



# Alaska Conservation Foundation

Financial Statements  
June 30, 2015 and 2014

# Alaska Conservation Foundation

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Financial Statements  
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# Alaska Conservation Foundation

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## Independent Auditor's Report

The Board of Trustees  
Alaska Conservation Foundation

We have audited the accompanying statements of Alaska Conservation Foundation (Foundation), which comprise the statements of financial position as of June 30, 2015 and 2014, 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 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, 2015 and 2014, and the changes in its net assets, and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*BDO USA, LLP*

Anchorage, Alaska  
December 17, 2015

## Financial Statements

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**Alaska Conservation Foundation**  
**Statements of Financial Position**

<i>June 30,</i>	2015	2014
<b>Assets</b>		
Cash and cash equivalents	\$ 1,092,022	\$ 1,824,928
Grants and public support receivable	62,487	150,562
Prepaid expenses and other assets	33,264	30,429
Investments at fair value (Note 4)	8,306,284	7,476,199
Cost method investments (Note 5)	37,000	94,674
Land held for resale	-	122,000
Cash surrender value of life insurance policies	45,239	76,290
Furniture and equipment, net	9,146	22,718
<b>Total Assets</b>	<b>\$ 9,585,442</b>	<b>\$ 9,797,800</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 42,492	\$ 115,893
Accrued payroll and related liabilities	103,311	58,053
Grants and awards payable	10,000	27,500
Gift annuity liability	63,788	67,234
<b>Total Liabilities</b>	<b>219,591</b>	<b>268,680</b>
<b>Net Assets</b>		
Unrestricted:		
Board designated for endowment (Note 7)	1,628,361	1,146,224
Undesignated	241,101	940,684
<b>Total unrestricted net assets</b>	<b>1,869,462</b>	<b>2,086,908</b>
Temporarily restricted (Notes 7 and 8)	1,896,581	2,094,538
Permanently restricted (Notes 7 and 9)	5,599,808	5,347,674
<b>Total Net Assets</b>	<b>9,365,851</b>	<b>9,529,120</b>
Commitments and contingencies (Notes 12 and 13)	-	-
<b>Total Liabilities and Net Assets</b>	<b>\$ 9,585,442</b>	<b>\$ 9,797,800</b>

*See accompanying notes to financial statements.*

# Alaska Conservation Foundation

## Statement of Activities - 2015

<i>Year Ended June 30, 2015</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public Support and Revenue</b>				
Public support	\$ 679,429	\$ 132,994	\$ 252,134	\$ 1,064,557
Grants from donors	65,892	2,371,223	-	2,437,115
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 restrictions	2,969,198	(2,969,198)	-	-
<b>Total Public Support and Revenue</b>	<b>4,327,333</b>	<b>(197,957)</b>	<b>252,134</b>	<b>4,381,510</b>
<b>Expenses</b>				
Program services:				
Grants and awards	2,534,726	-	-	2,534,726
Programs	916,532	-	-	916,532
<b>Total program services</b>	<b>3,451,258</b>	<b>-</b>	<b>-</b>	<b>3,451,258</b>
Supporting services:				
Management and general	567,743	-	-	567,743
Fundraising	525,778	-	-	525,778
<b>Total supporting services</b>	<b>1,093,521</b>	<b>-</b>	<b>-</b>	<b>1,093,521</b>
<b>Total Expenses</b>	<b>4,544,779</b>	<b>-</b>	<b>-</b>	<b>4,544,779</b>
Change in net assets	(217,446)	(197,957)	252,134	(163,269)
<b>Net Assets, beginning of year</b>	<b>2,086,908</b>	<b>2,094,538</b>	<b>5,347,674</b>	<b>9,529,120</b>
<b>Net Assets, end of year</b>	<b>\$ 1,869,462</b>	<b>\$ 1,896,581</b>	<b>\$ 5,599,808</b>	<b>\$ 9,365,851</b>

*See accompanying notes to financial statements.*



# Alaska Conservation Foundation

## Statement of Activities - 2014

<i>Year Ended June 30, 2014</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public Support and Revenue</b>				
Public support	\$ 1,072,482	\$ 146,827	\$ 306,870	\$ 1,526,179
Grants	141,000	2,836,191	-	2,977,191
Investment income (Note 6)	434,324	586,515	-	1,020,839
Events	6,565	-	-	6,565
Net assets released from restrictions	3,843,818	(3,843,818)	-	-
<b>Total Public Support and Revenue</b>	<b>5,498,189</b>	<b>(274,285)</b>	<b>306,870</b>	<b>5,530,774</b>
<b>Expenses</b>				
Program services:				
Grants and awards	2,763,694	-	-	2,763,694
Programs	1,048,695	-	-	1,048,695
<b>Total program services</b>	<b>3,812,389</b>	<b>-</b>	<b>-</b>	<b>3,812,389</b>
Supporting services:				
Management and general	800,581	-	-	800,581
Fundraising	445,608	-	-	445,608
<b>Total supporting services</b>	<b>1,246,189</b>	<b>-</b>	<b>-</b>	<b>1,246,189</b>
<b>Total Expenses</b>	<b>5,058,578</b>	<b>-</b>	<b>-</b>	<b>5,058,578</b>
Change in net assets	439,611	(274,285)	306,870	472,196
Net Assets, beginning of year	1,647,297	2,368,823	5,040,804	9,056,924
<b>Net Assets, end of year</b>	<b>\$ 2,086,908</b>	<b>\$ 2,094,538</b>	<b>\$ 5,347,674</b>	<b>\$ 9,529,120</b>

*See accompanying notes to financial statements.*

**Alaska Conservation Foundation**  
**Statement of Functional Expenses - 2015**

<i>Year Ended June 30, 2015</i>	Grants and Awards	Programs	Management and General	Fund- raising	Total
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/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
<b>Total Expenses</b>	<b>\$ 2,534,726</b>	<b>\$ 916,532</b>	<b>\$ 567,743</b>	<b>\$ 525,778</b>	<b>\$ 4,544,779</b>

*See accompanying notes to financial statements.*

**Alaska Conservation Foundation**  
**Statement of Functional Expenses - 2014**

<i>Year Ended June 30, 2014</i>	Grants and Awards	Programs	Management and General	Fund- raising	Total
Grants and awards	\$ 2,763,694	\$ -	\$ -	\$ -	\$ 2,763,694
Personnel	-	609,757	414,675	307,991	1,332,423
Professional fees	-	198,292	189,351	39,828	427,471
Development/outreach	-	18,498	119,031	1,708	139,237
Travel	-	85,110	24,806	25,001	134,917
Occupancy	-	46,220	24,138	26,973	97,331
Office	-	21,269	18,176	15,098	54,543
Other expenses	-	69,549	10,404	29,009	108,962
<b>Total Expenses</b>	<b>\$ 2,763,694</b>	<b>\$ 1,048,695</b>	<b>\$ 800,581</b>	<b>\$ 445,608</b>	<b>\$ 5,058,578</b>

*See accompanying notes to financial statements.*

# Alaska Conservation Foundation

## Statements of Cash Flows

<i>Years Ended June 30,</i>	2015	2014
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (163,269)	\$ 472,196
Adjustment to reconcile change in net assets to net cash for operating activities:		
Depreciation	13,572	22,475
Impairment loss on investment	57,674	-
Realized/unrealized gain on investments	(322,719)	(873,374)
Contributions to endowment fund	(252,134)	(306,870)
Changes in operating assets and liabilities:		
Grants and public support receivable	88,075	163,809
Other receivables	-	104,004
Prepaid expenses and other assets	(2,835)	(18,145)
Land held for resale	122,000	(122,000)
Cash surrender value of life insurance policies	31,051	1,895
Accounts payable	(73,401)	(121,170)
Gift annuity liability	(3,446)	(3,602)
Accrued payroll and related liabilities	45,258	(13,215)
Awards payable	(17,500)	(18,500)
<b>Net cash for operating activities</b>	<b>(477,674)</b>	<b>(712,497)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(2,167,125)	(1,377,011)
Sale of investments	1,659,759	1,264,597
Purchase of furniture and equipment	-	(8,770)
<b>Net cash for investing activities</b>	<b>(507,366)</b>	<b>(121,184)</b>
<b>Cash Flows from Financing Activities</b>		
Contributions to endowment fund	252,134	306,870
<b>Net change in cash and cash equivalents</b>	<b>(732,906)</b>	<b>(526,811)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>1,824,928</b>	<b>2,351,739</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 1,092,022</b>	<b>\$ 1,824,928</b>

*See accompanying notes to financial statements.*

# Alaska Conservation Foundation

## Notes to Financial Statements June 30, 2015 and 2014

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### 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.

# Alaska Conservation Foundation

## Notes to Financial Statements

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### *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 and investment in a limited partnership. Land is carried at cost, which was established as the fair value on the date the assets were donated to the Foundation. Investment in a limited partnership is accounted for using equity method, under which the Foundation's share of affiliate earnings is included in income when earned and distributions are credited to the investment when received.

### *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.

# Alaska Conservation Foundation

## Notes to Financial Statements

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Contributions of in-kind goods or professional services, if measurable and significant, are recorded at fair value at time of receipt. In 2015 and 2014, the Foundation received \$39,550 and \$5,329, respectively, of in-kind services.

### *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 2015 or 2014.

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 2011 through 2013 are still subject to examination by the IRS.

### *Subsequent Events*

The Foundation evaluated subsequent events through December 17, 2015, 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.

### **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, 2015 and 2014, approximately \$842,000 and \$1,575,000 were subject to custodial credit risk, respectively.

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# Alaska Conservation Foundation

## Notes to Financial Statements

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### 4. Investments at Fair Value

Long-term investments restricted to a permanent endowment (Note 6) 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, 2015</i>	Cost	Fair value
Money market funds	\$ 129,536	\$ 129,867
Equity index mutual funds	66,971	73,029
Alternative strategies mutual fund	12,277	12,218
Common stock	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
	<hr/>	<hr/>
	\$ 6,123,591	\$ 8,306,284

<i>June 30, 2014</i>	Cost	Fair value
Money market funds	\$ 306,565	\$ 306,565
Equity index mutual funds	51,349	61,814
Alternative strategies mutual fund	26,712	27,500
Common stock	3,045,646	5,431,125
Bond mutual funds	43,635	43,807
Corporate and government bonds	1,541,563	1,599,550
Real estate investment funds	5,291	5,838
	<hr/>	<hr/>
	\$ 5,020,761	\$ 7,476,199

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.



# Alaska Conservation Foundation

## Notes to Financial Statements

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

<i>June 30, 2014</i>	Level 1	Level 2	Level 3	Total
Money market funds	\$ 306,565	\$ -	\$ -	\$ 306,565
Equity index mutual funds	61,814	-	-	61,814
Alternative strategies mutual fund	27,500	-	-	27,500
Common stock	5,431,125	-	-	5,431,125
Bond mutual fund	43,807	-	-	43,807
Corporate and government bonds	-	1,599,550	-	1,599,550
Real estate investment funds	-	5,838	-	5,838
	<b>\$ 5,870,811</b>	<b>\$ 1,605,388</b>	<b>\$ -</b>	<b>\$ 7,476,199</b>

### 5. Cost Method Investments

Cost method investments at June 30 consisted of the following:

	2015	2014
Investment in Land	\$ 32,000	\$ 32,000
Investment in Rutherford LP	5,000	62,674
	<b>\$ 37,000</b>	<b>\$ 94,674</b>

# Alaska Conservation Foundation

## Notes to Financial Statements

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The Foundation records these investments at cost as the fair value of these cost method investments are not estimated 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. However, it did become evident to the Foundation in 2015 the fair value of the LP was significantly lower than the carrying value. Subsequent to year-end, a sale offer of \$5,000 from the other partners was accepted by the Foundation for its share of the LP. Accordingly, an impairment loss has been recorded of \$57,674, which is included in investment income on the statement of activities, to bring the carrying value down to the sale offer amount of \$5,000.

### 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:

	2015	2014
Interest and dividends	\$ 172,096	\$ 147,465
Impairment loss	(57,674)	-
Net realized gain	593,730	256,417
Net unrealized gain (loss)	(271,011)	616,957
	<u>\$ 437,141</u>	<u>\$ 1,020,839</u>

Investment fees are included with other expenses and were \$57,391 and \$49,928 in 2014 and 2013, respectively.

### 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, 2015 and 2014, 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's 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.

# Alaska Conservation Foundation

## Notes to Financial Statements

Changes in endowment net assets are as follows:

	Donor permanently restricted endowment funds	Donor temporarily restricted endowment funds	Board designated for endowment	Total
Balance, June 30, 2013	\$ 5,040,804	\$ 473,066	\$ 841,596	\$ 6,355,466
Net investment return	-	517,268	415,955	933,223
Change in unrealized losses in excess of donor- restricted amounts	-	-	10,388	10,388
Contributions to endowment	306,870	-	-	306,870
Amount appropriated for expenditure	-	(147,838)	(121,715)	(269,553)
Total change in endowment funds	306,870	369,430	304,628	980,928
Balance, June 30, 2014	5,347,674	\$ 842,496	\$ 1,146,224	\$ 7,336,394
Net investment return	-	262,870	188,603	451,473
Board-directed transfer	-	-	415,668	415,668
Contributions to endowment	252,134	-	-	252,134
Amount appropriated for expenditure	-	(162,389)	(122,134)	(284,523)
Total change in endowment funds	252,134	100,481	482,137	834,752
Balance, June 30, 2015	\$ 5,599,808	\$ 942,977	\$ 1,628,361	\$ 8,171,146

### *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 unrestricted net assets were \$0 and \$2,860 as of June 30, 2015 and 2014, 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 4.5% 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.

# Alaska Conservation Foundation

## Notes to Financial Statements

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### *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.

### 8. Temporarily Restricted Net Assets

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

	2015	2014
Land held for investment (Note 5)	\$ 32,000	\$ 32,000
Investment in Rutherford LP (Note 5)	5,000	62,674
Cash surrender value of life insurance policies	45,239	76,290
Time annuities	65,494	76,396
Grants and contributions restricted for purpose	805,871	1,004,682
Endowment (Note 7)	942,977	842,496
	<u>\$ 1,896,581</u>	<u>\$ 2,094,538</u>

# Alaska Conservation Foundation

## Notes to Financial Statements

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### 9. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2015 and 2014 consist of endowments restricted in perpetuity for a particular purpose by donors. The Foundation can spend earnings on these permanently restricted net assets. See Note 7 for endowment information.

### 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.

### 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 9% of the covered employees' salaries. These contributions totaled \$68,822 and \$79,261 for the years ended June 30, 2015 and 2014, 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 \$103,978 and \$103,567 for the years ended June 30, 2015 and 2014, respectively.

# Alaska Conservation Foundation

## Notes to Financial Statements

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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, 2015:

*Year Ending June 30:*

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2015	\$ 95,972
2016	96,815
2017	98,876
2018	16,537

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	\$ 308,200
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### 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 non-compliance is minimal.

### 14. Subsequent Events

#### *Impairment Loss*

Investments held at cost were sold at less than book value after June 30, 2015 and an impairment loss was recorded for the year ended June 30, 2015. See Note 5 for further details.