



The Alaska Community Foundation and Affiliate

**Consolidated Financial Statements and
Single Audit Reports**
Years Ended December 31, 2022 and 2021
(With Independent Auditor's Report Thereon)

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of The Alaska Community Foundation and Affiliate (the Foundation), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Alaska Community Foundation and Affiliate and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statement, the Foundation has changed its method of accounting for leases effective January 1, 2022 due to the adoption of ASU 2016-02 Leases (ASC 842). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Alaska Community Foundation and Affiliate's basic financial statements. The schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and*



Audit Requirements for Federal Awards, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic 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 September 25, 2023 on our considerations of The Alaska Community Foundation and Affiliate'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Alaska Community Foundation and Affiliate's 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 and Affiliate's internal control over financial reporting and compliance.

BDO USA, P.C.

Anchorage, Alaska
September 25, 2023

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Consolidated Financial Statements

The Alaska Community Foundation and Affiliate

Consolidated Statements of Financial Position

December 31,	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 30,672,676	\$ 29,936,989
Accounts receivable	57,760	22,847
Prepaid expenses	144,981	114,416
Total Current Assets	30,875,417	30,074,252
Noncurrent Assets		
Investments	147,139,235	165,305,440
Property and equipment, net	13,197,736	13,378,860
Operating lease right-of-use asset	617,831	-
Total Noncurrent Assets	160,954,802	178,684,300
Total Assets	\$ 191,830,219	\$ 208,758,552
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 199,324	\$ 484,534
Accrued payroll liabilities	88,940	66,639
Unearned revenue	862,501	9,483,867
Grants payable	631,143	1,922,348
Obligation under operating lease, current portion	113,256	-
Total Current Liabilities	1,895,164	11,957,388
Funds held for other organizations (Note 1)	22,043,712	23,752,626
Obligation under operating lease, long term portion	506,283	-
Total Liabilities	24,445,159	35,710,014
Net Assets		
Without donor restrictions	143,451,379	146,557,815
With donor restrictions (Note 7)	23,933,681	26,490,723
Total Net Assets	167,385,060	173,048,538
Total Liabilities and Net Assets	\$ 191,830,219	\$ 208,758,552

See accompanying notes to consolidated financial statements.

The Alaska Community Foundation and Affiliate

Consolidated Statement of Activities

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Support:			
Amounts raised	29,109,835	\$ 2,929,107	\$ 32,038,942
Grants	819,726	21,474,011	22,293,737
Less amounts raised or received on behalf of others	(1,638,630)	-	(1,638,630)
Net contributions and bequests raised	28,290,931	24,403,118	52,694,049
Other revenue:			
Administrative fee revenue	-	332,524	332,524
Other revenue	45,236	2,928,023	2,973,259
Foundation administrative fees charged to funds held for others	218,951	-	218,951
Investment income, net of expenses	(16,521,806)	(1,144,275)	(17,666,081)
Other revenue before allocation of investment income	(16,257,619)	2,116,272	(14,141,347)
Investment loss allocated to funds held for others, net of expenses	2,865,365	-	2,865,365
Net other revenue	(13,392,254)	2,116,272	(11,275,982)
Net assets released from restrictions	8,009,792	(8,009,792)	-
Total support and revenue and net assets released from restrictions	22,908,469	18,509,598	41,418,067

The Alaska Community Foundation and Affiliate
Consolidated Statement of Activities, continued
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses:			
Program services:			
Grants and philanthropic distributions	\$ 16,797,520	\$ 21,066,640	\$ 37,864,160
Less amounts distributed on behalf of others	(263,228)	-	(263,228)
Total grants and philanthropic distributions	16,534,292	21,066,640	37,600,932
Program services expense	6,944,186	-	6,944,186
Support services:			
Management and general administrative	1,943,872	-	1,943,872
Development and fundraising	592,555	-	592,555
Total support service	2,536,427	-	2,536,427
Total expenses	26,014,905	21,066,640	47,081,545
Change in net assets	(3,106,436)	(2,557,042)	(5,663,478)
Net assets at beginning of year	146,557,815	26,490,723	173,048,538
Net assets at end of year	\$ 143,451,379	\$ 23,933,681	\$ 167,385,060

See accompanying notes to consolidated financial statements.

The Alaska Community Foundation and Affiliate

Consolidated Statement of Activities

Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Support:			
Amounts raised	\$ 19,595,947	\$ 2,854,085	\$ 22,450,032
Grants	7,535,128	16,985,211	24,520,339
Less amounts raised or received on behalf of others	(3,096,734)	-	(3,096,734)
Net contributions and bequests raised	24,034,341	19,839,296	43,873,637
Other revenue:			
Administrative fee revenue	3,037	370,000	373,037
Other revenue	107,900	2,790,004	2,897,904
Foundation administrative fees charged to funds held for others	196,232	-	196,232
Investment income, net of expenses	13,929,672	1,274,507	15,204,179
Other revenue before allocation of investment income	14,236,841	4,434,511	18,671,352
Less net investment (income) loss allocated to funds held for others, net of expenses	(2,576,380)	-	(2,576,380)
Net other revenue	11,660,461	4,434,511	16,094,972
Net assets released from restrictions	22,878,969	(22,878,969)	-
Total support and revenue and net assets released from restrictions	58,573,771	1,394,838	59,968,609

The Alaska Community Foundation and Affiliate
Consolidated Statement of Activities, continued
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses:			
Program services:			
Grants and philanthropic distributions	\$ 26,733,488	\$ -	\$ 26,733,488
Less amounts distributed on behalf of others	(419,048)	-	(419,048)
Total grants and philanthropic distributions	26,314,440	-	26,314,440
Program services expense	4,605,331	-	4,605,331
Support services:			
Management and general administrative	1,523,417	-	1,523,417
Development and fundraising	526,939	-	526,939
Total support service	2,050,356	-	2,050,356
Total expenses	32,970,127	-	32,970,127
Change in net assets	25,603,644	1,394,838	26,998,482
Net assets at beginning of year	120,954,171	25,095,885	146,050,056
Net assets at end of year	\$ 146,557,815	\$ 26,490,723	\$ 173,048,538

See accompanying notes to consolidated financial statements.

The Alaska Community Foundation and Affiliate
Consolidated Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services			Supporting Services			Total
	Philanthropic	Restricted	Total	Management		Total	Program
	Funds	Programs	Program	and	Fundraising	Supporting	and
		Projects	Services	General		Services	Supporting
							Services
Grants and philanthropic distributions	\$ 16,797,520	\$ 21,066,640	\$ 37,864,160	\$ 307,447	\$ -	\$ 307,447	\$ 38,171,607
Contractual	-	3,039,570	3,039,570	162,406	67,447	229,853	3,269,423
Program distributions expense	-	2,880,126	2,880,126	-	-	-	2,880,126
Foundation administrative fees	2,265,813	369,441	2,635,254	-	-	-	2,635,254
Wages and benefits	-	678,810	678,810	1,151,458	428,385	1,579,843	2,258,653
Depreciation expense	-	179,222	179,222	14,851	3,742	18,593	197,815
Occupancy	-	30,317	30,317	108,422	26,289	134,711	165,028
Utilities and building maintenance	-	114,733	114,733	-	-	-	114,733
Special events	-	7,880	7,880	52,100	25,929	78,029	85,909
Travel and conferences	-	24,699	24,699	33,234	12,075	45,309	70,008
Supplies	-	24,099	24,099	29,613	10,415	40,028	64,127
Communications and marketing	-	9,010	9,010	36,132	7,605	43,737	52,747
Telephone and internet	-	32,339	32,339	10,172	2,769	12,941	45,280
Insurance	-	27,482	27,482	5,111	1,991	7,102	34,584
Equipment and maintenance	-	3,416	3,416	10,647	2,463	13,110	16,526
Postage	-	1,463	1,463	13,168	1,594	14,762	16,225
Other expenses	-	3,518	3,518	9,111	1,851	10,962	14,480
Property taxes	-	(109,709)	(109,709)	-	-	-	(109,709)
Total operating expenses	19,063,333	28,383,056	47,446,389	1,943,872	592,555	2,536,427	49,982,816
Less foundation administrative fees	(2,349,263)	(288,780)	(2,638,043)	-	-	-	(2,638,043)
Less amounts distributed on behalf of others	(263,228)	-	(263,228)	-	-	-	(263,228)
Total Functional Expenses	\$ 16,450,842	\$ 28,094,276	\$ 44,545,118	\$ 1,943,872	\$ 592,555	\$ 2,536,427	\$ 47,081,545

See accompanying notes to consolidated financial statements.

The Alaska Community Foundation and Affiliate
Consolidated Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services			Supporting Services			Total
	Restricted		Total	Management		Total	Program
	Philanthropic	Programs	Program	and	Fundraising	Supporting	and
	Funds	and	Services	General		Services	Supporting
		Projects					Services
Grants and philanthropic distributions	\$ 8,757,511	\$ 17,975,977	\$ 26,733,488	\$ 22,229	\$ 43	\$ 22,272	\$ 26,755,760
Program distributions expense	-	2,790,004	2,790,004	-	-	-	2,790,004
Foundation administrative fees	2,091,668	334,268	2,425,936	10,626	-	10,626	2,436,562
Wages and benefits	14,043	599,794	613,837	1,115,301	439,153	1,554,454	2,168,291
Contracts	-	552,035	552,035	115,922	36,089	152,011	704,046
Facility	-	219,503	219,503	137,805	20,752	158,557	378,060
Depreciation	-	178,125	178,125	23,773	3,397	27,170	205,295
Supplies	6,473	42,001	48,474	26,302	13,561	39,863	88,337
Travel and conference	-	77,153	77,153	9,676	798	10,474	87,627
Communications and marketing	-	42,149	42,149	11,182	1,897	13,079	55,228
Telephone and internet	-	30,488	30,488	10,846	1,907	12,753	43,241
Bank fees	17,193	3,996	21,189	7,105	915	8,020	29,209
Equipment and maintenance	-	7,365	7,365	14,187	1,749	15,936	23,301
Special events	-	7,123	7,123	10,990	2,552	13,542	20,665
Insurance	-	16,258	16,258	1,925	730	2,655	18,913
Postage	-	864	864	8,456	2,030	10,486	11,350
Other	(1,101)	1,865	764	7,718	1,366	9,084	9,848
Total operating expenses	10,885,787	22,878,968	33,764,755	1,534,043	526,939	2,060,982	35,825,737
Less foundation administrative fees	(2,091,668)	(334,268)	(2,425,936)	(10,626)	-	(10,626)	(2,436,562)
Less amounts distributed on behalf of others	(419,048)	-	(419,048)	-	-	-	(419,048)
Total Functional Expenses	\$ 8,375,071	\$ 22,544,700	\$ 30,919,771	\$ 1,523,417	\$ 526,939	\$ 2,050,356	\$ 32,970,127

See accompanying notes to consolidated financial statements.

The Alaska Community Foundation and Affiliate

Consolidated Statements of Cash Flows

Years Ended December 31,	2022	2021
Cash Flows from (for) Operating Activities		
Change in net assets	\$ (5,663,478)	\$ 26,998,482
Adjustments to (for) reconcile change in net assets to net cash from operating activities:		
Depreciation	197,815	205,295
Noncash rent expense	(617,831)	-
Loss on disposal of property and equipment	576	-
Unrealized (gain) loss on investments	21,452,041	(8,990,399)
Realized gain on investments	(4,858)	(4,210,876)
Interest and dividends	(4,110,467)	(2,283,826)
(Increase) decrease in assets:		
Accounts receivable	(34,913)	335,258
Prepaid expenses	(30,565)	(31,210)
Increase (decrease) in liabilities:		
Accounts payable	(285,210)	(99,989)
Accrued payroll liabilities	22,301	(14,288)
Unearned revenue	(8,621,366)	7,367,290
Grants payable	(1,291,205)	1,301,268
Operating lease liability	619,539	-
Funds held for other organizations	(1,708,914)	5,057,836
Net cash from (for) operating activities	(76,535)	25,634,841
Cash Flows for Investing Activities		
Purchase of property and equipment	(17,267)	(20,255)
Purchase of investments	(13,507,226)	(43,370,488)
Proceeds from sales of investments	14,336,715	34,813,247
Net cash from (for) investing activities	812,222	(8,577,496)
Net Increase in Cash and Cash Equivalents	735,687	17,057,345
Cash and Cash Equivalents, beginning of year	29,936,989	12,879,644
Cash and Cash Equivalents, end of year	\$ 30,672,676	\$ 29,936,989
Supplemental Disclosure of Noncash Information		
ROU assets acquired with operating lease	\$ 619,538	\$ -

See accompanying notes to consolidated financial statements.

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements Years Ended December 31, 2022 and 2021

1. Operations and Summary of Significant Accounting Policies

Operations

The Alaska Community Foundation and Affiliate (ACF or 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 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.

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

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, 2022 and 2021. 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.

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

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.

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

Leases

The Foundation has operating leases for office facilities. The Foundation determines if an arrangement contains a lease at inception based on whether the Foundation has the right to control the asset during the contract period and other facts and circumstances. If the arrangement is a lease, the Foundation determines whether the lease should be classified as an operating or a finance lease. The Foundation recognizes a right-of-use (“ROU”) asset and a lease liability based on the present value of the future minimum lease payments over the lease term at the commencement date.

ROU assets represent the right to use an underlying asset for the lease term and the lease liabilities represent the liability to make lease payments arising from the lease. ROU assets and lease liabilities are generally recognized at the commencement date based on the present value of discounted lease payments over the lease term. As the Foundation’s leases do not provide an implicit rate, the Foundation uses the risk-free rate based on the information available at the commencement date in determining the present value of discounted lease payments.

Support and Revenue

Under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 606, Revenue from Contracts with Customers (“ASC 606”), revenue is recognized when control of the promised goods or services is transferred to customers in an amount that reflects the consideration the Foundation expects to be entitled to receive in exchange for those goods and services.

Revenues from exchange transactions are recognized as performance obligations are satisfied, which in most cases are as related costs are incurred.

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 on a monthly or quarterly basis.

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.

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

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.

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, 2022 or 2021.

The Foundation classifies all interest and penalties related to tax contingencies as income tax expense. As of December 31, 2022 and 2021, there were no accrued interest or penalties. The Foundation files tax returns in the U.S. Federal Jurisdiction and the State of Alaska.

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

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 table below presents financial assets available for general expenditures within one year at December 31, 2022:

Financial assets at year-end:	
Cash and cash equivalents	\$ 30,672,676
Lease and other receivables	57,760
Investments (liquid within 90 days)	147,139,235
Less unearned revenue, grants payable and amounts held for other organizations	(23,537,536)
Less amounts held for donor restrictions	(23,933,680)
<hr/>	
Total Financial Assets	\$ 130,398,455

Subsequent Events

Management has evaluated the existence of subsequent events through September 25, 2023, the date which the consolidated financial statements were available for issuance.

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

Recently Adopted Accounting Pronouncements

Leases (Topic 842)

On February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This update, along with ASU 2019-10, *Codification Improvements to Topic 842: Leases*, ASU 2019-11, *Leases (Topic 842): Targeted Improvements* and ASU 2019-20, *Leases (Topic 842): Narrow-Scope Improvements for Lessors*, establishes a comprehensive leasing standard. These updates require the recognition of lease assets and lease liabilities on the statements of financial position and disclosure of key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for 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. Short-term leases, 12 months or less, are exempt under the guidance and are not capitalized on the statements of financial position. The guidance also expands the required quantitative and qualitative lease. The Foundation implemented ASU 2016-02, 2019-10, 2019-11, and 2019-20 during the year ended December 31, 2022.

The Foundation elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption and relief from having to reevaluate the classification of leases in effect at the point of adoption.

Presentation and Disclosures for Not-For-Profit Entities for Contributed Nonfinancial Assets (Topic 958)

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures for Not-For-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. This ASU was issued to increase transparency on how contributed nonfinancial assets (also referred to as gifts-in-kind) received by nonprofits are to be used and how they are valued. The ASU states that contributed nonfinancial assets be presented on a separate item in the statement of activities apart from contributions of cash and other financial assets. The ASU also outlines specific disclosures that must be made regarding the contributed nonfinancial assets. The effective date is for fiscal years beginning after June 15, 2021. The guidance, which must be applied retrospectively, is effective for the Foundation in fiscal year 2022. The Foundation has evaluated this pronouncement and determined that there is no material impact on the financial statements.

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The Alaska Community Foundation and Affiliate

Notes to Consolidated 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, 2022 and 2021. Any amounts exceeding FDIC insurance coverage are uncollateralized and uninsured and represent a concentration of credit risk. Uninsured and uncollateralized amounts were \$2,583,945 and \$6,737,470 respectively, at December 31, 2022 and 2021.

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 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 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, 2022 and 2021 about the Foundation's financial assets and liabilities measured at fair value on a recurring basis.

<i>December 31, 2022</i>	Level 1	Level 2	Level 3	Total
Assets:				
Money market / cash sweeps	\$ 3,091,763	\$ -	\$ -	\$ 3,091,763
Certificate of deposit	-	162,157	-	162,157
U.S. treasuries	-	18,304,622	-	18,304,622
Short term bonds	-	5,398,871	-	5,398,871
Municipal obligations	-	91,540	-	91,540
Corporate obligations	-	8,490,363	-	8,490,363
US Agency Funds	-	1,028,867	-	1,028,867
Asset back securities	-	3,058,972	-	3,058,972
Common equity:				
Consumer defensive	4,285,676	-	-	4,285,676
Consumer cyclical	17,637,563	-	-	17,637,563
Energy	2,585,370	-	-	2,585,370
Financials	10,410,690	-	-	10,410,690
Health care	-	-	-	-
Industrials	7,402,581	-	-	7,402,581
Information technology	16,047,778	-	-	16,047,778
Materials	2,530,723	-	-	2,530,723
Real estate	2,188,820	-	-	2,188,820
Telecom	5,602,193	-	-	5,602,193
Utilities	1,802,924	-	-	1,802,924
Other	76,531	-	-	76,531
Diversified hedged strategies	1,306,605	2,457,594	1,883,873	5,648,072
Private real estate	289,590	276,790	5,061,471	5,627,851
Private equity	-	-	3,706	3,706
Private debt	1,082,974	3,516,084	298,081	4,897,139
Closely held stock	-	-	6,616,032	6,616,032
Total at fair value	76,341,781	42,785,860	13,863,163	132,990,804
Investments carried at net asset value	-	-	-	14,148,431
Total	\$ 76,341,781	\$ 42,785,860	\$ 13,863,163	\$ 147,139,235

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

<i>December 31, 2021</i>	Level 1	Level 2	Level 3	Total
Assets:				
Money market / cash sweeps	\$ 7,983,417	\$ -	\$ -	\$ 7,983,417
Certificate of deposit	-	161,480	-	161,480
U.S. treasuries	-	18,564,406	-	18,564,406
Short term bonds	-	6,234,861	-	6,234,861
Municipal obligations	-	1,690,760	-	1,690,760
Corporate obligations	-	11,716,404	-	11,716,404
Asset back securities	-	4,168,035	-	4,168,035
Common equity:				
Consumer discretionary	9,595,278	-	-	9,595,278
Consumer staples	4,729,587	-	-	4,729,587
Energy	2,694,351	-	-	2,694,351
Financials	11,651,172	-	-	11,651,172
Health care	9,522,455	-	-	9,522,455
Industrials	7,886,771	-	-	7,886,771
Information technology	18,366,226	-	-	18,366,226
Materials	3,070,495	-	-	3,070,495
Real estate	2,710,732	-	-	2,710,732
Telecom	6,872,414	-	-	6,872,414
Utilities	1,951,233	-	-	1,951,233
Other	91,311	-	-	91,311
Diversified hedged strategies	3,184,040	2,616,177	2,849,665	8,649,882
Private real estate	454,295	475,634	3,892,258	4,822,187
Private equity	-	-	1,842,770	1,842,770
Private debt	905,084	1,253,154	229,631	2,387,869
Closely held stock	-	-	5,976,558	5,976,558
Total at fair value	91,668,861	46,880,911	14,790,882	153,340,654
Investments carried at net asset value	-	-	-	11,964,786
Total	\$ 91,668,861	\$ 46,880,911	\$ 14,790,882	\$ 165,305,440

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, 2022 and 2021 are as follows:

	Fair value investments
Balance at December 31, 2020	\$ 16,173,881
Change in value due to appraisal/redemption	(1,382,999)
Balance at December 31, 2021	14,790,882
Change in value due to appraisal/redemption	(927,719)
Balance at December 31, 2022	\$ 13,863,163

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.

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 (loss) is comprised of the following at December 31:

	2022	2021
Realized gain	\$ 4,858	\$ 4,210,876
Unrealized gain	(21,452,041)	8,990,399
Interest and dividend income	4,110,467	2,283,826
Total investment income (loss)	(17,336,716)	15,485,101
Less: investment expenses	329,365	280,922
Total investment income (loss), net of expenses	\$ (17,666,081)	\$ 15,204,179

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

5. Property, Equipment, and Donated Land

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

	2022	2021
Land	\$ 8,490,000	\$ 8,490,000
Building	5,123,063	5,123,063
Furniture and equipment	319,004	302,313
Software	36,001	36,001
Total property and equipment	13,968,068	13,951,377
Accumulated depreciation	(770,332)	(572,517)
	\$ 13,197,736	\$ 13,378,860

Depreciation expense was \$197,815 and \$205,295 for the years ended December 31, 2022 and 2021, respectively. The donated land is not depreciated.

In June 2020, BP Alaska Exploration, Inc. made a lasting contribution to the Alaska nonprofit and educational community by donating the BP Energy Center to The Alaska Community Foundation and Affiliate. The property consists of a 13,500 sq. ft conference and meeting center, along with a 5.6-acre lot containing the building and parking facilities, with a fair value of \$13,610,000. As part of the transaction, an unrestricted fund was converted for ACF's use to operate and manage the property for a 20-year term.

6. Description of Program and Supporting Services

Philanthropic Funds

Funds expended from the holdings of endowed or nonendowed 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

7. Net Assets with Donor Restrictions

Net assets with donor restrictions consists of a mixture of fund investments and property. With donor restriction net assets consist of the following at December 31:

	2022	2021
BP Energy Center Fund	\$ 19,154,424	\$ 20,346,130
Western Alaska Disaster Recovery Fund	1,055,887	-
Pick Click Give	878,810	909,679
Rasmuson Foundation Mass Care Exit Strategy Homeless	677,663	1,998,280
Progressive and Social Justice Fund	545,087	882,412
Wrangell Scholarship Fund	403,723	544,444
Sitka Scholarship Fund	310,376	441,263
AFN Marketplace Fund	250,122	266,100
ADN Homelessness Journalism Project Fund	225,296	208,188
Nudlaghi Leadership Institute - Silver Salmon Camp Fund	172,483	-
Alaska Center for Excellence in Journalism	80,388	53,587
Thorpe Scholarship Fund	22,756	122,948
Salmon Connect Fund	22,082	-
Alaska Meth Education Project	21,813	25,070
Emerging and New Affiliate Tail Fund	-	320,000
ARPA Nonprofit Recovery Fund	-	249,714
PCG Project Fund	-	20,333
Other	112,771	102,575
Total	\$ 23,933,681	\$ 26,490,723

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

In 2020, the Foundation took ownership of the BP Energy Center building and related fund with certain restrictions.

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The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

8. Leasing Arrangements

Specific Information About the Nature of Leases wherein the Foundation is the Lessee

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.

The following summarizes the line items in the balance sheet which include amounts for operating leases as of December 31, 2022

December 31, 2022

Operating lease right-of-use assets	\$ 617,831
Current portion of operating lease liabilities	135,566
Long term portion of operating lease liabilities	483,973
Total operating lease liabilities	\$ 619,539

Quantitative Information About Operating Leases

The following table provides quantitative information concerning the Corporation's operating leases. There is no comparison value as the Corporation implemented ASC 842 in January 2022.

Lease cost	2022
Operating lease cost	\$ 35,150
Total Lease Cost	\$ 35,150
Other Information	2022
Weighted-average remaining lease term (in years) - Operating leases	4.83
Weighted-average discount rate applied (%) - Operating leases	4.01%

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

Maturity Analysis of Finance and Operating Lease Liabilities and Reconciliation to Balance Sheet Amounts

Following is a maturity analysis of annual undiscounted cash flows for lease liabilities as of the end of 2022.

	Operating Leases
2023	\$ 135,566
2024	138,319
2025	141,156
2026	144,078
2027	122,143
Total	681,262
Interest expense	(61,723)
Amounts recognized in the balance sheet	\$ 619,539

2021 lease footnote information

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 \$175,479 and \$170,359 for the years ended December 31, 2021 and 2020, respectively. The Foundation has \$146,848 in minimum future lease obligations for fiscal year 2022.

9. Subleases

The Alaska Community Foundation and Affiliate subleases space within its leased area to various other entities on varying terms. ACF ceased subleasing the space in August 2022, with the various sublease partners relinquishing their leased space to ACF for its own use. The foundation has no expected future payments of subleases to offset its own lease expenses for fiscal year 2023.

10. 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 2022 were \$158,464 and \$173,990 in 2021.

The Alaska Community Foundation and Affiliate

Notes to Consolidated Financial Statements

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 \$15,461,227 million on behalf of the Alaska Children's Trust. In 2022, The Foundation recorded \$0 in rental income and \$201 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 maintained an office lease agreement with the Foundation through August of 2022. Additionally, The Foundation invests and manages an investment portfolio of \$342,708 on behalf of the Anchorage Park Foundation. In 2022, The Foundation recorded \$16,886 in rental income and \$524 was billed back to the Anchorage Park Foundation for other expenses.

11. 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.

12. 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 and Affiliate has a 401(k) defined contribution plan with John Hancock, which covers full-time employees. Effective January 1, 2021, the Plan was changed to a safe-harbor plan, whereby the matching contribution is required. Under the Plan, the Foundation provides an 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 \$47,311 and \$47,091 for the years ended 2022 and 2021, respectively.

The Alaska Community Foundation and Affiliate

Schedule of Expenditures of Federal Awards Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Passed through the Calista Corporation - COVID-19 Coronavirus Relief Fund - Coronavirus Relief Fund	21.019	n/a	\$ 500,000	\$ 500,000
Passed through Chugach Alaska Corporation - COVID-19 Coronavirus Relief Fund - Coronavirus Relief Fund	21.019	n/a	<u>1,000,000</u>	<u>1,000,000</u>
Total ALN 21.019			<u>1,500,000</u>	<u>1,500,000</u>
Passed through the State of Alaska Department of Commerce, Community and Economic Development - COVID-19 Coronavirus State and Local Fiscal Recovery Funds - Grants to Nonprofits	21.027	22-CVD-001	<u>8,667,746</u>	<u>8,920,270</u>
Total Expenditures of Federal Awards			\$ 10,167,746	\$ 10,420,270

The Alaska Community Foundation and Affiliate

Notes to the Schedule of Expenditures of Federal Awards Year Ended December 31, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of The Alaska Community Foundation and Affiliate (ACF) under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of ACF, it is not intended to and does not present the financial position, changes in net assets or cash flows of ACF.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The Alaska Community Foundation and Affiliate has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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Single Audit Section



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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 of Directors
The Alaska Community Foundation and Affiliate
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 consolidated financial statements of the Alaska Community Foundation and Affiliate (the Foundation), which comprise the consolidated statement of financial position as of December 31, 2022, 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, and have issued our report thereon dated September 25, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's consolidated 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 or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's consolidated 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 consolidated financial statements. 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 Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, P.C.

Anchorage, Alaska
September 25, 2023



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Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance

Opinion for Each Major Federal Program

We have audited the Alaska Community Foundation and Affiliate's (the Foundation) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended December 31, 2022. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Foundation's federal programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 federal 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 federal 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, P.C.

Anchorage, Alaska
September 25, 2023

Alaska Community Foundation and Affiliate

Schedule of Findings and Questioned Costs Year Ended December 31, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

___ yes

X no

Significant deficiency(ies) identified?

___ yes

X (none reported)

Noncompliance material to financial statements noted?

___ yes

X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

___ yes

X no

Significant deficiency(ies) identified?

___ yes

X (none reported)

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)

___ yes

X no

Identification of major federal programs:

ALN Number	Name of Federal Program or Cluster	Agency
21.027	Coronavirus State and Local Fiscal Recovery Funds	U.S. Department of Treasury

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee?

X yes

___ no

Section II - Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

There were no findings and questioned costs for federal awards as defined in 2 CFR 200.516(a) that are required to be reported.