

THE ALASKA COMMUNITY FOUNDATION

Audited Financial Statements

Years Ended December 31, 2010 and 2009

2010 State Single Audit Reports

THE ALASKA COMMUNITY FOUNDATION

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Foster & Company

Karen M. Foster, CPA
Michael C. Foster, CPA

Independent Auditor's Report

Board of Directors
The Alaska Community Foundation
Anchorage, Alaska

We have audited the accompanying statements of financial position of The Alaska Community Foundation (the Foundation, a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based upon our audits.

We conducted our audits 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 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. We believe that our audits provide 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, 2010 and 2009, 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*, we have also issued our report dated March 17, 2011 on our consideration of 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 *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our 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 our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Karen M. Foster, CPA

March 17, 2011

THE ALASKA COMMUNITY FOUNDATION

Statements of Financial Position

December 31, 2010 and 2009

Assets	2010	2009
Current assets:		
Cash and cash equivalents:		
Unrestricted: Held for operations	\$ 566,129	\$ 629,570
Restricted		
Held in trust for other organizations	564,869	354,611
Held for donor advised and other funds	<u>2,705,420</u>	<u>5,059,527</u>
Total cash and cash equivalents	3,836,418	6,043,708
Accounts receivable	40,484	10,298
Pledges receivable:		
Unrestricted	2,535,195	20,750
Temporarily restricted	-	5,600,000
Prepaid expenses	<u>19,989</u>	<u>21,906</u>
Total current assets	6,432,086	11,696,662
Non-current assets:		
Investments:		
Unrestricted: Held for operations	420,907	251,604
Held in trust for other organizations	4,346,616	4,727,821
Temporarily restricted	7,116,770	7,616,770
Held for donor advised and other funds	<u>28,494,876</u>	<u>19,500,235</u>
Total investments	40,379,169	32,096,430
Property and equipment, at cost, net of accumulated depreciation	<u>22,128</u>	<u>34,096</u>
Total non-current assets	<u>40,401,297</u>	<u>32,130,526</u>
	<u><u>\$ 46,833,383</u></u>	<u><u>\$ 43,827,188</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 36,438	\$ 20,474
Grants payable	<u>391,552</u>	<u>579,471</u>
Total current liabilities	427,990	599,945
Funds held for other organizations	<u>4,911,485</u>	<u>5,082,432</u>
Total liabilities	5,339,475	5,682,377
Net assets:		
Unrestricted:		
Undesignated	34,355,010	24,893,945
Invested in property and equipment	<u>22,128</u>	<u>34,096</u>
Total unrestricted	34,377,138	24,928,041
Temporarily restricted	<u>7,116,770</u>	<u>13,216,770</u>
Total net assets	<u>41,493,908</u>	<u>38,144,811</u>
	<u><u>\$ 46,833,383</u></u>	<u><u>\$ 43,827,188</u></u>

See accompanying notes to financial statements.

THE ALASKA COMMUNITY FOUNDATION

Statements of Activities, page 1 of 2

Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Unrestricted net assets:		
Operating activities:		
Public support		
Contributions - operations	\$ 500,000	\$ 168,635
Contributions - donor advised and other funds	<u>12,095,911</u>	<u>5,619,275</u>
Total public support (including \$500,000 and \$393,635 in assets released from temporary restrictions in 2010 and 2009)	12,595,911	5,787,910
Revenue:		
Fund administration fees	446,222	384,014
Lease and other income	<u>27,339</u>	<u>15,973</u>
Total revenue	473,561	399,987
Total public support and revenue	<u>13,069,472</u>	<u>6,187,897</u>
Expenses:		
Programs	4,047,838	4,528,688
Projects	1,750,217	2,138,589
Management and General	<u>803,176</u>	<u>1,051,282</u>
Operating investment loss, net	<u>6,601,231</u>	<u>7,718,559</u>
Total expenses	-	-
Total expenses	<u>6,601,231</u>	<u>7,718,559</u>
Increase (Decrease) in net assets from operating activities, excluding depreciation, in-kind and non-operating activities	\$ <u>6,468,241</u>	\$ <u>(1,530,662)</u>

See accompanying notes to financial statements.

THE ALASKA COMMUNITY FOUNDATION

Statements of Activities, page 2 of 2
Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Unrestricted net assets:		
Non-cash operating activities:		
Depreciation	\$ (11,968)	\$ (11,596)
Unrealized gains (losses)	1,616,255	5,119,626
Unrealized gains (losses) - Funds held for others	170,947	(356,649)
Investment gains (losses)	1,205,622	(798,688)
Write-off of bad debt	-	(32,809)
In-kind revenue	1,726	1,735
In-kind expense	<u>(1,726)</u>	<u>(1,735)</u>
Total non-cash operating activities	2,980,856	3,919,884
Increase (decrease) in unrestricted net assets from non-cash and non-operating activities	2,980,856	3,919,884
Increase in unrestricted net assets	<u>9,449,097</u>	<u>2,389,222</u>
Changes in temporarily restricted net assets:		
Investment gains	-	14,272
Unrealized gains	-	421,050
Write-off of bad debt	(5,600,000)	-
Temporarily restricted grants	-	225,000
Net assets released from restrictions	<u>(500,000)</u>	<u>(393,635)</u>
Increase (decrease) in temporarily restricted net assets	(6,100,000)	266,687
Increase in net assets	3,349,097	2,655,909
Net assets, beginning of year	<u>38,144,811</u>	<u>35,488,902</u>
Net assets, end of year	<u>\$ 41,493,908</u>	<u>\$ 38,144,811</u>

See accompanying notes to financial statements.

THE ALASKA COMMUNITY FOUNDATION

Statements of Functional Expenses

Years Ended December 31, 2010 and 2009

	Programs	Projects	Management & General	2010 Totals
Wages	\$ -	\$ -	\$ 474,338	\$ 474,338
Contract	-	740,831	130,968	871,799
Legal	-	1,949	492	2,441
Investment Fees	554,692	40,368	1,561	596,621
Insurance	-	-	4,434	4,434
Telephone	-	-	12,952	12,952
Postage	-	-	2,870	2,870
Communications & Marketing	-	28,262	58,982	87,244
Administration	4,441	392	1,984	6,817
Travel & Conference	-	825	24,244	25,069
Grants/Awards	3,488,705	901,642	900	4,391,247
Special Events and Fundraising	-	365	8,685	9,050
Facility	-	1,989	61,370	63,359
Supplies	-	10,317	5,624	15,941
Equipment	-	23,227	13,070	36,297
Other	-	50	702	752
SUBTOTAL	4,047,838	1,750,217	803,176	6,601,231
In-kind Expenses	-	-	1,726	1,726
Write-off of Bad Debt	-	-	5,600,000	5,600,000
Depreciation	-	-	11,968	11,968
TOTAL EXPENSES	\$ 4,047,838	\$ 1,750,217	\$ 6,416,870	\$ 12,214,925

	Total Programs	Projects	Management & General	2009 Totals
Wages	\$ -	\$ 49,814	\$ 533,389	\$ 583,203
Contract	-	934,203	136,078	1,070,281
Legal	-	11,853	1,832	13,685
Investment Fees	440,641	52,665	2,897	496,203
Insurance	-	1,873	3,164	5,037
Telephone	-	-	10,679	10,679
Postage	-	-	4,138	4,138
Communications & Marketing	-	95,178	132,862	228,040
Administration	3,150	1,253	5,803	10,206
Travel & Conference	-	12,724	52,459	65,183
Grants/Awards	4,084,897	680,940	64,300	4,830,137
Special Events and Fundraising	-	1,412	4,092	5,504
Facility	-	4,326	60,378	64,704
Supplies	-	137,939	7,748	145,687
Equipment	-	149,030	11,854	160,884
Other	-	5,379	19,609	24,988
SUBTOTAL	4,528,688	2,138,589	1,051,282	7,718,559
In-kind Expenses	-	-	1,735	1,735
Write-off of Bad Debt	-	-	32,809	32,809
Depreciation	-	-	11,596	11,596
TOTAL EXPENSES	\$ 4,528,688	\$ 2,138,589	\$ 1,064,613	\$ 7,731,890

See accompanying notes to financial statements.

THE ALASKA COMMUNITY FOUNDATION

Statements of Cash Flows

Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,349,097	\$ 2,655,909
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	11,968	33,759
Donation of real property	-	(8,537)
Unrealized (gain) loss on operating investments	(1,616,255)	(5,540,676)
Realized (gain) loss on operating investments	(1,205,622)	1,529,611
(Increase) decrease in assets:		
Investment holdings	(5,460,862)	2,137,679
Pledges receivable	3,085,555	2,095,750
Accounts receivable	(30,186)	187,369
Prepaid expenses	1,917	(5,688)
Increase (decrease) in liabilities:		
Accounts payable	15,964	(33,525)
Funds held for others	(170,947)	356,649
Grants payable	<u>(187,919)</u>	<u>537,634</u>
Net cash provided (used) by operating activities	(2,207,290)	3,945,934
Net increase (decrease) in cash and cash equivalents	(2,207,290)	3,945,934
Cash and cash equivalents, beginning of year	<u>6,043,708</u>	<u>2,097,774</u>
Cash and cash equivalents, end of year	\$ <u><u>3,836,418</u></u>	\$ <u><u>6,043,708</u></u>

See accompanying notes to financial statements.

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements

December 31, 2010 and 2009

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 has been determined not to be a private foundation as defined under Section 509(a)(1). 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 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.

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 Investment Committee meets no less than quarterly to set or review investment policy and to oversee the performance of the investment managers and consultants.

THE ALASKA COMMUNITY FOUNDATION
Notes to Financial Statements, *continued*

NOTE A – Summary of Significant Accounting Policies, continued

Funds Held for Other Organizations (Agency Endowments)

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.

Public Support

Contributions reported on the Statements of Activities include grants and other contributions from corporations, foundations and other individuals as well as grants from the State of Alaska.

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 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.

THE ALASKA COMMUNITY FOUNDATION
Notes to Financial Statements, *continued*

Property and Equipment

Per the Foundation'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.

Expense Categories

Functional expenses are divided into three categories:

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.

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.

Management and General: Funds expended for administration and general operations of the Foundation.

Uncertain Tax Positions

The Foundation is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities of which there is none for 2010 or 2009. The Foundation believes that it has appropriate support for any tax positions taken, and as such does not have any uncertain tax positions that are material to the financial statements.

NOTE B – UNINSURED DEPOSITS

Funds in financial institutions are insured up to the Federal Depository Insurance (FDIC) limitation of \$250,000 as of December 31, 2010 and 2009. Uninsured and uncollateralized amounts were \$38,902 and \$609,218 as of December 31, 2010 and 2009, respectively.

All institutions holding Foundation funds participate in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2010, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. Coverage under the Transaction Account Guarantee Program is in addition to and separate from the coverage available under the FDIC's general deposit insurance rules.

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.

THE ALASKA COMMUNITY FOUNDATION
Notes to Financial Statements, *continued*

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2010</u>	<u>2009</u>
Furniture and equipment	\$ 29,324	\$ 31,854
Software	36,001	36,001
	<u>65,325</u>	<u>67,855</u>
Accumulated depreciation	<u>(43,197)</u>	<u>(33,759)</u>
	<u>\$ 22,128</u>	<u>\$ 34,096</u>

Depreciation expense was \$11,969 and \$11,596 as of December 31, 2010 and 2009, respectively.

NOTE E – 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, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Time-restricted pledged investments	\$ -	\$ 5,600,000
Use-restricted investments	<u>7,116,700</u>	<u>7,616,770</u>
	<u>\$ 7,116,700</u>	<u>\$ 13,216,770</u>

NOTE F – PLEDGES

A pledge from one donor in the amount of \$5,600,000 was expected to be received in 2010 intended for a fund 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. Pledges to the organization are considered fully collectible and no amount for uncollectible pledges has been recorded in the financial statements.

NOTE G – INVESTMENTS

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 Foundation's financial assets 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 (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset'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:

THE ALASKA COMMUNITY FOUNDATION
Notes to Financial Statements, *continued*

NOTE G – INVESTMENTS, *continued*

Level 1 – Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 – Inputs include quoted prices for similar assets 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, spread 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 estimate of what hypothetical market participants would use to determine a transaction price for the asset at the reporting date.

Managed Investments – Level 1

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, and fixed income securities. Policy goals are prioritized to maintain safety of principal, provide sufficient liquidity to meet cash flow requirements, and diversify risk. Cash reserves held in investments have been reclassified as restricted cash for 2010 and 2009.

Other Investments – Level 2

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, 2010 and 2009 was as follows:

	<u>2010</u>	<u>2009</u>
Managed Investments – Level 1:		
Common stock	\$ 20,211,792	\$ 15,162,651
Equity mutual funds	2,827,945	1,499,850
Treasury certificates of deposit	153,840	152,154
U.S. agency funds	984,971	485,978
U.S. treasury notes	1,709,034	1,467,031
Corporate bonds	4,237,775	2,516,236
Asset-backed securities	3,137,042	3,195,760
Subtotal, managed investments	<u>33,262,399</u>	<u>24,479,660</u>
Other investments - Level 2:	<u>7,116,770</u>	<u>7,616,770</u>
	<u>\$ 40,379,169</u>	<u>\$ 32,096,430</u>

THE ALASKA COMMUNITY FOUNDATION
Notes to Financial Statements, *continued*

NOTE G – INVESTMENTS, *continued*

Investment income is summarized as follows:

	<u>2010</u>		<u>2009</u>
Unrealized gains (losses)	\$ 1,616,255	\$	5,540,676
Dividends and interest	716,538		642,524
Realized gains (losses)	<u>489,084</u>		<u>(1,426,940)</u>
	<u>\$ 2,821,877</u>	\$	<u>4,756,260</u>
Unrestricted gains (losses)	\$ 2,821,877	\$	4,320,938
Temporarily restricted gains (losses)	<u>-</u>		<u>435,322</u>
	<u>\$ 2,821,877</u>	\$	<u>4,756,260</u>

NOTE H – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 17, 2011, that date which the financial statements were available for issue. No events were identified that would require disclosure according to generally acceptable accounting principles.

STATE COMPLIANCE REPORTS

THE ALASKA COMMUNITY FOUNDATION
Schedule of State Financial Assistance
December 31, 2010

<u>State Grant Title</u>	<u>Grant Number</u>	<u>Total Grant Award</u>	<u>State Eligible Expenditures</u>
Major Program:			
Department of Commerce, Community and Economic Development:			
Designated Legislative Grants:			
Friends of the Alaska Children's Trust	11-DC-618	\$ <u>3,000,000</u>	\$ <u>3,000,000</u>
<i>Total Major Programs</i>		<u>3,000,000</u>	<u>3,000,000</u>
		\$ <u><u>3,000,000</u></u>	\$ <u><u>3,000,000</u></u>

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
Michael C. Foster, CPA

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

Board of Directors
Alaska Community Foundation
Anchorage, Alaska

We have audited the financial statements of The Alaska Community Foundation (ACF, a nonprofit organization) as of and for the year ended December 31, 2010, and have issued our report thereon dated March 17, 2011. 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 ACF's internal control over financial reporting as a basis for designing our auditing 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 ACF's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ACF'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ACF's financial statements are free of material misstatement, we 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 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 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 17, 2011

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*

Board of Directors
Anchorage Community Foundation
Anchorage, Alaska

Compliance

We have audited the compliance of The 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, 2010. 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 The Alaska Community Foundation's management. Our responsibility is to express an opinion on ACF'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 ACF'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 ACF's compliance with those requirements.

In our 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, 2010.

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 our audit, we 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 our auditing procedures for the purpose of expressing an 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 ACF's internal control over compliance.

A *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 and correct noncompliance with a type of compliance requirement of a state program on a timely basis.

A *material weakness* in an entity's 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, detected and corrected on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designated 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 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 17, 2011

ALASKA COMMUNITY FOUNDATION
Schedule of State Findings and Questioned Costs
December 31, 2010

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.