

COMMUNITY FOUNDATION FOR
SOUTHERN ARIZONA AND AFFILIATES

Audited Consolidated Financial Statements
and Supplementary Information

For the year ended June 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 21
Supplementary Information:	
Consolidating Statement of Financial Position	23
Consolidating Statement of Activities	24
Consolidating Statement of Financial Position – Supporting Organizations	25 - 26
Consolidating Statement of Activities – Supporting Organizations	27 - 28

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 statement of financial position as of June 30, 2019, and the related consolidated statement of activities, functional expenses and cash flows for the year 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 audit. 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 \$1,776,486 as of June 30, 2019, and total revenue and support of \$165,274 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for Worth & Dot Howard Foundation, is based solely on the report of the other auditors. We did not audit the financial statements of Thomas R. Brown Family Foundation, a supporting organization of Community Foundation for Southern Arizona, which statements reflect total assets of \$9,961,442 as of June 30, 2019, and total revenue and support of \$2,549,113 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 audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 audit 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was 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 KLOPP, RUDOLF PLEK

January 13, 2020

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

Current assets:	
Cash and cash equivalents	\$ 15,744,282
Unconditional promises to give, current portion	137,398
Contributions and bequests receivable	7,385,028
Interest and other receivables	3,684
Prepaid expenses	43,457
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Total current assets	23,313,849
Unconditional promises to give, net, non-current portion	92,393
Notes receivable	275,000
Investments - other	1,763,833
Investments	123,143,099
Property and equipment, net	6,009,518
Other assets	32,063
	<hr/>
Total assets	<u>\$ 154,629,755</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and accrued expenses	\$ 226,524
Grants and distributions payable	7,729,121
Designated obligations	1,114,670
Due to other agencies	7,032,006
Note payable, current portion	217,231
	<hr/>
Total current liabilities	16,319,552
Deferred compensation liability	49,826
Note payable, non-current portion	2,093,254
	<hr/>
Total liabilities	18,462,632
Net assets:	
Without donor restrictions:	
Undesignated	69,100,219
Designated by the Board for endowment	1,222,650
Designated by the Board - non-endowment	1,346,411
	<hr/>
Total net assets without donor restrictions	71,669,280
With donor restrictions:	
Restricted for specified purposes	3,578,881
Restricted to the passage of time	2,270,049
Subject to appropriation and expenditure	1,831,895
Underwater endowments	(4,802,405)
Restricted in perpetuity - endowment	61,619,423
	<hr/>
Total net assets with donor restrictions	64,497,843
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Total net assets	136,167,123
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Total liabilities and net assets	<u>\$ 154,629,755</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Support:			
Contributions and bequests	\$ 7,711,400	\$ 1,480,323	\$ 9,191,723
Grants and trusts	377,977	-	377,977
Special events, net	168,427	-	168,427
Total support	8,257,804	1,480,323	9,738,127
Revenue, investment and other income:			
Investment income, net	2,738,402	2,305,485	5,043,887
Fund management fees	88,013	-	88,013
Other revenue	23,064	-	23,064
Rental income	22,675	-	22,675
Change in fair value	396	-	396
Total revenue, investment and other income	2,872,550	2,305,485	5,178,035
Net assets released from restrictions:			
Appropriated for expenditure	8,932,651	(8,932,651)	-
Total revenue and support	20,063,005	(5,146,843)	14,916,162
Expenses:			
Program services	18,917,335	-	18,917,335
General and administrative	1,416,584	-	1,416,584
Fund-raising and development	789,569	-	789,569
Total expenses	21,123,488	-	21,123,488
Change in net assets	(1,060,483)	(5,146,843)	(6,207,326)
Net assets, beginning of year, reclassified, restated	73,502,599	69,728,942	143,231,541
Transfer to separate organization	(772,836)	(84,256)	(857,092)
Net assets, end of year	<u>\$ 71,669,280</u>	<u>\$ 64,497,843</u>	<u>\$ 136,167,123</u>

See independent auditor's report and accompanying notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2019

	Program Services	General and Administrative	Fund-raising and Development	Total
Payroll	\$ 585,560	\$ 535,388	\$ 411,693	\$ 1,532,641
Taxes and employee benefits	102,375	105,437	86,616	294,428
Total payroll and employee benefits	687,935	640,825	498,309	1,827,069
Grants and scholarships	17,790,646	-	-	17,790,646
Consulting and professional services	197,902	191,315	125,024	514,241
Occupancy	67,807	128,697	39,025	235,529
Advertising and promotion	55,569	51,319	34,976	141,864
Depreciation	2,476	136,450	-	138,926
Dues and subscriptions	32,700	32,794	24,724	90,218
Office expenses	5,494	36,278	15,726	57,498
Travel, conferences and meetings	29,597	22,034	20,278	71,909
Interest expense	-	62,388	-	62,388
Information technology	12,470	30,234	13,129	55,833
Taxes, licenses and fees	2,200	48,761	2,741	53,702
Insurance	8,719	24,531	6,819	40,069
Postage and printing	7,052	10,958	8,818	26,828
Program supplies	16,768	-	-	16,768
	<u>\$ 18,917,335</u>	<u>\$ 1,416,584</u>	<u>\$ 789,569</u>	<u>\$ 21,123,488</u>

See independent auditor's report and accompanying notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2019

Cash flows from operating activities:	
Change in net assets	\$ (6,207,326)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Realized loss on sale of investments, net	273,373
Unrealized gain on investments, net	(1,971,291)
Depreciation	138,926
Change in operating assets and liabilities:	
Unconditional promises to give	(353)
Contributions and bequests receivable	2,476,779
Interest and other receivables	282,400
Prepaid expenses	(7,077)
Other assets	17,991
Accounts payable and accrued expenses	63,663
Grants and distributions payable	5,711,524
Designated obligations	(145,960)
Deferred compensation liability	25,492
Change in agency funds, including investment gains	(70,852)
Total adjustments	<u>6,794,615</u>
Net cash provided by operating activities	587,289
Cash flows from investing activities:	
Payments on notes receivable	75,000
Purchases of investments - other	(960,000)
Proceeds from sale of investments	26,328,756
Proceeds from redemption of investments - other	275,000
Purchases of investments	(21,329,537)
Interest expense capitalized	(46,933)
Purchases of property and equipment	(2,843,815)
Net cash provided investing activities	<u>1,498,471</u>
Cash flows from financing activities:	
Repayments of note payable	(186,381)
Contributions restricted for long-term purposes	<u>322,627</u>
Net cash provided by financing activities	<u>136,246</u>
Net change in cash and cash equivalents	2,222,006
Cash and cash equivalents, beginning of year	14,200,294
Cash transferred to separate organization	(678,018)
Cash and cash equivalents, end of year	<u>\$ 15,744,282</u>
Supplemental cash flow information:	
Cash paid during the year for interest	<u>\$ 109,135</u>

See independent auditor's report and accompanying notes.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2019

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 that houses CFSA and its affiliates as well as other nonprofits. Co-working space and numerous sizes of offices and suites are available to rent. The campus also provides 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 ZOCF Board of Directors voted to dissolve the organization on May 28, 2019, and the articles of dissolution were filed on June 26, 2019. The assets were distributed to donor-advised funds subsequent to June 30, 2019.

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

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2019

1. Organization, Continued

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. Effective July 1, 2018, NPLF became a supporting organization of Business Development Finance Corporation and subsequently changed its name to Growth Partners Arizona.

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.

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. ARTS discontinued its supporting organization relationship with CFSA, in order to become an independent nonprofit organization, effective January 1, 2019.

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 net assets with donor restrictions and net assets without donor restrictions.

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

Net Assets Without Donor Restrictions is defined as that portion of net assets that has no use or time restrictions. The bylaws of CFSA include a variance provision giving the Board of Directors (the "Board") the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to specified organizations if, in the sole judgement of the Board, and in accordance with the laws of Arizona, (without the necessity of the approval of any Trustee, custodian or agent), such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of Southern Arizona. Based on that provision, CFSA classifies contributions, except those noted with restriction below, as net assets without donor restrictions for financial statement presentation. Net assets without donor restrictions includes \$1,346,411 designated by the TRBFF Board for specified purposes that are not endowment.

Undesignated: Includes balances in non-endowed funds, and amounts remaining from the annual spendable appropriation from endowed funds, that have not been restricted for a specific purpose.

Designated by Board for endowment: Includes Board-designated endowment funds from assets received without donor restrictions or specifically for CFSA administrative functions. These funds help to support community leadership activities and other Foundation operating activities. The Board-designated endowment funds distribute an annual payout based on the Board approved spending policy which is used to provide funding.

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2019

2. Summary of Significant Accounting Policies, Continued

Basis of Accounting, continued

Designated by Board – non-endowment: Includes Board-designated funds from assets received without donor restrictions and designated by the Board for specific activities of the organization.

Net Assets With Donor Restrictions result from charitable assets received and endowment investment earnings that are subject to stipulations imposed by donors that restrict the use or distribution of these funds. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Foundation and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained as endowed funds. 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 net assets with donor restrictions, restricted in perpetuity - endowment.

Restricted for specified purpose: Includes donor contributions for initiatives and special projects for which purpose restrictions apply. Such contributions are recorded as net assets with donor restrictions until purpose restrictions are met.

Restricted for passage of time: Includes contributions unconditionally promised, including irrevocable planned gifts. These assets are recorded at fair value, and when appropriate are discounted at a rate commensurate with the risks involved. These funds are classified as net assets with donor restrictions until the funds are received.

Restricted in perpetuity – endowment: Includes contributions where the donor has stated that such funds are to be held in endowment providing a permanent source of revenue for charitable purposes. These funds are released from donor restricted net assets when they are appropriated based on CFSA's spending policy.

It is the Foundation's policy that net assets restricted in perpetuity 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 net assets with donor restrictions until appropriated for expenditure, at which time they are released to net assets without donor restrictions.

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 \$8,578,608 in cash in excess of the FDIC limit at June 30, 2019.

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2019

2. Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents, continued

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 \$112,279,822 in investments in excess of the SIPC limit at June 30, 2019. 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.

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, 2019, management believes all bequests receivable are fully collectible at the recorded amount and, therefore, no allowance has been provided.

Property and Equipment

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

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2019

2. Summary of Significant Accounting Policies, Continued

Property and Equipment, continued

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

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

Grants and Distributions Payable

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

Land Held for Conservation/Permanent Collections – Conservation Easements

SYCAM is a conservation organization having among its purposes the protection on behalf of the public of open space, scenic, historic and recreational lands. As a qualified holder of conservation easements, SYCAM is generally responsible for ensuring that the terms of the easements are not violated. As of June 30, 2019, 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 net assets without donor restrictions 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 net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2019

2. Summary of Significant Accounting Policies, Continued

Income Taxes

CFSA is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the IRC. Income from certain activities not directly related to CFSA's tax-exempt purpose may be subject to taxation as unrelated business income. CFSA also qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1). Supporting organizations are classified under Section 509(a)(3) of the IRC. There were no income taxes paid during the year ended June 30, 2019.

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, 2019, management is not aware of any uncertain tax positions that are potentially material.

Functional Expense Allocations

Costs of providing various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses which apply to more than one functional category have been allocated among program, general and administrative and fundraising based on the time spent on these functions by specific employees as estimated by management. Costs related to the operations of the CF Campus have been allocated to general and administrative expense. Other costs not specifically allocated, such as information technology and general office supplies, have been allocated on the basis of time and effort.

3. Liquidity and Availability of Resources

CFSA's financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, are comprised of:

Cash and cash equivalents	\$ 15,744,282
Unconditional promises to give, current portion	137,398
Contributions and bequests receivable	<u>7,385,028</u>
Total financial assets available within one year	23,266,708
Less:	
Amounts unavailable for general expenditure within one year due to:	
Designated by the Board for endowment	1,222,650
Designated by the Board - non-endowment	1,346,411
Restricted to the passage of time	<u>2,270,049</u>
Total amounts unavailable for general expenditure within one year	<u>4,839,110</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 18,427,598</u>

CFSA's policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. Financial assets are considered unavailable when either illiquid or not convertible to cash within one year and include assets held for others, endowments, accumulated earnings net of appropriations within one year and board-designated endowments. The board-designated endowments could be utilized upon board approval.

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2019

4. Unconditional Promises to Give

Unconditional promises to give due after one year are discounted at 5.5% at June 30, 2019. At June 30, 2019 unconditional promises to give consists of balances to be paid in future years as follows:

2020	\$ 137,398
2021	77,344
2022	24,389
2023	<u>222</u>
Total unconditional promises to give	239,353
Less interest component	<u>(9,562)</u>
Unconditional promises to give, net	229,791
Less current portion	<u>(137,398)</u>
Non-current portion	<u><u>\$ 92,393</u></u>

5. Notes Receivable

Notes receivable consist of the following at June 30, 2019:

Note receivable from a nonprofit organization with interest only payments at an annual rate of 2% payable quarterly. Principal balance plus any unpaid interest is due October 31, 2020. The note is unsecured.	\$ 100,000
Note receivable from a nonprofit organization with interest only payments at an annual rate of 2% payable semi-annually. Principal balance plus any unpaid interest is due April 19, 2021 The note is unsecured.	50,000
Note receivable from a nonprofit organization with interest only payments at an annual rate of 2% payable quarterly. Principal balance plus any unpaid interest is due October 31, 2020. The note is unsecured.	<u>125,000</u>
Total notes receivable	275,000
Current portion	<u>-</u>
Non-current portion	<u><u>\$ 275,000</u></u>

Future maturities at June 30, 2019 are:

Year ended	
<u>June 30,</u>	
2020	\$ -
2021	<u>275,000</u>
Total notes receivable	<u><u>\$ 275,000</u></u>

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2019

6. Property and Equipment

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

Land and improvements	\$ 655,889
Building and improvements	5,051,833
Equipment and furniture	445,490
Computers and software	79,425
Total property and equipment	<u>6,232,637</u>
Less accumulated depreciation	<u>(223,119)</u>
Property and equipment, net	<u><u>\$ 6,009,518</u></u>

7. Investments

Investments consist of the following at June 30, 2019:

Mutual funds	\$ 97,512,889
Stocks	17,474,885
Fixed income	3,652,954
Interest in trust	1,829,666
Alternative investments	2,636,985
Investment in land	35,720
Total investments	<u><u>\$ 123,143,099</u></u>

Investment income for the year ended June 30, 2019 consists of:

	CFSA, CRTF and PIF	Supporting Organizations	Total
Unrealized gains	\$ 1,761,725	\$ 209,566	\$ 1,971,291
Interest and dividends	2,811,058	772,910	3,583,968
Realized/unrealized gains/losses, net	(379,995)	106,622	(273,373)
Royalties	-	110,469	110,469
Administrative charges	(270,698)	(77,770)	(348,468)
Investment income, net	<u><u>\$ 3,922,090</u></u>	<u><u>\$ 1,121,797</u></u>	<u><u>\$ 5,043,887</u></u>

At June 30, 2019, \$15,945,510 of the total investments are invested and valued by various supporting organizations' own investment policies and guidelines. At June 30, 2019, \$61,619,423 of the investments held by CFSA were endowment net assets not subject to appropriation and expenditure and, as such, were unavailable for operations.

8. 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.

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2019

8. Fair Value Measurements, Continued

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, 2019.

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, 2019:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 97,512,889	\$ -	\$ -	\$ 97,512,889
Stocks	17,474,885	-	-	17,474,885
Bonds:				
Corporate bonds	2,287,572	-	-	2,287,572
Treasury bonds	1,134,813	-	-	1,134,813
Municipal bonds	230,569	-	-	230,569
Total bonds	3,652,954	-	-	3,652,954
Other investments	-	1,829,666	2,672,705	4,502,371
Total investments	<u>\$ 118,640,728</u>	<u>\$ 1,829,666</u>	<u>\$ 2,672,705</u>	<u>\$ 123,143,099</u>

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2019

8. Fair Value Measurements, Continued

The table below sets forth a summary of changes in level 3 investments for the year ended June 30, 2019:

Balance, beginning of year	\$ 2,492,331
Realized gain	17,724
Unrealized loss, net	(587,866)
Change in fair value	(171,130)
Purchases	1,426,365
Proceeds	(504,719)
Balance, end of year	<u>\$ 2,672,705</u>

9. Designated Obligations

Designated obligations consist of the following at June 30, 2019:

Charitable gift annuities	\$ 1,011,880
Pooled income fund	99,790
Unitrusts	3,000
Total designated obligations	<u>\$ 1,114,670</u>

10. Due to Other Agencies

Amounts due to other agencies consist of the following at June 30, 2019:

Yuma Library Foundation Endowment Fund	\$ 2,143,831
Sonoran Institute Endowment Fund	1,536,222
Tohono O'Odham Community College Endowment	369,508
Handi-Dogs Endowment Fund	272,114
YWCA of Southern Arizona Endowment Fund	279,103
Green Valley Assistance Services Endowment	260,641
Sarah P. Hausman Endowment Fund	194,766
Tucson Audubon Endowment Fund	142,688
Archaeology Southwest Fund	136,425
Holmes Tuttle Memorial Fund	130,076
NAMI Southern Arizona Endowment Fund	128,002
Youth On Their Own Endowment Fund	112,550
JobPath Fund	110,112
Tucson Waldorf School Endowment Fund	149,964
Other funds	1,066,004
Total due to other agencies	<u>\$ 7,032,006</u>

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2019

11. Note Payable

Notes payable consist of the following at June 30, 2019:

Note payable to Western Alliance Bank with monthly payments of \$26,441, including interest at 4.445% through April 2028. The note payable is secured by existing or future proceeds from capital campaigns, fundraising and accounts receivable. Proceeds from the note payable were used to pay for construction of a community campus.

	\$ 2,310,485
Current portion	(217,231)
Non-current portion	<u>\$ 2,093,254</u>

Future maturities at June 30, 2019 are:

Year ended	
<u>June 30,</u>	
2020	\$ 217,231
2021	227,507
2022	237,987
2023	248,949
2024	260,266
Thereafter	<u>1,118,545</u>
	<u>\$ 2,310,485</u>

12. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2019:

Restricted for specified purpose	\$ 3,578,881
Restricted to the passage of time	2,270,049
Endowments:	
Subject to endowment spending policy and appropriation:	
Accumulated earnings on original perpetual endowment gifts	1,831,895
Underwater endowments	(4,802,405)
Not subject to appropriation and expenditure -	
Perpetual in nature - original endowment gifts	<u>61,619,423</u>
Net assets with donor restrictions	<u>\$ 64,497,843</u>

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2019

12. Net Assets With Donor Restrictions, Continued

Activity in net assets with donor restrictions is comprised of the following for the year ended June 30, 2019:

	<u>Contributions</u>	<u>Investment Income/(Loss)</u>	<u>Releases and Appropriations</u>
Restricted for specified purpose	\$ 85,275	\$ -	\$ (3,301,431)
Restricted to the passage of time	186,372	70,048	(2,098,347)
Endowments:			
Subject to endowment spending policy and appropriation:			
Accumulated earnings on original perpetual endowment gifts	-	832,566	(1,241,420)
Underwater endowments	-	1,402,871	(2,231,315)
Not subject to appropriation and expenditure - Perpetual in nature - original endowment gifts	<u>1,208,676</u>	<u>-</u>	<u>(60,138)</u>
Net assets with donor restrictions	<u>\$ 1,480,323</u>	<u>\$ 2,305,485</u>	<u>\$ (8,932,651)</u>

13. Endowment Funds

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 net assets with donor restrictions – restricted in perpetuity – endowment (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 net assets with donor restrictions – restricted in perpetuity – endowment is classified as net assets with donor restrictions – restricted to the passage of time 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.

Return Objectives and Risk Parameters

The Foundation has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets over time. 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 diversified and balanced portfolio to help control risk and achieve long-term objectives.

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2019

13. Endowments, Continued

Investment Strategies

To satisfy its rate-of-return objective, 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 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.

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.

CFSA had the following endowment-related activity during the year ended June 30, 2019:

	Without Donor Restrictions		With Donor Restrictions		Total
	CFSA		CFSA	LEWIS/SVP	
Beginning of year	\$ 1,234,176		\$ 62,009,715	\$ 701,919	\$ 63,945,810
Investment return, net	38,775		832,566		871,341
Contributions	-		1,208,676		1,208,676
Releases	-		(60,138)	-	(60,138)
Appropriation of endowment net assets per spending policy	(50,301)		(1,241,420)	-	(1,291,721)
	<u>\$ 1,222,650</u>		<u>\$ 62,749,399</u>	<u>\$ 701,919</u>	<u>\$ 64,673,968</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with certain 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. CFSA has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2019

13. Endowments, Continued

Funds with Deficiencies, continued

At June 30, 2019, funds with deficiencies of \$4,802,405 were reported in net assets with donor restrictions as follows:

Fair value of underwater endowment funds	\$ 37,187,133
Original endowment gift amount	41,989,538
Underwater endowment funds	<u>\$ (4,802,405)</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 year ended June 30, 2019 was \$44,023.

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, in the amount of \$49,826 at June 30, 2019, are included with investments.

15. Rental Income

During the year ended June 30, 2019, CFSACC entered into agreements, as lessor, to lease office space to two organizations. The leases call for monthly payments, including common area maintenance charges, of \$1,458 and \$1,633 and expire during March 2024 and December 2019, respectively. One of the leases includes an annual 2.5% escalation clause. Total rental income for the year ended June 30, 2019 was \$22,675. Future expected minimum rental income is:

Year ended	
<u>June 30,</u>	
2020	\$ 27,403
2021	18,018
2022	18,444
2023	18,880
2024	14,410
	<u>\$ 97,155</u>

See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2019

16. Net Asset Reclassification and Restatement

In connection with the implementation of the Financial Accounting Standards Board Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which included a change in the presentation of net assets, CFSA performed a detailed review of all net asset amounts as previously reported. In connection with the review, the Foundation determined that net assets associated with accumulated, unspent endowment earnings, as previously reported at June 30, 2018, was overstated by \$3,977,967, and unrestricted net assets at June 30, 2018, was understated by the same amount. In addition, management identified additional reclassifications between unrestricted and restricted net assets wherein unrestricted net assets were overstated and restricted net assets were understated in the amount of \$1,631,946 as of June 30, 2018. As a result, net assets with donor restrictions has been decreased, and net assets without donor restrictions has been increased, by a net amount of \$2,346,020 as of June 30, 2018. This reclassification did not effect the change in net assets as previously reported for the year ended June 30, 2018.

In addition, net assets as of June 30, 2018 have been decreased by the TRBFF in the amount of \$40,000 to reflect an understatement of grants payable at June 30, 2018.

17. Subsequent Events

The Foundation was unaware of any subsequent events as of January 13, 2020, 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, 2019

<u>ASSETS</u>	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
Current assets:								
Cash and cash equivalents	\$ 9,012,629	\$ 236,359	\$ 1,628	\$ 7,272	\$ 9,257,888	\$ 6,486,394	\$ -	\$ 15,744,282
Unconditional promises to give, current portion	22,203	106,195	-	-	128,398	9,000	-	137,398
Contributions and bequests receivable, current portion	5,623,783	4,844	-	-	5,628,627	1,756,401	-	7,385,028
Interest and other receivables	506	-	-	-	506	3,178	-	3,684
Prepaid expenses	31,004	9,482	-	-	40,486	2,971	-	43,457
Total current assets	14,690,125	356,880	1,628	7,272	15,055,905	8,257,944	-	23,313,849
Unconditional promises to give, net, non-current portion	8,692	83,701	-	-	92,393	-	-	92,393
Notes receivable	225,000	-	-	-	225,000	50,000	-	275,000
Investments - other	-	-	-	-	-	1,763,833	-	1,763,833
Investments	103,395,085	-	140,759	3,072,042	106,607,886	16,535,213	-	123,143,099
Property and equipment, net	53,572	5,955,765	-	-	6,009,337	181	-	6,009,518
Other assets	9,027	-	-	-	9,027	23,036	-	32,063
Total assets	\$ 118,381,501	\$ 6,396,346	\$ 142,387	\$ 3,079,314	\$ 127,999,548	\$ 26,630,207	\$ -	\$ 154,629,755
<u>LIABILITIES AND NET ASSETS</u>								
Current liabilities:								
Accounts payable and accrued expenses	\$ 106,850	\$ 17,085	\$ 72	\$ 3,712	\$ 127,719	\$ 98,805	\$ -	\$ 226,524
Grants and distributions payable	310,280	-	-	-	310,280	7,418,841	-	7,729,121
Designated obligations	-	-	99,790	1,014,880	1,114,670	-	-	1,114,670
Due to other agencies	7,032,006	-	-	-	7,032,006	-	-	7,032,006
Note payable, current portion	-	217,231	-	-	217,231	-	-	217,231
Total current liabilities	7,449,136	234,316	99,862	1,018,592	8,801,906	7,517,646	-	16,319,552
Deferred compensation liability	49,826	-	-	-	49,826	-	-	49,826
Note payable, non-current portion	-	2,093,254	-	-	2,093,254	-	-	2,093,254
Total liabilities	7,498,962	2,327,570	99,862	1,018,592	10,944,986	7,517,646	-	18,462,632
Net assets:								
Without donor restrictions:								
Undesignated	48,161,106	3,878,880	-	-	52,039,986	17,060,233	-	69,100,219
Designated by the Board for endowment	1,222,650	-	-	-	1,222,650	-	-	1,222,650
Designated by the Board - non-endowment	-	-	-	-	-	1,346,411	-	1,346,411
Total net assets without donor restrictions	49,383,756	3,878,880	-	-	53,262,636	18,406,644	-	71,669,280
With donor restrictions:								
Restricted for specified purpose	3,384,987	189,896	-	-	3,574,883	3,998	-	3,578,881
Restricted to the passage of time	166,802	-	42,525	2,060,722	2,270,049	-	-	2,270,049
Subject to appropriation and expenditure	1,831,895	-	-	-	1,831,895	-	-	1,831,895
Underwater endowments	(4,802,405)	-	-	-	(4,802,405)	-	-	(4,802,405)
Restricted in perpetuity - endowment	60,917,504	-	-	-	60,917,504	701,919	-	61,619,423
Total net assets with donor restrictions	61,498,783	189,896	42,525	2,060,722	63,791,926	705,917	-	64,497,843
Total net assets	110,882,539	4,068,776	42,525	2,060,722	117,054,562	19,112,561	-	136,167,123
Total liabilities and net assets	\$ 118,381,501	\$ 6,396,346	\$ 142,387	\$ 3,079,314	\$ 127,999,548	\$ 26,630,207	\$ -	\$ 154,629,755

Supplementary Information
See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES

For the year ended June 30, 2019

	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
Revenue and support:								
Support:								
Contributions and bequests	\$ 6,581,867	\$ 540,611	\$ -	\$ 49,645	\$ 7,172,123	\$ 2,666,916	\$ (647,316)	\$ 9,191,723
Grants and trusts	-	-	-	-	-	377,977	-	377,977
Special events, net	188,307	-	-	-	188,307	(19,880)	-	168,427
Total support	6,770,174	540,611	-	49,645	7,360,430	3,025,013	(647,316)	9,738,127
Revenue, investment and other income:								
Investment income (loss), net	3,866,654	(270)	8,176	47,530	3,922,090	1,121,797	-	5,043,887
Fund management fees	249,170	-	-	-	249,170	-	(161,157)	88,013
Other revenue	4,468	1,750	-	-	6,218	16,846	-	23,064
Rental income	-	75,643	-	-	75,643	-	(52,968)	22,675
Change in fair value	396	-	-	-	396	-	-	396
Total revenue, investment and other income	4,120,688	77,123	8,176	47,530	4,253,517	1,138,643	(214,125)	5,178,035
Total revenue and support	10,890,862	617,734	8,176	97,175	11,613,947	4,163,656	(861,441)	14,916,162
Expenses:								
Program services	9,586,438	1,401	69	4,040	9,591,948	10,058,571	(733,184)	18,917,335
General and administrative	834,487	433,768	99	5,835	1,274,189	210,687	(68,292)	1,416,584
Fund-raising and development	761,077	74	86	5,087	766,324	83,210	(59,965)	789,569
Total expenses	11,182,002	435,243	254	14,962	11,632,461	10,352,468	(861,441)	21,123,488
Change in net assets	(291,140)	182,491	7,922	82,213	(18,514)	(6,188,812)	-	(6,207,326)
Net assets, beginning of year	111,173,679	3,886,285	34,603	1,978,509	117,073,076	26,158,465	-	143,231,541
Transfers to separate organization	-	-	-	-	-	(857,092)	-	(857,092)
Net assets, end of year	\$ 110,882,539	\$ 4,068,776	\$ 42,525	\$ 2,060,722	\$ 117,054,562	\$ 19,112,561	\$ -	\$ 136,167,123

Supplementary Information
See independent auditor's report.

COMMUNITY FOUNDATION FOR SOUTHERN ARIZONA AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION – SUPPORTING ORGANIZATIONS

June 30, 2019

<u>ASSETS</u>	William E. Hall Foundation	Worth & Dot Howard Foundation	CFSA Properties, Inc.	Thomas R. Brown Family Foundation	Social Venture Partners
Current assets:					
Cash and cash equivalents	\$ -	\$ 60,718	\$ -	\$ 1,204,281	\$ 243,752
Unconditional promises to give, current portion	-	-	-	-	9,000
Contributions and bequests receivable	-	-	-	-	4,968
Interest and other receivables	-	3,178	-	-	-
Prepaid expenses	-	-	-	322	2,649
Total current assets	-	63,896	-	1,204,603	260,369
Unconditional promises to give, net, non-current portion	-	-	-	-	-
Notes receivable, net, non-current portion	-	-	-	-	-
Investments, other	-	-	-	-	-
Investments	589,703	1,712,409	35,720	8,749,903	-
Property and equipment, net	-	181	-	-	-
Other assets	-	-	14,600	6,936	-
Total assets	<u>\$ 589,703</u>	<u>\$ 1,776,486</u>	<u>\$ 50,320</u>	<u>\$ 9,961,442</u>	<u>\$ 260,369</u>
<u>LIABILITIES AND NET ASSETS</u>					
Current liabilities:					
Accounts payable and accrued expenses	\$ -	\$ 5,637	\$ 23,314	\$ 14,402	\$ 24,336
Grants and distributions payable	-	98,500	-	586,592	-
Total current liabilities	-	104,137	23,314	600,994	24,336
Notes payable, non-current portion	-	-	-	-	-
Total liabilities	-	104,137	23,314	600,994	24,336
Net assets:					
Without donor restrictions:					
Undesignated	589,703	1,672,349	27,006	8,014,037	233,535
Designated by the Board for endowment	-	-	-	-	-
Designated by the Board - non-endowment	-	-	-	1,346,411	-
Total net assets without donor restrictions	589,703	1,672,349	27,006	9,360,448	233,535
With donor restrictions:					
Restricted for specified purpose	-	-	-	-	2,498
Restricted to the passage of time	-	-	-	-	-
Restricted in perpetuity - endowment	-	-	-	-	-
Total net assets with donor restrictions	-	-	-	-	2,498
Total net assets	589,703	1,672,349	27,006	9,360,448	236,033
Total liabilities and net assets	<u>\$ 589,703</u>	<u>\$ 1,776,486</u>	<u>\$ 50,320</u>	<u>\$ 9,961,442</u>	<u>\$ 260,369</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, 2019

<u>ASSETS</u>	David S. and Norma R. Lewis Foundation	The Zuckerman Community Outreach Foundation	Howard V. Moore Foundation	Sycamore Canyon Conservation Foundation	The Arts Foundation of Tucson and Southern Arizona	Total
Current assets:						
Cash and cash equivalents	\$ -	\$ 3,131,574	\$ 1,814,879	\$ 31,190	\$ -	\$ 6,486,394
Unconditional promises to give, current portion	-	-	-	-	-	9,000
Contributions and bequests receivable	1,751,433	-	-	-	-	1,756,401
Interest and other receivables	-	-	-	-	-	3,178
Prepaid expenses	-	-	-	-	-	2,971
Total current assets	<u>1,751,433</u>	<u>3,131,574</u>	<u>1,814,879</u>	<u>31,190</u>	<u>-</u>	<u>8,257,944</u>
Unconditional promises to give, net, non-current portion	-	-	-	-	-	-
Notes receivable, net, non-current portion	-	50,000	-	-	-	50,000
Investments, other	1,763,833	-	-	-	-	1,763,833
Investments	1,947,803	3,499,675	-	-	-	16,535,213
Property and equipment, net	-	-	-	-	-	181
Other assets	-	-	-	1,500	-	23,036
Total assets	<u>\$ 5,463,069</u>	<u>\$ 6,681,249</u>	<u>\$ 1,814,879</u>	<u>\$ 32,690</u>	<u>\$ -</u>	<u>\$ 26,630,207</u>
<u>LIABILITIES AND NET ASSETS</u>						
Current liabilities:						
Accounts payable and accrued expenses	\$ 31,116	\$ -	\$ -	\$ -	\$ -	\$ 98,805
Grants and distributions payable	-	6,681,249	52,500	-	-	7,418,841
Total current liabilities	31,116	6,681,249	52,500	-	-	7,517,646
Notes payable, non-current portion	-	-	-	-	-	-
Total liabilities	<u>31,116</u>	<u>6,681,249</u>	<u>52,500</u>	<u>-</u>	<u>-</u>	<u>7,517,646</u>
Net assets:						
Without donor restrictions:						
Undesignated	4,730,034	-	1,762,379	31,190	-	17,060,233
Designated by the Board for endowment	-	-	-	-	-	-
Designated by the Board - non-endowment	-	-	-	-	-	1,346,411
Total net assets without donor restrictions	<u>4,730,034</u>	<u>-</u>	<u>1,762,379</u>	<u>31,190</u>	<u>-</u>	<u>18,406,644</u>
With donor restrictions:						
Restricted for specified purpose	-	-	-	1,500	-	3,998
Restricted to the passage of time	-	-	-	-	-	-
Restricted in perpetuity - endowment	701,919	-	-	-	-	701,919
Total net assets with donor restrictions	<u>701,919</u>	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>-</u>	<u>705,917</u>
Total net assets	<u>5,431,953</u>	<u>-</u>	<u>1,762,379</u>	<u>32,690</u>	<u>-</u>	<u>19,112,561</u>
Total liabilities and net assets	<u>\$ 5,463,069</u>	<u>\$ 6,681,249</u>	<u>\$ 1,814,879</u>	<u>\$ 32,690</u>	<u>\$ -</u>	<u>\$ 26,630,207</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, 2019

	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	\$ -	\$ 2,100,000	\$ 460,572	\$ 97,958
Grants and trusts	-	-	-	-	-	-
Special events, net	-	-	-	-	(19,880)	-
Total support	-	2,000	-	2,100,000	440,692	97,958
Revenue, investment and other income:						
Investment income (loss), net	17,868	163,274	(18,000)	449,066	1,700	114,559
Other revenue	-	-	-	47	-	-
Total revenue, investment and other income	17,868	163,274	(18,000)	449,113	1,700	114,559
Total revenue and support	17,868	165,274	(18,000)	2,549,113	442,392	212,517
Expenses:						
Program services	32,654	150,832	653	1,761,706	381,680	354,704
General and administrative	3,110	18,597	944	54,372	21,170	20,010
Fund-raising and development	2,711	-	823	-	36,291	17,445
Total expenses	38,475	169,429	2,420	1,816,078	439,141	392,159
Change in net assets	(20,607)	(4,155)	(20,420)	733,035	3,251	(179,642)
Net assets, beginning of year	610,310	1,676,504	47,426	8,627,413	232,782	5,611,595
Transfers to separate organization	-	-	-	-	-	-
Net assets, end of year	<u>\$ 589,703</u>	<u>\$ 1,672,349</u>	<u>\$ 27,006</u>	<u>\$ 9,360,448</u>	<u>\$ 236,033</u>	<u>\$ 5,431,953</u>

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, 2019

	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
Revenue and support:						
Support:						
Contributions and bequests	\$ -	\$ -	\$ -	\$ -	\$ 6,386	\$ 2,666,916
Grants and trusts	-	-	-	-	377,977	377,977
Special events, net	-	-	-	-	-	(19,880)
Total support	-	-	-	-	384,363	3,025,013
Revenue, investment and other income:						
Investment income (loss), net	364,777	27,061	-	543	949	1,121,797
Other revenue	-	-	-	16,575	224	16,846
Total revenue, investment and other income	364,777	27,061	-	17,118	1,173	1,138,643
Total revenue and support	364,777	27,061	-	17,118	385,536	4,163,656
Expenses:						
Program services	6,913,195	139,198	-	6,070	317,879	10,058,571
General and administrative	11,940	8,951	-	8,767	62,826	210,687
Fund-raising and development	10,409	7,804	-	7,643	84	83,210
Total expenses	6,935,544	155,953	-	22,480	380,789	10,352,468
Change in net assets	(6,570,767)	(128,892)	-	(5,362)	4,747	(6,188,812)
Net assets, beginning of year	6,570,767	1,891,271	144,831	38,052	707,514	26,158,465
Transfers to separate organization	-	-	(144,831)	-	(712,261)	(857,092)
Net assets, end of year	\$ -	\$ 1,762,379	\$ -	\$ 32,690	\$ -	\$ 19,112,561

Supplementary Information
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