

**ALASKA CONSERVATION
FOUNDATION**

Audited Financial Statements
Years Ended June 30, 2016 and 2015

ALASKA CONSERVATION FOUNDATION

Table of Contents

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3 – 4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements	7 – 15

Independent Auditor's Report

Board of Trustees
Alaska Conservation Foundation
Anchorage, Alaska

Report on the Financial Statements – We have audited the accompanying statement of financial position of Alaska Conservation Foundation (a nonprofit organization) as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Alaska Conservation Foundation's management. The financial statements of Alaska Conservation Foundation as of June 30, 2015, were audited by other auditors whose report dated December 17, 2015, expressed an unqualified opinion on those statements.

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

Auditor's Responsibility – Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alaska Conservation Foundation as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Foster and Company, LLC

Foster and Company, LLC
Wasilla, Alaska

December 1, 2016

ALASKA CONSERVATION FOUNDATION

Statements of Financial Position

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents	\$ 1,397,858	\$ 1,092,022
Grants and public support receivable	20,000	62,487
Prepaid expenses and other assets	39,530	33,264
Investments, at fair value (Note 4)	8,547,231	8,306,284
Cost method investments (Note 5)	32,000	37,000
Cash surrender value of life insurance policies	48,624	45,239
Furniture and equipment, net	11,049	9,146
Total Assets	\$ 10,096,292	\$ 9,585,442
Liabilities and Net Assets		
Accounts payable	\$ 15,047	\$ 42,492
Accrued payroll and related liabilities	63,859	103,311
Grants and awards payable	89,728	10,000
Gift annuity liability	60,506	63,788
Total Liabilities	229,140	219,591
Net Assets		
Unrestricted:		
Board designated for endowments (Note 7)	902,884	850,616
Undesignated	106,767	288,420
Total unrestricted net assets	1,009,651	1,139,036
Temporarily restricted (Note 7 and 8)	3,123,801	2,577,027
Permanently restricted (Note 7 and 9)	5,733,700	5,649,788
Total Net Assets	9,867,152	9,365,851
Total Liabilities and Net Assets	\$ 10,096,292	\$ 9,585,442

See Independent Auditor's Report and accompanying notes to the financial statements

ALASKA CONSERVATION FOUNDATION

Statements of Activities
For Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue				
Public support	\$ 724,618	\$ 2,862,362	\$ 83,912	\$ 3,670,892
Investment income (Note 6)	52,268	498,932	-	551,200
Events	12,402	-	-	12,402
Other income	45,811	-	-	45,811
Net assets released from restriction	2,814,520	(2,814,520)	-	-
<i>Total public support and revenue</i>	<u>3,649,619</u>	<u>546,774</u>	<u>83,912</u>	<u>4,280,305</u>
 <i>Expenses</i>				
<i>Program services:</i>				
Grants and awards	2,121,843	-	-	2,121,843
Programs	744,949	-	-	744,949
<i>Total program services</i>	<u>2,866,792</u>	<u>-</u>	<u>-</u>	<u>2,866,792</u>
 <i>Support services:</i>				
Management and general	600,832	-	-	600,832
Fundraising	311,380	-	-	311,380
<i>Total support services</i>	<u>912,212</u>	<u>-</u>	<u>-</u>	<u>912,212</u>
 <i>Total expenses</i>	<u>3,779,004</u>	<u>-</u>	<u>-</u>	<u>3,779,004</u>
 Change in net assets	<u>(129,385)</u>	<u>546,774</u>	<u>83,912</u>	<u>501,301</u>
 Net assets, beginning of year	<u>1,139,036</u>	<u>2,577,027</u>	<u>5,649,788</u>	<u>9,365,851</u>
 Net assets, end of year	<u>\$ 1,009,651</u>	<u>\$ 3,123,801</u>	<u>\$ 5,733,700</u>	<u>\$ 9,867,152</u>

See Independent Auditor's Report and accompanying notes to the financial statements

ALASKA CONSERVATION FOUNDATION

Statements of Activities
For Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<i>Public Support and Revenue</i>				
Public support	\$ 745,321	\$ 2,504,217	\$ 252,134	\$ 3,501,672
Investment income (Note 6)	170,117	267,024	-	437,141
Events	16,037	-	-	16,037
Other income (Note 10)	426,660	-	-	426,660
Net assets released from restriction	2,969,198	(2,969,198)	-	-
<i>Total public support and revenue</i>	4,327,333	(197,957)	252,134	4,381,510
<i>Expenses</i>				
<i>Program services:</i>				
Grants and awards	2,534,726	-	-	2,534,726
Programs	916,532	-	-	916,532
<i>Total program services</i>	3,451,258	-	-	3,451,258
<i>Support services:</i>				
Management and general	567,743	-	-	567,743
Fundraising	525,778	-	-	525,778
<i>Total support services</i>	1,093,521	-	-	1,093,521
<i>Total expenses</i>	4,544,779	-	-	4,544,779
Change in net assets	(217,446)	(197,957)	252,134	(163,269)
Net assets, beginning of year	1,356,482	2,774,984	5,397,654	9,529,120
Net assets, end of year	\$ 1,139,036	\$ 2,577,027	\$ 5,649,788	\$ 9,365,851

See Independent Auditor's Report and accompanying notes to the financial statements

ALASKA CONSERVATION FOUNDATION

Statements of Functional Expenses

For Years Ended June 30, 2016 and 2015

<u>2016</u>	<u>Grants and Awards</u>	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants and Awards	\$ 2,121,843	\$ -	\$ -	\$ -	\$ 2,121,843
Personnel	-	491,519	362,360	226,122	1,080,001
Professional fees	-	59,712	113,033	26,121	198,866
Occupancy	-	62,396	63,089	-	125,485
Travel	-	37,299	10,918	22,058	70,275
Development and outreach	-	29,155	23,003	28,528	80,686
Office	-	3,250	2,433	3,192	8,875
Other expenses	-	61,618	25,996	5,359	92,973
Total Expenses	\$ 2,121,843	\$ 744,949	\$ 600,832	\$ 311,380	\$ 3,779,004

<u>2015</u>	<u>Grants and Awards</u>	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants and Awards	\$ 2,534,726	\$ -	\$ -	\$ -	\$ 2,534,726
Personnel	-	573,143	246,627	294,229	1,113,999
Professional fees	-	122,766	143,097	38,144	304,007
Occupancy	-	60,879	70,303	813	131,995
Travel	-	67,070	31,062	35,911	134,043
Development and outreach	-	24,323	20,794	96,491	141,608
Office	-	8,801	23,193	14,415	46,409
Other expenses	-	59,550	32,667	45,775	137,992
Total Expenses	\$ 2,534,726	\$ 916,532	\$ 567,743	\$ 525,778	\$ 4,544,779

See Independent Auditor's Report and accompanying notes to the financial statements

ALASKA CONSERVATION FOUNDATION

Statements of Cash Flows

For Year Ended June 30, 2016 and 2015

	2016	2015
<i>Cash Flows from Operating Activities</i>		
Change in net assets	\$ 501,301	\$ (163,269)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	3,947	13,572
Impairment loss on investment	-	57,674
Realized\unrealized gain on investments	(323,587)	(322,719)
Contributions to endowment fund	(83,912)	(252,134)
Changes in operating assets and liabilities:		
Grants and public support receivable	42,487	88,075
Prepaid expenses and other assets	(6,266)	(2,835)
Land held for resale	-	122,000
Cash surrender value of life insurance policies	(3,385)	31,051
Accounts payable	(27,445)	(73,401)
Gift annuity liability	(3,282)	(3,446)
Accrued payroll and related liabilities	(39,452)	45,258
Awards payable	79,728	(17,500)
<i>Net Cash for Operating Activities</i>	140,134	(477,674)
<i>Cash Flows from Investing Activities</i>		
Purchase of investments	(1,354,496)	(2,167,125)
Sale of investments	1,442,136	1,659,759
Purchase of furniture and equipment	(5,850)	-
<i>Net Cash for Investing Activities</i>	81,790	(507,366)
<i>Cash Flows from Financing Activities</i>		
Contributions to endowment fund	83,912	252,134
<i>Net Cash for Financing Activities</i>	83,912	252,134
<i>Net change in cash and cash equivalents</i>	305,836	(732,906)
<i>Cash and Cash Equivalents, beginning of year</i>	1,092,022	1,824,928
<i>Cash and Cash Equivalents, end of year</i>	\$ 1,397,858	\$ 1,092,022

See Independent Auditor's Report and accompanying notes to the financial statements

ALASKA CONSERVATION FOUNDATION
Notes to the Financial Statements
June 30, 2016 and 2015

1. History

The Alaska Conservation Foundation (the Foundation) is a nonprofit corporation organized under the laws of the State of Alaska. The Foundation makes grants, conducts programs and receives funds to protect the integrity of Alaska's ecosystems and to promote sustainable livelihoods among Alaska communities and people. Unrestricted funds raised by the Foundation are used exclusively for those purposes or are granted to other organizations with similar goals. The Foundation also solicits and administers grants to be used for donor-advised issues that are consistent with the Foundation's purpose.

2. Summary of Significant Accounting Policies

Use of Estimates

In preparing the financial statements in accordance with accounting principles generally accepted in the United States of America, the Foundation management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the statement of financial position and public support, revenue and expenses for the period. Actual results could differ from those estimates. The more significant accounting and reporting policies and estimates applied in the preparation of the accompanying financial statements are discussed below.

Basis of Presentation

The financial statements are presented on the accrual basis of accounting. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are reported as follows:

Unrestricted Net Assets

Defined as net assets that are not subject to donor-imposed stipulations. The Board of Trustees designates a portion of the Foundation's cumulative investment return for support of current operations; any remainder is retained to support operations of future years and to offset potential market declines. The amount computed under the endowment spending policy of the investment pool and all investment income earned by investing cash in excess of daily requirements are used to support current operations.

Temporarily Restricted Net Assets

Defined as net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets

Defined as net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned for charitable grants and purposes consistent with the donor imposed stipulations.

See Independent Auditor's Report

ALASKA CONSERVATION FOUNDATION
Notes to the Financial Statements
June 30, 2016 and 2015

2. Summary of Significant Accounting Policies, *continued*

Cash and Cash Equivalents

The Foundation considers demand deposits and all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents, except for those similar securities held in investment accounts.

Investments

Investments in marketable securities are reported at their fair values in the statement of financial position. Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Unrealized gains and losses and interest earned on investments are recorded as unrestricted activity unless the earnings are subject to donor-imposed restrictions. Other long-term investments include land. Land is carried at cost, which was established as the fair value on the date the assets were donated to the Foundation.

Grants and Public Support Receivable

An allowance for doubtful accounts has not been established, as all receivables are considered fully collectible.

Furniture and Equipment

Furniture and equipment with a useful life greater than one year and a cost of \$5,000 or more are recorded at cost or, if acquired by donation, at fair market value at the date of acquisition. Depreciation of furniture and equipment is provided over the estimated useful lives of the assets, which range from three to seven years, using the straight-line method and accelerated methods.

Gift Annuities

Assets received under gift annuity agreements are recorded at fair value. The gift annuity liability is recorded at the present value of the benefits expected to be paid to the donor. A contribution is recorded for the difference between the fair value contributed and the initial annuity liability.

Public Support and Revenues

Contributions are available for unrestricted use unless specifically restricted by the donor. Donor-restricted contributions whose restrictions are met in the same reporting period as contributions are received are reported as temporarily restricted public support and grants and net assets released from restriction in the year received. Grants from donors typically require an application and contain reporting requirements.

Contributions of in-kind goods or professional services, if measurable and significant, are recorded at fair value at time of receipt. In 2016 and 2015, the Foundation received \$8,837 and \$39,550, respectively, of in-kind services.

ALASKA CONSERVATION FOUNDATION
Notes to the Financial Statements
June 30, 2016 and 2015

2. Summary of Significant Accounting Policies, *continued*

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited by those mixed-purpose expenditures.

Income Taxes

The Foundation is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation has been determined by the Internal Revenue Service to be "not a private foundation" within the meaning of Section 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code. Unrelated business activity was not substantial in 2016 or 2015. The Foundation applies a more-likely than-not recognition threshold for all tax uncertainties. Management has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements for all periods presented. Tax years 2012 through 2014 are still subject to examination by the IRS.

3. Cash and Cash Equivalents

The Foundation is subject to counterparty risk on certain cash balances held at a financial institution. The Foundation places its cash with high credit quality financial institutions. The Foundation maintains bank accounts at financial institutions, which at times may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2016 and 2015, approximately \$903,442 and \$842,000 were subject to custodial credit risk, respectively.

4. Investments at Fair Value

Long-term investments restricted to a permanent endowment (Note 9) along with other investments held for the Foundation's operations are maintained in portfolios managed by professional investment managers. A summary of the Foundation's long-term investments as of June 30 follows:

<i>June 30, 2016</i>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 125,891	\$ 125,891
Alternative strategies mutual funds	11,422	10,832
Common stocks	3,431,435	5,366,476
Bond mutual funds	35,410	35,505
Corporate and government bonds	2,746,782	2,998,387
Real estate investment funds	9,559	10,140
	<u>\$ 6,360,499</u>	<u>\$ 8,547,231</u>

See Independent Auditor's Report

ALASKA CONSERVATION FOUNDATION
Notes to the Financial Statements
June 30, 2016 and 2015

4. Investments at Fair Value, *continued*

June 30, 2015

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 129,536	\$ 129,867
Equity index mutual funds	66,971	73,029
Alternative strategies mutual funds	12,277	12,218
Common stocks	3,240,744	5,381,668
Bond mutual funds	42,018	40,767
Corporate and government bonds	2,623,930	2,661,107
Real estate investment funds	8,115	7,628
	<u>\$ 6,123,591</u>	<u>\$ 8,306,284</u>

A fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents investments that are measured at fair value on a recurring basis at June 30:

<i>June 30, 2016</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 125,891	\$ -	\$ -	\$ 125,891
Equity index mutual funds	-	-	-	-
Alternative strategies mutual funds	10,832	-	-	10,832
Common stocks	5,366,476	-	-	5,366,476
Bond mutual funds	35,505	-	-	35,505
Corporate and government bonds	-	2,998,387	-	2,998,387
Real estate investment funds	-	10,140	-	10,140
	<u>\$ 5,538,704</u>	<u>\$ 3,008,527</u>	<u>\$ -</u>	<u>\$ 8,547,231</u>

See Independent Auditor's Report

ALASKA CONSERVATION FOUNDATION
Notes to the Financial Statements
June 30, 2016 and 2015

4. Investments at Fair Value, *continued*

<i>June 30, 2015</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 129,867	\$ -	\$ -	\$ 129,867
Equity index mutual funds	73,029	-	-	73,029
Alternative strategies mutual funds	12,218	-	-	12,218
Common stocks	5,381,668	-	-	5,381,668
Bond mutual funds	40,767	-	-	40,767
Corporate and government bonds	-	2,661,107	-	2,661,107
Real estate investment funds	-	7,628	-	7,628
	<u>\$ 5,637,549</u>	<u>\$ 2,668,735</u>	<u>\$ -</u>	<u>\$ 8,306,284</u>

5. Cost Method Investments

Cost method investments at June 30 consisted of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 32,000	\$ 32,000
Real estate investment funds	-	5,000
	<u>\$ 32,000</u>	<u>\$ 37,000</u>

These investments are recorded at cost as the fair value as it is impractical to estimate fair value. Management has evaluated whether events or changes in circumstances have occurred that may have a significant adverse effect on fair value. No such events or changes have occurred for the land investment.

6. Investment Income

Investment income is generated from investments at fair value, cost method investments, and land held for resale. Investment income for the years ending June 30 consists of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 188,666	\$ 172,096
Impairment loss	-	(57,674)
Net realized gain	360,920	593,730
Net unrealized gain (loss)	1,614	(271,011)
	<u>\$ 551,200</u>	<u>\$ 437,141</u>

Investment fees are included with other expenses and were \$59,747 and \$57,391 in 2016 and 2015, respectively.

See Independent Auditor's Report

ALASKA CONSERVATION FOUNDATION
Notes to the Financial Statements
June 30, 2016 and 2015

7. Endowment Funds

The Foundation's endowment consists of 22 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Uniform Prudent Management of Institutional Fund Act (UPMIFA) was signed into law in the State of Alaska on June 14, 2010 with an effective date of September 8, 2010. During the years ended June 30, 2016 and 2015, the Board of Trustees of the Foundation has interpreted the State of Alaska's laws governing endowments as permitting the Board, absent donor stipulations to the contrary, to adopt prudent spending policies with regards to the endowments that consider the donor' intent that the endowment fund continue permanently, the purposes of the fund, and the relevant economic factors impacting the fund. Except to the extent required by the donor, including losses related to specific investments that the donor requires the organization to hold in perpetuity, the following apply: (a) investment gains are classified as increases in temporarily restricted net assets; (b) investment losses are reductions in temporarily restricted gains if available; and (c) remaining losses are classified as reductions in unrestricted net assets.

Changes in endowment net assets are as follows:

	Donor permanently restricted endowment funds	Donor temporarily restricted endowment funds	Board designated for endowments	Total
Balance, June 30, 2014	\$ 5,365,654	\$ 1,554,942	\$ 415,798	\$ 7,336,394
Net investment return	-	432,323	19,150	451,473
Board-directed transfer	-	-	415,668	415,668
Contributions to endowment	252,134	-	-	252,134
Amount appropriated for expenditure	-	(284,523)	-	(284,523)
<i>Total change in endowment funds</i>	252,134	147,800	434,818	834,752
Balance, June 30, 2015	\$ 5,617,788	\$ 1,702,742	\$ 850,616	\$ 8,171,146
Net investment return	-	430,635	52,268	482,903
Board-directed transfer	-	-	-	-
Contributions to endowment	83,912	-	-	83,912
Amount appropriated for expenditure	-	(308,004)	-	(308,004)
<i>Total change in endowment funds</i>	83,912	122,631	52,268	258,811
Balance, June 30, 2016	\$ 5,701,700	\$ 1,825,373	\$ 902,884	\$ 8,429,957

See Independent Auditor's Report

ALASKA CONSERVATION FOUNDATION
Notes to the Financial Statements
June 30, 2016 and 2015

7. Endowment Funds, *continued*

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in temporarily restricted net assets were \$1,416 and \$3,536 as of June 30, 2016 and 2015, respectively. These deficiencies resulted from unfavorable market fluctuations.

Appropriation Policies

Distributions will be made annually based on the spending rate established by the Board of Trustees or as explicitly stipulated by the donor. The current spending rate is 4.25% of the rolling average value of the fund as of March 31 for the preceding three fiscal years. In the event that an individual fund has been in existence for more than 1 year but less than three years, the percentage distribution for the next fiscal year will be based on the average of the fund's balance as of March 31 for the number of fiscal years that the fund has been in existence.

Return Objectives and Risk Parameters and Strategies Employed for Achieving Objectives

The investment objective of the Foundation is to ensure that the endowment funds exist in perpetuity, and provide for grant making in perpetuity. To attain this goal, the overriding objective is to maintain purchasing power. That is, net of spending, the objective is to grow the aggregate portfolio value at or above the rate of inflation over the Foundation's investment horizon through the preservation of capital, reasonable efforts to control investment risk, and adherence to investment discipline.

It is the policy for the Alaska Conservation Foundation to screen investments to exclude any companies whose businesses cause substantial environmental damage. The target range for exposure to stocks is 40% to 80% and the investment manager, Walden Asset Management, has discretion to determine the most appropriate allocation given the market conditions within the target range. Should the investment portfolio asset allocation exceed the approved ranges, the investment manager is expected to bring the portfolio into compliance with the investment guidelines as promptly and prudently as possible. In addition, the Foundation believes that it is necessary and desirable to maintain a prudent level of portfolio diversification. At the time of an asset purchase, no more than 5% of the equity portion of the fund shall be invested in the securities of any one company. Investment in any particular sector as defined by the S&P 500 shall not exceed 10 percentage points above the sector weight in that index. No more than 10% of the total fixed income investments (including cash) shall be invested in any one non-government issuer. There is no limitation on investment in direct obligations of the US Treasury or US Government Agency debt. The Finance and Investment Committee meets regularly to review investment portfolio performance and to monitor the investment manager's compliance with the guidelines established in the Investment Policy Statement.

ALASKA CONSERVATION FOUNDATION
Notes to the Financial Statements
June 30, 2016 and 2015

8. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30 consisted of the following:

	2016	2015
Investment in Rutherford LP	\$ -	\$ 5,000
Cash surrender value of life insurance policies	48,624	45,239
Time annuities	58,368	65,494
Grants and contributions restricted for purpose	1,191,437	758,552
Endowment (Note 7)	1,825,373	1,702,742
	\$ 3,123,802	\$ 2,577,027

9. Permanently Restricted Net Assets

Permanently restricted net assets at June 30 consist of assets restricted in perpetuity for a particular purpose by donors. The Foundation can spend earnings on these restricted net assets.

	2016	2015
Endowment (Note 7)	\$ 5,701,700	\$ 5,617,788
Land (Note 5)	32,000	32,000
	\$ 5,733,700	\$ 5,649,788

10. Other Income

Cy Pres Award

Alaska Conservation Foundation received a cy pres award from the distribution of the remaining balance in a Net Settlement Fund established in a class action suit filed against British Petroleum by investors in the BP Prudhoe Bay Royalty Trust. The investors lost money when a major oil spill occurred in the Prudhoe Bay oil field in 2006 because of BP's negligence, and BP had to clean up the spill, pay criminal fines for violation of state and federal environmental laws, and shut down the field to replace 22 miles of corroded pipelines.

Cy pres awards are made when class action suits are settled or tried, and it's not possible to distribute all of the money recovered to some or all of the class members. They may be difficult to identify or find or it may not be economically feasible to distribute the funds to them. When that's the case, courts will allow the remaining funds to be distributed to nonprofit organizations to support work that indirectly benefits the class and advances the public interest. Because of the grants we've made over many years to address the impacts of oil spills in Alaska, the Foundation was identified by the plaintiffs in this case as an organization that qualified for a cy pres award. The Foundation was notified that we had been named as a nonprofit approved by the court to receive 3.5% of the balance of the Net Settlement Fund, and therefore received \$357,286 in September 2015, which is included as part of other income on the statement of activities in FY15.

See Independent Auditor's Report

ALASKA CONSERVATION FOUNDATION
Notes to the Financial Statements
June 30, 2016 and 2015

11. Pension Plan

The Foundation has a defined contribution pension plan, which covers all full-time employees who have been employed for 12 months. The Foundation contributes 5% of the covered employees' salaries plus a 2% match. These contributions totaled \$62,000 and \$68,822 for the years ended June 30, 2016 and 2015, respectively.

12. Lease Obligations

The Foundation leases office space and equipment under non-cancelable operating lease agreements that expire in August, 2017. Rental expense was \$100,567 and \$103,978 for the years ended June 30, 2016 and 2015, respectively.

The following is a schedule by year of the future minimum lease payments required under the remaining terms in excess of one year as of June 30, 2016:

2017	\$	98,876
2018		16,537

13. Contingencies

The Foundation participates in a number of grant programs that are subject to program compliance by the grantors. Any disallowed claims would become a liability of the organization. Management believes they are in compliance with all requirements, and the risk of noncompliance is minimal.

14. Subsequent Events

The Foundation evaluated subsequent events through December 1, 2016, which is when these financial statements were available to be issued. The Foundation is not aware of any other significant events that would have a material impact on the financial statements or require disclosure in the notes to the financial statements.