

**THE ALASKA COMMUNITY FOUNDATION**

Financial Statements, Additional Information  
and Compliance Reports  
(With Independent Auditors' Report Thereon)

Years Ended December 31, 2011 and 2010

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**The Alaska Community Foundation**

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Independent Auditors' Report

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

Ladies and Gentlemen:

We have audited the accompanying statement of financial position of The Alaska Community Foundation (a nonprofit organization) as of December 31, 2011 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of The Alaska Community Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of The Alaska Community Foundation as of December 31, 2010, were audited by other auditors whose report dated March 17, 2011, expressed an unqualified opinion on those statements.

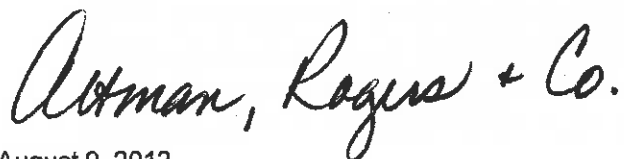
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Alaska Community Foundation as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 9, 2012, on our consideration of The Alaska Community Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Members of the Board of Directors  
The Alaska Community Foundation

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of state financial assistance is presented for purposes of additional analysis as required by *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

A handwritten signature in black ink that reads "Altman, Rogers + Co." in a cursive script.

August 9, 2012  
Anchorage, Alaska

THE ALASKA COMMUNITY FOUNDATION

Statements of Financial Position

December 31, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents:		
Unrestricted:		
Held for operations	\$ 744,057	566,129
Restricted:		
Held in trust for other organizations	266,742	564,869
Held for donor advised and other funds	<u>4,864,018</u>	<u>2,705,420</u>
Total cash and cash equivalents	5,874,817	3,836,418
Accounts receivable		40,484
Pledges receivable:		
Unrestricted	1,000	2,535,195
Prepaid expenses	<u>36,961</u>	<u>19,989</u>
Total current assets	5,912,778	6,432,086
Non-current assets:		
Investments:		
Unrestricted:		
Held for operations	258,407	420,907
Restricted:		
Investments	7,786,053	7,116,770
Held in trust for other organizations	5,978,815	4,346,616
Held for donor advised and other funds	<u>35,795,688</u>	<u>28,494,876</u>
Total investments	49,818,963	40,379,169
Capital assets - net of accumulated depreciation of \$52,194 for 2011 and \$43,197 for 2010	<u>10,488</u>	<u>22,128</u>
Total assets	\$ <u>55,742,229</u>	<u>46,833,383</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	60,567	18,961
Accrued leave	30,171	17,477
Grants payable	<u>637,153</u>	<u>391,552</u>
Total current liabilities	727,891	427,990
Funds held for other organizations	<u>6,245,557</u>	<u>4,911,485</u>
Total liabilities	6,973,448	5,339,475
Net assets:		
Unrestricted:		
Undesignated	39,329,050	34,355,010
Invested in property and equipment	<u>10,488</u>	<u>22,128</u>
Total unrestricted	39,339,538	34,377,138
Temporarily restricted	<u>9,429,243</u>	<u>7,116,770</u>
Total net assets	\$ <u>55,742,229</u>	<u>46,833,383</u>

See accompanying notes to financial statements.



THE ALASKA COMMUNITY FOUNDATION

Statements of Activities

Years Ended December 31, 2011 and 2010

UNRESTRICTED NET ASSETS	2011	2010
Operating activities:		
Public support:		
Contributions	\$ 500,000	500,000
Contributions-donor advised and other funds	13,112,341	11,595,911
Net assets released from restrictions	-	500,000
Total public support	13,612,341	12,595,911
Revenue:		
Fund administration fees	489,976	446,222
Lease and other income	69,726	27,339
In-kind revenue	1,961	1,726
Total revenue	561,663	475,287
Total public support and revenue	14,174,004	13,071,198
Expenses:		
Program services:		
Grant Programs	6,008,077	4,047,838
Projects	837,291	1,749,852
Supporting services:		
Management and general	1,341,105	808,185
Fundraising	39,074	9,050
	8,225,547	6,614,925
Increase in net assets from operating activities	\$ 5,948,457	6,456,273
Nonoperating activities:		
Unrealized gains (losses)	(1,238,173)	1,616,255
Unrealized gains (losses)-funds held for others	(1,334,731)	170,947
Investment gains (losses)	673,298	489,084
Interest and dividends	913,549	716,538
Total non-operating activities	(986,057)	2,992,824
Change in unrestricted net assets	4,962,400	9,449,097
Change in temporarily restricted net assets:		
Contributions - donor advised and other funds	1,510,083	-
Unrealized gains	802,390	-
Write-off of bad debt	-	(5,600,000)
Net assets released from restrictions	-	(500,000)
Change in temporarily restricted net assets	2,312,473	(6,100,000)
CHANGE IN NET ASSETS	7,274,873	3,349,097
NET ASSETS, beginning of year	41,493,908	38,144,811
NET ASSETS, end of year	\$ 48,768,781	41,493,908

See accompanying notes to financial statements.

THE ALASKA COMMUNITY FOUNDATION

Statements of Functional Expenses

Years Ended December 31, 2011 and 2010

	2011					Total Program and Supporting Services
	Program Services			Supporting Services		
	Grant Programs	Projects	Total Program Services	Management and General	Fundraising	
Wages	\$ -	-	-	545,618	3,068	548,686
Contract	-	101,478	101,478	199,490	1,200	302,168
Investment fees	679,218	20,557	699,775	2,466	3	702,244
Insurance	-	-	-	6,238	-	6,238
Telephone	-	-	-	14,337	-	14,337
Postage	-	-	-	3,856	-	3,856
Communications and marketing	-	252,840	252,840	114,700	585	368,125
Travel and conference	-	8,302	8,302	44,930	3,000	56,232
Grants/awards	5,323,400	440,481	5,763,881	275,000	-	6,038,881
Special events	-	-	-	-	30,628	30,628
Facility	-	-	-	65,819	57	65,876
Supplies	-	199	199	8,958	533	9,690
Equipment	-	12,834	12,834	15,357	-	28,191
Other	5,459	600	6,059	32,696	-	38,755
Depreciation	-	-	-	11,640	-	11,640
Total operating expenses	\$ 6,008,077	837,291	6,845,368	1,341,105	39,074	8,225,547

	2010					Total Program and Supporting Services
	Program Services			Supporting Services		
	Grant Programs	Projects	Total Program Services	Management and General	Fundraising	
Wages	\$ -	-	-	474,338	-	474,338
Contract	-	740,831	740,831	130,968	-	871,799
Legal	-	1,949	1,949	492	-	2,441
Investment fees	554,692	40,368	595,060	1,561	-	596,621
Insurance	-	-	-	4,434	-	4,434
Telephone	-	-	-	12,952	-	12,952
Postage	-	-	-	2,870	-	2,870
Communications and marketing	-	28,262	28,262	58,982	-	87,244
Travel and conference	-	825	825	24,244	-	25,069
Grants/awards	3,488,705	901,642	4,390,347	900	-	4,391,247
Special events	-	-	-	-	9,050	9,050
Facility	-	1,989	1,989	81,370	-	83,359
Supplies	-	10,317	10,317	5,624	-	15,941
Equipment	-	23,227	23,227	13,070	-	36,297
Other	4,441	442	4,883	4,412	-	9,295
Depreciation	-	-	-	11,968	-	11,968
Total operating expenses	\$ 4,047,838	1,749,852	5,797,690	808,185	9,050	6,614,925

See accompanying notes to financial statements.

THE ALASKA COMMUNITY FOUNDATION

Statements of Cash Flows

Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows provided (used) by operating activities:		
Change in net assets	\$ 7,274,873	3,349,097
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,640	11,968
Unrealized (gain) loss on investments	435,783	(1,616,255)
Realized (gain) loss on investments	(673,298)	(1,205,622)
(Increase) decrease in assets:		
Accounts receivable	40,484	(30,186)
Pledges receivable	2,534,195	3,085,555
Prepaid expenses	(16,972)	1,917
Increase (decrease) in liabilities:		
Accounts payable	54,300	15,964
Grants payable	245,601	(187,919)
Funds held for others	<u>1,334,072</u>	<u>(170,947)</u>
Net cash provided by operating activities	11,240,678	3,253,572
Cash flows used by investing activities:		
(Purchase) of investments	(23,859,687)	(5,460,862)
Sales of investments	<u>14,657,408</u>	-
Net cash provided (used) by investing activities	(9,202,279)	(5,460,862)
Net increase (decrease) in cash and cash equivalents	2,038,399	(2,207,290)
Cash and cash equivalents, beginning of year	<u>3,836,418</u>	<u>6,043,708</u>
Cash and cash equivalents, end of year	<u>\$ 5,874,817</u>	<u>3,836,418</u>

See accompanying notes to financial statements.

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements

December 31, 2011 and 2010

I. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Operations**

The Alaska Community Foundation (the Foundation) was incorporated as a nonprofit organization in the State of Alaska in 1995. The Alaska Community Foundation advances philanthropy to strengthen Alaska's communities now and forever. Together with our Affiliates, we connect people who care with causes that matter by encouraging and nurturing philanthropy through building and managing permanent endowments, convening stakeholders and working with partners to strengthen Alaska communities, and providing donors with grant options that are strategic to their philanthropic objectives.

**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 (equity): 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.

**Basis of Accounting**

The Foundation's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method of accounting, revenues are recognized when earned. Liabilities and expenses are recorded when incurred.

## THE ALASKA COMMUNITY FOUNDATION

### Notes to Financial Statements, Continued

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

It requires that those 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.

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 Statement 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 Statement 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, 2011 and 2010. 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.

#### **Capital Assets**

Capital assets 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 capital assets 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.

## THE ALASKA COMMUNITY FOUNDATION

### Notes to Financial Statements, Continued

#### **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.

#### **Funds Held as Donor Advised**

Assets and contributions paid directly to the Foundation for a specific organization specified by the donor are considered to be unrestricted contributions to the Foundation if the organization 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.

Assets and contributions held as restricted investments are considered to be temporarily restricted contributions to the Foundation and 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 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 Statement 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.

#### **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.

## THE ALASKA COMMUNITY FOUNDATION

### Notes to Financial Statements, Continued

*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 Statement 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 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.

#### **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 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.

## THE ALASKA COMMUNITY FOUNDATION

### Notes to Financial Statements, Continued

#### **Income Tax Status**

The Foundation is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code. The Foundation is exempt from State income taxes under the Alaska Nonprofit Corporation Act. Therefore, the accompanying statements do not reflect a provision for income taxes. Although the Foundation is exempt from federal income taxes, any income derived from unrelated business activities is subject to the requirement of filing U.S. Federal Income Tax Form 990-T and a tax liability may be determined on these activities. The Foundation's policy is to report interest and penalties associated with income taxes, if any, as other expense. With few exceptions, the Foundation is not subject to audit of its tax returns prior to December 31, 2008. Management believes the Foundation has no uncertain tax positions.

#### **Principles of Consolidation**

The financial statements include the accounts of the Foundation and its wholly owned subsidiary, ACF Properties 1, LLC. There were no inter-company transactions requiring elimination prior to presentation in these financial statements. ACF Properties,1, LLC is currently inactive and has no assets or liabilities as of 2011 or 2010.

#### **II. CASH AND CASH EQUIVALENTS**

The Alaska Community Foundation maintains cash balances at several financial institutions located in Anchorage, Alaska. From January 1, 2011 through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the balance of the account and the ownership capacity of the funds. This coverage is available to all depositors, including consumers, businesses, and government entities. The unlimited coverage is separate from, and in addition to, the insurance coverage provided for a depositor's other accounts held at an FDIC-insured bank. Uninsured and uncollateralized amounts were \$5,101,424 and \$38,902 respectively at December 31, 2011 and 2010.

#### **III. FAIR VALUE MEASUREMENTS/INVESTMENTS**

Included in investment related line items in the 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 does not have investments for which quoted market prices are not available.



THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

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 methodologies 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 following table provides information as of December 31, 2011 and 2010 about the Foundation's financial assets and liabilities measured at fair value on a recurring basis.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2011</u>				
Assets - Investments	\$ <u>42,032,910</u>	<u>-</u>	<u>7,786,053</u>	<u>49,818,963</u>
<u>2010</u>				
Assets - Investments	\$ <u>33,262,399</u>	<u>-</u>	<u>7,116,770</u>	<u>40,379,169</u>

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

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, 2011 and 2010 are as follows:

	Closely held Stock
Balance at December 31, 2009	\$ <u>7,616,770</u>
Change in value due to appraisal	(500,000)
Balance at December 31, 2010	\$ <u>7,116,770</u>
Change in value due to appraisal	699,283
Balance at December 31, 2011	\$ <u>7,786,053</u>

Changes in value of investments and earnings are recorded in the statement of activities as investment income. The Foundation's investments are summarized as follows at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Current:		
Common stock	\$ 25,038,486	20,211,792
Equity mutual funds	3,981,242	2,827,945
Treasury certificates of deposit	-	153,840
U.S. Agency Funds	3,040,632	984,971
U.S. Treasury notes	-	1,709,034
Corporate bonds	6,280,289	4,237,775
Asset - back securities	3,686,261	3,137,042
Restricted investments -		
Closely held stock	<u>7,786,053</u>	<u>7,116,770</u>
	\$ <u>49,818,963</u>	<u>40,379,169</u>

**IV. PROPERTY AND EQUIPMENT**

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

	<u>2011</u>	<u>2010</u>
Furniture and equipment	\$ 26,681	29,324
Software	<u>36,001</u>	<u>36,001</u>
Total property and equipment	62,682	65,325
Accumulated depreciation	<u>(52,194)</u>	<u>(43,197)</u>
	\$ <u>10,488</u>	<u>22,128</u>

Depreciation expense was \$11,640 and \$11,968 for the years ended December 31, 2011 and 2010, respectively.

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

V. **PLEDGES**

A pledge from one donor in the amount of \$5,600,000 was expected to be received in 2010 intended for the benefit of residents of the North Slope region. During 2010, the Arctic Slope Community Foundation was formed and received its 501 (c) (3) designation. The donor elected to donate the funds directly to the new foundation. As such, the pledge receivable recorded in FY09 was written-off during FY10. All other pledges to the Foundation are considered fully collectible and no amount for uncollectible pledges have been recorded in the financial statements.

VI. **DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES**

Grant Programs:

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

Projects:

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.

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.

VII. **TEMPORARILY RESTRICTED NET ASSETS**

Restricted net assets consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Family Donor Advised Fund	\$ 7,919,160	7,116,770
Wrangell Scholarship Fund	599,968	-
Sitka Scholarship Fund	599,968	-
Thorpe Scholarship Fund	<u>310,147</u>	<u>-</u>
Total	<u>\$ 9,429,243</u>	<u>7,116,770</u>

As described in Note V, in 2010 \$5,600,000 was released from restrictions for the write off of bad debt and \$500,000 was released for the Family Donor Advised Fund.

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

**VIII. LEASES**

The Alaska Community Foundation entered into a lease terminating July 30, 2010. The current agreement provides for month to month occupancy. Terms of the agreement provide for monthly payments of \$4,860 for space and utilities. Rent expense for office space was \$58,140 and \$58,230 for the years ended December 31, 2011 and 2010, respectively.

**IX. 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.

**X. PENSION PLAN**

The Alaska Community Foundation implemented a Simple IRA benefit plan, which covers full-time employees working at least 6 months. Under the Plan, the Foundation provides an employer matching contribution of up to 6% of the employee's gross salary. Contributions under the Plan totaled \$19,652 and \$10,894 for the years ended 2011 and 2010, respectively.

**XI. SUBSEQUENT EVENTS**

Management has evaluated the existence of subsequent events through August 9, 2012, the date which the financial statements were available for issue. No items were deemed necessary for disclosure.

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

**XII. SOURCE OF CONTRIBUTIONS**

The source of contributions including net assets released from restrictions for the years ended December 31, 2011 and 2010 were:

		2011						
		Temporarily Restricted Grants and Support			Unrestricted Grants and Support			
		Balance		Released to	Balance	Temporarily	Unrestricted	Grants and
		1/1/2011	Received	Unrestricted	12/31/2011	Restricted	Received	Support
						Released		
Operating support:								
Contributions							500,000	500,000
Contributions -								
Donor advised		7,116,770	2,312,473	-	9,429,243	-	13,112,341	13,112,341
Total support	\$	<u>7,116,770</u>	<u>2,312,473</u>	<u>-</u>	<u>9,429,243</u>	<u>-</u>	<u>13,612,341</u>	<u>13,612,341</u>
		2010						
		Temporarily Restricted Grants and Support			Unrestricted Grants and Support			
		Balance		Released to	Balance	Temporarily	Unrestricted	Grants and
		1/1/2010	Received	Unrestricted	12/31/2010	Restricted	Received	Support
						Released		
Operating support:								
Contributions	\$	-			-		500,000	500,000
Contributions -								
Donor advised		12,216,770	(5,600,000)	500,000	7,116,770	500,000	11,595,911	12,095,911
Total support	\$	<u>12,216,770</u>	<u>(5,600,000)</u>	<u>500,000</u>	<u>7,116,770</u>	<u>500,000</u>	<u>12,095,911</u>	<u>12,595,911</u>

**XIII. RECLASSIFICATION**

Certain amounts in the 2010 financial statements have been reclassified for comparative purposes to conform to the presentation in the 2011 financial statements.

The Alaska Community Foundation

Schedule of State Financial Assistance

Year Ended December 31, 2011

<u>Grant Title</u>	<u>Grant Number</u>	<u>Total Grant Award</u>	<u>Eligible Expenses</u>
State of Alaska Senate Bill:			
* Direct:		7,593,950	7,593,950
Total state financial assistance		\$ <u>7,593,950</u>	<u>7,593,950</u>

Notes to Schedule

1. \* Denotes a major program for state compliance purposes.
2. The eligible expenses reported above are funds that were invested on behalf of the Alaska Children's Fund per the intent of the appropriation.

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

Ladies and Gentlemen:

We have audited the financial statements of The Alaska Community Foundation as of and for the year ended December 31, 2011, and have issued our report thereon dated August 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Alaska Community Foundation's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of The Alaska Community Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Alaska Community Foundation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the schedule of findings and questioned costs that we consider to be a significant deficiency in internal control related to financial reporting as finding 11-01. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Members of the Board of Directors  
The Alaska Community Foundation

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Alaska Community Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the The Alaska Community Foundation's Board of Directors and management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Artman, Rogers + Co." in a cursive script.

August 9, 2012  
Anchorage, Alaska

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

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

Ladies and Gentlemen:

We have audited The Alaska Community Foundation compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of its major state programs for the year ended December 31, 2011. The Alaska Community Foundation's major state programs are identified in the accompanying Schedule of State Financial Assistance. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of The Alaska Community Foundation's management. Our responsibility is to express an opinion on The Alaska Community Foundation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Alaska Community Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of The Alaska Community Foundation's compliance with those requirements.

In our opinion, The Alaska Community Foundation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2011.

Members of the Board of Directors  
The Alaska Community Foundation

Internal Control over Compliance

Management of The Alaska Community Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered The Alaska Community Foundation's internal control over compliance with the requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the State of Alaska Audit Guide and Compliance Supplement for State Single Audits, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Alaska Community Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of The Alaska Community Foundation's Board of Directors and management, and the State of Alaska and is not intended to be and should not be used by anyone other than these specified parties.



August 9, 2012  
Anchorage, Alaska

THE ALASKA COMMUNITY FOUNDATION

State Schedule of Findings and Questioned Costs

Year Ended December 31, 2011

**Section I - Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Significant deficiency(ies) identified?  x  yes       no

Material weakness(es) identified?       yes  x  no

Noncompliance material to financial statements noted?       yes  x  no

State Awards

Internal Control over major programs:

Significant deficiency(ies) identified?       yes  x  no

Material weakness(es) identified?       yes  x  no

Type of auditors' report issued on compliance  
for major programs:

Unqualified

Dollar threshold used to distinguish a state major program: \$ 100,000

**Section II - Financial Statement Findings**

Finding 11-01

**Significant Deficiency**

Internal Control over Journal Entries

**Condition:**

During testing of material journal entries and review of investment activity, it was noted that there is insufficient internal control over segregation of duties related to journal entries at the Foundation. The finance director both creates and records the journal entries into the system without further review or approval by any other party. No segregation of duties exists in the process of preparing and recording journal entries. In one instance realized gains on a single investment were recorded twice in the general ledger.

**Criteria:**

There must be a segregation of duties for all processes involving recording information into the accounting software.

THE ALASKA COMMUNITY FOUNDATION

State Schedule of Findings and Questioned Costs

Year Ended December 31, 2011

- Context:** The Foundation uses journal entries for many year-end reconciling activities, some re-occurring monthly activities, and the recording of gains and losses in investment activity on a few investments held outside the main investment pool. The finance director has both the power to propose, approve and record journal entries.
- Effect:** Misstatements may exist and go undetected. In the instance cited above, investments were overstated by \$31,250.
- Cause:** Due to a small accounting department there is often not enough high level personnel to review and approve journal entries.
- Recommendation:** We recommend that there be an additional control be implemented involving approval of journal entries, separate from the employee proposing the entry.
- Response:** Management concurs with the finding. See Corrective Action Plan.

***Section III – State Award Findings and Questioned Costs***

No matters to report.

***Section IV – Summary Schedule of Prior Audit Findings***

There were no prior year audit findings.

THE ALASKA COMMUNITY FOUNDATION

Corrective Action Plan

Year Ended December 31, 2011

**Finding 11-01**

**Internal Control over Journal Entries**

**Name of Contact:** Kate Gerlek

**Corrective Action Plan:** Management concurs with the finding, and effective February 6, 2012, all journal entries are reviewed and approved by the CEO prior to posting.

**Proposed Completion Date:** February 6, 2012.

