



The Alaska Community Foundation and Affiliate

Consolidated Financial Statements
Years Ended December 31, 2017 and 2016
(With Independent Auditor's Report Thereon)

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The Alaska Community Foundation and Affiliate

Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Consolidated Financial Statements	
Consolidated Statements of Financial Position	4-5
Consolidated Statements of Activities	6-7
Consolidated Statements of Functional Expenses	8-9
Consolidated Statements of Cash Flows	10
Notes to Consolidated Financial Statements	11-23



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Independent Auditor's Report

Members of the Board of Directors
The Alaska Community Foundation and Affiliate
Anchorage, Alaska

We have audited the accompanying consolidated financial statements of The Alaska Community Foundation and Affiliate, which comprise the consolidated statement of financial position of as of December 31, 2017, 2016, and the related consolidated statements 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 Consolidated 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 consolidated 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 financial statements based on our audit. 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 financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Alaska Community Foundation and Affiliate as of December 31, 2017 and 2016; and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

BDO USA, LLP

Anchorage, Alaska
August 2, 2018

Consolidated Financial Statements

The Alaska Community Foundation and Affiliate
Consolidated Statements of Financial Position

<i>December 31,</i>	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 5,005,850	\$ 1,812,585
Accounts receivable	57,419	379,139
Prepaid expenses	60,636	64,431
Total Current Assets	5,123,905	2,256,155
Non-Current Assets		
Investments	86,443,489	75,722,708
Land - held for resale	485,500	874,000
Property and equipment - net of accumulated depreciation of \$184,326 for 2017 and \$160,231 for 2016	89,405	89,737
Total Non-Current Assets	87,018,394	76,686,445
Total Assets	\$ 92,142,299	\$ 78,942,600

See accompanying notes to consolidated financial statements.

The Alaska Community Foundation and Affiliate

Consolidated Statements of Financial Position, continued

<i>December 31,</i>	2017	2016
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 132,934	\$ 180,226
Accrued payroll liabilities	73,436	57,981
Deferred revenue	1,947,858	1,024,947
Grants payable	557,405	773,378
Total current liabilities	2,711,633	2,036,532
Funds held for other organizations (note 1)	12,079,870	10,220,246
Total Liabilities	14,791,503	12,256,778
Net Assets		
Unrestricted:		
Designated:		
Donor advised and other funds	65,295,654	55,386,507
Property and equipment	574,905	963,737
Undesignated - operations	1,377,456	1,010,335
Total unrestricted	67,248,015	57,360,579
Temporarily restricted (note 8)	10,102,781	9,325,243
Total Net Assets	77,350,796	66,685,822
Total Liabilities and Net Assets	\$ 92,142,299	\$ 78,942,600

See accompanying notes to consolidated financial statements.

The Alaska Community Foundation and Affiliate

Consolidated Statement of Activities

Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Support:			
Amounts raised	\$ 6,817,991	\$ 311,800	\$ 7,129,791
Grants	6,291	2,584,756	2,591,047
Less amounts raised or received on behalf of others	(934,290)	-	(934,290)
Net contributions and bequests raised	5,889,992	2,896,556	8,786,548
Other Revenue:			
Other revenue	149,142	-	149,142
Foundation administrative fees charged to funds held for others	93,343	-	93,343
Investment income (loss)	9,615,198	978,074	10,593,272
Other revenue (loss) before allocation of investment income	9,857,683	978,074	10,835,757
Less net investment (income) loss allocated to funds held for others	(1,505,612)	-	(1,505,612)
Net other revenue (loss)	8,352,071	978,074	9,330,145
Net assets released from restrictions	3,097,092	(3,097,092)	-
Total support and revenue and net assets released from restrictions	17,339,155	777,538	18,116,693
Expenses:			
Program services:			
Grants and philanthropic distributions	4,006,389	-	4,006,389
Less amounts distributed on behalf of others	(438,278)	-	(438,278)
Total grants and philanthropic distributions	3,568,111	-	3,568,111
Program services expense	2,622,321	-	2,622,321
Less program services expenses allocated to funds held for others	(39,168)	-	(39,168)
Total grants, philanthropic distributions, and program services	2,583,153	-	2,583,153
Support services:			
Management and general administrative	819,309	-	819,309
Development and fundraising	481,146	-	481,146
Total support service	1,300,455	-	1,300,455
Total expenses	7,451,719	-	7,451,719
Change in net assets	9,887,436	777,538	10,664,974
Net assets at beginning of year	57,360,579	9,325,243	66,685,822
Net assets at end of year	\$ 67,248,015	\$ 10,102,781	\$ 77,350,796

See accompanying notes to consolidated financial statements.

The Alaska Community Foundation and Affiliate

Consolidated Statement of Activities

Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Support:			
Amounts raised	\$ 4,782,956	\$ 314,450	\$ 5,097,406
Grants	61,556	3,315,683	3,377,239
Less amounts raised or received on behalf of others	(902,458)	-	(902,458)
Net contributions and bequests raised	3,942,054	3,630,133	7,572,187
Other Revenue:			
Other revenue	162,730	-	162,730
Foundation administrative fees charged to funds held for others	74,709	-	74,709
Investment income (loss)	4,690,111	(176,617)	4,513,494
Other revenue (loss) before allocation of investment income	4,927,550	(176,617)	4,750,933
Less net investment (income) loss allocated to funds held for others	(777,889)	-	(777,889)
Net other revenue (loss)	4,149,661	(176,617)	3,973,044
Net assets released from restrictions	3,736,126	(3,736,126)	-
Total support and revenue and net assets released from restrictions	11,827,841	(282,610)	11,545,231
Expenses:			
Program services:			
Grants and philanthropic distributions	4,119,792	-	4,119,792
Less amounts distributed on behalf of others	(287,325)	-	(287,325)
Total grants and philanthropic distributions	3,832,467	-	3,832,467
Program services expense	3,425,552	-	3,425,552
Less program services expenses allocated to funds held for others	(43,985)	-	(43,985)
Total grants, philanthropic distributions, and program services	3,381,567	-	3,381,567
Support services:			
Management and general administrative	738,222	-	738,222
Development and fundraising	556,260	-	556,260
Total support service	1,294,482	-	1,294,482
Total expenses	8,508,516	-	8,508,516
Change in net assets	3,319,325	(282,610)	3,036,715
Net assets at beginning of year	54,041,254	9,607,853	63,649,107
Net assets at end of year	\$ 57,360,579	\$ 9,325,243	\$ 66,685,822

See accompanying notes to consolidated financial statements.

The Alaska Community Foundation and Affiliate

Consolidated Statement of Functional Expenses

Year Ended December 31, 2017

	Program Services			Supporting Services		Total Program and Supporting Services
	Philanthropic Funds	Restricted Programs and Projects	Total Program Services	Management and General	Fundraising	
Grants and philanthropic distributions	\$ 3,750,119	\$ 256,270	\$ 4,006,389	\$ 2,425	\$ -	\$ 4,008,814
Wages and benefits	-	530,219	530,219	502,109	343,116	1,375,444
Foundation administrative fees	946,011	96,141	1,042,152	210	-	1,042,362
Contracts	3,483	1,681,807	1,685,290	91,176	26,716	1,803,182
Communications and marketing	-	22,870	22,870	18,284	13,419	54,573
Investment fees	274,559	2,157	276,716	12,322	1,644	290,682
Facility	-	35,858	35,858	90,734	33,950	160,542
Travel and conference	-	37,397	37,397	14,411	6,789	58,597
Special events	-	13,727	13,727	20,518	39,119	73,364
Depreciation	-	7,275	7,275	12,240	4,580	24,095
Telephone and internet	-	2,506	2,506	12,818	2,379	17,703
Equipment and maintenance	278	3,831	4,109	12,882	4,032	21,023
Supplies	-	4,012	4,012	14,446	1,715	20,173
Postage	-	483	483	3,449	689	4,621
Insurance	-	1,719	1,719	3,501	1,552	6,772
Other	140	-	140	7,994	1,446	9,580
Total operating expenses	4,974,590	2,696,272	7,670,862	819,519	481,146	8,971,527
Less foundation administrative fees	(946,011)	(96,141)	(1,042,152)	(210)	-	(1,042,362)
Total Functional Expenses	\$ 4,028,579	\$ 2,600,131	\$ 6,628,710	\$ 819,309	\$ 481,146	\$ 7,929,165

See accompanying notes to consolidated financial statements.

The Alaska Community Foundation and Affiliate

Consolidated Statement of Functional Expenses

Year Ended December 31, 2016

	Program Services			Supporting Services		Total Program and Supporting Services
	Philanthropic Funds	Restricted Programs and Projects	Total Program Services	Management and General	Fundraising	
Grants and philanthropic distributions	\$ 3,866,827	\$ 252,965	\$ 4,119,792	\$ 1,772	\$ -	\$ 4,121,564
Contracts	2,680	2,761,112	2,763,792	114,052	38,055	2,915,899
Wages and benefits	-	312,640	312,640	372,736	389,179	1,074,555
Foundation administrative fees	853,727	220,120	1,073,847	-	-	1,073,847
Investment fees	299,596	1,218	300,814	9,889	1,916	312,619
Facility	-	-	-	110,289	47,441	157,730
Communications and marketing	250	15,155	15,405	24,469	16,170	56,044
Special events	-	6,788	6,788	12,655	29,588	49,031
Depreciation	-	-	-	20,913	9,034	29,947
Travel and conference	-	14,246	14,246	7,776	5,496	27,518
Equipment and maintenance	-	-	-	15,726	5,063	20,789
Insurance	-	-	-	13,816	5,902	19,718
Supplies	1,169	767	1,936	13,100	1,851	16,887
Telephone	-	19	19	10,578	4,094	14,691
Postage	-	-	-	4,173	718	4,891
Other	9,598	314	9,912	6,278	1,753	17,943
Total operating expenses	5,033,847	3,585,344	8,619,191	738,222	556,260	9,913,673
Less foundation administrative fees	(853,727)	(220,120)	(1,073,847)	-	-	(1,073,847)
Total Functional Expenses	\$ 4,180,120	\$ 3,365,224	\$ 7,545,344	\$ 738,222	\$ 556,260	\$ 8,839,826

See accompanying notes to consolidated financial statements.

The Alaska Community Foundation and Affiliate

Consolidated Statements of Cash Flows

<i>Years Ended December 31,</i>	2017	2016
Cash Flows from (for) Operating Activities		
Change in net assets	\$ 10,664,974	\$ 3,036,715
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	24,095	29,947
Unrealized (gain) loss on investments	(8,723,159)	(3,105,928)
Realized (gain) loss on investments	(1,070,282)	(299,693)
Interest and dividends	(799,831)	(1,107,861)
(Increase) decrease in assets:		
Accounts receivable	321,720	(58,630)
Mortgage, lease and other receivable	-	241,103
Prepaid expenses	3,795	14,605
Increase (decrease) in liabilities:		
Accounts payable	(47,292)	27,464
Accrued payroll liabilities	15,455	1,077
Deferred revenue	922,911	(327,478)
Grants payable	(215,973)	179,325
Funds held for other organizations	1,859,624	1,274,328
Net cash from (for) operating activities	2,956,037	(95,026)
Cash Flows from (for) Investing Activities		
(Purchase) sale of property and equipment	364,737	-
(Purchase) of investments	(11,638,481)	(11,856,162)
(Purchase) Proceeds from sales of investments	11,510,972	10,054,054
Net cash from (for) investing activities	237,228	(1,802,108)
Net Increase (Decrease) in Cash and Cash Equivalents	3,193,265	(1,897,134)
Cash and Cash Equivalents, beginning of year	1,812,585	3,709,719
Cash and Cash Equivalents, end of year	\$ 5,005,850	\$ 1,812,585

See accompanying notes to consolidated financial statements.

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies

Operations

The Alaska Community Foundation and Affiliate (the Foundation) was incorporated as a nonprofit organization in the State of Alaska in 1995. The primary purpose of a community foundation is to encourage philanthropy and strengthen communities. The Foundation's mission is: To transform gifts from Alaskans into extraordinary contributions for our state's future. Connecting people who care with causes that matter.

The Foundation receives a wide variety of gifts and, per the Foundation's gift acceptance policy will bring all gifts into alignment with the investment policy in a prudent and timely manner.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its FASB ASC 958-205 "Not-for-Profit Entities: Presentation of Financial Statements". The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets represent that portion of net assets of the Foundation that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets represent that portion of net assets of the Foundation whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Foundation. When the stipulated time restriction ends or action is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets represent that portion of net assets of the Foundation that have been restricted by donors to be maintained by the Foundation in perpetuity.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiary, ACF Properties LLC, which was funded to receive contributions of real estate. All material intra-entity transactions have been eliminated.

Basis of Accounting

For purposes of the statement of cash flows, the Foundation considers all unrestricted liquid investments with an initial maturity of three months or less to be cash equivalents.

The Foundation follows Generally Accepted Accounting Principles (GAAP), when preparing consolidated financial statements and accounting for contributions received and contributions made. GAAP establishes standards for general purpose external consolidated financial statements.

It requires that those consolidated financial statements provide certain basic information that focuses on the entity as a whole and meets the common needs of external users of those statements.

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

Under GAAP, contributions and pledges are recorded in the period received in the appropriate class of net assets based upon any donor-imposed stipulations.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Foundation considers highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments

Investments in marketable securities are reported at fair value in the Statements of Financial Position. Unrealized gains and losses and interest earned on investments are recorded as unrestricted or temporarily restricted investment earnings. All investment earnings are recorded in the Statements of Activities.

Accounts and Grants Receivable

Accounts receivable are recorded on the accrual basis when the goods and services are billed and are considered delinquent or uncollectible on a case-by-case basis by management. The Foundation records an allowance for doubtful accounts for the estimated uncollectible portion of the accounts receivable. This estimate is based on management's historical collection experience and a review of current accounts receivable. Management deems all receivables fully collectible; therefore, no allowance has been established at December 31, 2017 and 2016. Receivables are charged off when all collection efforts have been exhausted.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the year end are recorded as prepaid expenses.

Property and Equipment

Property and equipment are stated at cost or estimated fair value if donated. Expenses for maintenance and repairs are charged to expense as incurred, and expenses for major renovations are capitalized. All expenses for property and equipment in excess of \$5,000 are capitalized. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis of 3-7 years.

Funds Held in Trust for Other Organizations (Agency Endowments)

Assets received from an organization that names itself or its affiliate as the beneficiary of the funds the Foundation records as liabilities rather than as contributions, even if variance power is explicitly stated in the gift agreement. Assets received and net investment earnings are recorded as increases to agency endowment liabilities; fund distributions and fees are recorded as decreases to liabilities.

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

Funds Held as Donor Advised and Other Funds

Assets and contributions paid directly to the Foundation for a charitable endowment specified by the donor are considered to be unrestricted contributions to the Foundation if the donor has entered into an agreement that grants the Foundation variance power. Assets held are reported as restricted cash or restricted investments and unrestricted/undesignated net assets.

The Foundation also maintains funds for which the donor has no expectation of giving advice once the gift is given. Those include scholarships, field of interest funds, designated funds, project funds, operating funds, and unrestricted funds.

Temporarily restricted contributions to the Foundation are held as such until the restrictions are met and the net assets are released from restrictions.

Fair Value of Financial Instruments

The Foundation discloses its estimate of the fair value of material financial instruments, including those recorded as assets or liabilities in its consolidated financial statements.

The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) investments, (3) receivables, net, (4) certain other current assets, (5) accounts payable and (6) other current liabilities. The carrying amounts reported in the Statements of Financial Position for the above financial instruments closely approximates their fair value due to the short-term nature of these assets and liabilities except for the Foundation's investments. The carrying amounts of the Foundation's investments were determined based on quoted market prices when available.

Compensated Absences

Annual leave is accrued as earned and recorded as an expense in the period earned.

Support and Revenue

Fund Administration Fees: Fees for services include charges to the individual funds for administration and managing the investments. Fees are recognized at the time the services are provided by the Foundation. Services are recognized monthly.

Contributions: Unconditional promises to give cash and other assets to the Foundation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at the fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

Public Support: Contributions reported on the statements of activities include grants and other contributions from corporations, foundations and individuals, as well as grants from the State of Alaska.

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of 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. Actual results could differ from those estimates.

In-kind Contributions

Donated services are recognized as contributions in accordance with FASB ASC 958, Accounting for Contributions Received and Contributions Made, if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. In-kind contributions for space, supplies, and professional services are recorded in the statement of activities at market value and recognized as revenue and expenses in the period they are received, except for donated equipment, which is recorded as revenue in the period received and the asset is depreciated over its estimated useful life.

Income Tax Status

The Foundation is a nonprofit corporation exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code whereby only unrelated business income, as defined by Section 512(a)(1) of the Internal Revenue Code, is subject to Federal income tax.

The Foundation applies the provisions of ASC No. 740 relating to accounting for uncertainty in income taxes. The Foundation annually reviews its tax returns and positions taken in accordance with the recognition standards. The Foundation believes that it has no uncertain tax position which would require disclosure or adjustment as of December 31, 2017 or 2016.

The Foundation classifies all interest and penalties related to tax contingencies as income tax expense. As of December 31, 2017 and 2016, there were no accrued interest or penalties. The Foundation files tax returns in the U.S. Federal Jurisdiction and the State of Alaska. As of December 31, 2017, the tax years that remain subject to examination are 2014, 2015 and 2016.

Subsequent Events

Management has evaluated the existence of subsequent events through August 2, 2018, the date which the consolidated financial statements were available for issuance.

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

2. Cash and Cash Equivalents

The Foundation maintains cash balances at financial institutions located in Anchorage, Alaska, which are insured by the FDIC up to \$250,000 at December 31, 2017 and 2016. Any amounts exceeding FDIC insurance coverage are uncollateralized and uninsured and represent a concentration of credit risk. Uninsured and uncollateralized amounts were \$4,483,008 and \$1,445,279, respectively, at December 31, 2017 and 2016.

3. Fair Value Measurements/Investments

Included in investment related line items in the consolidated financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or for certain bonds and preferred stock when carried at the lower of cost or market.

The fair value of an asset is the amount at which the asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Fair values are based on quoted market prices when available.

The Foundation's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by generally accepted accounting principles. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methods and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

- Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Foundation's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

Certain assets of the Foundation as carried at net asset value (NAV).

The following tables provide information as of December 31, 2017 and 2016 about the Foundation's financial assets and liabilities measured at fair value on a recurring basis.

<i>December 31, 2017</i>	Level 1	Level 2	Level 3	Total
Assets:				
Money market / cash sweeps	\$ 1,142,323	\$ 25,461	\$ -	\$ 1,167,784
Certificate of Deposit	-	156,638	-	156,638
U.S. Treasuries	-	4,151,809	-	4,151,809
U.S. Agency Funds	-	624,807	-	624,807
Municipal obligations	-	249,051	-	249,051
Corporate obligations	-	6,065,481	-	6,065,481
Asset back securities	-	2,543,139	-	2,543,139
Common Equity:				
Consumer goods	1,148,561	-	-	1,148,561
Consumer discretionary	4,309,525	-	-	4,309,525
Consumer staples	4,324,135	-	-	4,324,135
Energy	1,495,999	2,980,146	-	4,476,145
Financials	6,190,950	-	-	6,190,950
Health care	2,255,590	-	-	2,255,590
Industrials	2,511,297	-	-	2,511,297
Information technology	4,963,633	-	-	4,963,633
Materials	1,341,287	-	-	1,341,287
Real estate	200,208	-	-	200,208
Telecom	563,530	-	-	563,530
Utilities	355,275	-	-	355,275
Other	4,650,580	-	-	4,650,580
Other equity	3,790,251	72,288	228,722	4,091,261
Debt bonds	419,792	5,989,229	125,830	6,534,851
Diversified hedged strategies	777,714	3,474,888	1,616,101	5,868,703
Private real estate	-	1,184	1,917,266	1,918,449
Private equity	-	10,890	1,413,217	1,424,107
Private debt	-	-	1,137,148	1,137,148
Closely held stock	-	-	6,489,240	6,489,240
Total at Fair Value	40,440,650	26,345,011	12,927,524	79,713,184
Investments carried at net asset value	-	-	-	6,730,305
Total	\$ 40,440,650	\$ 26,345,011	\$ 12,927,524	\$ 86,443,489

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

<i>December 31, 2016</i>	Level 1	Level 2	Level 3	Total
Assets:				
Money market / cash sweeps	\$ 3,021,842	\$ 68,085	\$ -	\$ 3,089,927
Certificate of Deposit	-	156,542	-	156,542
U.S. Agency Funds	-	5,705,933	-	5,705,933
Municipal obligations	-	250,730	-	250,730
Corporate obligations	-	6,673,687	-	6,673,687
Asset back securities	-	276,506	-	276,506
Common Equity:				
Consumer goods	1,361,576	-	-	1,361,576
Consumer discretionary	4,156,552	-	-	4,156,552
Consumer staples	3,081,857	-	-	3,081,857
Energy	1,142,935	3,047,311	-	4,190,246
Financials	4,470,358	-	-	4,470,358
Health care	1,706,266	-	-	1,706,266
Industrials	1,573,978	-	-	1,573,978
Information technology	4,698,300	-	-	4,698,300
Materials	1,135,933	-	-	1,135,933
Real estate	368,166	-	-	368,166
Telecom	488,383	-	-	488,383
Utilities	296,979	-	-	296,979
Other	1,218,712	-	-	1,218,712
Other equity	1,617,762	54,708	92,828	1,765,298
Debt bonds	558,615	5,182,963	111,478	5,853,056
Diversified hedged strategies	421,428	1,553,491	1,198,317	3,173,236
Private real estate	-	-	1,026,492	1,026,492
Private equity	-	-	70,186	70,186
Private debt	-	-	4,465,627	4,465,627
Closely held stock	-	-	6,215,038	6,215,038
Total at Fair Value	31,319,642	\$ 22,969,956	\$ 13,179,966	67,469,564
Investments carried at net asset value	-	-	-	8,253,144
Total	\$ 31,319,642	\$ 22,969,956	\$ 13,179,966	\$75,722,708

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

Reconciliations of assets and liabilities measured and carried at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) for the year ending December 31, 2017 and 2016 are as follows:

	Fair value investments
Balance at December 31, 2015	\$ 6,828,089
Change in value due to appraisal/redemption	6,351,907
Balance at December 31, 2016	13,179,996
Change in value due to appraisal/redemption	(252,442)
Balance at December 31, 2017	\$ 12,927,524

Investments consisting of closely held stock are recorded at fair value based on an appraisal using valuation techniques such as the sales-comparison approach and income approach. Unobservable inputs include market comparable rates.

The Foundation's accounting policy is to recognize transfers between levels of their fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 1, Level 2, or Level 3 for the years ended December 31, 2017 and 2016.

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amount reported in the statement of financial position.

4. Investment Income (Loss)

Investment income is comprised of the following at December 31:

	2017	2016
Realized gain (loss)	\$ 1,070,281	\$ 299,693
Unrealized gain (loss)	8,723,160	3,105,928
Interest and dividend income	799,831	1,107,873
Total investment income (loss)	\$ 10,593,272	\$ 4,513,494

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

5. Assets Held for Resale

The Foundation received land through the dissolution of the AIE Foundation. The intent is to sell the properties and the proceeds be used to fund grants for educational purposes. The land is included below as part of property, plant, and equipment.

	2017	2016
Donated Land	\$ 485,500	\$ 874,000

6. Property, Equipment, and Donated Land

Property and equipment is comprised of the following at December 31:

	2017	2016
Furniture and equipment	\$ 237,730	\$ 213,967
Software	36,001	36,001
Total property and equipment	273,731	249,968
Accumulated depreciation	(184,326)	(160,231)
	\$ 89,405	\$ 89,737

Depreciation expense was \$24,095 and \$29,947 for the years ended December 31, 2017 and 2016, respectively. The donated land is not depreciated.

7. Description of Program and Supporting Services

Philanthropic Funds

Funds expended from the holdings of endowed or non-endowed charitable funds for the sole purpose of making grants to 501(c)(3) charitable organizations in perpetuity or otherwise.

Restricted Programs and Projects

Restricted programs are funds expended by the Foundation when it serves as the fiscal sponsor for a partner entity that is not a 501(c)(3) organization to enable a charitable project to move forward for the community. There are some projects that the Foundation expends funds for that are unrestricted that are also included in this program.

Management and General

Funds expended for the administration and general operations of the Foundation

Fundraising

Funds expended to solicit donations or contributions to the Foundation.

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

8. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31:

	2017	2016
Family Donor Advised Fund	\$ 8,011,373	\$ 7,393,514
Pick Click Give	160,808	160,808
Recover Alaska Media Project	3,899	3,899
Recover Alaska Project	-	75,640
Wrangell Scholarship Fund	557,202	536,829
Sitka Scholarship Fund	528,999	518,252
Thorpe Scholarship Fund	48,869	111,476
ACF Tier 1 Technology Grant	21,846	-
Progressive and Social Justice Fund	769,785	524,825
Total	\$ 10,102,781	\$ 9,325,243

Net assets were released from restrictions by satisfying the relevant requirements related those restrictions.

9. Leases

The Foundation entered into a lease that was executed November 1, 2012 and terminating on October 31, 2022. During 2014, The Foundation's lease provided for month to month occupancy. Terms of the agreement provide for monthly payments of \$1.48 per square foot, or \$9,216 for space and utilities and increases of 3% per year. In 2015, the Foundation signed an amendment to increase the amount of space rented. Terms of this amendment provide for additional monthly payments of \$1.53 per square foot, or \$3,288 for space and utilities and increases of 3% per year. Rent expense for office space, including the additional space added in 2015, was \$160,543 and \$157,730 for the years ended December 31, 2017 and 2016, respectively.

Minimum future lease obligations on all leases in effect at December 31 are as follows:

2018	\$	163,598
2019		166,723
2020		169,960
2021		173,442
2022		146,848
Total	\$	820,571

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

10. Subleases

The Alaska Community Foundation and Affiliate subleases space within its leased area to various other entities on varying terms. Current lease agreements are for one-year terms ending December 31, 2017. The Alaska Community Foundation and Affiliate expects to extend these sublease agreements to multi-year arrangements starting in 2018. Expected future payments of subleases to offset lease expenses are as follows:

2018	\$ 120,618
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11. Related Parties

On October 1, 2012, The Foundation entered into an office lease agreement with SJ/JL Calais Office I, LLC. A board member of The Foundation, is a 28.5% direct beneficial owner and 15.7% indirect beneficial owner through an Alaska Trust. In addition, The Foundation's largest grantor is an 11.6% beneficial owner in the SJ/JL Calais Office I, LLC. A portion of the grantor's share of income from this partnership is used to offset and reduce the office space lease payments for the Foundation. The lease payments for 2017 were \$147,206 and \$157,730 in 2016.

In 2017 and 2016, The Foundation recognized \$2,899,980 and \$848,841, respectively, in revenue from the Rasmuson Foundation. The President and CEO of the Rasmuson Foundation, is also a board member of the Foundation.

On December 19, 2012, The Alaska Children's Trust entered into an office lease agreement with The Foundation and contracts with The Foundation program grant making staff to provide grant making due diligence for the Alaska Children's Trust. Additionally, The Foundation invests and manages an investment portfolio of \$11 million on behalf of the Alaska Children's Trust. In 2017, The Foundation recorded \$40,350 in rental income and \$1,191 was billed back to the Alaska Children's Trust for reimbursement of postage, printing and staff time performing administrative and grant making services.

The Chairman and President of the Alaska Native Tribal Health Consortium is also a board member of The Foundation. The Foundation awarded grants totaling \$0 and \$5,000, respectively, to the Alaska Native Tribal Health Consortium for vocational training purposes during 2017 and 2016.

12. Contingencies

Amounts received or receivable from grantors are subject to audit and adjustment. Any disallowed claims, including amounts already collected, would become a liability of the Foundation. However, management believes that such claims, if any, would not be significant.

13. Pension Plan

Prior to 2017, the Foundation had a 403(b) defined contribution plan with Mutual of America, which covers full-time employees at their date of hire. Under the Plan, the Foundation provided an employer contribution of 6% of the employee's gross wages after 12 months of service. As of 2017, the Alaska Community Foundation has a 401(k) defined contribution plan with John Hancock, which covers full-time employees. Under the Plan, the Foundation provides an elective employer matching

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

contribution of 100% of the employee contribution up to 3% of wages, and an additional 50% of the employee contribution for the next 2% of wages after 12 months of service. Employer contributions under the plan totaled \$25,476 and \$16,041 for the years ended 2017 and 2016, respectively.

14. Accounting Pronouncements issued but Not Yet Adopted or Currently in Effect

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for the Entities until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Entities' fiscal years beginning after December 15, 2019 with early adoption permitted. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958) - *Presentation of Consolidated Financial Statements for Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include; (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit consolidated financial statements. The ASU is effective for the Entities' consolidated financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on their consolidated financial statements.

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

In May 2015, the FASB issued ASU 2015-07, an amendment to FASB ASV 820-10 *Fair Value Measurement - Overall: Subsequent Measurement*. This update addressed the diversity in practice and how certain investments measure at net asset value with redemption dates in the future are categorized in the fair value hierarchy. Effective for private entities with fiscal years beginning after December 2016, this update removed the requirements to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient, as well as other related disclosure requirements. Management is currently evaluating the impact of this ASU on their consolidated financial statements.