

THE ALASKA COMMUNITY FOUNDATION

**Financial Statements
(With Independent Auditor's Report Thereon)**

Years Ended December 31, 2013 and 2012

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

THE ALASKA COMMUNITY FOUNDATION

**Financial Statements
(With Independent Auditor's Report Thereon)**

Years Ended December 31, 2013 and 2012

The Alaska Community Foundation

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Alaska Community Foundation (a nonprofit organization), which comprise the statements of financial position of as of December 31, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Members of the Board of Directors
Alaska Community Foundation

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alaska Community Foundation, as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Altman, Rogers & Co.

Anchorage, Alaska
September 22, 2014

THE ALASKA COMMUNITY FOUNDATION

Statements of Financial Position

December 31, 2013 and 2012

ASSETS	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents:		
Unrestricted:		
Held for operations	\$ 967,699	718,668
Restricted:		
Held in trust for other organizations	35,374	122,255
Held for donor advised and other funds	3,641,417	3,029,087
Total cash and cash equivalents	<u>4,644,490</u>	<u>3,870,010</u>
Grants receivable (note 1.F)	6,213	190,117
Prepaid expenses	52,012	38,789
Total current assets	<u>4,702,715</u>	<u>4,098,916</u>
Non-current assets:		
Investments:		
Unrestricted:		
Held for operations	94,771	
Restricted:		
Investments	8,724,686	8,230,788
Held in trust for other organizations	8,208,493	6,592,741
Held for donor advised and other funds	46,825,177	41,727,070
Total investments (note 3)	<u>63,853,127</u>	<u>56,550,599</u>
Property and equipment - net of accumulated depreciation of \$80,361 for 2013 and \$63,371 for 2012 (note 4)	<u>75,784</u>	<u>92,774</u>
Total assets	<u>\$ 68,631,626</u>	<u>60,742,289</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	84,010	127,150
Accrued payroll liabilities	71,346	46,317
Grants payable	927,452	950,882
Total current liabilities	<u>1,082,808</u>	<u>1,124,349</u>
Funds held for other organizations (note 1.I)	<u>8,243,867</u>	<u>6,736,595</u>
Total liabilities	<u>9,326,675</u>	<u>7,860,944</u>
Net assets:		
Unrestricted:		
Undesignated	47,677,178	42,585,604
Designated for property and equipment	75,784	92,774
Total unrestricted	<u>47,752,962</u>	<u>42,678,378</u>
Temporarily restricted (note 6)	11,551,989	10,202,967
Total net assets	<u>\$ 68,631,626</u>	<u>60,742,289</u>

See accompanying notes to financial statements.

THE ALASKA COMMUNITY FOUNDATION

Statements of Activities

Years Ended December 31, 2013 and 2012

UNRESTRICTED NET ASSETS	2013	2012
Operating activities:		
Public support:		
Contributions	\$ 1,200,399	836,942
Contributions-donor advised and other funds	3,509,327	4,900,883
Net assets released from restrictions	38,416	-
Total public support	4,748,142	5,737,825
Revenue:		
Fund administration fees	768,236	563,795
Lease and other income	71,744	29,892
In-kind revenue	57,593	70,417
Total revenue	897,573	664,104
Total public support and revenue	5,645,715	6,401,929
Expenses:		
Program services:		
Grant programs	4,473,246	5,892,846
Projects	455,276	534,854
Supporting services:		
Management and general	1,913,471	1,391,189
Fundraising	139,085	61,124
	6,981,078	7,880,013
Increase (decrease) in net assets from operating activities	(1,335,363)	(1,478,084)
Nonoperating activities:		
Unrealized gains (losses)	(160,102)	3,086,108
Unrealized gains (losses)-funds held for others	(1,507,272)	(491,038)
Investment gains	6,727,331	1,051,643
Interest and dividends	1,349,990	1,170,211
Total nonoperating activities	6,409,947	4,816,924
Change in unrestricted net assets	5,074,584	3,338,840
Change in temporarily restricted net assets:		
Contributions - donor advised and other funds	1,387,438	773,724
Net assets released from restrictions	(38,416)	-
Change in temporarily restricted net assets	1,349,022	773,724
CHANGE IN NET ASSETS	6,423,606	4,112,564
NET ASSETS, beginning of year	52,881,345	48,768,781
NET ASSETS, end of year	\$ 59,304,951	52,881,345

See accompanying notes to financial statements.

THE ALASKA COMMUNITY FOUNDATION

Statements of Functional Expenses

Years Ended December 31, 2013 and 2012

	2013					Total Program and Supporting Services
	Program Services		Total Program Services	Supporting Services		
	Grant Programs	Projects		Management and General	Fundraising	
Wages and benefits	\$ -	-	-	879,405	101,434	980,839
Contracts	-	127,475	127,475	174,505	200	302,180
Investment fees	153,682	962	154,644	5,149	73	159,866
Foundation administrative fees	650,834	32,422	683,256	66,330	4,700	754,286
Insurance	-	11,917	11,917	7,554	-	19,471
Telephone	-	-	-	16,544	-	16,544
Postage	-	-	-	5,305	652	5,957
Communications and marketing	-	148,552	148,552	70,133	23,162	241,847
Travel and conference	-	17,500	17,500	72,965	5,948	96,413
Grants/awards	3,668,730	70,605	3,739,335	399,977	-	4,139,312
Special events	-	-	-	3,523	-	3,523
Facility	-	-	-	119,514	-	119,514
Supplies	-	32,840	32,840	29,092	1,986	63,918
Equipment	-	184	184	36,253	-	36,437
Other	-	12,819	12,819	10,233	930	23,982
Depreciation	-	-	-	16,989	-	16,989
Total operating expenses	\$ 4,473,246	455,276	4,928,522	1,913,471	139,085	6,981,078

	2012					Total Program and Supporting Services
	Program Services		Total Program Services	Supporting Services		
	Grant Programs	Projects		Management and General	Fundraising	
Wages and benefits	\$ -	-	-	677,191	43,549	720,740
Contracts	-	71,400	71,400	191,682	-	263,082
Investment fees	276,259	655	276,914	6,020	6	282,940
Foundation administrative fees	454,310	10,920	465,230	-	-	465,230
Insurance	-	10,611	10,611	7,146	-	17,757
Telephone	-	-	-	14,503	-	14,503
Postage	-	-	-	4,271	469	4,740
Communications and marketing	-	212,376	212,376	85,620	11,976	309,972
Travel and conference	-	4,695	4,695	71,587	2,542	78,824
Grants/awards	5,162,277	219,109	5,381,386	181,000	-	5,562,386
Special events	-	320	320	-	2,549	2,869
Facility	-	-	-	87,522	-	87,522
Supplies	-	4,649	4,649	13,008	33	17,690
Equipment	-	-	-	25,486	-	25,486
Other	-	119	119	14,976	-	15,095
Depreciation	-	-	-	11,177	-	11,177
Total operating expenses	\$ 5,892,846	534,854	6,427,700	1,391,189	61,124	7,880,013

THE ALASKA COMMUNITY FOUNDATION

Statements of Cash Flows

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows provided (used) by operating activities:		
Change in net assets	\$ 6,423,606	4,112,564
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	16,989	11,177
Unrealized (gain) loss on investments	160,102	(3,086,108)
Realized (gain) loss on investments	(6,727,331)	(1,051,643)
(Increase) decrease in assets:		
Grants receivable	183,904	(190,117)
Pledges receivable	-	1,000
Prepaid expenses	(13,222)	(1,829)
Increase (decrease) in liabilities:		
Accounts payable	(43,140)	66,584
Accrued payroll liabilities	25,029	16,146
Grants payable	(23,430)	313,729
Funds held for other organizations	1,507,272	491,038
	<u>1,509,779</u>	<u>682,541</u>
Net cash provided by operating activities		
Cash flows used by investing activities:		
(Purchase) of investments	(108,380,893)	(3,074,054)
Proceeds from sales of investments	107,645,594	480,169
(Purchase) of equipment	-	(93,463)
Net cash provided (used) by investing activities	<u>(735,299)</u>	<u>(2,687,348)</u>
Net increase (decrease) in cash and cash equivalents	774,480	(2,004,807)
Cash and cash equivalents, beginning of year	<u>3,870,010</u>	<u>5,874,817</u>
Cash and cash equivalents, end of year	<u>\$ 4,644,490</u>	<u>3,870,010</u>

See accompanying notes to financial statements.

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements

December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Operations

The Alaska Community Foundation (the Foundation) was incorporated as a nonprofit organization in the State of Alaska in 1995. The primary purpose of a community foundation is to encourage philanthropy and strengthen communities. The Foundation's mission is: *To cultivate, celebrate and sustain all forms of philanthropy to strengthen Alaska's communities forever. Together with our Affiliates, we connect people who care with causes that matter by encouraging and nurturing philanthropy through building and managing permanent endowments, convening stakeholders and working with partners to strengthen Alaskan communities, and providing donors with grant options that are strategic to their philanthropic objectives.*

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

B. Basis of Presentation

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

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

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

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

C. Basis of Accounting

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

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

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

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

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

D. Cash and Cash Equivalents

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

E. Investments

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

F. Accounts and Grants Receivable

Accounts receivable are recorded on the accrual basis when the goods and services are billed and are considered delinquent or uncollectible on a case-by-case basis by management. The Foundation records an allowance for doubtful accounts for the estimated uncollectible portion of the accounts receivable. This estimate is based on management's historical collection experience and a review of current accounts receivable. Management deems all receivables fully collectible, therefore no allowance has been established at December 31, 2013 and 2012. Receivables are charged off when all collection efforts have been exhausted.

G. Prepaid Expenses

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

H. Property and Equipment

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

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

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

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

J. Funds Held as Donor Advised and Other Funds

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

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

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

K. Fair Value of Financial Instruments

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

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

L. Compensated Absences

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

M. Support and Revenue

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

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

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

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

N. Functional Allocation of Expenses

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

O. Use of Estimates

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

P. In-kind Contributions

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

Q. Income Tax Status

The Foundation is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code. Therefore, the accompanying statements do not reflect a provision for income taxes. Although the Foundation is exempt from federal income taxes, any income derived from unrelated business activities is subject to the requirement of filing U.S. Federal Income Tax Form 990-T and a tax liability may be determined on these activities. The Foundation classifies all interest and penalties related to tax contingencies as income tax expense. As of December 31, 2013 and 2012 there were no uncertain tax positions, or unrecognized tax benefits for which

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

management believes it is reasonably possible that the total amounts of tax contingencies will significantly increase or decrease within 12 months of the reporting date. The Foundation files tax returns in the US Federal Jurisdiction and the State of Alaska. As of 2013, the tax years that remain subject to examination begins in 2010.

R. Principles of Consolidation

The financial statements include the accounts of the Foundation and its wholly owned subsidiary, ACF Properties 1, LLC, which was funded to receive contributions of real estate. There were no inter-company transactions requiring elimination prior to presentation in these financial statements. ACF Properties 1, LLC is currently inactive and has no assets or liabilities as of 2013 or 2012.

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, 2013 and 2012. Any amounts exceeding FDIC insurance coverage are uncollateralized and uninsured and represent a concentration of credit risk. Uninsured and uncollateralized amounts were \$2,038,580 and \$2,587,961 respectively at December 31, 2013 and 2012.

3. FAIR VALUE MEASUREMENTS/INVESTMENTS

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

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

The Foundation's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by generally accepted accounting principles. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies 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.

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

- 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 following table provides information as of December 31, 2013 and 2012 about the Foundation's financial assets and liabilities measured at fair value on a recurring basis.

2013

Assets:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of Deposit	155,421	-	-	155,421
U.S. Agency Funds	3,755,407	-	-	3,755,407
Municipal Obligations	236,828	-	-	236,828
Corporate Obligations	6,945,472	-	-	6,945,472
Asset back Securities	741,815	-	-	741,815
Common Equity:				
Consumer Discretionary	4,873,121	-	-	4,873,121
Consumer Staples	4,101,554	-	-	4,101,554
Energy	2,257,518	-	-	2,257,518
Financials	4,390,691	-	-	4,390,691
Health Care	2,816,997	-	-	2,816,997
Industrials	2,578,930	-	-	2,578,930
Information Technology	5,253,636	-	-	5,253,636
Materials	845,199	-	-	845,199
Telecommunication Services	1,388,088	-	-	1,388,088
Utilities	252,540	-	-	252,540
Other	513,106	-	-	513,106
Other Equity	5,190,048	2,250,787	-	7,440,835
Debt Bonds	-	6,581,283	-	6,581,283
Closely held stock	-	-	8,724,686	8,724,686
Total	<u>46,296,371</u>	<u>8,832,070</u>	<u>8,724,686</u>	<u>63,853,127</u>

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Notes to Financial Statements, Continued

<u>2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Common stock:	\$ 29,839,746	-	-	29,839,746
Financials	4,630,958	-	-	4,630,958
Energy	2,411,860	-	-	2,411,860
Health Care	3,160,089	-	-	3,160,089
Info Technology	5,833,120	-	-	5,833,120
Consumer Discretionary	3,944,347	-	-	3,944,347
Industrials	3,126,006	-	-	3,126,006
Consumer Staples	2,170,509	-	-	2,170,509
Telecommunication				
Services	602,241	-	-	602,241
Materials	1,735,223	-	-	1,735,223
Utilities	274,279	-	-	274,279
Other	1,951,114	-	-	1,951,114
U.S. Agency Funds	4,918,634	-	-	4,918,634
Corporate Bonds	-	9,217,864	-	9,217,864
Asset-back Securities	4,343,567	-	-	4,343,567
Closely held stock	-	-	<u>8,230,788</u>	<u>8,230,788</u>
Total	<u>\$ 39,101,947</u>	<u>9,217,864</u>	<u>8,230,788</u>	<u>56,550,599</u>

Reconciliations of assets and liabilities measured and carried at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) for the year ending December 31, 2013 and 2012 are as follows:

	<u>Closely held Stock</u>
Balance at December 31, 2011	\$ <u>7,786,053</u>
Change in value due to appraisal/redemption	<u>444,735</u>
Balance at December 31, 2012	\$ <u>8,230,788</u>
Change in value due to appraisal/redemption	<u>493,898</u>
Balance at December 31, 2013	\$ <u>8,724,686</u>

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

The Foundation's accounting policy is to recognize transfers between levels of their fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 1, Level 2, or Level 3 for the years ended December 31, 2013 and 2012.

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Notes to Financial Statements, Continued

4. PROPERTY AND EQUIPMENT

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

	<u>2013</u>	<u>2012</u>
Furniture and equipment	\$ 120,144	120,144
Software	<u>36,001</u>	<u>36,001</u>
Total property and equipment	156,145	156,145
Accumulated depreciation	<u>(80,361)</u>	<u>(63,371)</u>
	\$ <u>75,784</u>	<u>92,774</u>

Depreciation expense was \$16,989 and \$11,177 for the years ended December 31, 2013 and 2012, respectively.

5. DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

Grant Programs:

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.

Projects:

Funds expended by the Foundation when it serves as the fiscal sponsor for a partner entity that is not a 501 (c)(3) organization to enable a charitable project to move forward for the community.

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.

6. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2013</u>	<u>2012</u>
Family Donor Advised Fund	\$ 9,192,485	8,596,267
Capacity Building for Charitable Organizations	161,971	-
Pick Click Give	107,189	-
Murdock Charitable Trust	53,498	-
Rasmuson Technical Assistance	22,484	-
Community Asset Building	112,787	-
Engine 557 Restoration Fund	186,151	-
Recover Alaska Media Project	90,936	-
Wrangell Scholarship Fund	700,263	667,750
Sitka Scholarship Fund	693,863	670,172
Thorpe Scholarship Fund	<u>230,362</u>	<u>268,778</u>
Total	<u>\$11,551,989</u>	<u>10,202,967</u>

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

7. LEASES

The Foundation entered into a lease that was executed November 1, 2013 and terminating on October 21, 2022. During 2013, The Foundation's lease provided for month to month occupancy. The lease ended on December 31, 2013 and was replaced by the lease that was executed November 1, 2013. Terms of the agreement provide for monthly payments of \$1.50 per square foot, or \$9,216 for space and utilities and increases of 3% per year. Rent expense for office space was \$110,928 and \$67,032 for the years ended December 31, 2013 and 2012, respectively.

Minimum future lease obligations on all leases in effect at December 31, 2013 are as follows:

For the years ended December 31,

2014	112,609
2015	114,687
2016	116,828
2017	119,032
2018	121,303
Thereafter	<u>509,313</u>
Total	1,093,772

8. RELATED PARTIES

The Foundation utilizes the services of the Spawn Ideas (formerly the Nerland Agency) to promote The State of Alaska Pick. Click. Give. campaign, for which the Foundation is the fiscal sponsor. An owner of the Spawn Ideas (formerly the Nerland Agency) is also a member of the Board of Directors of the Foundation. Total services provided to the Foundation by Spawn Ideas totaled \$146,771 and \$213,599 for the years ended December 31, 2013 and 2012, respectively. In 2013, the CEO of the Rasmuson Foundation joined the Board. The Rasmuson Foundation awarded grants totaling \$1,082,394 to the Foundation in 2013. Additionally, another member of the board is a member of SJ/JL Calais, LLC from whom the Foundation leases office space. The lease payments for 2013 were \$156,063.

9. 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.

10. PENSION PLAN

The Foundation has a Simple IRA benefit plan, which covers full-time employees working at least 12 months. Under the Plan, the Foundation provides an employer contribution of 6% of the employee's gross wages. Contributions under the Plan totaled \$33,256 and \$28,781 for the years ended 2013 and 2012, respectively.

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

11. SUBSEQUENT EVENTS

Management has evaluated the existence of subsequent events through September 22, 2014, the date which the financial statements were available for issue.

On April 14, 2014 the Foundation received a donation of 9,072,924 shares of Northern Dynasty Minerals Ltd (NAK) which was valued at \$7,530,527 on that day. The donation established the Vocational Fund for Alaska's Future which will support projects across Alaska that sharpen skills and help contribute to the competitiveness of Alaska's economy. Projects should focus on skills of relevance to resource development industries such as oil, gas and mining – electrical, plumbing, carpentry, welding, mining, engineering, geology, etc. On June 10, 2014, the Foundation sold the shares for \$6,481,532.

On June 10, 2014, the Foundation received a donation of 12 lots in the Homer area totaling 121.37 acres and with an estimated market value of approximately 1,250,000. On July 10, 2014, the Foundation received, from the same donor, a residence on Wildwood Drive in Anchorage with an estimated market value of between \$647,000 and \$680,000. The Foundation has accepted an offer of \$675,000 on the residence and the sale is pending. The Foundation anticipates receiving, from this same donor, additional assets valued at approximately \$251,777.

12. SOURCE OF CONTRIBUTIONS

The source of public support including net assets released from restrictions for the years ended December 31, 2013 and 2012 were:

	2013						
	Temporarily Restricted Grants and Support			Unrestricted Grants and Support			
	Balance 1/1/2013	Received	Released to Unrestricted	Balance 12/31/2013	Temporarily Restricted Released	Unrestricted Received	Total Grants and Support
Operating support:							
Contributions	\$ -	-	-	-	-	1,200,399	1,200,399
Contributions -							
Donor advised and Other	10,202,967	1,387,438	(38,416)	11,628,821	38,416	3,509,327	3,547,743
Total support	\$ 10,202,967	1,387,438	(38,416)	11,628,821	38,416	4,709,726	4,748,142
	2012						
	Temporarily Restricted Grants and Support			Unrestricted Grants and Support			
	Balance 1/1/2012	Received	Released to Unrestricted	Balance 12/31/2012	Temporarily Restricted Released	Unrestricted Received	Total Grants and Support
Operating support:							
Contributions	\$ -	-	-	-	-	836,942	836,942
Contributions -							
Donor advised and Other	9,429,243	773,724	-	10,202,967	-	4,900,883	4,900,883
Total support	\$ 9,429,243	773,724	-	10,202,967	-	5,737,825	5,737,825