-
Change in fair value	-	-	-	(116,638)	-	-
Total revenue, investment and other income	44,902	106,654	-	550,451	190	73,258
Total revenue and support	44,902	108,654	57	2,560,451	357,058	232,779
Expenses:						
Grants and distributions	33,000	106,500	-	2,138,121	114,500	124,000
Salaries, wages and related expense	-	55,470	-	-	162,192	-
Professional services	8,342	22,585	1,907	-	10,706	28,163
Office expense	10	2,402	457	108,849	20,287	-
Other expense	-	-	57	21,488	13,141	14
Promotion and development	-	-	-	-	21,980	-
Program subcontracts	-	-	-	-	11,115	-
Total expenses	41,352	186,957	2,421	2,268,458	353,921	152,177
Change in net assets	3,550	(78,303)	(2,364)	291,993	3,137	80,602
Net assets, beginning of year	606,760	1,754,807	49,790	8,375,420	-	-
Transfers to support organizations	-	-	-	-	229,645	5,530,993
Transfer from support organization	-	-	-	-	-	-
Net assets, end of year	\$ 610,310	\$ 1,676,504	\$ 47,426	\$ 8,667,413	\$ 232,782	\$ 5,611,595

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, 2018

	The Zuckerman Community Outreach Foundation	Howard V. Moore Foundation	Nonprofit Loan Fund of Tucson and Southern Arizona	Sycamore Canyon Conservation Foundation	The Arts Foundation of Tucson and Southern Arizona	Total	2017
Revenue and support:							
Support:							
Contributions and bequests	\$ -	\$ -	\$ 134,887	\$ -	\$ 18,582	\$ 2,713,442	\$ 2,310,658
Grants and trusts	-	-	108,000	-	873,351	981,351	370,245
Special events, net	-	-	-	-	(2,085)	(33,612)	3,260
Total support	-	-	242,887	-	889,848	3,661,181	2,684,163
Revenue, investment and other income:							
Investment income, net	259,617	18,943	48,800	329	841	1,220,623	1,498,546
Other revenue	-	-	9,612	23,049	5,000	37,661	31,635
Gain on sale of property and equipment	-	-	-	-	-	-	13,940
Change in fair value	-	-	-	-	-	(116,638)	(96,580)
Total revenue, investment and other income	259,617	18,943	58,412	23,378	5,841	1,141,646	1,447,541
Total revenue and support	259,617	18,943	301,299	23,378	895,689	4,802,827	4,131,704
Expenses:							
Grants and distributions	274,350	179,525	-	-	170,100	3,140,096	7,538,461
Salaries, wages and related expense	-	-	73,008	-	293,409	584,079	220,036
Professional services	41,229	17,569	34,988	18,530	82,693	266,712	227,198
Office expense	4,986	10	4,638	10	49,044	190,693	117,347
Other expense	-	-	74,393	-	21,918	131,011	101,659
Promotion and development	-	-	18,880	-	87,407	128,267	10,863
Program subcontracts	-	-	-	-	-	11,115	-
Total expenses	320,565	197,104	205,907	18,540	704,571	4,451,973	8,215,564
Change in net assets	(60,948)	(178,161)	95,392	4,838	191,118	350,854	(4,083,860)
Net assets, beginning of year	6,631,715	2,069,432	49,439	33,214	516,396	19,570,577	23,654,437
Transfers to support organizations	-	-	-	-	-	5,760,638	-
Transfer from support organization	-	-	-	-	-	516,396	-
Net assets, end of year	\$ 6,570,767	\$ 1,891,271	\$ 144,831	\$ 38,052	\$ 707,514	\$ 26,198,465	\$ 19,570,577

Supplementary Information
See independent auditor's report.