



The Alaska Community Foundation and Affiliate

Consolidated Financial Statements
Years Ended December 31, 2019 and 2018

(With Independent Auditor's Report Thereon)

The Alaska Community Foundation and Affiliate

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The Alaska Community Foundation and Affiliate

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The Alaska Community Foundation and Affiliate, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Alaska Community Foundation and Affiliate as of December 31, 2019 and 2018; and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the World Health Organization has declared COVID-19 a global pandemic leading to broader global economic uncertainties. Our opinion is not modified with respect to this matter.

BDO USA, LLP

Anchorage, Alaska
October 29, 2020

Consolidated Financial Statements

The Alaska Community Foundation and Affiliate
Consolidated Statements of Financial Position

<i>December 31,</i>	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,786,066	\$ 5,636,259
Accounts receivable	81,219	86,122
Prepaid expenses	44,479	67,127
Total Current Assets	7,911,764	5,789,508
Noncurrent Assets		
Investments	119,614,465	86,809,298
Land - held for resale	-	244,900
Property and equipment - net of accumulated depreciation of \$237,096 for 2019 and \$207,835 for 2018	71,684	72,497
Total Noncurrent Assets	119,686,149	87,126,695
Total Assets	\$ 127,597,913	\$ 92,916,203
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 97,686	\$ 143,147
Accrued payroll liabilities	103,494	81,058
Deferred revenue	1,469,893	1,698,468
Grants payable	1,083,657	634,850
Total current liabilities	2,754,730	2,557,523
Funds held for other organizations (Note 1)	16,001,932	13,977,117
Total Liabilities	18,756,662	16,534,640
Net Assets		
Without donor restrictions	94,434,692	64,852,328
With donor restrictions (Note 8)	14,406,559	11,529,235
Total Net Assets	108,841,251	76,381,563
Total Liabilities and Net Assets	\$ 127,597,913	\$ 92,916,203

See accompanying notes to consolidated financial statements.

The Alaska Community Foundation and Affiliate

Consolidated Statement of Activities

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Support:			
Amounts raised	\$ 30,880,675	\$ 1,161,999	\$ 32,042,674
Grants	87,211	2,871,348	2,958,559
Less amounts raised or received on behalf of others	(1,006,571)	-	(1,006,571)
Net contributions and bequests raised	29,961,315	4,033,347	33,994,662
Other revenue:			
Other revenue	192,914	2,771,633	2,964,547
Foundation administrative fees charged to funds held for others	135,738	-	135,738
Investment income, net of expenses	12,916,313	1,793,405	14,709,718
Other revenue before allocation of investment income	13,244,965	4,565,038	17,810,003
Investment income allocated to funds held for others, net of expenses	(2,219,353)	-	(2,219,353)
Net other revenue	11,025,612	4,565,038	15,590,650
Net assets released from restrictions	5,721,061	(5,721,061)	-
Total support and revenue and net assets released from restrictions	46,707,988	2,877,324	49,585,312

The Alaska Community Foundation and Affiliate
Consolidated Statement of Activities, continued
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses:			
Program services:			
Grants and philanthropic distributions	\$ 12,219,124	\$ -	\$ 12,219,124
Less amounts distributed on behalf of others	(1,065,370)	-	(1,065,370)
Total grants and philanthropic distributions	11,153,754	-	11,153,754
Program services expense	4,532,519	-	4,532,519
Less program services expenses allocated to funds held for others	-	-	-
Without donor restrictions distributions, and program services	4,532,519	-	4,532,519
Support services:			
Management and general administrative	985,178	-	985,178
Development and fundraising	454,173	-	454,173
Total support service	1,439,351	-	1,439,351
Total expenses	17,125,624	-	17,125,624
Change in net assets	29,582,364	2,877,324	32,459,688
Net assets at beginning of year	64,852,328	11,529,235	76,381,563
Net assets at end of year	\$ 94,434,692	\$ 14,406,559	\$ 108,841,251

See accompanying notes to consolidated financial statements.

The Alaska Community Foundation and Affiliate

Consolidated Statement of Activities

Year Ended December 31, 2018

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

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

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

See accompanying notes to consolidated financial statements.

The Alaska Community Foundation and Affiliate

Consolidated Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services			Supporting Services			Total Program and Supporting Services
	Philanthropic Funds	Restricted Programs and Projects	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Grants & Awards	\$ 10,866,934	\$ 1,352,190	\$ 12,219,124	\$ 4,575	\$ -	\$ 4,575	\$ 12,223,699
Program Distributions Expense	-	2,771,633	2,771,633	-	-	-	2,771,633
Wages & Benefits	-	564,408	564,408	648,302	343,272	991,574	1,555,982
Foundation Admin Fees	1,099,162	169,075	1,268,237	4,435	-	4,435	1,272,672
Contractual	-	1,030,879	1,030,879	58,882	28,165	87,047	1,117,926
Occupancy	-	26,952	26,952	122,528	18,507	141,035	167,987
Travel & Conferences	-	71,759	71,759	36,671	11,278	47,949	119,708
Special Events	-	19,519	19,519	33,998	18,351	52,349	71,868
Communications & Marketing	-	13,876	13,876	7,002	15,746	22,748	36,624
Supplies	-	8,787	8,787	17,879	7,577	25,456	34,243
Depreciation Expense	-	9,825	9,825	16,862	2,573	19,435	29,260
Equipment & Maintenance	-	5,518	5,518	13,296	2,682	15,978	21,496
Telephone/internet	-	2,171	2,171	10,937	1,273	12,210	14,381
Other Expenses	-	3,228	3,228	6,074	1,922	7,996	11,224
Postage	-	1,042	1,042	5,703	1,274	6,977	8,019
Insurance - Liability/D&O	-	2,922	2,922	2,469	1,553	4,022	6,944
Total Operating Expenses	11,966,096	6,053,784	18,019,880	989,613	454,173	1,443,786	19,463,666
Less foundation administrative fees	(1,099,162)	(169,075)	(1,268,237)	(4,435)	-	(4,435)	(1,272,672)
Less amounts distributed on behalf of others	(1,065,370)	-	(1,065,370)	-	-	-	(1,065,370)
Total Functional Expenses	\$ 9,801,564	\$ 5,884,709	\$ 15,686,273	\$ 985,178	\$ 454,173	\$ 1,439,351	\$ 17,125,624

See accompanying notes to consolidated financial statements.

The Alaska Community Foundation and Affiliate

Consolidated Statement of Functional Expenses

Year Ended December 31, 2018

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

See accompanying notes to consolidated financial statements.

The Alaska Community Foundation and Affiliate

Consolidated Statements of Cash Flows

Years Ended December 31,	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 32,459,688	\$ (969,233)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	29,260	23,510
Unrealized (gain) loss on investments	(11,236,547)	10,623,209
Realized (gain) loss on investments	(1,628,554)	(7,474,557)
Interest and dividends	(2,061,798)	(940,895)
(Increase) decrease in assets:		
Accounts receivable	4,903	(28,703)
Prepaid expenses	22,648	(6,491)
Increase (decrease) in liabilities:		
Accounts payable	(45,462)	10,213
Accrued payroll liabilities	22,436	7,622
Deferred revenue	(228,575)	(249,390)
Grants payable	448,807	77,445
Funds held for other organizations	2,024,815	1,897,247
Net cash from operating activities	19,811,621	2,969,977
Cash Flows for Investing Activities		
Proceeds from sale of property and equipment	216,452	240,600
Purchase of investments	(32,805,167)	(43,919,917)
Proceeds from sales of investments	14,926,901	41,339,749
Net cash for investing activities	(17,661,814)	(2,339,568)
Net Increase in Cash and Cash Equivalents	2,149,807	630,409
Cash and Cash Equivalents, beginning of year	5,636,259	5,005,850
Cash and Cash Equivalents, end of year	\$ 7,786,066	\$ 5,636,259

See accompanying notes to consolidated financial statements.

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements Years Ended December 31, 2019 and 2018

1. Operations and Summary of Significant Accounting Policies

Operations

The Alaska Community Foundation and Affiliate (the Foundation) was incorporated as a nonprofit organization in the State of Alaska in 1995. The primary purpose of a community foundation is to encourage philanthropy and strengthen communities. The Foundation's mission is: Inspiring the spirit of giving and connecting people, organizations and causes to strengthen Alaska's communities now and forever.

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

Basis of Presentation

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

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

Without Donor Restrictions

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

With Donor Restrictions

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

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

local agencies for initiatives and special projects for which purpose restrictions apply. Such grants and contributions are recorded as with donor restrictions until the purpose restrictions are met. When the purpose restriction is accomplished, with donor restriction net assets are reclassified to without donor restrictions net assets and reported as net assets released from restrictions.

Principles of Consolidation

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

Basis of Accounting

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

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

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

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

Cash and Cash Equivalents

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

Investments

Investments in marketable securities are reported at fair value in the Statements of Financial Position. Unrealized gains and losses and interest earned on investments are recorded as donor-restricted or without donor restricted investment earnings. All investment earnings are recorded in the Statements of Activities.

Accounts and Grants Receivable

Accounts receivable are recorded on the accrual basis when the goods and services are billed and are considered delinquent or uncollectible on a case-by-case basis by management. The Foundation records an allowance for doubtful accounts for the estimated uncollectible portion of the accounts receivable. This estimate is based on management's historical collection experience and a review of current accounts receivable. Management deems all receivables fully collectible; therefore, no allowance has been established at December 31, 2019 and 2018. Receivables are charged off when all collection efforts have been exhausted.

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

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 without donor restrictions net assets.

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

With donor restrictions, contributions to the Foundation are held as such until the restrictions are met and the net assets are released from restrictions.

Fair Value of Financial Instruments

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

The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) investments, (3) receivables, net, (4) certain other current assets, (5) accounts payable and (6) other current liabilities. The carrying amounts reported in the Statements of Financial Position for the above financial instruments closely approximates their fair value due to the short-term nature of these assets and liabilities except for the Foundation's investments. The carrying amounts of the Foundation's investments were determined based on quoted market prices when available.

Compensated Absences

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

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Notes to Consolidated Financial Statements

Support and Revenue

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

Contributions: Unconditional promises to give cash and other assets to the Foundation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at the fair value at the date the gift is received. The gifts are reported as with donor restrictions support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restriction net assets are reclassified as without donor restriction net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met the same year as received are reported as without donor restricted contributions in the accompanying consolidated financial statements.

Public Support: Contributions reported on the statements of activities include grants and other contributions from corporations, foundations and individuals, as well as grants from the State of Alaska.

Functional Allocation of Expenses

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

Use of Estimates

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

In-kind Contributions

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

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Notes to Consolidated Financial Statements

Income Tax Status

The Foundation is a nonprofit corporation exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code whereby only unrelated business income, as defined by Section 512(a)(1) of the Internal Revenue Code, is subject to Federal income tax.

The Foundation applies the provisions of ASC No. 740 relating to accounting for uncertainty in income taxes. The Foundation annually reviews its tax returns and positions taken in accordance with the recognition standards. The Foundation believes that it has no uncertain tax position which would require disclosure or adjustment as of December 31, 2019 or 2018.

The Foundation classifies all interest and penalties related to tax contingencies as income tax expense. As of December 31, 2019 and 2018, 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, 2019, the tax years that remain subject to examination are 2016, 2017 and 2018.

Liquidity

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

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

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

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

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

The table below presents financial assets available for general expenditures within one year at December 31, 2019:

Financial assets at year end:	
Cash and cash equivalents	\$ 7,786,066
Lease and other receivables	81,219
Investments (liquid within 90 days):	
Cash in certificates of deposit	159,151
Cash in short-term pool	6,759,078
Cash in investment accounts	14,472,364
U.S. treasuries	10,333,651
Corporate obligations	13,881,801
Mutual funds	50,680,905
Total Financial Assets	\$ 104,154,235

Subsequent Events

Management has evaluated the existence of subsequent events through October 29, 2020, the date which the consolidated financial statements were available for issuance.

2. Cash and Cash Equivalents

The Foundation maintains cash balances at financial institutions located in Anchorage, Alaska, which are insured by the FDIC up to \$250,000 at December 31, 2019 and 2018. Any amounts exceeding FDIC insurance coverage are uncollateralized and uninsured and represent a concentration of credit risk. Uninsured and uncollateralized amounts were \$6,509,078 and \$4,806,951, respectively, at December 31, 2019 and 2018.

3. Fair Value Measurements/Investments

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

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

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

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.

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The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

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

The following tables provide information as of December 31, 2019 and 2018 about the Foundation's financial assets and liabilities measured at fair value on a recurring basis.

<i>December 31, 2019</i>	Level 1	Level 2	Level 3	Total
Assets:				
Money market / cash sweeps	\$ 14,472,364	\$ -	\$ -	\$ 14,472,364
Certificate of deposit	-	159,151	-	159,151
U.S. treasuries	-	10,333,651	-	10,333,651
U.S. agency funds	-	5,214,781	-	5,214,781
Municipal obligations	-	24,220	-	24,220
Corporate obligations	-	13,881,801	-	13,881,801
Asset back securities	-	400,587	-	400,587
Common equity:				
Consumer goods	7,228	-	-	7,228
Consumer discretionary	5,538,681	-	-	5,538,681
Consumer staples	3,879,489	-	-	3,879,489
Consumer services	1,308	-	-	1,308
Energy	1,729,612	-	-	1,729,612
Financials	7,705,868	-	-	7,705,868
Health care	7,299,269	-	-	7,299,269
Industrials	5,080,145	-	-	5,080,145
Information technology	9,861,311	-	-	9,861,311
Materials	1,863,007	-	-	1,863,007
Real estate	2,094,634	-	-	2,094,634
Telecom	4,921,272	-	-	4,921,272
Utilities	1,658,716	-	-	1,658,716
Other	10	-	-	10
Debt bonds	-	159,847	-	159,847
Diversified hedged strategies	1,106,521	3,643,701	477,034	5,227,256
Private real estate	-	12,785	3,087,523	3,100,308
Private equity	-	6,891	1,282,778	1,289,669
Closely held stock	-	-	7,978,360	7,978,360
Total at fair value	67,219,435	33,837,415	12,825,695	113,882,545
Investments carried at net asset value	-	-	5,731,920	5,731,920
Total	\$ 67,219,435	\$ 33,837,415	\$ 18,557,615	\$ 119,614,465

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

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

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The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

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, 2019 and 2018 are as follows:

	Fair value investments
Balance at December 31, 2017	\$ 12,927,523
Change in value due to appraisal/redemption	(1,881,400)
Balance at December 31, 2018	11,046,123
Change in value due to appraisal/redemption	1,779,571
Balance at December 31, 2019	\$ 12,825,695

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

The Foundation's accounting policy is to recognize transfers between levels of their fair value hierarchy on the date of the event or change in circumstances that caused the transfer. During 2019, significant transfers between Level 1, Level 2, or Level 3 occurred as the Foundation switched to a more passive investment scheme, particularly in global equities. These included liquidations of positions in Level 3 with transfers to Level 1.

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

4. Investment Income (Loss)

Investment income is comprised of the following at December 31:

	2019	2018
Realized gain (loss)	\$ 1,628,555	\$ 7,474,557
Unrealized gain (loss)	11,236,547	(10,623,209)
Interest and dividend income	2,061,798	940,895
Total investment income (loss)	14,926,900	(2,207,757)
Less: investment expenses	217,182	295,159
Total investment income (loss), net of expenses	\$ 14,709,718	\$ (2,502,916)

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

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.

	2019	2018
Donated Land	\$ -	\$ 244,900

6. Property, Equipment, and Donated Land

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

	2019	2018
Furniture and equipment	\$ 272,779	\$ 244,331
Software	36,001	36,001
Total property and equipment	308,780	280,332
Accumulated depreciation	(237,096)	(207,835)
	\$ 71,684	\$ 72,497

Depreciation expense was \$29,260 and \$23,509 for the years ended December 31, 2019 and 2018, respectively. The donated land is not depreciated.

7. Description of Program and Supporting Services

Philanthropic Funds

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

Restricted Programs and Projects

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

Management and General

Funds expended for the administration and general operations of the Foundation

Fundraising

Funds expended to solicit donations or contributions to the Foundation.

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

8. With Donor Restrictions Net Assets

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

	2019	2018
Family Donor Advised Fund	\$ 11,396,775	\$ 8,956,007
Progressive and Social Justice Fund	930,462	1,103,143
Pick Click Give	571,474	494,080
Wrangell Scholarship Fund	518,397	460,402
Sitka Scholarship Fund	456,526	435,220
AFN Marketplace Fund	241,304	-
Thorpe Scholarship Fund	57,013	26,944
AND Homelessness Journalism Project Fund	50,431	-
PCG Project Fund	45,578	-
Alaska Center for Excellence in Journalism	40,529	-
Knight Foundation Grant	25,054	-
Other	73,016	53,439
Total	\$ 14,406,559	\$ 11,529,235

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

9. Leases

The Foundation entered into a lease that was executed November 1, 2012 and terminating on October 31, 2022. During 2014, The Foundation's lease provided for month to month occupancy. Terms of the agreement provide for monthly payments of \$1.48 per square foot, or \$9,216 for space and utilities and increases of 3% per year. In 2015, the Foundation signed an amendment to increase the amount of space rented. Terms of this amendment provide for additional monthly payments of \$1.53 per square foot, or \$3,288 for space and utilities and increases of 3% per year. Rent expense for office space, including the additional space added in 2015, was \$167,986 and \$163,598 for the years ended December 31, 2019 and 2018, respectively.

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

2020	\$ 169,960
2021	173,442
2022	146,848
Total	\$ 490,250

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

10. Subleases

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

2020	\$ 154,228
Total	\$ 154,228

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 2019 were \$167,986 and \$163,598 in 2018.

In 2019 and 2018, The Foundation recognized \$1,127,694 and \$2,032,812, 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's 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 \$12.2 million on behalf of the Alaska Children's Trust. In 2019, The Foundation recorded \$61,038.84 in rental income and \$4,810.31 was billed back to the Alaska Children's Trust for reimbursement of postage, printing and staff time performing administrative and grant making services.

Anchorage Park Foundation maintains an office lease agreement with The Foundation and contracts with The Foundation program grant making staff to provide grant-making due diligence and other financial services for the Anchorage Park Foundation. Additionally, The Foundation invests and manages an investment portfolio of \$270,778.70 on behalf of the Anchorage Park Foundation. In 2019, The Foundation recorded \$44,495.20 in rental income and \$896.67 was billed back to the Anchorage Park Foundation for other expenses.

12. Contingencies

Amounts received or receivable from grantors are subject to audit and adjustment. Any disallowed claims, including amounts already collected, would become a liability of the Foundation. However, management believes that such claims, if any, would not be significant.

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

13. Pension Plan

Prior to 2017, the Foundation had a 403(b) defined contribution plan with Mutual of America, which covers full-time employees at their date of hire. Under the Plan, the Foundation provided an employer contribution of 6% of the employee's gross wages after 12 months of service. As of 2018, the Alaska Community Foundation has a 401(k) defined contribution plan with John Hancock, which covers full-time employees. Under the Plan, the Foundation provides an elective employer matching contribution of 100% of the employee contribution up to 3% of wages, and an additional 50% of the employee contribution for the next 2% of wages after 12 months of service. Employer contributions under the plan totaled \$19,926 and \$35,441 for the years ended 2019 and 2018, respectively.

14. 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, 2019. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Entities' fiscal years beginning after December 15, 2021 with early adoption permitted. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

15. Subsequent Events

COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

The Alaska Community Foundation

Notes to Financial Statements

Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

- The Company is dependent on its workforce to deliver its services. Developments such as social distancing, health of employees, and shelter-in-place directives may impact the Company's ability to deploy its workforce as effectively. While expected to be temporary, prolonged workforce disruptions may negatively impact performance of services *or require use of emergency personnel*.
- The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown, which may impair the Company's asset values, including *equity and debt investments*.

Although the Company cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the Company's results of future operations, financial position, and liquidity in fiscal year 2020.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property.

It also appropriated funds for the SBA Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19.

The Company will continue to examine the impact that the CARES Act may have on our business. Currently, the Company is unable to determine the impact that the CARES Act will have on our financial condition, results of operation or liquidity.

BP Energy Center

During June 2020 the Foundation received the BP Energy Center as a contribution. The appraised value of the land and building is \$13,600,000. BP also changed the status of their donor-restricted non-endowed fund to support the costs of the BP Energy Center (approximately \$5,600,000) for the next twenty years. The Foundation agreed to try to provide the services it provides today throughout that twenty-year period, but the Board of the Foundation has the ability to change direction within that twenty year period if required. You have the documentation on this already.

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The Alaska Community Foundation

Notes to Financial Statements

CARES Act Funds

In conjunction with the State of Alaska, Department of Health & Social Services, the Foundation was issued a grant to help distribute \$49,700,000 in CARES Act funds to non-profits around the state. The initial grant was for \$35,000,000 with a subsequent amendment. The Foundation's period of performance was June 1, 2020 to December 31, 2020. The Foundation expects the third and final round of grants to be approved by October 31, 2020. The Foundation will earn an administrative fee from the performance under the grant agreement.

Hilcorp Corporate Giving Program

The Foundation entered into an arrangement with Hilcorp to provide donor-advised funds for participating employees in their Alaskan operations which would contain a mixture of employee donations with an employer match and initial seeding. Approximately 440 funds were transferred from the Greater Houston Community Foundation at an approximate value of \$1,400,000 in balances in April, 2020, and employees coming over from the BP transaction have increased the number of funds to approximately 930 as of today.