

THE ALASKA COMMUNITY FOUNDATION

Financial Statements
(With Independent Auditor's Report Thereon)

Years Ended December 31, 2014 and 2013

THE ALASKA COMMUNITY FOUNDATION

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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, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Members of the Board of Directors
Alaska Community Foundation

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alaska Community Foundation as of December 31, 2014 and 2013, 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
August 13, 2015

THE ALASKA COMMUNITY FOUNDATION

Statements of Financial Position

December 31, 2014 and 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents:		
Unrestricted:		
Held for operations	\$ 1,687,470	967,699
Restricted:		
Held in trust for other organizations	26,392	35,374
Held for donor advised and other funds	1,683,499	3,641,417
Total cash and cash equivalents	<u>3,397,361</u>	<u>4,644,490</u>
Grants receivable (note 1.F)	81,107	6,213
Prepaid expenses	54,609	52,012
Total current assets	<u>3,533,077</u>	<u>4,702,715</u>
Non-current assets:		
Investments:		
Unrestricted:		
Held for operations	-	94,771
Restricted:		
Investments	8,957,149	8,724,686
Held in trust for other organizations	9,231,264	8,208,493
Held for donor advised and other funds	57,530,375	46,825,177
Total investments (note 3)	<u>75,718,788</u>	<u>63,853,127</u>
Land - held for resale	874,000	-
Property and equipment - net of accumulated depreciation of \$99,286 for 2014 and \$80,361 for 2013 (note 5)	<u>56,859</u>	<u>75,784</u>
Total assets	<u>\$ 80,182,724</u>	<u>68,631,626</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	115,769	84,010
Accrued payroll liabilities	70,531	71,346
Grants payable	444,565	927,452
Total current liabilities	<u>630,865</u>	<u>1,082,808</u>
Funds held for other organizations (note 1.I)	<u>9,257,656</u>	<u>8,243,867</u>
Total liabilities	<u>9,888,521</u>	<u>9,326,675</u>
Net assets:		
Unrestricted:		
Undesignated	57,433,805	47,677,178
Designated for property and equipment	930,859	75,784
Total unrestricted	<u>58,364,664</u>	<u>47,752,962</u>
Temporarily restricted (note 7)	<u>11,929,539</u>	<u>11,551,989</u>
Total Liabilities and Net Assets	<u>\$ 80,182,724</u>	<u>68,631,626</u>

See accompanying notes to financial statements.

THE ALASKA COMMUNITY FOUNDATION

Statements of Activities

Years Ended December 31, 2014 and 2013

UNRESTRICTED NET ASSETS	<u>2014</u>	<u>2013</u>
Operating activities:		
Public support:		
Contributions	\$ 800,549	1,200,399
Contributions - donor advised and other funds	13,979,750	3,509,327
Net assets released from restrictions	<u>228,349</u>	<u>38,416</u>
Total public support	15,008,648	4,748,142
Revenue:		
Fund administration fees	935,504	768,236
Lease and other income	79,748	71,744
In-kind revenue	<u>27,867</u>	<u>57,593</u>
Total revenue	1,043,119	897,573
Total public support and revenue	<u>16,051,767</u>	<u>5,645,715</u>
Expenses:		
Program services:		
Grant programs	4,520,992	4,473,246
Projects	821,476	455,276
Supporting services:		
Management and general	1,575,355	1,913,471
Fundraising	<u>117,190</u>	<u>139,085</u>
Total supporting services	7,035,013	6,981,078
Increase (decrease) in net assets from operating activities	<u>9,016,754</u>	<u>(1,335,363)</u>
Nonoperating activities:		
Unrealized gains (losses)	239,427	(160,102)
Unrealized gains (losses) - funds held for others	(1,013,789)	(1,507,272)
Investment gains	822,653	6,727,331
Interest and dividends	<u>1,546,657</u>	<u>1,349,990</u>
Total nonoperating activities	1,594,948	6,409,947
Change in unrestricted net assets	<u>10,611,702</u>	<u>5,074,584</u>
Change in temporarily restricted net assets:		
Contributions - donor advised and other funds	605,899	1,387,438
Net assets released from restrictions	<u>(228,349)</u>	<u>(38,416)</u>
Change in temporarily restricted net assets	377,550	1,349,022
CHANGE IN NET ASSETS	10,989,252	6,423,606
NET ASSETS, beginning of year	<u>59,304,951</u>	<u>52,881,345</u>
NET ASSETS, end of year	<u>\$ 70,294,203</u>	<u>59,304,951</u>

See accompanying notes to financial statements.

THE ALASKA COMMUNITY FOUNDATION

Statements of Functional Expenses

Years Ended December 31, 2014 and 2013

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

	2013					Total Program and Supporting Services
	Program Services			Supporting Services		
	Grant Programs	Projects	Total Program Services	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	\$ <u>4,473,246</u>	<u>455,276</u>	<u>4,928,522</u>	<u>1,913,471</u>	<u>139,085</u>	<u>6,981,078</u>

See accompanying notes to financial statements.

THE ALASKA COMMUNITY FOUNDATION

Statements of Cash Flows

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows provided (used) by operating activities:		
Change in net assets	\$ 10,989,252	6,423,606
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	18,925	16,989
Unrealized (gain) loss on investments	(239,427)	160,102
Realized (gain) loss on investments	(822,653)	(6,727,331)
Loss on sale of land	15,900	-
Donation of land	(909,900)	-
(Increase) decrease in assets:		
Grants receivable	(74,894)	183,904
Prepaid expenses	(2,597)	(13,222)
Increase (decrease) in liabilities:		
Accounts payable	31,759	(43,140)
Accrued payroll liabilities	(815)	25,029
Grants payable	(482,887)	(23,430)
Funds held for other organizations	<u>1,013,789</u>	<u>1,507,272</u>
Net cash provided by operating activities	9,536,452	1,509,779
Cash flows provided (used) by investing activities:		
Proceeds from sales of land	20,000	-
(Purchase) of investments	(23,373,679)	(108,380,893)
Proceeds from sales of investments	<u>12,570,098</u>	<u>107,645,594</u>
Net cash provided (used) by investing activities	(10,783,581)	(735,299)
Net increase (decrease) in cash and cash equivalents	(1,247,129)	774,480
Cash and cash equivalents, beginning of year	<u>4,644,490</u>	<u>3,870,010</u>
Cash and cash equivalents, end of year	\$ <u><u>3,397,361</u></u>	<u><u>4,644,490</u></u>
Supplemental schedule of noncash investing activities		
Donation of land	\$ <u><u>909,900</u></u>	<u><u>-</u></u>

See accompanying notes to financial statements.

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements

December 31, 2014 and 2013

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 will bring all gifts into alignment with the investment policy in a prudent and timely manner.

B. Basis of Presentation

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

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

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

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

C. Basis of Accounting

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

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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, 2014 and 2013. 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.

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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. Services are recognized monthly.

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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

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Notes to Financial Statements, Continued

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, 2014 and 2013 there were no uncertain tax positions, or unrecognized tax benefits for which 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 2014, the tax years that remain subject to examination begins in 2011.

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 intercompany 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 December 31, 2014 or 2013.

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, 2014 and 2013. Any amounts exceeding FDIC insurance coverage are uncollateralized and uninsured and represent a concentration of credit risk. Uninsured and uncollateralized amounts were \$2,713,212 and \$2,038,580, respectively, at December 31, 2014 and 2013.

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

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Notes to Financial Statements, Continued

(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 following table provides information as of December 31, 2014 and 2013 about the Foundation's financial assets and liabilities measured at fair value on a recurring basis.

	<u>2014</u>			
Assets:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of Deposit	155,421	-	-	155,421
U.S. Agency Funds	3,780,760	-	-	3,780,760
Municipal Obligations	251,966	-	-	251,966
Corporate Obligations	8,008,488	-	-	8,008,488
Asset back Securities	554,579	-	-	554,579
Common Equity:				
Consumer Discretionary	4,369,211	-	-	4,369,211
Consumer Staples	4,235,091	-	-	4,235,091
Energy	5,463,334	-	-	5,463,334
Financials	4,533,554	-	-	4,533,554
Health Care	2,941,432	-	-	2,941,432
Industrials	2,949,360	-	-	2,949,360
Information Technology	5,093,378	-	-	5,093,378
Materials	1,895,143	-	-	1,895,143
Telecommunication Services	2,263,211	-	-	2,263,211
Utilities	266,451	-	-	266,451
Other	727,834	-	-	727,834
Other Equity	2,045,501	2,030,440	-	4,075,941
Debt Bonds	2,399,298	7,773,543	-	10,172,841
Diversified hedged strategies	5,023,644	-	-	5,023,644
Closely held stock	-	-	8,957,149	8,957,149
Total	<u>56,957,656</u>	<u>9,803,983</u>	<u>8,957,149</u>	<u>75,718,788</u>

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Notes to Financial Statements, Continued

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	-	-	<u>8,724,686</u>	<u>8,724,686</u>
Total	<u>46,296,371</u>	<u>8,832,070</u>	<u>8,724,686</u>	<u>63,853,127</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, 2014 and 2013 are as follows:

	Closely held <u>Stock</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>
Change in value due to appraisal/redemption	<u>232,463</u>
Balance at December 31, 2014	\$ <u>8,957,149</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.

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Notes to Financial Statements, Continued

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, 2014 and 2013.

4. ASSETS HELD FOR RESALE

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

5. PROPERTY, EQUIPMENT, AND DONATED LAND

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

	<u>2014</u>	<u>2013</u>
Donated Land	874,000	-
Furniture and equipment	\$ 120,144	120,144
Software	<u>36,001</u>	<u>36,001</u>
Total property and equipment	<u>1,030,145</u>	<u>156,145</u>
Accumulated depreciation	<u>(99,286)</u>	<u>(80,361)</u>
	<u>\$ 930,859</u>	<u>75,784</u>

Depreciation expense was \$18,925 and \$16,989 for the years ended December 31, 2014 and 2013, respectively. The donated land is not depreciated.

6. 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.

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements

December 31, 2014 and 2013

7. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2014</u>	<u>2013</u>
Family Donor Advised Fund	\$ 9,669,873	9,192,485
Capacity Building for Charitable Organizations	188,492	161,971
Pick Click Give	90,858	107,189
Murdock Charitable Trust	129,142	53,498
Rasmuson Technical Assistance	13,867	22,484
Community Asset Building	139,133	112,787
Engine 557 Restoration Fund	109,588	186,151
Recover Alaska Media Project	63,827	90,936
Wrangell Scholarship Fund	660,549	700,263
Sitka Scholarship Fund	659,365	693,863
Thorpe Scholarship Fund	<u>204,845</u>	<u>230,362</u>
Total	<u>\$ 11,929,539</u>	<u>11,551,989</u>

8. LEASES

The Foundation entered into a lease that was executed November 1, 2013 and terminating on October 21, 2022. During 2014, The Foundation's lease provided for month to month occupancy. Terms of the agreement provide for monthly payments of \$1.48 per square foot, or \$9,216 for space and utilities and increases of 3% per year. Rent expense for office space was \$122,340 and \$110,928 for the years ended December 31, 2014 and 2013, respectively.

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

2015	114,687
2016	116,828
2017	119,032
2018	121,303
2019	123,642
Thereafter	<u>385,671</u>
Total	<u>\$ 981,163</u>

9. SUBLEASES

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

2015	\$ 94,792
2016	111,426
2017	113,647
2018	116,343

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

10. **RELATED PARTIES**

In 2013, the CEO of the Rasmuson Foundation joined the Board of Directors. The Rasmuson Foundation awarded grants totaling \$1,611,406 to the Foundation in 2014 and \$1,082,394 in 2013. The Rasmuson Foundation and another member of the board are members of SJ/JL Calais, LLC, from whom the Foundation leases office space. The lease payments for 2014 were \$113,234 and \$156,063 in 2013. The Rasmuson Foundation's share of income from this partnership is used to offset and reduce the office space lease payments for the Foundation. Finally, Foundation staff, board and committee members often serve on other boards and committees. Likewise, staff, board and committee members from other organizations often serve on boards and committees of the Alaska Community Foundation.

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**

The Foundation has a 403(b) defined contribution plan with Mutual of America, which covers full-time employees at their date of hire. Under the Plan, the Foundation provides an employer contribution of 6% of the employee's gross wages after 12 months of service. Contributions under the Plan totaled \$40,250 and \$28,781 for the years ended 2014 and 2013, respectively.

THE ALASKA COMMUNITY FOUNDATION

Notes to Financial Statements, Continued

13. SOURCE OF CONTRIBUTIONS

The source of public support including net assets released from restrictions for the years ended December 31, 2014 and 2013 were:

		2014						
		<u>Temporarily Restricted Grants and Support</u>			<u>Unrestricted Grants and Support</u>			
		<u>Balance</u>	<u>Released to</u>	<u>Balance</u>	<u>Temporarily</u>	<u>Unrestricted</u>	<u>Total</u>	
		<u>1/1/2014</u>	<u>Received</u>	<u>12/31/2014</u>	<u>Restricted</u>	<u>Received</u>	<u>Grants and</u>	
			<u>Unrestricted</u>		<u>Released</u>		<u>Support</u>	
Operating support:								
Contributions	\$	-	-	-	-	800,549	800,549	
Contributions -								
Donor advised and other		11,551,989	605,899	(228,349)	11,929,539	13,979,750	14,208,099	
Total support	\$	<u>11,551,989</u>	<u>605,899</u>	<u>(228,349)</u>	<u>11,929,539</u>	<u>14,780,299</u>	<u>15,008,648</u>	
		2013						
		<u>Temporarily Restricted Grants and Support</u>			<u>Unrestricted Grants and Support</u>			
		<u>Balance</u>	<u>Released to</u>	<u>Balance</u>	<u>Temporarily</u>	<u>Unrestricted</u>	<u>Total</u>	
		<u>1/1/2013</u>	<u>Received</u>	<u>12/31/2013</u>	<u>Restricted</u>	<u>Received</u>	<u>Grants and</u>	
			<u>Unrestricted</u>		<u>Released</u>		<u>Support</u>	
Operating support:								
Contributions	\$	-	-	-	-	1,200,399	1,200,399	
Contributions -								
Donor advised and other		10,202,967	1,387,438	(38,416)	11,551,989	3,509,327	3,547,743	
Total support	\$	<u>10,202,967</u>	<u>1,387,438</u>	<u>(38,416)</u>	<u>11,551,989</u>	<u>4,709,726</u>	<u>4,748,142</u>	

14. SUBSEQUENT EVENTS

Management has evaluated the existence of subsequent events through August 13, 2015, the date which the financial statements were available for issue. No items were deemed necessary for disclosure.