



Alaska Conservation Foundation

Financial Statements
June 30, 2014 and 2013

Alaska Conservation Foundation

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Alaska Conservation Foundation

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Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

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, 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 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, 2014 and 2013, and the changes in its net assets, functional expenses, and 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 8, 2014

Financial Statements

Alaska Conservation Foundation
Statements of Financial Position

<i>June 30,</i>	2014	2013
Assets		
Cash and cash equivalents	\$ 1,824,928	\$ 2,351,739
Grants and public support receivable	150,562	314,371
Other receivables	-	104,004
Prepaid expenses and other assets	30,429	12,284
Investments at fair value (Note 8)	7,476,199	6,493,867
Investments not at fair value (Note 8)	94,674	91,218
Land held for resale	122,000	-
Cash surrender value of life insurance policies	76,290	78,185
Furniture and equipment	22,718	36,423
Total Assets	\$ 9,797,800	\$ 9,482,091
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 115,893	\$ 237,063
Accrued payroll and related liabilities	58,053	71,268
Grants and awards payable	27,500	46,000
Gift annuity liability	67,234	70,836
Total Liabilities	268,680	425,167
Net Assets		
Unrestricted:		
Board designated for endowment (Note 9)	1,149,084	854,844
Undesignated	937,824	792,453
Total unrestricted net assets	2,086,908	1,647,297
Temporarily restricted (Notes 5 and 9)	2,094,538	2,368,823
Permanently restricted (Notes 6 and 9)	5,347,674	5,040,804
Total Net Assets	9,529,120	9,056,924
Commitments and contingencies (Notes 10 and 11)	-	-
Total Liabilities and Net Assets	\$ 9,797,800	\$ 9,482,091

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
Public Support and Revenue				
Public support	\$ 1,072,482	\$ 146,827	\$ 306,870	\$ 1,526,179
Grants	141,000	2,836,191	-	2,977,191
Investment income	434,324	586,515	-	1,020,839
Events	6,565	-	-	6,565
Net assets released from restrictions	3,843,818	(3,843,818)	-	-
Total Public Support and Revenue	5,498,189	(274,285)	306,870	5,530,774
Expenses				
Program services:				
Grants and awards	2,763,694	-	-	2,763,694
Programs	1,048,695	-	-	1,048,695
Total program services	3,812,389	-	-	3,812,389
Supporting services:				
Management and general	800,581	-	-	800,581
Fundraising	445,608	-	-	445,608
Total supporting services	1,246,189	-	-	1,246,189
Total Expenses	5,058,578	-	-	5,058,578
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
Net Assets, end of year	\$ 2,086,908	\$ 2,094,538	\$ 5,347,674	\$ 9,529,120

See accompanying notes to financial statements.

Alaska Conservation Foundation

Statement of Activities - 2013

<i>Year Ended June 30, 2013</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue				
Public support	\$ 747,633	\$ 139,917	\$ 151,102	\$ 1,038,652
Grants	145,860	4,615,189	-	4,761,049
Investment income (Note 8)	370,498	453,534	-	824,032
Events	3,890	-	-	3,890
Net assets released from restrictions (Note 4)	5,258,284	(5,258,284)	-	-
Total Public Support and Revenue	6,526,165	(49,644)	151,102	6,627,623
Expenses				
Program services:				
Grants and awards	3,670,970	-	-	3,670,970
Programs	1,397,839	-	-	1,397,839
Total program services	5,068,809	-	-	5,068,809
Supporting services:				
Management and general	754,723	-	-	754,723
Fundraising	567,264	-	-	567,264
Total supporting services	1,321,987	-	-	1,321,987
Total Expenses	6,390,796	-	-	6,390,796
Change in net assets	135,369	(49,644)	151,102	236,827
Net Assets, beginning of year	1,511,928	2,418,467	4,889,702	8,820,097
Net Assets, end of year	\$ 1,647,297	\$ 2,368,823	\$ 5,040,804	\$ 9,056,924

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
Occupancy	-	18,498	119,031	1,708	139,237
Travel	-	85,110	24,806	25,001	134,917
Development/outreach	-	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
Total Expenses	\$ 2,763,694	\$ 1,048,695	\$ 800,581	\$ 445,608	\$ 5,058,578

See accompanying notes to financial statements.

Alaska Conservation Foundation
Statement of Functional Expenses - 2013

<i>Year Ended June 30, 2013</i>	Grants and Awards	Programs	Management and General	Fund- raising	Total
Grants and awards	\$ 3,670,970	\$ -	\$ -	\$ -	\$ 3,670,970
Personnel	-	653,076	418,444	300,085	1,371,605
Professional fees	-	419,751	152,494	37,141	609,386
Development/outreach	-	55,600	15,273	78,091	148,964
Travel	-	132,302	52,325	11,679	196,306
Occupancy	-	92,272	40,066	31,082	163,420
Office	-	41,117	10,166	24,534	75,817
Other expenses	-	3,721	65,955	84,652	154,328
Total Expenses	\$ 3,670,970	\$ 1,397,839	\$ 754,723	\$ 567,264	\$ 6,390,796

See accompanying notes to financial statements.

Alaska Conservation Foundation

Statements of Cash Flows

<i>Years Ended June 30,</i>	2014	2013
Cash Flows from Operating Activities		
Change in net assets	\$ 472,196	\$ 236,827
Adjustment to reconcile change in net assets to net cash for operating activities:		
Depreciation	22,475	20,681
Realized\unrealized gain on investments	(873,374)	(676,152)
Change in gift annuity liability	(3,602)	(3,747)
In-kind revenues	(5,329)	(59,334)
In-kind expenses	5,329	59,334
Contributions to endowment fund	(306,870)	(151,102)
Changes in operating assets and liabilities:		
Grants and public support receivable	163,809	445,629
Other receivables	104,004	(91,842)
Prepaid expenses and other assets	(18,145)	20,428
Land held for resale	(122,000)	-
Cash surrender value of life insurance policies	1,895	40,851
Accounts payable	(121,170)	160,534
Accrued payroll and related liabilities	(13,215)	3,570
Awards payable	(18,500)	(86,000)
Deferred revenue	-	(66,550)
Net cash for operating activities	(712,497)	(146,873)
Cash Flows from Investing Activities		
Purchase of investments	(1,377,011)	(1,029,646)
Sale of investments	1,264,597	995,666
Purchase of furniture and equipment	(8,770)	(6,727)
Net cash for investing activities	(121,184)	(40,707)
Cash Flows from Financing Activities		
Contributions to endowment fund	306,870	151,102
Net cash from financing activities	306,870	151,102
Net change in cash and cash equivalents	(526,811)	(36,478)
Cash and Cash Equivalents, beginning of year	2,351,739	2,388,217
Cash and Cash Equivalents, end of year	\$ 1,824,928	\$ 2,351,739

See accompanying notes to financial statements.

Alaska Conservation Foundation

Notes to Financial Statements June 30, 2014 and 2013

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 on any related activities for general or specific purposes.

Alaska Conservation Foundation

Notes to Financial Statements

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 awarded in writing to be received in future periods are recorded as temporarily restricted grants when promises are made and those net assets are released from restriction after the funds are received and any stipulations are met.

Alaska Conservation Foundation

Notes to Financial Statements

Public Support and Revenues, continued

Contributions of in-kind goods or professional services, if measurable and significant, are recorded at fair value at time of receipt. In 2014 and 2013, the Foundation received \$5,329 and \$59,334, respectively, in in-kind services.

Allocation of Joint Costs

The Foundation conducts activities to distribute information regarding environmental issues and appeal for funds. The joint costs incurred through these activities were allocated \$512 to fundraising expense and \$1,535 to program services in 2014 and \$2,545 to fundraising expense and \$7,636 to program services in 2013.

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 2014 or 2013.

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.

Subsequent Events

The Foundation evaluated subsequent events through December 8, 2014, 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, 2014 and 2013, approximately \$1,575,000 and \$1,895,000 were subject to custodial credit risk, respectively.

Alaska Conservation Foundation

Notes to Financial Statements

4. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose.

5. Temporarily Restricted Net Assets

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

	2014	2013
Grants and public support to be received in future periods	\$ 498,514	\$ 314,371
Unspent endowment earnings (Note 9)	842,496	473,066
Grants temporarily restricted for purpose	677,238	1,503,201
Cash surrender value of life insurance policies	76,290	78,185
	<u>\$ 2,094,538</u>	<u>\$ 2,368,823</u>

6. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2014 and 2013 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 9 for endowment information.

7. 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 \$79,261 and \$85,389 for the years ended June 30, 2014 and 2013, respectively.

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Alaska Conservation Foundation

Notes to Financial Statements

8. Long-Term Investments

Long-term investments restricted to a permanent endowment 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, 2014</i>	Cost	Unrealized holding gain	Unrealized holding loss	Fair value
Money market funds	\$ 306,565	\$ -	\$ -	\$ 306,565
Equity index mutual funds	51,349	10,465	-	61,814
Alternative strategies mutual fund	26,712	788	-	27,500
Common stock	3,045,646	2,391,038	(5,559)	5,431,125
Bond mutual funds	43,635	635	(463)	43,807
Corporate and government bonds	1,541,563	65,630	(7,643)	1,599,550
Real estate investment funds	5,291	547	-	5,838
	5,020,761	2,469,103	(13,665)	7,476,199
Other long-term investments	94,674	-	-	94,674
	\$ 5,115,435	\$ 2,469,103	\$ (13,665)	\$ 7,570,873

<i>June 30, 2013</i>	Cost	Unrealized holding gain	Unrealized holding loss	Fair value
Money market funds	\$ 288,231	\$ -	\$ -	\$ 288,231
Equity index mutual funds	57,149	5,896	(363)	62,682
Alternative strategies mutual fund	33,264	1,168	(633)	33,799
Common stock	3,218,584	1,841,576	(54,474)	5,005,686
Bond mutual fund	44,623	158	(1,625)	43,156
Corporate and government bonds	1,008,617	55,258	(3,562)	1,060,313
	4,650,468	1,904,056	(60,657)	6,493,867
Other long-term investments	91,218	-	-	91,218
	\$ 4,741,686	\$ 1,904,056	\$ (60,657)	\$ 6,585,085

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, 2014</i>	Level 1	Level 2	Level 3	Total
Money market funds	\$ 306,565	\$ -	\$ -	\$ 306,565
Equity index mutual funds	1,590,825	-	-	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
	\$ 5,870,811	\$ 1,605,388	\$ -	\$ 7,476,199

<i>June 30, 2013</i>	Level 1	Level 2	Level 3	Total
Money market funds	\$ 288,231	\$ -	\$ -	\$ 288,231
Equity index mutual funds	62,682	-	-	62,682
Alternative strategies mutual fund	33,799	-	-	33,799
Common stock	5,005,686	-	-	5,005,686
Bond mutual fund	43,156	-	-	43,156
Corporate and government bonds	-	1,060,313	-	1,060,313
	\$ 5,433,554	\$ 1,060,313	\$ -	\$ 6,493,867

9. 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.

Alaska Conservation Foundation

Notes to Financial Statements

During the years ended June 30, 2014 and 2013, the Board of Trustees of the Foundation has interpreted the State of Alaska's laws governing endowments as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. 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.

Endowment net asset composition by type of fund is as follows at June 30:

<i>June 30, 2014</i>	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$ (2,860)	\$ 842,496	\$ 5,347,674	\$ 6,187,310
Board-designated endowment funds	1,149,084	-	-	1,149,084
	\$ 1,146,224	\$ 842,496	\$ 5,347,674	\$ 7,336,394

<i>June 30, 2013</i>	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$ (13,248)	\$ 473,066	\$ 5,040,804	\$ 5,500,622
Board-designated endowment funds	854,844	-	-	854,844
	\$ 841,596	\$ 473,066	\$ 5,040,804	\$ 6,355,466

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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, 2012	\$ 4,889,702	\$ 249,293	\$ 549,399	\$ 5,688,394
Net investment return	-	373,080	334,744	707,824
Contributions to endowment	151,102	-	-	151,102
Board-directed transfer	-	-	100,000	100,000
Amount appropriated for expenditure	-	(149,307)	(129,299)	(278,606)
Total change in endowment funds	151,102	223,773	305,445	680,320
Balance, June 30, 2013	5,040,804	473,066	854,844	6,368,714
Net investment return	-	517,268	415,955	933,223
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	291,380	967,680
Balance, June 30, 2014	\$ 5,347,674	\$ 842,496	\$ 1,149,084	\$ 7,339,254

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 \$2,860 and \$13,248 as of June 30, 2014 and 2013, respectively. These deficiencies resulted from unfavorable market fluctuations.

Appropriation Policies

Distributions will be made annually. The maximum annual percentage payout will be reduced over a five-year period at the rate of 0.1% per year, beginning in fiscal year 2009, until the annual percentage payout has been reduced from 5% to a permanent rate of 4.5%. The amount of the distribution will be based on the 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 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

Return Objectives and Risk Parameters and Strategies Employed for Achieving Objectives

The investment of the Foundation assets will be diversified so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

It is the policy for the Alaska Conservation Foundation Endowment to target a range of 50% – 80% exposure to stocks. Each quarter, the finance and investment committee will review the performance and allocation and make recommendations for rebalancing as needed. Deviation from the preferred allocation must not be more than 15%. This is true whether the change in asset mix is the result of disproportionate investment performance, because of additions to endowment capital through contributions (which come in as cash and, therefore, are part of fixed income), or as a result of withdrawals (again from cash) because of the spending policy.

Aggregate Foundation asset allocation guidelines are as follows:

<i>June 30, 2014</i>	Minimum	Maximum	Preferred
Asset class:			
Equities	50%	80%	65%
Fixed income	20%	50%	35%
Cash and cash equivalents	-%	-%	-%

10. Lease Obligations

The Foundation leases office space and equipment under operating lease agreements. Rental expense was \$103,567 and \$113,589 for the years ended June 30, 2014 and 2013, respectively.

Future minimum lease payments under noncancelable leases are as follows:

Year ending June 30:

2015	\$ 95,972
2016	96,815
2017	98,876
2018	16,537
	<hr/>
	\$ 308,200

11. 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.

Alaska Conservation Foundation

Notes to Financial Statements

12. Subsequent Events

Estate of John Van der Graaff Ship

The Foundation is one of a group of named heirs to the estate of John Van der Graaff Ship III. A portion of the estate is comprised of one third of the Shipp family farm—Sinking Creek Farm, a 160-acre farm near Versailles, Kentucky—and the balance is cash from the sale of Shipp's house, a ½-acre lot in Wyoming, securities and other liquidable assets. Subsequent to year end, the Foundation received \$101,001, which comprised of the proceeds of all the estate with the exception of their portion of the farm. This amount was included in Public support for fiscal year 2014.

The sale of the farm was currently the subject of litigation brought by heirs/owners of the remaining portions of the farm. Subsequent to year end it was determined that the Foundation's portion of the sale would be \$91,667 before real estate and attorney fees were paid. Because the amount is uncertain at year end, a receivable was not accrued in fiscal year 2014.

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.