



Alaska Conservation Foundation

Financial Statements
June 30, 2013 and 2012

Alaska Conservation Foundation

Financial Statements
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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 statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year 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, 2013 and the changes in its net assets, functional expenses, and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Alaska Conservation Foundation, as of and for the year ended June 30, 2012, were audited by other auditors whose report dated September 6, 2012, expressed an unmodified opinion on those statements.

BDO USA, LLP

Anchorage, Alaska
September 26, 2013

Financial Statements

Alaska Conservation Foundation

Statements of Financial Position

<i>June 30,</i>	2013	2012
Assets		
Cash and cash equivalents	\$ 2,351,739	\$ 2,388,216
Grants and public support receivable (Note 3)	314,371	760,000
Other receivables	104,004	12,162
Prepaid expenses and other assets	12,284	32,712
Investments at fair value (Note 8)	6,493,867	5,783,735
Investments not at fair value (Note 8)	91,218	91,218
Cash surrender value of life insurance policies	78,185	119,036
Furniture and equipment	36,423	50,377
Total Assets	\$ 9,482,091	\$ 9,237,456
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 237,063	\$ 76,528
Accrued payroll and related liabilities	71,268	67,698
Grants and awards payable	46,000	132,000
Deferred revenue	-	66,550
Gift annuity liability	70,836	74,583
Total liabilities	425,167	417,359
Net assets:		
Unrestricted:		
Board designated for endowment (Note 9)	854,844	549,399
Undesignated	792,453	962,529
Total unrestricted net assets	1,647,297	1,511,928
Temporarily restricted (Notes 5 and 9)	2,368,823	2,418,467
Permanently restricted (Notes 6 and 9)	5,040,804	4,889,702
Total net assets	9,056,924	8,820,097
Total Liabilities and Net Assets	\$ 9,482,091	\$ 9,237,456

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 Activities - 2012

<i>Year Ended June 30, 2012</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Public support	\$ 858,457	\$ 128,995	\$ 15,766	\$ 1,003,218
Grants	285,640	2,782,334	-	3,067,974
Investment income (Note 8)	36,974	104,859	-	141,833
Events	3,897	-	-	3,897
Net assets released from restrictions (Note 4)	4,268,668	(4,268,668)	-	-
Total public support and revenue	5,453,636	(1,252,480)	15,766	4,216,922
Expenses:				
Program services:				
Grants and awards	3,160,238	-	-	3,160,238
Programs	1,267,569	-	-	1,267,569
Total program services	4,427,807	-	-	4,427,807
Supporting services:				
Management and general	557,084	-	-	557,084
Fundraising	446,416	-	-	446,416
Total supporting services	1,003,500	-	-	1,003,500
Total expenses	5,431,307	-	-	5,431,307
Change in net assets	22,329	(1,252,480)	15,766	(1,214,385)
Net Assets - beginning of year	1,489,599	3,670,947	4,873,936	10,034,482
Net Assets - end of year	\$ 1,511,928	\$ 2,418,467	\$ 4,889,702	\$ 8,820,097

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
Statement of Functional Expenses - 2012

<i>Year Ended June 30, 2012</i>	Grants and Awards	Programs	Management and General	Fund- raising	Total
Grants and awards	\$ 3,160,238	\$ -	\$ -	\$ -	\$ 3,160,238
Personnel	-	603,995	293,827	314,056	1,211,878
Professional fees	-	356,732	132,096	32,252	521,080
Development/outreach	-	59,858	29,085	20,328	109,271
Travel	-	130,721	24,755	14,605	170,081
Occupancy	-	85,845	27,596	28,842	142,283
Office	-	21,663	5,846	23,112	50,621
Other expenses	-	8,755	43,879	13,221	65,855
Total Expenses	\$ 3,160,238	\$ 1,267,569	\$ 557,084	\$ 446,416	\$ 5,431,307

See accompanying notes to financial statements.

Alaska Conservation Foundation

Statements of Cash Flows

Years Ended June 30,	2013	2012
Cash Flows from Operating Activities		
Change in net assets	\$ 236,827	\$ (1,214,385)
Adjustment to reconcile change in net assets to net cash used in operating activities:		
Depreciation	20,681	9,143
Net investment gains	(676,152)	(36,878)
Change in gift annuity liability	(3,747)	(45,276)
In-kind revenues	(59,334)	(70,376)
In-kind expenses	59,334	70,376
Contributions to endowment fund	(151,102)	(15,766)
Changes in assets and liabilities that provided (used) cash:		
Grants and public support receivable	445,629	964,595
Other receivables	(91,842)	(12,162)
Prepaid expenses and other assets	20,428	(3,257)
Cash surrender value of life insurance policies	40,851	(4,759)
Accounts payable	160,534	(34,525)
Accrued payroll and related liabilities	3,570	9,595
Awards payable	(86,000)	(624,848)
Deferred revenue	(66,550)	66,550
Net cash used in operating activities	(146,873)	(941,973)
Cash Flows from Investing Activities		
Purchase of investments	(1,029,646)	(311,241)
Sale of investments	995,666	476,874
Purchase of furniture and equipment	(6,727)	(59,520)
Net cash (used in) provided by investing activities	(40,707)	106,113
Cash Flows from Financing Activities		
Payments on capital lease obligation	-	(890)
Contributions to endowment fund	151,102	15,766
Net cash provided by financing activities	151,102	14,876
Net change in cash and cash equivalents	(36,478)	(820,984)
Cash and Cash Equivalents, beginning of year	2,388,216	3,209,200
Cash and Cash Equivalents, end of year	\$ 2,351,738	\$ 2,388,216

See accompanying notes to financial statements.

Alaska Conservation Foundation

Notes to Financial Statements

1. History

The Alaska Conservation Foundation (the Foundation) is a nonprofit corporation organized under the laws of the State of Alaska and recognized as a publicly supported charity as described in Internal Revenue Code Section 501(c)(3). 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 2013 and 2012, the Foundation received \$59,334 and \$70,376, 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 \$2,545 to fundraising expense and \$7,636 to program services in 2013 and \$1,129 to fundraising expense and \$2,870 to program services in 2012.

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 2013 or 2012.

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 September 26, 2013, 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. Grants and Public Support Receivable

Receivables consist of the following at June 30:

<i>June 30,</i>	2013	2012
Receivable within one year	\$ 314,371	\$ 460,000
Receivable within one to five years	-	300,000
	<u>\$ 314,371</u>	<u>\$ 760,000</u>

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:

<i>June 30,</i>	2013	2012
Grants and public support to be received in future periods	\$ 314,371	\$ 760,000
Unspent endowment earnings	473,066	249,293
Grants temporarily restricted for purpose	1,503,201	1,290,138
Cash surrender value of life insurance policies	78,185	119,036
	<hr/>	<hr/>
	\$ 2,368,823	\$ 2,418,467

6. Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2013 and 2012 consist of endowments restricted in perpetuity for a particular purpose by donors. The Foundation can spend earnings on these permanently restricted net assets.

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 \$85,389 and \$65,130 for the years ended June 30, 2013 and 2012, respectively.

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, 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

<i>June 30, 2012</i>	Cost	Unrealized holding gain	Unrealized holding loss	Fair value
Money market funds	\$ 252,199	\$ -	\$ -	\$ 252,199
Equity index mutual funds	50,703	1,285	(1,812)	50,176
Alternative strategies mutual fund	26,526	398	(887)	26,037
Common stock	2,850,470	1,523,146	(96,260)	4,277,356
Bond mutual fund	52,662	2,260	(375)	54,547
Corporate and government bonds	1,032,537	95,198	(4,315)	1,123,420
	4,265,097	1,622,287	(103,649)	5,783,735
Other long-term investments	91,218	-	-	91,218
	\$ 4,356,315	\$ 1,622,287	\$ (103,649)	\$ 5,874,953

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, 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

<i>June 30, 2012</i>	Level 1	Level 2	Level 3	Total
Money market funds	\$ 252,199	\$ -	\$ -	\$ 252,199
Equity index mutual funds	50,176	-	-	50,176
Alternative strategies mutual fund	26,037	-	-	26,037
Common stock	4,277,356	-	-	4,277,356
Bond mutual fund	54,547	-	-	54,547
Corporate and government bonds	-	1,123,420	-	1,123,420
	\$ 4,660,315	\$ 1,123,420	\$ -	\$ 5,783,735

9. Endowment Funds

The Foundation's endowment consists of 19 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, 2013 and 2012, 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, 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

<i>June 30, 2012</i>	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$ (44,207)	\$ 249,293	\$ 4,889,702	\$ 5,094,788
Board-designated endowment funds	549,399	-	-	549,399
	\$ 505,192	\$ 249,293	\$ 4,889,702	\$ 5,644,187

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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, 2011	\$ 4,873,936	\$ 317,305	\$ 607,176	\$ 5,798,417
Net investment return	-	65,445	46,141	111,586
Contributions to endowment	15,766	-	-	15,766
Amount appropriated for expenditure	-	(133,457)	(103,918)	(237,375)
Total change in endowment funds	15,766	(68,012)	(57,777)	(110,023)
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

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 \$13,248 and \$44,207 as of June 30, 2013 and 2012, 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, 2013</i>	Minimum	Maximum	Preferred
Asset class:			
Equities	50%	80%	65%
Fixed income	20%	50%	35%
Cash and cash equivalents	0%	10%	0%

10. Lease Obligations

The foundation leases office space and equipment under operating lease agreements. Rental expense was \$113,589 and \$101,350 for the years ended June 30, 2013 and 2012, respectively.

Future minimum lease payments under noncancelable leases are as follows:

<i>Year ending June 30:</i>	
2014	\$ 100,454
2015	94,226
2016	94,806
2017	96,867
	<hr/>
	\$ 386,353

11. Concentration of Credit Risk

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”). The Foundation has never experienced any losses related to these balances. Non-interest bearing cash balances were fully insured due to a temporary federal program in effect through December 31, 2012. At June 30, 2013 and 2012, approximately \$1,895,000 and \$1,288,000 were subject to custodial credit risk, respectively.