



Alaska Conservation Foundation

Audited Financial Statements, Supplementary
Information, and Compliance Reports

For the years ended June 30, 2022 and 2021

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PORTER & ALLISON INC CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Trustees
Alaska Conservation Foundation
Anchorage, Alaska

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Alaska Conservation Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Alaska Conservation Foundation as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Alaska Conservation Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Prior Period Financial Statements

The financial statements of Alaska Conservation Foundation as of June 30, 2021 were audited by other auditors whose report dated October 8, 2021 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Alaska Conservation Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Alaska Conservation Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Alaska Conservation Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2022 on our consideration of the Alaska Conservation Foundation’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Alaska Conservation Foundation’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Alaska Conservation Foundation’s internal control over financial reporting and compliance.

Porter & Allison, Inc.

Anchorage, Alaska
November 1, 2022

Statements of Financial Position

as of June 30, 2022 and 2021

	Notes	2022	2021
Assets			
Cash and cash equivalents	4	\$1,191,695	\$1,429,775
Accounts receivable		210,775	127,100
Prepaid expenses and other assets		14,213	19,002
Investments at fair value	5	12,172,116	13,684,525
Cost method investments	6	32,000	32,000
Cash surrender value of life insurance policies		75,432	70,763
Furniture and equipment, net		-	-
Total Assets		13,696,231	15,363,165
Liabilities and Net Assets			
Accounts payable		37,243	73,312
Accrued payroll and related liabilities		51,716	85,267
Grants and awards payable		115,673	177,747
Deferred revenue		17,188	-
Gift annuity liability		66,819	71,187
Total Liabilities		288,639	407,513
Net Assets			
Without donor restrictions		3,017,562	3,718,704
With donor restrictions	8	10,390,030	11,236,948
Total Net Assets		13,407,592	14,955,652
Total Liabilities and Net Assets		13,696,231	15,363,165

The accompanying notes are an integral part of these financial statements

Statement of Activities

for the year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Public support	\$ 833,269	\$ 1,789,449	\$ 2,622,718
Investment loss	(546,976)	(511,931)	(1,058,907)
Event income	-	16,750	16,750
Other income	-	-	-
Support provided by expiring time and purpose restrictions	2,141,186	(2,141,186)	-
Total public support and revenue	2,427,479	(846,918)	1,580,561
Expenses			
Program services:			
Grants and awards	1,027,978	-	1,027,978
Programs	1,281,700	-	1,281,700
<i>Total program services</i>	<i>2,309,678</i>	<i>-</i>	<i>2,309,678</i>
Support services:			
Management and general	484,516	-	484,516
Fundraising	334,427	-	334,427
<i>Total support services</i>	<i>818,943</i>	<i>-</i>	<i>818,943</i>
Total expenses	3,128,621	-	3,128,621
Change in net assets	(701,142)	(846,918)	(1,548,060)
Net assets, beginning of year	3,718,704	11,236,948	14,955,652
Net assets, end of year	3,017,562	10,390,030	13,407,592

The accompanying notes are an integral part of these financial statements

Statement of Activities

for the year ended June 30, 2021

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
<i>Public Support and Revenue</i>			
<i>Public support</i>	\$940,687	\$959,208	\$1,899,895
<i>Investment income</i>	906,961	1,960,763	2,867,724
<i>Events income</i>	-	-	-
<i>Other income</i>	4,200	11,597	15,797
<i>Support provided by expiring time and purpose restrictions</i>	1,490,150	(1,490,150)	-
<i>Total public support and revenue</i>	<i>3,341,998</i>	<i>1,441,418</i>	<i>4,783,416</i>
<i>Expenses</i>			
<i>Program services:</i>			
<i>Grants and awards</i>	728,470	-	728,470
<i>Programs</i>	1,092,339	-	1,092,339
<i>Total program services</i>	<i>1,820,809</i>	<i>-</i>	<i>1,820,809</i>
<i>Support services:</i>			
<i>Management and general</i>	457,025	-	457,025
<i>Fundraising</i>	268,325	-	268,325
<i>Depreciation</i>	3,704	-	3,704
<i>Total support services</i>	<i>729,054</i>	<i>-</i>	<i>729,054</i>
<i>Total expenses</i>	<i>2,549,863</i>	<i>-</i>	<i>2,549,863</i>
<i>Change in net assets</i>	<i>792,136</i>	<i>1,441,418</i>	<i>2,233,554</i>
<i>Net assets, beginning of year</i>	2,926,568	9,795,530	12,722,098
<i>Net assets, end of year</i>	<i>3,718,704</i>	<i>11,236,948</i>	<i>14,955,652</i>

The accompanying notes are an integral part of these financial statements

Statements of Functional Expenses

for the years ended June 30, 2022 and 2021

2022	Grants & awards	Programs	Management & General	Fundraising	Total
Grants and Awards	\$1,027,978	\$ -	\$ -	\$ -	\$1,027,978
Personnel	-	754,107	373,553	281,557	1,409,217
Professional fees	-	177,098	42,588	985	220,671
Occupancy	-	44,611	30,169	18,375	93,155
Travel	-	144,150	18,691	483	163,324
Development & outreach	-	121,195	3,914	20,100	145,209
Office	-	28,496	13,157	7,041	48,694
Other expenses	-	12,043	2,444	5,886	20,373
Total Expenses	1,027,978	1,281,700	484,516	334,427	3,128,621

<i>2021</i>	<i>Grants & awards</i>	<i>Programs</i>	<i>Management & General</i>	<i>Fundraising</i>	<i>Total</i>
<i>Grants and Awards</i>	<i>\$728,470</i>	<i>\$ -</i>	<i>\$ -</i>	<i>\$ -</i>	<i>\$728,470</i>
<i>Personnel</i>	<i>-</i>	<i>660,372</i>	<i>325,346</i>	<i>184,974</i>	<i>1,170,692</i>
<i>Professional fees</i>	<i>-</i>	<i>301,722</i>	<i>50,731</i>	<i>491</i>	<i>352,944</i>
<i>Occupancy</i>	<i>-</i>	<i>42,810</i>	<i>36,757</i>	<i>16,522</i>	<i>96,089</i>
<i>Travel</i>	<i>-</i>	<i>18,804</i>	<i>-</i>	<i>-</i>	<i>18,804</i>
<i>Development and outreach</i>	<i>-</i>	<i>49,149</i>	<i>2,894</i>	<i>20,907</i>	<i>72,950</i>
<i>Office</i>	<i>-</i>	<i>19,381</i>	<i>39,105</i>	<i>39,346</i>	<i>97,832</i>
<i>Other expenses</i>	<i>-</i>	<i>101</i>	<i>2,192</i>	<i>6,085</i>	<i>8,378</i>
<i>Depreciation</i>	<i>-</i>	<i>-</i>	<i>3,704</i>	<i>-</i>	<i>3,704</i>
<i>Total Expenses</i>	<i>728,470</i>	<i>1,092,339</i>	<i>460,729</i>	<i>268,325</i>	<i>2,549,863</i>

The accompanying notes are an integral part of these financial statements

Statements of Cash Flows

for the years ended June 30, 2022 and 2021

	2022	2021
Operating activities		
Cash inflows from operations:		
Contributions, net of amounts restricted for long-term purposes	\$2,302,988	1,800,012
Ticket sales from events	16,750	-
Investment income	101,839	113,671
Other cash receipts	-	15,797
Cash outflows from operations:		
Payments for salaries, benefits, and payroll taxes	(1,442,768)	(1,165,623)
Payments to vendors	(727,074)	(578,853)
Grants and awards	(1,090,052)	(718,991)
Net Cash Provided (Used) by Operating Activities	(838,317)	(533,987)
Investing Activities		
Purchase of investments	(4,522,022)	(3,318,881)
Sale of investments	4,869,016	3,699,129
Purchase of furniture and equipment	-	-
Net Cash Provided by Investing Activities	346,994	380,248
Financing Activities		
Collections of contributions receivable restricted for long-term investment	253,243	92,900
Net Cash Provided by Financing Activities	253,243	92,900
Net change in cash and cash equivalents	(238,080)	(60,839)
Cash and Cash Equivalents, beginning of year	1,429,775	1,490,614
Cash and Cash Equivalents, end of year	1,191,695	1,429,775

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements

for the years ended June 30, 2022 and 2021

1. History

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 Alaska's unique landscapes and ways of life by supporting conservation leaders, organizations, and initiatives. 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 that are restricted in use to issues that are consistent with the Foundation's purpose. The Foundation's main program areas are:

Alaska Defense Fund

The Foundation supports grassroots advocacy efforts across Alaska that aim to protect Alaska's public lands, waters, wildlife, and the diverse cultures they sustain through our Rapid Response, Travel Fund, and general operating grant programs.

Collective Conservation

As a proactive collaborative initiative, the Foundation helps coordinate a network of statewide climate change adaptation efforts through the Northern Latitudes Partnerships. These partnerships include federal, state, tribal, corporate, and other regional players that develop collaborative community-supported and indigenous-led solutions to issues brought about by our changing climate.

Movement Building

To be effective, grassroots advocacy and collective conservation need a strong movement, which the Foundation strives to make stronger by providing organizations and youth from around the state with trainings, facilitated meetings, internships, and key funding through strategic grants.

2. Summary of Significant Accounting Policies

The Foundation prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the Foundation are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Accounting

The Foundation prepares its financial statements using the accrual basis of accounting and accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Foundation's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Foundation's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its initial application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets with Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Foundation must continue to use the resources in accordance with the donor's instructions.

The Foundation's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds and its beneficial interest in a perpetual charitable trust held by a bank trustee.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

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

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, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

The Foundation is a beneficiary under several donors' wills. Contributions from bequests are recognized as contributions receivable when the probate court declares that the will is valid, and the Foundation has an irrevocable right to the bequest.

A portion of our revenue is derived from cost-reimbursable federal contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when we have incurred expenditures in compliance with specific contract or grant provisions.

Expense Recognition and Allocation

The cost of providing the Foundation's programs and other activities is summarized on a functional basis in the statements of activities and statements of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied based on activity reports prepared by key personnel.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not

conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising.

Income Taxes

The Foundation is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). 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 IRC. Unrelated business activity was not substantial in 2022 or 2021. 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.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30 are:

	Notes	2022	2021
Financial assets:			
Cash and cash equivalents	4	\$1,191,695	\$ 1,429,775
Accounts receivable		210,775	127,100
Investments at fair value	5	12,172,116	13,684,525
Cash surrender value of life insurance policies		75,432	70,763
Total financial assets		13,650,018	15,312,163
Less financial assets held to meet donor-imposed restrictions:			
Purpose-restricted net assets	8	(336,731)	(456,380)
Donor-restricted endowment funds	7	(9,891,218)	(10,588,292)
Less financial assets not available within one year:			
Gift annuities		(121,469)	(159,737)
Life insurance policies		(75,432)	(70,763)
Less board-designated endowment and endowment funds without donor restrictions	7	(2,429,113)	(3,010,521)
Amount available for general expenditures within one year		796,055	1,026,470

The above table reflects donor-restricted and board-designated endowment funds as unavailable because it is the organization's intention to invest those resources for the long-term support of the organization. However, in the case of need, the Board of Trustees could appropriate resources from either the donor-restricted funds available for general use or from its designated endowment fund. The balance of Board-designated endowment and endowment funds without donor restrictions was \$2,429,113 and \$3,010,521 at June 30, 2022 and 2021 respectively. Note 7 provides more information about those funds and about the spending policies for all endowment funds.

4. 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, 2022 and 2021, approximately \$940,175 and \$1,184,631 were subject to custodial credit risk, respectively.

5. Investments at Fair Value

Long-term investments restricted to a permanent endowment (Note 8) 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:

	2022	<i>2021</i>
Money market funds	\$927,053	\$430,959
Common stocks	7,714,074	9,484,043
Fixed income mutual funds	41,982	58,281
Corporate and government bonds	3,383,807	3,585,608
Equity index mutual funds	77,206	97,341
Accrued income	27,994	28,293
Total at Fair Value	12,172,116	<i>13,684,525</i>

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

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

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

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

June 30, 2022	Level 1	Level 2	Total
Money market funds	\$ 927,053	\$ -	\$ 927,053
Alternative strategies mutual funds	-	-	-
Common stocks	7,714,074	-	7,714,074
Fixed income	41,982	-	41,982
Corporate and government bonds	-	3,383,807	3,383,807
Equity index mutual funds	77,206	-	77,206
Real estate investment funds	-	-	-
Accrued income	27,994	-	27,994
	8,788,309	3,383,807	12,172,116

<i>June 30, 2021</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
<i>Money market funds</i>	<i>\$430,959</i>	<i>\$ -</i>	<i>\$430,959</i>
<i>Alternative strategies mutual funds</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Common stocks</i>	<i>9,484,043</i>	<i>-</i>	<i>9,484,043</i>
<i>Fixed income</i>	<i>58,281</i>	<i>-</i>	<i>58,281</i>
<i>Corporate and government bonds</i>	<i>-</i>	<i>3,585,608</i>	<i>3,585,608</i>
<i>Equity index mutual funds</i>	<i>97,341</i>	<i>-</i>	<i>97,341</i>
<i>Real estate investment funds</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Accrued income</i>	<i>28,293</i>	<i>-</i>	<i>28,293</i>
	<i>10,098,917</i>	<i>3,585,608</i>	<i>13,684,525</i>

6. Cost Method Investments

Cost method investments at June 30 consisted of the following:

	2022	<i>2021</i>
Land	\$ 32,000	<i>\$ 32,000</i>

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

7. Endowment Funds

The Foundation's endowment consists of a number of 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, 2022 and 2021, the Board of Trustees of the Foundation has interpreted the State of Alaska's laws governing endowments as permitting the Board, absent donor stipulations to the contrary, to adopt prudent spending policies with regards to the endowments that consider the donor' intent that the endowment fund continue permanently, the purposes of the fund, and the relevant economic factors impacting the fund. Donor-restricted endowment funds are subject to a time restriction imposed by UPMIFA until amounts are appropriated for expenditure by the organization. In addition, most donor restricted endowment funds are subject to restrictions on the use of the appropriated amounts. Note 8 describes the purposes for which donor-restricted endowment may be used. As a result, donor-restricted endowment funds are classified as net assets with donor restrictions.

The net asset composition of the endowment as of June 30, is as follows:

June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds			
Perpetual endowment	\$ -	\$9,891,218	\$9,891,218
Board-designated endowment and endowment funds without donor restrictions	2,429,113	-	2,429,113
Total	2,429,113	9,891,218	12,320,331

<i>June 30, 2021</i>	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
<i>Donor-restricted funds</i>			
<i>Perpetual endowment</i>	\$ -	\$10,588,292	\$10,588,292
<i>Board-designated endowment and endowment funds without donor restrictions</i>	3,010,521	-	3,010,521
<i>Total</i>	<i>3,010,521</i>	<i>10,588,292</i>	<i>13,598,813</i>

Appropriation Policies

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

Return Objectives and Risk Parameters and Strategies Employed for Achieving Objectives

The investment objective of the Foundation is to ensure that the endowment funds exist in perpetuity and to 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.

Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<i>Balance at June 30, 2020</i>	<i>\$2,135,517</i>	<i>\$9,032,572</i>	<i>\$11,168,090</i>
<i>Net investment return</i>	<i>905,994</i>	<i>1,934,856</i>	<i>2,840,850</i>
<i>Contributions to endowment</i>	<i>-</i>	<i>92,900</i>	<i>92,900</i>
<i>Amount appropriated and/or expended</i>	<i>(30,990)</i>	<i>(472,036)</i>	<i>(503,026)</i>
Balance at June 30, 2021	3,010,521	10,588,292	13,598,813
Net investment return	(547,889)	(482,705)	(1,030,594)
Contributions to endowment	-	253,243	253,243
Amount appropriated and/or expended	(33,519)	(467,612)	(501,131)
Balance at June 30, 2022	2,429,113	9,891,218	12,320,332

8. Net Assets with Donor Restrictions

At June 30, net assets with donor restrictions are available for the following purposes or periods:

	2022	2021
Purpose restrictions		
Collective Conservation	\$83,296	\$81,739
Alaska Defense Fund	148,271	220,570
Movement Building	105,164	155,034
Total Purpose Restricted Net Assets	336,731	457,343
Time restrictions		
Life Insurance Policies	75,432	70,763
Gift annuities	54,650	88,549
Total Time Restricted Net Assets	130,082	159,312
Endowment Funds		
Donors specified for general use	2,128,299	2,164,941
Donors restricted to the following purposes:		
Alaska Defense Fund	3,436,299	3,777,136
Movement Building	4,326,620	4,646,216
Total Endowment Funds	9,891,218	10,588,293
Land held for preservation	32,000	32,000
Total Net Assets with Donor Restrictions	10,390,030	11,236,948

9. Retirement Plan

The Foundation has a defined contribution pension plan, which covers all full-time employees who have been employed for 12 months. The Foundation contributes 5% of the covered employees' salaries plus a 2% match. These contributions totaled \$68,532 and \$50,366 for the years ended June 30, 2022 and 2021, respectively.

10. Lease Commitment

The Foundation leases office space and equipment under non-cancelable operating lease agreements. Rental expense was \$76,090 and \$74,003 for the years ended June 30, 2022 and 2021, respectively.

The following is a schedule by year of the future minimum lease payments required under the remaining terms in excess of one year as of June 30, 2022:

June 30, 2023	\$46,232
June 30, 2024	2,719
June 30, 2025	2,719
June 30, 2026	2,719

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 noncompliance is minimal.

12. Subsequent Events

The Foundation evaluated subsequent events through November 3, 2022, which is when these financial statements were available to be issued. The Foundation is not aware of any significant events that would have a material impact on the financial statements or require disclosure in the notes to the financial statements.

Schedule of Expenditures on Federal Awards and Notes

for the year ended June 30, 2022

Federal Grantor/ Program or Cluster Title	Federal Assistance Listing No.	Pass- through Grantor No.	Provided to Sub- recipients	Total Federal Expenditures
Department of the Interior				
Fish and Wildlife Service				
Cooperative Ecosystem Studies Units	15.678		\$134,573	\$422,598
National Parks Service				
Passed through University of Alaska Fairbanks:				
Cooperative Research and Training Programs	15.945	UA21-0075	-	21,231
Total Department of the Interior			134,573	443,829
Department of Agriculture				
National Resources Conservation Service				
Soil and Water Conservation	10.902		227,656	323,109
Total Department of Agriculture			227,656	323,109
National Science Foundation				
Geosciences	47.050		-	33,795
Total National Science Foundation			-	33,795
Department of Commerce				
National Oceanic and Atmospheric Administration				
Passed through Seward Association for the Advancement of Marine Science:				
Integrated Ocean Observing System	11.012	H3072	-	14,547
Total Department of Commerce			-	14,547
Total Expenditures of Federal Awards			\$362,229	\$815,280

The accompanying notes are an integral part of this schedule

Notes to the Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Alaska Conservation Foundation under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Alaska Conservation Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Alaska Conservation Foundation.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

Alaska Conservation Foundation has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



PORTER & ALLISON

INC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Alaska Conservation Foundation
Anchorage, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Alaska Conservation Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 1, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Alaska Conservation Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Alaska Conservation Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Alaska Conservation Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alaska Conservation Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Porter & Allison, Inc.

Anchorage, Alaska

November 1, 2022



PORTER & ALLISON INC CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Alaska Conservation Foundation
Anchorage, Alaska

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Alaska Conservation Foundation's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Alaska Conservation Foundation's major federal programs for the year ended June 30, 2022. Alaska Conservation Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Alaska Conservation Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Alaska Conservation Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Alaska Conservation Foundation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Alaska Conservation Foundation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Alaska Conservation Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Alaska Conservation Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Alaska Conservation Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Alaska Conservation Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Alaska Conservation Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Porter & Allison, Inc.

Anchorage, Alaska
November 1, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year Ended June 30, 2022

Section I – Summary of Auditor’s Results

<i>Financial Statements</i>		
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP [<i>unmodified, qualified, adverse, or disclaimer</i>]: Unmodified		
Internal control over financial reporting:		
• Material weakness(es) identified?	_____ yes	<u> X </u> no
• Significant deficiency(ies) identified?	_____ yes	<u> X </u> no
• Noncompliance material to financial statements noted?	_____ yes	<u> X </u> no
<i>Federal Awards</i>		
Internal control over major federal programs:		
• Material weakness(es) identified?	_____ yes	<u> X </u> no
• Significant deficiency(ies) identified?	_____ yes	<u> X </u> no
Type of report the auditor issued on compliance for major federal programs [<i>unmodified, qualified, adverse, or disclaimer</i>]: Unmodified		
Any audit findings related to major federal programs required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes	<u> X </u> no
Identification of major federal programs:		
Assistance Listing/ CFDA Number(s)	Name of Federal Program or Cluster	
15.678	Cooperative Ecosystem Studies Units	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000	
Auditee qualified as low-risk auditee?	_____ yes	<u> X </u> no

Section II – Financial Statement Findings

Alaska Conservation Foundation did not have any findings that related to the financial statements which are required to be reported in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

Alaska Conservation Foundation did not have any findings related to federal awards which are required to be reported in accordance with the standards applicable to audit requirements contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).