



The Alaska Community Foundation and Affiliate

Consolidated Financial Statements
Years Ended December 31, 2018 and 2017
(With Independent Auditor's Report Thereon)

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The Alaska Community Foundation and Affiliate

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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 statements of financial position of as of December 31, 2018 and 2017, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 2018 and 2017; 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.

Emphasis of Matter

As discussed in Note 14 to the financial statements, in 2018 the Foundation adopted the provisions of ASU 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

BDO USA, LLP

Anchorage, Alaska
August 20, 2019

Consolidated Financial Statements

The Alaska Community Foundation and Affiliate

Consolidated Statements of Financial Position

<i>December 31,</i>	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 5,636,259	\$ 5,005,850
Accounts receivable	86,122	57,419
Prepaid expenses	67,127	60,636
Total Current Assets	5,789,508	5,123,905
Non-Current Assets		
Investments	86,809,298	86,443,489
Land - held for resale	244,900	485,500
Property and equipment - net of accumulated depreciation of \$207,835 for 2018 and \$184,326 for 2017	72,497	89,405
Total Non-Current Assets	87,126,695	87,018,394
Total Assets	\$ 92,916,203	\$ 92,142,299
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 143,147	\$ 132,934
Accrued payroll liabilities	81,058	73,436
Deferred revenue	1,698,468	1,947,858
Grants payable	634,850	557,405
Total current liabilities	2,557,523	2,711,633
Funds held for other organizations (note 1)	13,977,117	12,079,870
Total Liabilities	16,534,640	14,791,503
Net Assets		
Without donor restrictions	64,852,328	67,248,015
With donor restrictions (note 8)	11,529,235	10,102,781
Total Net Assets	76,381,563	77,350,796
Total Liabilities and Net Assets	\$ 92,916,203	\$ 92,142,299

See accompanying notes to consolidated financial statements.

The Alaska Community Foundation and Affiliate

Consolidated Statement of Activities

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Support:			
Amounts raised	\$ 9,750,622	\$ 565,081	\$ 10,315,703
Grants	40,949	2,946,229	2,987,178
Less amounts raised or received on behalf of others	(2,818,428)	-	(2,818,428)
Net contributions and bequests raised	6,973,143	3,511,310	10,484,453
Other revenue:			
Other revenue	159,924	2,451,964	2,611,888
Foundation administrative fees charged to funds held for others	122,559	-	122,559
Investment income (loss), net of expenses	(3,351,747)	848,831	(2,502,916)
Other revenue (loss) before allocation of investment income	(3,069,264)	3,300,795	231,531
Investment (income) loss allocated to funds held for others, net of expenses	631,373	-	631,373
Net other revenue (loss)	(2,437,891)	3,300,795	862,904
Net assets released from restrictions	5,385,651	(5,385,651)	-
Total support and revenue and net assets released from restrictions	9,920,903	1,426,454	11,347,357

The Alaska Community Foundation and Affiliate
Consolidated Statement of Activities, continued
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses:			
Program services:			
Grants and philanthropic distributions	\$ 6,807,034	\$ -	\$ 6,807,034
Less amounts distributed on behalf of others	(188,528)	-	(188,528)
Total grants and philanthropic distributions	6,618,506	-	6,618,506
Program services expense	4,185,198	-	4,185,198
Less program services expenses allocated to funds held for others	-	-	-
Without donor restrictions distributions, and program services	4,185,198	-	4,185,198
Support services:			
Management and general administrative	1,063,267	-	1,063,267
Development and fundraising	449,619	-	449,619
Total support service	1,512,886	-	1,512,886
Total expenses	12,316,590	-	12,316,590
Change in net assets	(2,395,687)	1,426,454	(969,233)
Net assets at beginning of year	67,248,015	10,102,781	77,350,796
Net assets at end of year	\$ 64,852,328	\$ 11,529,235	\$ 76,381,563

See accompanying notes to consolidated financial statements.

The Alaska Community Foundation and Affiliate

Consolidated Statement of Activities

Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	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), net of expenses	9,285,348	978,074	10,263,422
Other revenue (loss) before allocation of investment income	9,527,833	978,074	10,505,907
Less net investment (income) loss allocated to funds held for others, net of expenses	(1,466,444)	-	(1,466,444)
Net other revenue (loss)	8,061,389	978,074	9,039,463
Net assets released from restrictions	3,097,092	(3,097,092)	-
Total support and revenue and net assets released from restrictions	17,048,473	777,538	17,826,011

The Alaska Community Foundation and Affiliate
Consolidated Statement of Activities, continued
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
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	2,345,605	-	2,345,605
Less program services expenses allocated to funds held for others	(39,168)	-	(39,168)
Without donor restrictions distributions, and program services	2,306,437	-	2,306,437
Support services:			
Management and general administrative	806,987	-	806,987
Development and fundraising	479,502	-	479,502
Total support service	1,286,489	-	1,286,489
Total expenses	7,161,037	-	7,161,037
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 Functional Expenses

Year Ended December 31, 2018

	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	\$ 5,942,123	\$ 864,911	\$ 6,807,034	\$ 193,875	\$ 100	\$ 7,001,009
Program distributions expense	-	2,451,964	2,451,964	-	-	2,451,964
Wages and benefits	-	554,793	554,793	564,881	344,919	1,464,593
Foundation administrative fees	961,486	69,851	1,031,337	2,306	-	1,033,643
Contracts	1,993	1,044,976	1,046,969	57,680	23,955	1,128,604
Communications and marketing	-	1,374	1,374	14,880	11,472	27,726
Facility	-	22,512	22,512	123,695	17,392	163,599
Travel and conference	353	50,839	51,192	11,679	2,873	65,744
Special events	-	26,289	26,289	30,721	31,804	88,814
Depreciation	-	13,158	13,158	6,409	3,943	23,510
Telephone and internet	-	2,468	2,468	13,938	752	17,158
Equipment and maintenance	-	3,578	3,578	11,494	2,254	17,326
Supplies	12	3,524	3,536	18,565	6,929	29,030
Postage	20	1,135	1,155	5,850	369	7,374
Insurance	-	2,010	2,010	4,363	1,126	7,499
Other	-	4,200	4,200	5,237	1,731	11,168
Total operating expenses	6,905,987	5,117,582	12,023,569	1,065,573	449,619	13,538,761
Less foundation administrative fees	(961,486)	(69,851)	(1,031,337)	(2,306)	-	(1,033,643)
Less amounts distributed on behalf of others	(188,528)	-	(188,528)	-	-	(188,528)
Total Functional Expenses	\$ 5,755,973	\$ 5,047,731	\$ 10,803,704	\$ 1,063,267	\$ 449,619	\$ 12,316,590

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
Program distributions expense	-	-	-	-	-	-
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
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	4,700,031	2,694,115	7,394,146	807,197	479,502	8,680,845
Less foundation administrative fees	(946,011)	(96,141)	(1,042,152)	(210)	-	(1,042,362)
Less amounts distributed on behalf of others	(438,278)	(39,168)	(477,446)	-	-	(477,446)
Total Functional Expenses	\$ 3,315,742	\$ 2,558,806	\$ 5,874,548	\$ 806,987	\$ 479,502	\$ 7,161,037

See accompanying notes to consolidated financial statements.

The Alaska Community Foundation and Affiliate

Consolidated Statements of Cash Flows

<i>Years Ended December 31,</i>	2018	2017
Cash Flows from (for) Operating Activities		
Change in net assets	\$ (969,233)	\$ 10,664,974
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	23,510	24,095
Unrealized (gain) loss on investments	10,623,209	(8,723,159)
Realized (gain) loss on investments	(7,474,557)	(1,070,282)
Interest and dividends	(940,895)	(799,831)
(Increase) decrease in assets:		
Accounts receivable	(28,703)	321,720
Mortgage, lease and other receivable	-	-
Prepaid expenses	(6,491)	3,795
Increase (decrease) in liabilities:		
Accounts payable	10,213	(47,292)
Accrued payroll liabilities	7,622	15,455
Deferred revenue	(249,390)	922,911
Grants payable	77,445	(215,973)
Funds held for other organizations	1,897,247	1,859,624
Net cash from (for) operating activities	2,969,977	2,956,037
Cash Flows from (for) Investing Activities		
(Purchase) sale of property and equipment	240,600	364,737
(Purchase) of investments	(43,919,917)	(11,638,481)
Proceeds from sales of investments	41,339,749	11,510,972
Net cash from (for) investing activities	(2,339,568)	237,228
Net Increase (Decrease) in Cash and Cash Equivalents	630,409	3,193,265
Cash and Cash Equivalents, beginning of year	5,005,850	1,812,585
Cash and Cash Equivalents, end of year	\$ 5,636,259	\$ 5,005,850

See accompanying notes to consolidated financial statements.

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements Years Ended December 31, 2018 and 2017

1. 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: Inspiring the spirit of giving and connecting people, organizations and causes to strengthen Alaska's communities now and forever.

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

In accordance with the *Not-for-Profit Entities* Topic 958 of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), the Foundation is required to report information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions.

- Net assets without donor restrictions represent funds available for grants and expenses which are not otherwise limited by donor restrictions.
- Net assets with donor restrictions consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time.

Without Donor Restrictions

Without Donor Restrictions is defined as that portion of net assets that has no use or time restriction. The by-laws of the Foundation include a variance provision giving the Board the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgement of the Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. Based on that provision, the Foundation classifies contributions, except as noted below, as without donor restrictions for financial statement presentation.

With Donor Restrictions

With Donor Restrictions is defined as that portion of net assets that consist of a restriction on the specified use or the occurrence of a certain future event. Contributions unconditionally promised, including irrevocable planned gifts, which are scheduled to be received more than one year in the future, are recorded at fair value, classified as with donor restriction until the funds are received, and are discounted at a rate commensurate with the risks involved. Net assets consisting of the initial fair value of the gifts where the donor has specified that the assets donated are to be retained in an endowment, providing a permanent source of revenue for charitable purposes are classified as with donor restrictions. The accumulation of assets, above historic gift value, in donor restricted endowment funds is classified as with donor restriction until appropriated for use based on the Foundation's spending policy. The Foundation also receive grants from charitable foundations and local agencies for initiatives and special projects for which purpose restrictions apply. Such grants and contributions are recorded as with donor restrictions until the purpose restrictions are met. When the

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

purpose restriction is accomplished, with donor restriction net assets are reclassified to without donor restrictions net assets and reported as net assets released from restrictions.

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.

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 donor-restricted or without donor 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, 2018 and 2017. 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.

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

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.

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 without donor restrictions 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.

With donor restrictions 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.

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Notes to Consolidated Financial Statements

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 with donor restrictions 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, with donor restriction net assets are reclassified as without donor restriction 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 without donor restricted 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.

Functional Allocation of Expenses

Expenses which apply to more than one functional category (i.e. Program Services, Management & General, and Fundraising) have been allocated based on the time spent on these functions by specific employees as reflected in their timesheets. Indirect expenses such as facility costs are allocated based on square footage used by functional departments. Certain marketing material costs or special events costs are allocated based on the percentage of the publication or marketing technology devoted to each functional area. Other indirect expenses, such as information technology and supplies are allocated based on the overall number of staff in the various functional categories, and the utilization of the expense category by the staff. All other costs are charged directly to the appropriate functional category.

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.

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Notes to Consolidated Financial Statements

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, 2018 or 2017.

The Foundation classifies all interest and penalties related to tax contingencies as income tax expense. As of December 31, 2018 and 2017, 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, 2018, the tax years that remain subject to examination are 2015, 2016 and 2017.

Liquidity

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support without donor restrictions; such support has historically represented a significant portion of annual program funding needs, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Foundation also considers the administrative fees it charges all funds at the Foundation to support its general expenditures and annual operations. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following these guiding principles:

- An operating budget within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that grant commitments and obligations under endowments with donor restrictions that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

The table below presents financial assets available for general expenditures within one year at December 31, 2018:

Financial assets at year end:	
Cash and cash equivalents	\$ 5,636,259
Lease and other receivables	86,122
Investments (liquid within 90 days):	
Cash in certificates of deposit	157,686
Cash in short term pool	5,032,550
Cash in investment accounts	6,593,490
U.S. treasuries	9,992,225
Corporate obligations	11,362,561
Mutual funds	40,442,955
Total Financial Assets	\$ 79,303,848

Subsequent Events

Management has evaluated the existence of subsequent events through August 20, 2019, the date which the consolidated financial statements were available for issuance.

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, 2018 and 2017. Any amounts exceeding FDIC insurance coverage are uncollateralized and uninsured and represent a concentration of credit risk. Uninsured and uncollateralized amounts were \$4,806,951 and \$4,483,008, respectively, at December 31, 2018 and 2017.

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

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

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.

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

The following tables provide information as of December 31, 2018 and 2017 about the Foundation's financial assets and liabilities measured at fair value on a recurring basis.

<i>December 31, 2018</i>	Level 1	Level 2	Level 3	Total
Assets:				
Money market / cash sweeps	\$ 6,713,162	\$ -	\$ -	\$ 6,713,162
Certificate of deposit	-	157,686	-	157,686
U.S. treasuries	-	9,992,225	-	9,992,225
U.S. agency funds	-	-	-	-
Municipal obligations	-	248,920	-	248,920
Corporate obligations	-	11,362,561	-	11,362,561
Asset back securities	-	994,050	-	994,050
Common equity:	-	-	-	-
Consumer goods	-	-	-	-
Consumer discretionary	4,521,209	-	-	4,521,209
Consumer staples	2,671,151	-	-	2,671,151
Energy	2,024,302	-	-	2,024,302
Financials	6,427,954	-	-	6,427,954
Health care	4,602,535	-	-	4,602,535
Industrials	4,102,628	-	-	4,102,628
Information technology	6,863,192	-	-	6,863,192
Materials	1,362,581	-	-	1,362,581
Real estate	983,703	-	-	983,703
Telecom	1,378,992	-	-	1,378,992
Utilities	1,170,259	-	-	1,170,259
Other	-	-	-	-
Other equity	-	-	-	-
Debt bonds	-	-	-	-
Diversified hedged strategies	893,670	1,575,997	80,499	2,550,166
Private real estate	7,826	10,274	2,525,071	2,543,171
Private equity	-	(21,467)	1,071,604	1,050,137
Private debt	197,827	1,933,043	118,843	2,249,713
Closely held stock	-	-	7,250,106	7,250,106
Total at fair value	43,920,991	26,253,289	11,046,123	81,220,403
Investments carried at net asset value	-	-	-	5,588,895
Total	\$ 43,920,991	\$ 26,253,289	\$ 11,046,123	\$ 86,809,298

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<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	1,917,265	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	12,927,523	79,713,184
Investments carried at net asset value	-	-	-	6,730,305
Total	\$ 40,440,650	\$ 26,345,011	\$ 12,927,523	\$ 86,443,489

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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, 2018 and 2017 are as follows:

	Fair value investments
Balance at December 31, 2016	\$ 13,179,996
Change in value due to appraisal/redemption	(252,473)
Balance at December 31, 2017	12,927,523
Change in value due to appraisal/redemption	(1,881,400)
Balance at December 31, 2018	\$ 11,046,123

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. During 2018, significant transfers between Level 1, Level 2, or Level 3 occurred as the Foundation switched to a more passive investment scheme, particularly in global equities. These included liquidations of positions in Level 3 with transfers to Level 1.

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:

	2018	2017
Realized gain (loss)	\$ 7,474,557	\$ 1,070,282
Unrealized gain (loss)	(10,623,209)	8,723,159
Interest and dividend income	940,895	799,831
Total investment income (loss)	(2,207,757)	10,593,272
Less: investment expenses	295,159	329,850
Total investment income (loss), net of expenses	\$ (2,502,916)	\$ 10,263,422

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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.

	2018	2017
Donated Land	\$ 244,900	\$ 485,500

6. Property, Equipment, and Donated Land

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

	2018	2017
Furniture and equipment	\$ 244,331	\$ 237,730
Software	36,001	36,001
Total property and equipment	280,332	273,731
Accumulated depreciation	(207,835)	(184,326)
	\$ 72,497	\$ 89,405

Depreciation expense was \$23,509 and \$24,095 for the years ended December 31, 2018 and 2017, 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.

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Notes to Consolidated Financial Statements

8. With Donor Restrictions Net Assets

With donor restriction net assets consist of the following at December 31:

	2018	2017
Family Donor Advised Fund	\$ 8,956,007	\$ 8,011,373
Progressive and Social Justice Fund	1,103,143	769,785
Pick Click Give	494,080	160,808
Wrangell Scholarship Fund	460,402	557,202
Sitka Scholarship Fund	435,220	528,999
Thorpe Scholarship Fund	26,944	48,869
Properties Studies Grant	25,111	-
ACF Tier 1 Technology Grant	15,721	21,846
Domestic Violence Project	6,111	-
Capacity Building for Charitable Organizations	4,245	-
Recover Alaska Media Project	1,680	3,899
Giving Together Social Justice Fund	571	-
Total	\$ 11,529,235	\$ 10,102,781

Net assets were released from restrictions by satisfying the relevant requirements related those restrictions as specified on the fund agreements.

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 \$163,598 and \$160,543 for the years ended December 31, 2018 and 2017, respectively.

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

2019	\$ 166,723
2020	169,960
2021	173,442
2022	146,848
Total	\$ 656,973

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10. Subleases

The Alaska Community Foundation and Affiliate subleases space within its leased area to various other entities on varying terms. The Alaska Community Foundation and Affiliate has multiple sublease agreements that are renewed annually and one sublease that ends April 2020. Expected future payments of subleases to offset lease expenses are as follows:

2019	\$	127,482
2020		400
Total		\$ 127,882

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 2018 were \$163,598 and \$147,206 in 2017.

In 2018 and 2017, The Foundation recognized \$2,032,812 and \$2,899,980, 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 2018, The Foundation recorded \$54,346 in rental income and \$1,275 was billed back to the Alaska Children's Trust for reimbursement of postage, printing and staff time performing administrative and grant making services.

Anchorage Park Foundation maintains an office lease agreement with The Foundation and contracts with The Foundation program grant making staff to provide grant making due diligence and other financial services for the Anchorage Park Foundation. Additionally, The Foundation invests and manages an investment portfolio of \$236,028 on behalf of the Anchorage Park Foundation. In 2018, The Foundation recorded \$39,042 in rental income and \$334 was billed back to the Anchorage Park Foundation for other expenses.

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.

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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 2018, 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 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 \$35,441 and \$25,476 for the years ended 2018 and 2017, respectively.

14. Recently-Adopted Accounting Standards

On August 18, 2016, the Financial Accounting Standards Board ("FASB") Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and the availability of resources, and the lack of consistency in the type of information provided about expenses and investment returns. The Foundation implemented ASU No. 2016-14 during the year ended December 31, 2018 and has applied this update retrospectively to all periods presented.

15. 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 June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). ASU 2018-08 improves the scope and provides clarification for contributions received and contributions made. The update assists in evaluating whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional. Distinguishing between contributions and exchange transactions determines which guidance is applied. For contributions,

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an entity should follow the guidance in Subtopic 958-605, whereas for exchange transactions, an entity should follow other guidance. Management is currently evaluating the impact of their pending adoption of the new standard on their financial statements.

16. Subsequent Events

Subsequent to year-end, an organization withdrew funds at The Foundation of more than \$4 million (and subsequent payments from investments in April of over \$200,000, which consisted of nearly all of the balance in the fund). They will become their own standalone community foundation and partner with The Foundation.

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