



The Alaska Community Foundation

Financial Statements, Additional
Supplementary Information and
Single Audit Reports
Year Ended December 31, 2016 and 2015

(With Independent Auditor's Report Thereon)

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Financial Statements, Additional Supplementary Information
and Single Audit Reports

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The Alaska Community Foundation

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Independent Auditor's Report

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

We have audited the accompanying financial statements of The Alaska Community Foundation (a nonprofit organization), which comprise the statement of financial position of as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Alaska Community Foundation as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

2015 Financial Statements

The financial statements of the Alaska Community Foundation as of December 31, 2015 were audited by other auditors whose report, dated October 7, 2016, expressed an unmodified opinion on those financial statements.

Additional Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of State Financial Assistance, as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2017 on our consideration of The Alaska Community Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Alaska Community Foundation's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
August 16, 2017

Financial Statements

The Alaska Community Foundation
Statements of Financial Position

<i>December 31,</i>	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,812,585	\$ 3,709,719
Accounts receivable	379,139	320,509
Mortgage receivable	-	241,103
Prepaid expenses	64,431	79,036
Total Current Assets	2,256,155	4,350,367
Non-Current Assets		
Investments	75,722,708	69,407,118
Land - held for resale	874,000	874,000
Property and equipment - net of accumulated depreciation of \$160,231 for 2016 and \$130,284 for 2015	89,737	119,684
Total Non-Current Assets	76,686,445	70,400,802
Total Assets	\$ 78,942,600	\$ 74,751,169

See accompanying notes to financial statements.

The Alaska Community Foundation
Statements of Financial Position, continued

<i>December 31,</i>	2016	2015
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 180,226	\$ 152,762
Accrued payroll liabilities	57,981	56,904
Deferred revenue	1,024,947	1,352,425
Grants payable	773,378	594,053
Total current liabilities	2,036,532	2,156,144
Funds held for other organizations (note 1)	10,220,246	8,945,918
Total Liabilities	12,256,778	11,102,062
Net Assets		
Unrestricted:		
Designated:		
Donor advised and other funds	55,386,507	52,061,127
Property and equipment	963,737	993,684
Undesignated - operations	1,010,335	986,443
Total unrestricted	57,360,579	54,041,254
Temporarily restricted (note 9)	9,325,243	9,607,853
Total Net Assets	66,685,822	63,649,107
Total Liabilities and Net Assets	\$ 78,942,600	\$ 74,751,169

See accompanying notes to financial statements.

The Alaska Community Foundation

Statement of Activities Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Support:			
Amounts raised	\$ 4,782,956	\$ 314,450	\$ 5,097,406
Grants	61,556	3,315,683	3,377,239
Less amounts raised or received on behalf of others	(902,458)	-	(902,458)
Net contributions and bequests raised	3,942,054	3,630,133	7,572,187
Other Revenue:			
Other revenue	162,730	-	162,730
Foundation administrative fees charged to funds held for others	74,709	-	74,709
Investment income (loss)	4,690,111	(176,617)	4,513,494
Other revenue (loss) before allocation of investment income	4,927,550	(176,617)	4,750,933
Less net investment (income) loss allocated to funds held for others	(777,889)	-	(777,889)
Net other revenue (loss)	4,149,661	(176,617)	3,973,044
Net assets released from restrictions	3,736,126	(3,736,126)	-
Total support and revenue and net assets released from restrictions	11,827,841	(282,610)	11,545,231
Expenses:			
Program services:			
Grants and philanthropic distributions	4,119,792	-	4,119,792
Less amounts distributed on behalf of others	(287,325)	-	(287,325)
Total grants and philanthropic distributions	3,832,467	-	3,832,467
Program services expense	3,425,552	-	3,425,552
Less program services expenses allocated to funds held for others	(43,985)	-	(43,985)
Total grants, philanthropic distributions, and program services	3,381,567	-	3,381,567
Support services:			
Management and general administrative	738,222	-	738,222
Development and fundraising	556,260	-	556,260
Total support service	1,294,482	-	1,294,482
Total expenses	8,508,516	-	8,508,516
Change in net assets	3,319,325	(282,610)	3,036,715
Net assets at beginning of year	54,041,254	9,607,853	63,649,107
Net assets at end of year	\$ 57,360,579	\$ 9,325,243	\$ 66,685,822

See accompanying notes to consolidated financial statements.

The Alaska Community Foundation

Statement of Activities Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Support:			
Amounts raised	\$ 4,738,256	\$ 277,600	\$ 5,015,856
Grants	107,461	1,436,684	1,544,145
Less amounts raised or received on behalf of others	(681,038)	-	(681,038)
Net contributions and bequests raised	4,164,679	1,714,284	5,878,963
Other Revenue:			
Other revenue	132,758	19,178	151,936
Foundation administrative fees charged to funds held for others	95,565	-	95,565
Investment income (loss)	(3,714,886)	(1,341,578)	(5,056,464)
Other revenue (loss) before allocation of investment income	(3,486,563)	(1,322,400)	(4,808,963)
Less net investment (income) loss allocated to funds held for others	451,139	-	451,139
Net other revenue (loss)	(3,035,424)	(1,322,400)	(4,357,824)
Net assets released from restrictions	2,713,570	(2,713,570)	-
Total support and revenue and net assets released from restrictions	3,842,825	(2,321,686)	1,521,139
Expenses:			
Program services:			
Grants and philanthropic distributions	5,584,394	-	5,584,394
Less amounts distributed on behalf of others	(413,627)	-	(413,627)
Total grants and philanthropic distributions	5,170,767	-	5,170,767
Program services expense	1,549,603	-	1,549,603
Less program services expenses allocated to funds held for others	(32,445)	-	(32,445)
Total grants, philanthropic distributions, and program services	1,517,158	-	1,517,158
Support services:			
Management and general administrative	1,312,039	-	1,312,039
Development and fundraising	166,271	-	166,271
Total support service	1,478,310	-	1,478,310
Total expenses	8,166,235	-	8,166,235
Change in net assets	(4,323,410)	(2,321,686)	(6,645,096)
Net assets at beginning of year	58,364,664	11,929,539	70,294,203
Net assets at end of year	\$ 54,041,254	\$ 9,607,853	\$ 63,649,107

See accompanying notes to consolidated financial statements.

The Alaska Community Foundation

Statement of Functional Expenses

Year Ended December 31, 2016

	Program Services			Supporting Services		Total Program and Supporting Services
	Philanthropic Funds	Restricted Programs and Projects	Total Program Services	Management and General	Fundraising	
Grants and philanthropic distributions	\$ 3,866,827	\$ 252,965	\$ 4,119,792	\$ 1,772	\$ -	\$ 4,121,564
Contracts	2,680	2,761,112	2,763,792	114,052	38,055	2,915,899
Wages and benefits	-	312,640	312,640	372,736	389,179	1,074,555
Foundation administrative fees	853,727	220,120	1,073,847	-	-	1,073,847
Investment fees	299,596	1,218	300,814	9,889	1,916	312,619
Facility	-	-	-	110,289	47,441	157,730
Communications and marketing	250	15,155	15,405	24,469	16,170	56,044
Special events	-	6,788	6,788	12,655	29,588	49,031
Depreciation	-	-	-	20,913	9,034	29,947
Travel and conference	-	14,246	14,246	7,776	5,496	27,518
Equipment and maintenance	-	-	-	15,726	5,063	20,789
Insurance	-	-	-	13,816	5,902	19,718
Supplies	1,169	767	1,936	13,100	1,851	16,887
Telephone	-	19	19	10,578	4,094	14,691
Postage	-	-	-	4,173	718	4,891
Other	9,598	314	9,912	6,278	1,753	17,943
Total operating expenses	5,033,847	3,585,344	8,619,191	738,222	556,260	9,913,673
Less foundation administrative fees	(853,727)	(220,120)	(1,073,847)	-	-	(1,073,847)
Total Functional Expenses	\$ 4,180,120	\$ 3,365,224	\$ 7,545,344	\$ 738,222	\$ 556,260	\$ 8,839,826

See accompanying notes to financial statements.

The Alaska Community Foundation

Statement of Functional Expenses

Year Ended December 31, 2015

	Program Services			Supporting Services		Total Program and Supporting Services
	Philanthropic Funds	Restricted Programs and Projects	Total Program Services	Management and General	Fundraising	
Grants and philanthropic distributions	\$ 5,058,870	\$ 525,524	\$ 5,584,394	\$ 35,395	\$ -	\$ 5,619,789
Wages and benefits	-	349,877	349,877	764,612	84,957	1,199,446
Foundation administrative fees	910,722	255,905	1,166,627	-	-	1,166,627
Contracts	2,060	484,174	486,014	172,633	21,058	679,705
Communications and marketing	-	403,113	403,113	52,302	5,811	461,226
Investment fees	239,557	984	240,541	7,388	462	248,391
Facility	-	-	-	123,029	13,670	136,699
Travel and conference	-	60,736	60,736	41,452	4,606	106,794
Special events	-	8,516	8,516	9,925	24,506	42,947
Depreciation	-	-	-	30,998	-	30,998
Telephone	-	-	-	16,752	1,861	18,613
Equipment and maintenance	-	-	-	13,335	1,482	14,817
Supplies	672	-	-	12,356	1,373	13,729
Postage	-	214	214	6,528	725	7,467
Insurance	-	-	-	6,451	717	7,168
Other	342	250	592	18,883	5,043	24,518
Total operating expenses	6,212,223	2,089,293	8,300,624	1,312,039	166,271	9,778,934
Less foundation administrative fees	(910,722)	(255,905)	(1,166,627)	-	-	(1,166,627)
Total Functional Expenses	\$ 5,301,501	\$ 1,833,388	\$ 7,133,997	\$ 1,312,039	\$ 166,271	\$ 8,612,307

See accompanying notes to financial statements.

The Alaska Community Foundation

Statements of Cash Flows

Years Ended June 30,	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ 3,036,715	\$ (6,645,096)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	29,947	30,998
Unrealized (gain) loss on investments	(3,105,928)	8,709,838
Realized (gain) loss on investments	(299,693)	(1,948,733)
Interest and dividends	(1,107,861)	(1,704,642)
(Increase) decrease in assets:		
Accounts receivable	(58,630)	(239,402)
Mortgage, lease and other receivable	241,103	(241,103)
Prepaid expenses	14,605	(24,427)
Increase (decrease) in liabilities:		
Accounts payable	27,464	36,993
Accrued payroll liabilities	1,077	(13,627)
Deferred revenue	(327,478)	1,352,425
Grants payable	179,325	149,488
Funds held for other organizations	1,274,328	(311,738)
Net cash from operating activities	(95,026)	(849,026)
Cash Flows for Investing Activities		
(Purchase) of property and equipment	-	(93,823)
(Purchase) of investments	(11,856,162)	(23,951,062)
Proceeds from sales of investments	10,054,054	25,206,269
Net cash for investing activities	(1,802,108)	1,161,384
Net Increase (Decrease) in Cash and Cash Equivalents	(1,897,134)	312,358
Cash and Cash Equivalents, beginning of year	3,709,719	3,397,361
Cash and Cash Equivalents, end of year	\$ 1,812,585	\$ 3,709,719

See accompanying notes to financial statements.

The Alaska Community Foundation

Notes to Financial Statements Years Ended June 30, 2016 and 2015

1. Summary of Significant Accounting Policies

Operations

The Alaska Community Foundation (the Foundation) was incorporated as a nonprofit organization in the State of Alaska in 1995. The 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.

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.

Basis of Accounting

For purposes of the statement of cash flows, the Foundation considers all unrestricted liquid investments with an initial maturity of three months or less to be cash equivalents.

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

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

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

The Alaska Community Foundation

Notes to Financial Statements

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Foundation considers highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments

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

Accounts and Grants Receivable

Accounts receivable are recorded on the accrual basis when the goods and services are billed and are considered delinquent or uncollectible on a case-by-case basis by management. The Foundation records an allowance for doubtful accounts for the estimated uncollectible portion of the accounts receivable. This estimate is based on management's historical collection experience and a review of current accounts receivable. Management deems all receivables fully collectible; therefore, no allowance has been established at December 31, 2016 and 2015. Receivables are charged off when all collection efforts have been exhausted.

Prepaid Expenses

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

Property and Equipment

Property and equipment are stated at cost or estimated fair value if donated. Expenses for maintenance and repairs are charged to expense as incurred, and expenses for major renovations are capitalized. All expenses for property and equipment in excess of \$5,000 are capitalized. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis of 3-7 years.

Funds Held in Trust for Other Organizations (Agency Endowments)

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

Funds Held as Donor Advised and Other Funds

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

The Alaska Community Foundation

Notes to Financial Statements

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.

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.

Compensated Absences

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

Support and Revenue

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

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.

Comparative Amounts

Certain amounts for 2015 have been reclassified to conform to the current year presentation.

The Alaska Community Foundation

Notes to Financial Statements

Functional Allocation of Expenses

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

Use of Estimates

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

In-kind Contributions

Donated services are recognized as contributions in accordance with FASB ASC 958, Accounting for Contributions Received and Contributions Made, if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. In-kind contributions for space, supplies, and professional services are recorded in the statement of activities at market value and recognized as revenue and expenses in the period they are received, except for donated equipment, which is recorded as revenue in the period received and the asset is depreciated over its estimated useful life.

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, 2016 or 2015.

The Foundation classifies all interest and penalties related to tax contingencies as income tax expense. As of December 31, 2016 and 2015, 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, 2016, the tax years that remain subject to examination are 2013, 2014 and 2015.

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.

Subsequent Events

Management has evaluated the existence of subsequent events through August 16, 2017, the date which the financial statements were available for issuance.

The Alaska Community Foundation

Notes to Financial Statements

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, 2016 and 2015. Any amounts exceeding FDIC insurance coverage are uncollateralized and uninsured and represent a concentration of credit risk. Uninsured and uncollateralized amounts were \$1,445,279 and \$3,451,193, respectively, at December 31, 2016 and 2015.

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

Certain assets of the Foundation as carried at net asset value (NAV). These are listed below as pooled separate accounts.

The following tables provide information as of December 31, 2016 and 2015 about the Foundation's financial assets and liabilities measured at fair value on a recurring basis.

<i>December 31, 2016</i>	Level 1	Level 2	Level 3	Total
Assets:				
Money market / cash sweeps	\$ 3,021,842	\$ 68,085	\$ -	\$ 3,089,927
Certificate of Deposit	-	156,542	-	156,542
U.S. Agency Funds	-	5,705,933	-	5,705,933
Municipal obligations	-	250,730	-	250,730
Corporate obligations	-	6,673,687	-	6,673,687
Asset back securities	-	276,506	-	276,506
Common Equity:				
Consumer goods	1,361,576	-	-	1,361,576
Consumer discretionary	4,156,552	-	-	4,156,552
Consumer staples	3,081,857	-	-	3,081,857
Energy	1,142,935	3,047,311	-	4,190,246
Financials	4,470,358	-	-	4,470,358
Health care	1,706,266	-	-	1,706,266
Industrials	1,573,978	-	-	1,573,978
Information technology	4,698,300	-	-	4,698,300
Materials	1,135,933	-	-	1,135,933
Real estate	368,166	-	-	368,166
Telecom	488,383	-	-	488,383
Utilities	296,979	-	-	296,979
International	-	-	-	-
Pooled separate accounts	-	-	-	2,425,899
Other	1,218,712	-	-	1,218,712
Other equity	1,617,762	54,708	92,828	1,765,298
Pooled separate accounts	-	-	-	1,928,747
Debt bonds	558,615	5,182,963	111,478	5,853,056
Diversified hedged strategies	421,428	1,553,491	1,198,317	3,173,236
Pooled separate accounts	-	-	-	3,428,663
Private real estate	-	-	1,026,492	1,026,492
Private equity	-	-	70,186	70,186
Pooled separate accounts	-	-	-	469,835
Private debt	-	-	4,465,627	4,465,627
Closely held stock	-	-	6,215,038	6,215,038
Total	\$ 31,319,642	\$ 22,969,956	\$ 13,179,966	\$ 75,722,708

The Alaska Community Foundation

Notes to Financial Statements

<i>December 31, 2015</i>	Level 1	Level 2	Level 3	Total
Assets:				
Money market / cash sweeps	\$ 271,499	\$ -	\$ -	271,499
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
Telecommunications 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	-	-	6,828,089	6,828,089
Total	\$ 56,792,913	\$ 5,786,116	\$ 6,828,089	\$ 69,407,118

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, 2016 and 2015 are as follows:

	Fair value investments
Balance at December 31, 2014	\$ 8,957,149
Change in value due to appraisal/redemption	(2,129,060)
Balance at December 31, 2015	6,828,089
Change in value due to appraisal/redemption	6,351,907
Balance at December 31, 2016	\$ 13,179,996

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 Alaska Community Foundation

Notes to Financial Statements

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, 2016 and 2015.

4. Investment Income (Loss)

Investment income is comprised of the following at December 31:

	2016	2015
Realized gain (loss)	\$ 299,693	\$ 1,948,733
Unrealized gain (loss)	3,105,928	(8,709,838)
Interest and dividend income	1,107,873	1,704,641
Total investment income (loss)	\$ 4,513,494	\$ (5,056,464)

5. Assets Held for Resale

The Foundation received land through the dissolution of the AIE Foundation. The intent is to sell the properties and the proceeds be used to fund grants for educational purposes. The land is included below as part of property, plant, and equipment.

	2016	2015
Donated Land	\$ 874,000	\$ 874,000

6. 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.

7. Property, Equipment, and Donated Land

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amount reported in the statement of financial position.

The Alaska Community Foundation

Notes to Financial Statements

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

	2016	2015
Furniture and equipment	\$ 213,967	\$ 213,967
Software	36,001	36,001
Total property and equipment	249,968	249,968
Accumulated depreciation	(160,231)	(130,284)
	\$ 89,737	\$ 119,684

Depreciation expense was \$29,947 and \$30,998 for the years ended December 31, 2016 and 2015, respectively. The donated land is not depreciated.

8. Description of Program and Supporting Services

Philanthropic Funds

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

Restricted Programs and Projects

Restricted programs are funds expended by the Foundation when it serves as the fiscal sponsor for a partner entity that is not a 501(c)(3) organization to enable a charitable project to move forward for the community. There are some projects that the Foundation expends funds for that are unrestricted that are also included in this program.

Management and General

Funds expended for the administration and general operations of the Foundation

Fundraising

Funds expended to solicit donations or contributions to the Foundation.

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The Alaska Community Foundation

Notes to Financial Statements

9. Temporarily Restricted Net Assets

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

	2016	2015
Family Donor Advised Fund	\$ 7,393,514	\$ 7,722,182
Capacity Building for Charitable Organizations	-	208,171
Pick Click Give	160,808	-
Community Asset Building	-	15,967
Recover Alaska Media Project	3,899	49,323
Recover Alaska Project	75,640	122,205
Wrangell Scholarship Fund	536,829	593,567
Sitka Scholarship Fund	518,252	527,626
Thorpe Scholarship Fund	111,476	118,812
Progressive and Social Justice Fund	524,825	250,000
Total	\$ 9,325,243	\$ 9,607,853

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

10. 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 \$157,730 and \$136,699 for the years ended December 31, 2016 and 2015, respectively.

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

2017	\$	160,035
2018		163,080
2019		166,192
2020		169,375
2021		172,888
Thereafter		176,217
Total	\$	1,007,787

The Alaska Community Foundation

Notes to Financial Statements

11. Subleases

The Alaska Community Foundation subleases space within its leased area to various other entities on varying terms. Current lease agreements are for one-year terms ending December 31, 2017. The Alaska Community Foundation expects to extend these sublease agreements to multi-year arrangements starting in 2018. Expected future payments of subleases to offset lease expenses are as follows:

2017	\$	131,394
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12. 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 2016 were \$157,730 and \$136,669 in 2015.

In 2016 and 2015, The Foundation recognized \$848,841 and \$1,092,235, 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 2016, The Foundation recorded \$28,291 in rental income and \$6,400 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 also a board member of The Foundation. The Foundation awarded grants totaling \$5,000 and \$30,000, respectively, to the Alaska Native Tribal Health Consortium for vocational training purposes during 2016 and 2015.

13. 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.

14. 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 \$16,041 and \$32,231 for the years ended 2016 and 2015, respectively.

The Alaska Community Foundation

Notes to Financial Statements

15. Subsequent Events

The Foundation terminated their 403(b) defined contribution plan effective December 31, 2016 which was replaced by a 401(k). Remaining Plan assets in the 403(b) plan were distributed on January 31, 2017.

16. Accounting Pronouncements issued but Not Yet Adopted or Currently in Effect

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for the Entities until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

In February 2016, FASB issued ASU 2016-02, Leases (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Entities' fiscal years beginning after December 15, 2019 with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

In August 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements for Not-for-Profit Entities. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include; (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Entities' financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on their financial statements.

The Alaska Community Foundation

Notes to Financial Statements

In May 2015, the FASB issued ASU 2015-07, an amendment to FASB ASV 820-10 *Fair Value Measurement - Overall: Subsequent Measurement*. This update addressed the diversity in practice and how certain investments measure at net asset value with redemption dates in the future are categorized in the fair value hierarchy. Effective for private entities with fiscal years beginning after December 2016, this update removed the requirements to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient, as well as other related disclosure requirements. Management is currently evaluating the impact of this ASU on their financial statements.

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Additional Supplementary Information

The Alaska Community Foundation

Schedule of State Financial Assistance

Year Ended December 31, 2016

Grant Title	Grant Number	Award Amount	State Expenditures
Department of Commerce and Economic Development			
* Statewide Domestic Violence Shelter Improvements	15-DC-180	\$ 2,000,000	\$ 1,754,463
* Recover Alaska Project Fund	15-DC-179	500,000	212,410
Alaska Children's Trust Youth Suicide Prevention Program	15-DC-178	75,000	<u>50,000</u>
Total State Financial Assistance			<u>\$ 2,016,873</u>

* Designated as major program.

Note 1: Basis of Presentation

The accompanying schedule of state financial assistance (the "Schedule") includes the state grant activity of The Alaska Community Foundation under programs of the state government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of the State of Alaska Audit Guide and Compliance Supplement for State Single Audits. Because the Schedule presents only a selected portion of the operations of The Alaska Community Foundation, it is not intended to and does not present the financial position, changes in net assets or cash flows of The Alaska Community Foundation.

Expenditures reported on the Schedule are reported on the accrual basis of accounting.

Single Audit Reports



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3601 C Street, Suite 600
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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of the Board
The Alaska Community Foundation
Anchorage, Alaska

We have audited, in accordance with the 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, the financial statements of The Alaska Community Foundation which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 16, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Alaska Community Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Alaska Community Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of The Alaska Community Foundation's internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
August 16, 2017



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3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report on Compliance For Each Major State Program and Report on Internal Control Over Compliance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

Members of the Board
The Alaska Community Foundation
Anchorage, Alaska

Report on Compliance for Each Major State Program

We have audited The Alaska Community Foundation's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of The Alaska Community Foundation's major state programs for the year ended December 31, 2016. The Alaska Community Foundation's major state programs are identified in the accompanying Schedule of State Financial Assistance.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Alaska Community Foundation's major state programs based on our audit of the types of compliance requirements referred to above. 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 audit requirements of 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 The Alaska Community Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However our audit does not provide a legal determination of The Alaska Community Foundation's compliance.

Opinion on Each Major State Program

In our opinion, The Alaska Community Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2016.

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
August 16, 2017

The Alaska Community Foundation

Schedule of Findings and Questioned Costs Year Ended December 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> (none reported)
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> no

Noncompliance material to financial statements noted? Yes no

State Financial Assistance

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major programs:

Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> (none reported)
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> no

Dollar threshold used to distinguish a state major program: \$ 75,000

Section II - Financial Statement Findings

The Alaska Community Foundation did not have any findings related to the financial statements.

Section III - State Award Findings and Questioned Costs

The Alaska Community Foundation did not have any findings related to State awards.

The Alaska Community Foundation

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2016

Financial Statement Findings

There were no prior year findings.

State Awards

There were no prior year findings.

The Alaska Community Foundation

Corrective Action Plan *Year Ended December 31, 2016*

There are no current year findings; therefore, no corrective action plan is required.