

THE ALASKA COMMUNITY FOUNDATION

Audited Financial Statements

Years Ended December 31, 2008 and 2007

2008 State Single Audit Reports

THE ALASKA COMMUNITY FOUNDATION

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Foster & Company

Karen M. Foster, CPA

Independent Auditor's Report

Board of Directors
The Alaska Community Foundation
Anchorage, Alaska

I have audited the accompanying statements of financial position of The Alaska Community Foundation (the Foundation, a nonprofit organization) as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based upon my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my 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, 2008 and 2007, 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.

In accordance with *Government Auditing Standards*, I have also issued my report dated March 27, 2009 on my consideration of Alaska Community Foundation's internal control over financial reporting and on my 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 my 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 *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of State financial assistance is presented for purposes of additional analysis as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Karen M. Foster, CPA

March 27, 2009

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THE ALASKA COMMUNITY FOUNDATION

Statements of Financial Position

December 31, 2008 and 2007

Assets	2008	2007
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 133,636	\$ 49,211
Accounts receivable	197,667	1,665
Pledges receivable:		
Unrestricted	2,116,500	-
Temporarily restricted	-	380,400
Stock gifts in transit	-	20,897
Prepaid expenses	16,218	4,620
Total current assets	<u>2,464,021</u>	<u>456,793</u>
Non-current assets:		
Investments:		
Held for operations:		
Unrestricted	875,406	88,852
Temporarily restricted	-	419,122
Held in trust for other organizations	4,725,783	3,901,556
Temporarily restricted	7,350,083	6,361,844
Held for donor advised and other funds	19,235,910	25,777,267
Total investments	<u>32,187,182</u>	<u>36,548,641</u>
Pledges receivable	5,600,000	-
Property and equipment, at cost, net of accumulated depreciation	59,318	51,636
Total non-current assets	<u>37,846,500</u>	<u>36,600,277</u>
	<u>\$ 40,310,521</u>	<u>\$ 37,057,070</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 53,999	\$ 33,951
Grants payable	41,837	11,670
Total current liabilities	<u>95,836</u>	<u>45,621</u>
Funds held for other organizations	4,725,783	3,901,556
Total liabilities	<u>4,821,619</u>	<u>3,947,177</u>
Net assets:		
Unrestricted:		
Undesignated	28,079,501	25,896,891
Invested in property and equipment	59,318	51,636
Total unrestricted	<u>28,138,819</u>	<u>25,948,527</u>
Temporarily restricted	7,350,083	7,161,366
Total net assets	<u>35,488,902</u>	<u>33,109,893</u>
	<u>\$ 40,310,521</u>	<u>\$ 37,057,070</u>

See accompanying notes to financial statements.

THE ALASKA COMMUNITY FOUNDATION

Statements of Activities, page 1 of 2

Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Unrestricted net assets:		
Operating activities:		
Public support		
Contributions - operations	\$ 924,866	\$ 128,798
Contributions - donor advised and other funds	<u>20,287,949</u>	<u>7,262,857</u>
Total public support (including \$924,866 and \$324,788 in assets released from temporary restrictions in 2008 and 2007)	21,212,815	7,391,655
Revenue:		
Fund administration fees	401,240	316,140
Operating investment income, net	-	1,390,359
Lease and other income	-	37,352
Total revenue	<u>401,240</u>	<u>1,743,851</u>
Total public support and revenue	<u>21,614,055</u>	<u>9,135,506</u>
Expenses:		
Programs	6,581,758	2,375,057
Projects	5,391,925	3,276,547
Management and General	<u>1,103,374</u>	<u>736,783</u>
Total operating expenses	13,077,057	6,388,387
Operating investment loss, net	<u>705,567</u>	-
Total expenses	<u>13,782,624</u>	<u>6,388,387</u>
Increase in net assets from operating activities, excluding depreciation, in-kind and non-operating activities	\$ <u>7,831,431</u>	\$ <u>2,747,119</u>

See accompanying notes to financial statements.

THE ALASKA COMMUNITY FOUNDATION

Statements of Activities, page 2 of 2

Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Unrestricted net assets:		
Non-cash operating activities:		
Depreciation	\$ (7,112)	\$ (11,775)
Unrealized gains (losses)	(5,634,026)	275,782
In-kind revenue	8,430	8,866
In-kind expense	<u>(8,430)</u>	<u>(8,866)</u>
Total non-cash operating activities	(5,641,138)	264,007
Increase in unrestricted net assets	<u>2,190,293</u>	<u>3,011,126</u>
Changes in temporarily restricted net assets:		
Investment gains	-	220,774
Unrealized gains	819,682	1,268,555
Temporarily restricted grants	293,900	3,104,156
Net assets released from restrictions	<u>(924,866)</u>	<u>(324,788)</u>
Increase in temporarily restricted net assets	188,716	4,268,697
Increase in net assets	2,379,009	7,279,823
Net assets, beginning of year	<u>33,109,893</u>	<u>25,830,070</u>
Net assets, end of year	<u>\$ 35,488,902</u>	<u>\$ 33,109,893</u>

See accompanying notes to financial statements.

THE ALASKA COMMUNITY FOUNDATION

Statements of Functional Expenses

Years Ended December 31, 2008 and 2007

	Programs	Projects	Management & General	2008 Totals
Wages	\$ -	\$ 53,069	\$ 531,082	\$ 584,151
Contract	840,896	1,495,798	108,453	2,445,147
Legal	-	1,769	125	1,894
Investment Fees	510,988	54,430	1,660	567,078
Insurance	-	5,431	27,458	32,889
Telephone	-	2,684	10,291	12,975
Postage	-	2,658	3,801	6,459
Communications & Marketing	8,248	188,534	214,081	410,863
Administration	6,669	4,591	160	11,420
Travel & Conference	-	101,138	49,606	150,744
Grants/Awards	5,208,424	2,699,519	58,107	7,966,050
Special Events and Fundraising	2,445	3,013	13,142	18,600
Facility	-	3,630	62,133	65,763
Supplies	3,828	206,741	7,244	217,813
Equipment	-	414,688	-	414,688
Fundraising	-	154,232	16,031	170,523
SUBTOTAL	6,581,758	5,391,925	1,103,374	13,077,057
In-kind Expenses	-	621	7,809	8,430
Depreciation	-	-	7,112	7,112
TOTAL EXPENSES	\$ 6,581,758	\$ 5,392,546	\$ 1,118,295	\$ 13,092,599

	Total Programs	Projects	Management & General	2007 Totals
Wages	\$ -	\$ 20,000	\$ 396,843	\$ 416,843
Contract	-	45,550	67,212	112,762
Legal Fees	-	750	73	823
Investment Fees	419,060	25,964	22,605	467,629
Insurance	-	-	3,889	3,889
Telephone	-	160	7,591	7,751
Postage	-	-	2,913	2,913
Communications & Marketing	1,420	7,680	52,892	61,992
Administration	1,739	1,740	-	3,479
Travel & Conference	-	16,845	28,071	44,916
Grants/Awards	1,942,288	3,117,956	62,101	5,122,345
Special Events and Fundraising	-	2,060	4,115	6,175
Facility	-	-	41,786	41,786
Supplies	-	490	8,542	9,032
Equipment	-	-	37,790	37,790
Miscellaneous	10,550	37,352	360	58,812
SUBTOTAL	2,375,057	3,276,547	736,783	6,388,387
In-kind Expenses	-	-	8,866	8,866
Depreciation	-	-	7,912	11,775
TOTAL EXPENSES	\$ 2,375,057	\$ 3,276,547	\$ 753,561	\$ 6,409,028

See accompanying notes to financial statements.

THE ALASKA COMMUNITY FOUNDATION

Statements of Cash Flows

Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,379,009	\$ 7,279,823
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	7,112	11,775
Donation of real property	(14,794)	320,232
Unrealized (gain) loss on operating investments	4,814,344	(1,544,337)
Realized (gain) loss on operating investments	1,450,762	(865,938)
(Increase) decrease in assets:		
Operating investments	(1,079,420)	(5,558,521)
Pledges receivable	(7,336,100)	296,300
Accounts receivable	(196,002)	15,679
Stock gifts in transit	20,897	11,327
Prepaid expenses	(11,598)	(4,620)
Increase (decrease) in liabilities:		
Accounts payable	20,048	(15,363)
Grants payable	30,167	6,670
Net cash provided (used) by operating activities	<u>84,425</u>	<u>(57,274)</u>
Net increase (decrease) in cash and cash equivalents	84,425	(57,274)
Cash and cash equivalents, beginning of year	<u>49,211</u>	<u>106,485</u>
Cash and cash equivalents, end of year	<u>\$ 133,636</u>	<u>\$ 49,211</u>

See accompanying notes to financial statements.

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements

December 31, 2008 and 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The Alaska Community Foundation (the Foundation) is presented to aid in understanding the Foundation's financial statements. The financial statements and notes are the representations of the Foundation's management, which is responsible for their integrity and objectivity. These accounting principles conform to generally accepted accounting principles.

Nature of the Organization

The Alaska Community Foundation was incorporated as a nonprofit organization in the State of Alaska in 1995. Its mission is to encourage and nurture philanthropy through the establishment of a permanent endowment that will address current and emerging needs in Alaskan communities.

Income Tax Status

The Foundation is recognized as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code (the Code) and is classified as a public foundation as defined under Section 509(a). 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 Federal Income Tax Form 990-T and a tax liability may be determined on these activities.

Basis of Accounting

The Foundation's accounting records are maintained on the accrual basis of accounting.

Financial Statement Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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.

Cash and cash equivalents

For the purpose of the statements of cash flows, the Foundation considers all unrestricted highly liquid investments with initial maturity of three months or less to be cash equivalents.

Investments

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, *continued*

NOTE A – Summary of Significant Accounting Policies, *continued*

Funds Held for Other Organizations (Agency Endowments)

SFAS No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, requires assets received from a nonprofit organization that names itself or its affiliate as the beneficiary of the fund created to be reported 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.

Contributions Recognition

The Foundation reports gifts of cash and other assets as restricted contributions when they are received with donor stipulations that limit the use of the donated assets. When the intent of the donor is that the assets are to remain in perpetuity and the Foundation does not have the right to invade the original principal, the assets are reported as *permanently restricted*. Assets received subject to donor-stipulated time or purpose restrictions are reported as *temporarily restricted*. Temporarily restricted net assets are shown in the Statement of Activities as net assets released from restrictions when time restrictions expire or the donor's stipulated purpose has been fulfilled.

Donor-advised fund agreements allow the donor to suggest the purpose for which the gift will be used, but the agreements indicate that those suggestions are not binding on the Foundation. By virtue of granting this variance power, assets received pursuant to donor-advised agreements are reported as *unrestricted*.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Consolidated Financial Statements

The financial statements include the accounts of the Organization and its wholly owned subsidiary, ACF Properties 1, LLC. There were no inter-company transactions requiring elimination prior to presentation in these financial statements.

Property and Equipment

Per the Organization's policy, property and equipment with an original value of \$1,000 or more, is recorded at cost or, in the case of donated property, at its estimated fair value as of the date of the contribution. Depreciation is provided using the straight-line method over the estimated useful lives of the property, which varies from three to twenty years. Expenditures for repairs and maintenance are charged against operations as incurred.

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, *continued*

NOTE B – UNINSURED DEPOSITS

Funds in financial institutions are insured up to the Federal Depository Insurance (FDIC) limitation of \$250,000 and \$100,000 as of December 31, 2008 and 2007, respectively. Uninsured and uncollateralized amounts were \$263,839 and \$132,848 as of December 31, 2008 and 2007, respectively.

NOTE C – GRANTS AND AWARDS

Grants awarded to others are recorded as an expense and a liability when approved by the Governing Board or when the recipient fulfills the conditions of the grant.

NOTE D – IN-KIND CONTRIBUTIONS AND DONATIONS OF REAL PROPERTY

In-kind contributions and donations of real property are comprised of the following amounts:

	<u>2008</u>	<u>2007</u>
Office occupancy	\$ 8,430	\$ 8,866

Valuation of office space is based upon estimated fair value of similar facilities obtained in an arm's length transaction.

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2008</u>	<u>2007</u>
Land	\$ 20,000	\$ 20,000
Furniture and equipment	25,480	10,686
Software	36,001	36,001
	<u>81,481</u>	<u>66,687</u>
Accumulated depreciation	<u>(22,163)</u>	<u>(15,051)</u>
	<u>\$ 59,318</u>	<u>\$ 51,636</u>

Depreciation expense was \$7,112 and \$11,775 in FY08 and FY07, respectively.

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, *continued*

NOTE F – INVESTMENTS

Managed Investments

Publicly traded managed investments are stated on the basis of quoted market prices. Funds managed by the Foundation are subject to its investment policy, which is to maintain a well-diversified portfolio comprised of common stocks, fixed income securities, and cash reserves. Policy goals are prioritized to maintain safety of principal, provide sufficient liquidity to meet cash flow requirements, and diversify risk.

Other Investments

Other investments include closely held stocks for which market value is not readily determinable. Valuation of the closely held stock is based upon an annual review and estimation provided by an independent appraiser. It is reasonably possible that this estimate will change within one year of the date of these financial statements and the effect of the change would be material.

The fair value of the Foundation's investments at December 31, 2008 and 2007 was as follows:

	<u>2008</u>	<u>2007</u>
Common stock	\$ 19,720,487	\$ 20,854,840
Equity mutual funds	2,567,052	2,876,732
Treasury certificates of deposit	148,546	141,576
U.S. agency funds	-	726,467
U.S. treasury notes	1,499,800	733,253
Corporate bonds	1,069,771	1,589,548
Asset-backed securities	-	3,264,381
	<hr/>	<hr/>
Subtotal, managed investments	25,005,656	30,186,797
Other investments	7,181,526	6,361,844
	<hr/>	<hr/>
	\$ 32,187,182	\$ 36,548,641
	<hr/>	<hr/>

Investment income is summarized as follows:

	<u>2008</u>	<u>2007</u>
Unrealized gains	\$ (3,990,117)	\$ 1,544,337
Dividends and interest	869,462	745,195
Realized gains (losses)	(1,575,029)	865,938
	<hr/>	<hr/>
	\$ (4,695,684)	\$ 3,155,470
	<hr/>	<hr/>
Unrestricted - operating	\$ (4,506,967)	\$ 1,890,674
Temporarily restricted	(188,717)	1,264,796
	<hr/>	<hr/>
	\$ (4,695,684)	\$ 3,155,470
	<hr/>	<hr/>

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, *continued*

NOTE G – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets contain donor imposed restrictions that expire upon the passage of time or once specific actions are undertaken by the Foundation. These net assets are then released and reclassified to unrestricted net assets, from which they are expended. Temporarily restricted net assets consist of the following at December 31, 2008 and 2007:

	<u>2008</u>		<u>2007</u>
Capacity building	\$ 168,557	\$	799,522
Time-restricted pledged investments	<u>7,181,526</u>		<u>6,361,844</u>
	<u>\$ 7,350,083</u>	\$	<u>7,161,366</u>

NOTE H – PERMANENTLY RESTRICTED NET ASSETS

During 2008, management reclassified \$3,990,084 in net assets recorded as permanently restricted at December 31, 2007, to unrestricted due to the discovery of additional information clarifying the nature of the restriction. The correction has no effect on total net assets or on the operating activities at December 31, 2008 or 2007.

NOTE I – CONTINGENCY

A committed pledge from one donor in the amount of \$7,600,000 is expected to be received in 2009 and 2010. These funds may be disbursed shortly after receipt to establish a new 501(c)(3) community foundation for the benefit of residents of the North Slope region.

STATE COMPLIANCE REPORTS

THE ALASKA COMMUNITY FOUNDATION
Schedule of State Financial Assistance
December 31, 2008

State Grant Title	Grant Number	Total Grant Award	State Eligible Expenditures
Major Program:			
Department of Commerce, Community and Economic Development:			
Designated Legislative Grants:			
Alaska's 50th Anniversary	09-DC-118	\$ 1,000,000	\$ 902,788
Non-major Programs:			
Department of Commerce, Community and Economic Development:			
Designated Legislative Grants:			
Lloyd Steele Park Upgrade	08-DC-427	152,000	61,070
Deferred Maintenance and Upgrades	09-DC-296	250,000	40,734
Lloyd Steele & Balto	07-DC-040	30,000	8,575
Foraker/Marston Road Improvement	09-DC-127	85,000	626
Russian Jack Improvements	09-DC-295	750,000	-
Spenard Recreation Center Upgrade	07-DC-043	276,200	-
Spenard Recreation Center Upgrade	09-DC-010	250,000	-
Chester Creek Sports Complex	07-DC-038	100,000	-
Fish Creek Trail	07-DC-039	40,000	-
Lyn Ary Park	07-DC-041	20,000	-
Safety Improvements - Valley of the Moon Park	08-DC-428	20,000	-
Margaret Eagan Sullivan Park	07-DC-042	10,000	-
Total Non-Major Programs		1,983,200	111,005
		\$ 2,983,200	\$ 1,013,793

This schedule was prepared using the accrual basis as described in accounting principles generally accepted in the United States of America.

Foster & Company

Karen M. Foster, CPA

Report on Internal Control over Financial Reporting and Other matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Directors
Alaska Community Foundation
Anchorage, Alaska

I have audited the financial statements of Alaska Community Foundation (ACF, a nonprofit organization) as of and for the year ended December 31, 2008, and have issued my report thereon dated March 27, 2009. I conducted my 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 my audit, I considered ACF's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ACF's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of ACF's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ACF's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which would 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 my audit, and, accordingly, I do not express such an opinion. The results of my 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 Board of Directors and management of ACF and the State of Alaska and is not intended to be and should not be used by anyone other than these specified parties.



Karen M. Foster, CPA
Foster & Company

March 27, 2009

Foster & Company

Karen M. Foster, CPA

Report On Compliance with Requirements Applicable to 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*

Board of Directors
Anchorage Community Foundation
Anchorage, Alaska

Compliance

I have audited the compliance of Alaska Community Foundation (ACF, a nonprofit organization) with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that are applicable to each of its major state programs for the year ended December 31, 2008. ACF'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 Anchorage Community Foundation's management. My responsibility is to express an opinion on ACF's compliance based on my audit.

I conducted my 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 I 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 ACF's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of ACF's compliance with those requirements.

In my opinion, ACF complied, in all material respects, with the requirements referred to above that are applicable to its major state programs for the year ended December 31, 2008.

Internal Control over Compliance

The management of ACF 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 my audit, I considered ACF's internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine my auditing procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of ACF's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the entity's internal control.

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

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



Karen M. Foster, CPA
Foster and Company

March 27, 2009

ALASKA COMMUNITY FOUNDATION
Schedule of State Findings and Questioned Costs
December 31, 2008

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal Control over financial reporting:	
Material weakness(es) identified?	None
Significant deficiency(ies) identified that are not Considered material weakness(es)?	None
Noncompliance material to financial statements?	None

State Financial Assistance

Internal Control over financial reporting:	
Material weakness(es) identified?	None
Significant deficiency(ies) identified that are not Considered material weakness(es)?	None
Type of auditor's report issued on compliance for major programs:	Unqualified
Dollar threshold to be used to distinguish a state major program?	\$75,000

B. FINANCIAL STATEMENT FINDINGS

Alaska Community Foundation did not have any findings that relate to the financial statements that are required to be reported in accordance with GAGAS.

C. STATE AWARD FINDINGS AND QUESTIONED COSTS

Alaska Community Foundation did not have any state award findings or questioned costs.