

THE ALASKA COMMUNITY FOUNDATION

Financial Statements
(With Independent Auditor's Report Thereon)

Years Ended December 31, 2015 and 2014

*Altman, Rogers
& Co.* | CERTIFIED
PUBLIC
ACCOUNTANTS

THE ALASKA COMMUNITY FOUNDATION

Financial Statements
(With Independent Auditor's Report Thereon)

Years Ended December 31, 2015 and 2014

The Alaska Community Foundation

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Alaska Community Foundation (a nonprofit organization), which comprise the statements of financial position of as of December 31, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

Members of the Board of Directors
Alaska Community Foundation

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015 and 2014, 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.

Altman, Rogers & Co.

Anchorage, Alaska
October 7, 2016

THE ALASKA COMMUNITY FOUNDATION

Statements of Financial Position

December 31, 2015 and 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents:		
Unrestricted:		
Held for operations	\$ 954,424	1,687,470
Restricted:		
Held in trust for other organizations	40,898	26,392
Held for donor advised and other funds	<u>2,714,397</u>	<u>1,683,499</u>
Total cash and cash equivalents	3,709,719	3,397,361
Grants receivable (note 1.F)	320,509	81,107
Mortgage receivable	241,103	-
Prepaid expenses	<u>79,036</u>	<u>54,609</u>
Total current assets	4,350,367	3,533,077
Non-current assets:		
Investments:		
Unrestricted:		
Held for operations	223,279	-
Restricted:		
Investments	6,828,089	8,957,149
Held in trust for other organizations	8,905,020	9,231,264
Held for donor advised and other funds	<u>53,450,730</u>	<u>57,530,375</u>
Total investments (note 3)	69,407,118	75,718,788
Land - held for resale	874,000	874,000
Property and equipment - net of accumulated depreciation of \$130,284 for 2015 and \$99,286 for 2014 (note 5)	<u>119,684</u>	<u>56,859</u>
Total assets	\$ <u>74,751,169</u>	<u>80,182,724</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	152,762	115,769
Accrued payroll liabilities	56,904	70,531
Deferred revenue	1,352,425	-
Grants payable	<u>594,053</u>	<u>444,565</u>
Total current liabilities	2,156,144	630,865
Funds held for other organizations (note 1.I)	8,945,918	9,257,656
Total liabilities	<u>11,102,062</u>	<u>9,888,521</u>
Net assets:		
Unrestricted:		
Undesignated	53,047,570	57,433,805
Designated for property and equipment	<u>993,684</u>	<u>930,859</u>
Total unrestricted	54,041,254	58,364,664
Temporarily restricted (note 7)	<u>9,607,853</u>	<u>11,929,539</u>
Total Liabilities and Net Assets	\$ <u>74,751,169</u>	<u>80,182,724</u>

See accompanying notes to financial statements.

THE ALASKA COMMUNITY FOUNDATION

Statements of Activities

Years Ended December 31, 2015 and 2014

UNRESTRICTED NET ASSETS	2015	2014
Operating activities:		
Public support:		
Contributions	\$ 109,970	800,549
Contributions - donor advised and other funds	6,105,386	13,979,750
In-kind revenue	1,962	27,867
Net assets released from restrictions	2,713,570	228,349
Total public support	8,930,888	15,036,515
Revenues:		
Fund administration fees	1,156,889	935,504
Lease and other income	114,434	79,748
Total revenues	1,271,323	1,015,252
Total public support and revenue	10,202,211	16,051,767
Expenses:		
Program services:		
Philanthropic funds	6,212,223	4,520,992
Restricted programs and projects	2,089,293	821,476
Supporting services:		
Management and general	1,313,109	1,575,355
Fundraising	166,271	117,190
	9,780,896	7,035,013
Increase (decrease) in net assets from operating activities	421,315	9,016,754
Nonoperating activities:		
Unrealized gains (losses)	(8,709,838)	239,427
Unrealized gains (losses) - funds held for others	311,738	(1,013,789)
Investment gains	1,948,733	822,653
Interest and dividends	1,704,642	1,546,657
Total nonoperating activities	(4,744,725)	1,594,948
Change in unrestricted net assets	(4,323,410)	10,611,702
Change in temporarily restricted net assets:		
Contributions - donor advised and other funds	391,884	605,899
Net assets released from restrictions	(2,713,570)	(228,349)
Change in temporarily restricted net assets	(2,321,686)	377,550
CHANGE IN NET ASSETS	(6,645,096)	10,989,252
NET ASSETS, beginning of year	70,294,203	59,304,951
NET ASSETS, end of year	\$ 63,649,107	70,294,203

See accompanying notes to financial statements.

THE ALASKA COMMUNITY FOUNDATION

Statements of Functional Expenses

Years Ended December 31, 2015 and 2014

2015						
	Program Services			Supporting Services		Total Program and Supporting Services
	Philanthropic Funds	Restricted Programs and Projects	Total Program Services	Management and General	Fundraising	
Wages and benefits	\$ -	349,877	349,877	764,612	84,957	1,199,446
Contracts	2,060	483,954	486,014	172,633	21,058	679,705
Investment fees	239,557	984	240,541	7,388	462	248,391
Foundation administrative fees	910,722	255,905	1,166,627	-	-	1,166,627
Insurance	-	-	-	6,451	717	7,168
Telephone	-	-	-	16,752	1,861	18,613
Postage	-	214	214	6,528	725	7,467
Communications and marketing	-	403,113	403,113	52,302	5,811	461,226
Travel and conference	-	60,736	60,736	41,452	4,606	106,794
Grants/awards	5,058,870	525,524	5,584,394	35,395	-	5,619,789
Special events	-	8,516	8,516	9,925	24,506	42,947
Facility	-	-	-	123,029	13,670	136,699
Supplies	-	-	-	12,356	1,373	13,729
Equipment	-	-	-	13,335	1,482	14,817
Other	342	250	592	18,883	5,043	24,518
Depreciation	-	-	-	30,998	-	30,998
In-kind products	672	-	672	1,070	-	1,742
In-kind services	-	220	220	-	-	220
Total operating expenses	\$ 6,212,223	2,089,293	8,301,516	1,313,109	166,271	9,780,896

2014						
	Program Services			Supporting Services		Total Program and Supporting Services
	Philanthropic Funds	Restricted Programs and Projects	Total Program Services	Management and General	Fundraising	
Wages and benefits	\$ 543,234	-	543,234	415,414	106,517	1,065,165
Contracts	-	335,097	335,097	193,785	-	528,882
Investment fees	252,306	1,218	253,524	6,801	-	260,325
Foundation administrative fees	818,400	36,771	855,171	80,300	-	935,471
Insurance	-	12,342	12,342	7,330	-	19,672
Telephone	-	-	-	19,916	-	19,916
Postage	-	-	-	6,955	-	6,955
Communications and marketing	-	112,618	112,618	112,402	10,423	235,443
Travel and conference	-	4,874	4,874	100,128	-	105,002
Grants/awards	2,907,052	278,302	3,185,354	361,350	-	3,546,704
Special events	-	4,090	4,090	58,725	250	63,065
Facility	-	-	-	122,958	-	122,958
Supplies	-	14,047	14,047	26,534	-	40,581
Equipment	-	22,117	22,117	21,200	-	43,317
Other	-	-	-	22,632	-	22,632
Depreciation	-	-	-	18,925	-	18,925
Total operating expenses	\$ 4,520,992	821,476	5,342,468	1,575,355	117,190	7,035,013

See accompanying notes to financial statements.

THE ALASKA COMMUNITY FOUNDATION

Statements of Cash Flows

Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows provided (used) by operating activities:		
Change in net assets	\$ (6,645,096)	10,989,252
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	30,998	18,925
Unrealized (gain) loss on investments	8,709,838	(239,427)
Realized (gain) loss on investments	(1,948,733)	(822,653)
Loss on sale of land	-	15,900
Donation of land	-	(909,900)
(Increase) decrease in assets:		
Grants receivable	(239,402)	(74,894)
Mortgage receivable	(241,103)	-
Prepaid expenses	(24,427)	(2,597)
Increase (decrease) in liabilities:		
Accounts payable	36,993	31,759
Accrued payroll liabilities	(13,627)	(815)
Grants payable	149,488	(482,887)
Deferred revenue	1,352,425	-
Funds held for other organizations	(311,738)	1,013,789
Net cash provided by operating activities	855,616	9,536,452
Cash flows provided (used) by investing activities:		
Proceeds from sales of land	-	20,000
(Purchase) of property and equipment	(93,823)	-
(Purchase) of investments	(23,951,062)	(23,373,679)
Proceeds from sales of investments	23,501,627	12,570,098
Net cash provided (used) by investing activities	(543,258)	(10,783,581)
Net increase (decrease) in cash and cash equivalents	312,358	(1,247,129)
Cash and cash equivalents, beginning of year	3,397,361	4,644,490
Cash and cash equivalents, end of year	\$ 3,709,719	3,397,361
Supplemental schedule of noncash investing activities		
Donation of land	\$ -	909,900

See accompanying notes to financial statements.

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements

December 31, 2015 and 2014

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Operations

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

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

B. Basis of Presentation

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

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

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

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

C. Basis of Accounting

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

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

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

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

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

D. 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.

E. Investments

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

F. 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, 2015 and 2014. Receivables are charged off when all collection efforts have been exhausted.

G. Prepaid Expenses

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

H. 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.

I. Funds Held In Trust for Other Organizations (Agency Endowments)

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

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

J. Funds Held as Donor Advised and Other Funds

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

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

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

K. Fair Value of Financial Instruments

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

The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) investments, (3) receivables, net, (4) certain other current assets, (5) accounts payable and (6) other current liabilities. The carrying amounts reported in the 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.

L. Compensated Absences

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

M. Support and Revenue

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

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

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

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.

N. Functional Allocation of Expenses

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

O. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Actual results could differ from those estimates.

P. 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.

Q. 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, 2015 or 2014.

The Foundation classifies all interest and penalties related to tax contingencies as income tax expense. As of December 31, 2015 and 2014, 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, 2015, the tax years that remain subject to examination are 2012, 2013 and 2014.

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

R. Principles of Consolidation

The financial statements include the accounts of the Foundation and its wholly owned subsidiary, ACF Properties 1, LLC, which was funded to receive contributions of real estate. All material intra-entity transactions have been eliminated.

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, 2015 and 2014. Any amounts exceeding FDIC insurance coverage are uncollateralized and uninsured and represent a concentration of credit risk. Uninsured and uncollateralized amounts were \$3,451,193 and \$2,713,212, respectively, at December 31, 2015 and 2014.

3. FAIR VALUE MEASUREMENTS/INVESTMENTS

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

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

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

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

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

The following table provides information as of December 31, 2015 and 2014 about the Foundation's financial assets and liabilities measured at fair value on a recurring basis.

2015

Assets:		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market / cash sweeps	\$	271,449	-	-	271,449
Certificate of Deposit		156,151	-	-	156,151
U.S. Agency Funds		6,186,070	-	-	6,186,070
Municipal Obligations		251,392	-	-	251,392
Corporate Obligations		6,186,070	-	-	6,186,070
Asset back Securities		398,804	-	-	398,804
Common Equity:					
Consumer Discretionary		1,025,269	-	-	1,025,269
Consumer Staples		13,543,921	-	-	13,543,921
Energy		735,878	-	-	735,878
Financials		8,534,090	-	-	8,534,090
Health Care		189,578	-	-	189,578
Industrials		1,362,511	-	-	1,362,511
Information Technology		854,391	-	-	854,391
Materials		602,265	-	-	602,265
Telecommunication Services		257,284	-	-	257,284
Utilities		43,710	-	-	43,710
Other		2,583,992	-	-	2,583,992
Other Equity		4,012,738	2,123,339	-	6,136,077
Debt Bonds		3,135,042	3,662,777	-	6,797,819
Diversified hedged strategies		6,462,308	-	-	6,462,308
Closely held stock		-	-	<u>6,828,089</u>	<u>6,828,089</u>
Total	\$	<u>56,792,913</u>	<u>5,786,116</u>	<u>6,828,089</u>	<u>69,407,118</u>

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

2014

Assets:		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of Deposit	\$	155,421	-	-	155,421
U.S. Agency Funds		3,780,760	-	-	3,780,760
Municipal Obligations		251,966	-	-	251,966
Corporate Obligations		8,008,488	-	-	8,008,488
Asset back Securities		554,579	-	-	554,579
Common Equity:					
Consumer Discretionary		4,369,211	-	-	4,369,211
Consumer Staples		4,235,091	-	-	4,235,091
Energy		5,463,334	-	-	5,463,334
Financials		4,533,554	-	-	4,533,554
Health Care		2,941,432	-	-	2,941,432
Industrials		2,949,360	-	-	2,949,360
Information Technology		5,093,378	-	-	5,093,378
Materials		1,895,143	-	-	1,895,143
Telecommunication Services		2,263,211	-	-	2,263,211
Utilities		266,451	-	-	266,451
Other		727,834	-	-	727,834
Other Equity		2,045,501	2,030,440	-	4,075,941
Debt Bonds		2,399,298	7,773,543	-	10,172,841
Diversified hedged strategies		5,023,644	-	-	5,023,644
Closely held stock		-	-	8,957,149	8,957,149
Total	\$	<u>56,957,656</u>	<u>9,803,983</u>	<u>8,957,149</u>	<u>75,718,788</u>

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, 2015 and 2014 are as follows:

		Closely held <u>Stock</u>
Balance at December 31, 2013	\$	<u>8,724,686</u>
Change in value due to appraisal/redemption		<u>232,463</u>
Balance at December 31, 2014	\$	<u>8,957,149</u>
Change in value due to appraisal/redemption		<u>(2,129,060)</u>
Balance at December 31, 2015	\$	<u>6,828,089</u>

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

The Foundation's accounting policy is to recognize transfers between levels of their fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 1, Level 2, or Level 3 for the years ended December 31, 2015 and 2014.

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

4. **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.

	<u>2015</u>	<u>2014</u>
Donated Land	\$ 874,000	874,000

5. **MORTGAGE RECEIVABLE**

During 2015 the Alaska International Education Foundation, Inc. ceased operations and transferred all of its assets to the Alaska Community Foundation. In January of 2015 ACF signed two deeds of trust for property located in Homer Alaska. Throughout 2015, ACF received payments on the mortgage receivable with an ending balance at December 31, 2015 of \$241,103. In June of 2016, the full amount on both deeds of trust were fully paid.

6. **PROPERTY, EQUIPMENT, AND DONATED LAND**

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

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 213,967	120,144
Software	<u>36,001</u>	<u>36,001</u>
Total property and equipment	<u>249,698</u>	<u>156,145</u>
Accumulated depreciation	<u>(130,284)</u>	<u>(99,286)</u>
	\$ <u>119,684</u>	<u>56,859</u>

Depreciation expense was \$30,998 and \$18,925 for the years ended December 31, 2015 and 2014, 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.

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

Fundraising

Funds expended to solicit donations or contributions to the Foundation.

8. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2015</u>	<u>2014</u>
Family Donor Advised Fund	\$ 7,722,182	9,669,873
Capacity Building for Charitable Organizations	208,171	188,492
Pick Click Give	-	90,858
Murdock Charitable Trust	-	129,142
Rasmuson Technical Assistance	-	13,867
Community Asset Building	15,967	139,133
Engine 557 Restoration Fund	-	109,588
Recover Alaska Media Project	49,323	63,827
Recover Alaska Project	122,205	-
Wrangell Scholarship Fund	593,567	660,549
Sitka Scholarship Fund	527,626	659,365
Thorpe Scholarship Fund	118,812	204,845
Progressive and Social Justice Fund	<u>250,000</u>	<u>-</u>
Total	\$ <u>9,607,853</u>	<u>11,929,539</u>

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

9. LEASES

The Foundation entered into a lease that was executed November 1, 2013 and terminating on October 21, 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 \$136,699 and \$122,340 for the years ended December 31, 2015 and 2014, respectively.

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

2016	157,057
2017	160,035
2018	163,080
2019	166,192
2020	169,375
Thereafter	<u>349,104</u>
Total	\$ <u>1,164,843</u>

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

10. **SUBLEASES**

The Foundation also has subleases with various other entities on varying terms. Expected future payments of subleases to offset lease expenses are as follows:

2016	\$ 118,456
2017	113,197
2018	115,460
2019	96,147

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 2015 were \$136,669 and \$113,234 in 2014.

In 2015 and 2014, The Foundation recognized \$1,092,235 and \$1,611,406, 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 2015, The Foundation recorded \$19,930 in rental income and \$12,535 was billed back to the Alaska Children's Trust for reimbursement of postage, printing and staff time performing administrative and grant making services.

The Chairman and President of the Alaska Native Tribal Health Consortium is the First Vice Chairman of The Foundation. The Foundation awarded grants totaling \$30 thousand to the Alaska Native Tribal Health Consortium for vocational training purposes during 2015.

The President And CEO of Kodiak Area Native Association is the First Vice Chairman of The Foundation. The Foundation awarded grants totaling \$6,015 thousand to Kodiak Area Native Association for elder's assistance and capacity building purposes during 2015.

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.

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

13. PENSION PLAN

The Foundation has 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 provides an employer contribution of 6% of the employee's gross wages after 12 months of service. Contributions under the Plan totaled \$32,231 and \$40,250 for the years ended 2015 and 2014, respectively.

14. SOURCE OF CONTRIBUTIONS

The source of public support including net assets released from restrictions for the years ended December 31, 2015 and 2014 were:

		2015						
		Temporarily Restricted Grants and Support			Unrestricted Grants and Support			
		Balance 1/1/2015	Received	Released to Unrestricted	Balance 12/31/2015	Temporarily Restricted Released	Unrestricted Received	Total Grants and Support
Operating support:								
Contributions	\$	-	-	-	-	-	109,970	109,970
Contributions -								
Donor advised and other		11,929,539	391,884	(2,713,570)	9,607,853	2,713,570	6,105,386	8,818,956
Total support	\$	<u>11,929,539</u>	<u>391,884</u>	<u>(2,713,570)</u>	<u>9,607,853</u>	<u>2,713,570</u>	<u>6,215,356</u>	<u>8,928,926</u>
		2014						
		Temporarily Restricted Grants and Support			Unrestricted Grants and Support			
		Balance 1/1/2014	Received	Released to Unrestricted	Balance 12/31/2014	Temporarily Restricted Released	Unrestricted Received	Total Grants and Support
Operating support:								
Contributions	\$	-	-	-	-	-	800,549	800,549
Contributions -								
Donor advised and other		11,551,989	605,899	(228,349)	11,929,539	228,349	13,979,750	14,208,099
Total support	\$	<u>11,551,989</u>	<u>605,899</u>	<u>(228,349)</u>	<u>11,929,539</u>	<u>228,349</u>	<u>14,780,299</u>	<u>15,008,648</u>

15. SUBSEQUENT EVENTS

Management has evaluated the existence of subsequent events through October 7, 2016, the date which the financial statements were available for issue.

The Foundation board approved changes to the 403 (b) plan with Mutual of America in November 2015 to take effect January 1, 2016. These changes include the addition of a 5 year graduated vesting period of 20% per year starting after 1 year, changing the 6% contribution to a match and removing "pre-employment in the non-profit sector" as countable towards eligibility of a match.