



# **Alaska Conservation Foundation**

Audited Financial Statements

For the years ended June 30, 2023 and 2022

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# PORTER & ALLISON

INC

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## 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 statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audits 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 opinion.

#### 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 January 18, 2024 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  
January 18, 2024

## Statements of Financial Position

as of June 30, 2023 and 2022

	Notes	2023	2022
<b>Assets</b>			
Cash and cash equivalents	4	\$762,225	\$1,191,695
Accounts receivable		603,651	210,775
Prepaid expenses and other assets		8,769	14,213
Investments at fair value	5	13,054,931	12,172,116
Cost method investments	6	32,000	32,000
Cash surrender value of life insurance policies		78,933	75,432
Right of use assets	7	183,409	-
<b>Total Assets</b>		<b>14,723,918</b>	<b>13,696,231</b>
<b>Liabilities and Net Assets</b>			
Accounts payable		56,211	37,243
Accrued payroll and related liabilities		69,739	51,716
Grants and awards payable		467,811	115,673
Deferred revenue		6,831	17,188
Gift annuity liability		62,638	66,819
Operating lease liabilities		184,331	-
<b>Total Liabilities</b>		<b>847,561</b>	<b>288,639</b>
<b>Net Assets</b>			
Without donor restrictions		2,898,649	3,017,562
With donor restrictions	9	10,977,708	10,390,030
<b>Total Net Assets</b>		<b>13,876,357</b>	<b>13,407,592</b>
<b>Total Liabilities and Net Assets</b>		<b>14,723,918</b>	<b>13,696,231</b>

The accompanying notes are an integral part of these financial statements

## Statement of Activities

for the year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public Support and Revenue</b>			
Public support	\$836,493	\$2,815,174	\$3,651,667
Investment income	275,804	941,658	1,217,462
Event income	-	2,510	2,510
Support provided by expiring time and purpose restrictions	3,171,664	(3,171,664)	-
<b>Total public support and revenue</b>	<b>4,283,961</b>	<b>587,678</b>	<b>4,871,639</b>
<b>Expenses</b>			
Program services:			
Grants and awards	1,603,557	-	1,603,557
Programs	1,730,783	-	1,730,783
<i>Total program services</i>	<i>3,334,340</i>	<i>-</i>	<i>3,334,340</i>
Support services:			
Management and general	753,882	-	753,882
Fundraising	314,652	-	314,652
<i>Total support services</i>	<i>1,068,534</i>	<i>-</i>	<i>1,068,534</i>
<b>Total expenses</b>	<b>4,402,874</b>	<b>-</b>	<b>4,402,874</b>
<b>Change in net assets</b>	<b>(118,913)</b>	<b>587,678</b>	<b>468,765</b>
Net assets, beginning of year	3,017,562	10,390,030	13,407,592
<b>Net assets, end of year</b>	<b>2,898,649</b>	<b>10,977,708</b>	<b>13,876,357</b>

The accompanying notes are an integral part of these financial statements

## Statement of Activities

for the year ended June 30, 2022

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

The accompanying notes are an integral part of these financial statements



## Statements of Functional Expenses

for the years ended June 30, 2023 and 2022

<b>2023</b>	<b>Grants &amp; awards</b>	<b>Programs</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total</b>
Grants and Awards	\$1,603,557	\$ -	\$ -	\$ -	\$1,603,557
Personnel	-	1,002,053	615,030	241,652	1,858,735
Professional fees	-	298,590	35,344	536	334,470
Occupancy	-	48,006	32,262	15,737	96,005
Travel	-	202,655	10,648	1,258	214,561
Development & outreach	-	148,678	12,905	16,079	177,662
Office	-	27,215	47,268	33,795	108,278
Other expenses	-	3,586	425	5,595	9,606
<b>Total Expenses</b>	<b>1,603,557</b>	<b>1,730,783</b>	<b>753,882</b>	<b>314,652</b>	<b>4,402,874</b>

<b>2022</b>	<b>Grants &amp; awards</b>	<b>Programs</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total</b>
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 and 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
<b>Total Expenses</b>	<b>1,027,978</b>	<b>1,281,700</b>	<b>484,516</b>	<b>334,427</b>	<b>3,128,621</b>

The accompanying notes are an integral part of these financial statements

## Statements of Cash Flows

for the years ended June 30, 2023 and 2022

	2023	2022
<b>Operating activities</b>		
Cash inflows from operations:		
Contributions, net of amounts restricted for long-term purposes	\$3,197,478	\$2,302,988
Ticket sales from events	2,510	16,750
Investment income	131,222	101,839
Cash outflows from operations:		
Payments for salaries, benefits, and payroll taxes	(1,840,712)	(1,442,768)
Payments to vendors	(919,429)	(727,074)
Grants and awards	(1,251,419)	(1,090,052)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(680,350)</b>	<b>(838,317)</b>
<b>Investing Activities</b>		
Purchase of investments	(3,827,966)	(4,522,022)
Sale of investments	4,027,890	4,869,016
<b>Net Cash Provided by Investing Activities</b>	<b>199,924</b>	<b>346,994</b>
<b>Financing Activities</b>		
Collections of contributions receivable restricted for long-term investment	50,956	253,243
<b>Net Cash Provided by Financing Activities</b>	<b>50,956</b>	<b>253,243</b>
<b>Net change in cash and cash equivalents</b>	<b>(429,470)</b>	<b>(238,080)</b>
Cash and Cash Equivalents, beginning of year	1,191,695	1,429,775
<b>Cash and Cash Equivalents, end of year</b>	<b>762,225</b>	<b>1,191,695</b>

The accompanying notes are an integral part of these financial statements

# Notes to the Financial Statements

for the years ended June 30, 2023 and 2022

## 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. Purchases of marketable securities are recorded at cost and donations are recorded at fair value on the date of donation. 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.

### Right of Use Asset and Lease Liability

The Foundation leases certain real property and facilities. The determination of whether an arrangement is a lease is made at the lease's inception. A contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct use of the asset. Management reassesses this determination if the terms and conditions of the contract are changed.

Operating leases are included in Right of Use Assets and Operating Lease Liabilities on the Statement of Financial Position. Right of Use Assets represent the Foundation's right to use an underlying asset for the duration of the lease contract, and Operating Lease Liabilities represent the obligation to make lease payments in future periods. Right of Use Assets and Liabilities are recognized at the lease commencement date based on the present value of lease payments to be paid over the lease term. The discount rate for the present value calculation is based on the risk-free treasury rate at the inception of the lease, unless an implicit rate is

identified in the lease agreement. Right of Use Assets also include any lease payments made and exclude any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. No lease agreements contain any material residual value guarantees. Costs of leases with a term shorter than one year are expensed ratably over the lease term and future obligations on short-term leases are not recognized on the Statement of Financial Position.

### 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. 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.

### Recently Adopted Accounting Guidance

The Foundation adopted ASU No. 2016-02, Leases (Topic 842) effective July 1, 2022, using the modified retrospective method. The modified retrospective transition method allows entities to apply the transition requirements at the effective date rather than at the beginning of the earliest comparative period presented. The Foundation's reporting for comparative periods was not recast and is presented in accordance with ASC 840. Adoption of the new standard resulted in the recording of right-of-use assets and lease liabilities of \$258,522 on July 1, 2022. The adoption of the standard did not have a material impact on the Company's results of operations or cash flows. The Foundation elected to use the transition package of three practical expedients, which among other things, allowed the Foundation to carry forward the historical lease classification. The Foundation used the remaining lease term as of the date of adoption and elected to use the implicit rate stipulated in its lease agreements or, where none was available, the risk-free rate on the date of adoption.

### 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	2023	2022
<b>Financial assets:</b>			
Cash and cash equivalents	4	\$762,225	\$1,191,695
Accounts receivable		603,651	210,775
Investments at fair value	5	13,054,931	12,172,116
Cash surrender value of life insurance policies		78,933	75,432
<b>Total financial assets</b>		<b>14,499,740</b>	<b>13,650,018</b>
Less financial assets held to meet donor-imposed restrictions:			
Purpose-restricted net assets	9	(528,055)	(336,731)
Donor-restricted endowment funds	8	(10,285,606)	(9,891,218)
Less financial assets not available within one year:			
Gift annuities		(115,751)	(121,469)
Life insurance policies		(78,933)	(75,432)
Less board-designated endowment and endowment funds without donor restrictions	8	(2,662,390)	(2,429,113)
<b>Amount available for general expenditures within one year</b>		<b>829,005</b>	<b>796,055</b>

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 \$2,662,390 and \$2,429,113 at June 30, 2023 and 2022 respectively. Note 8 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, 2023 and 2022, approximately \$480,199 and \$940,175 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:

	<b>2023</b>	<b>2022</b>
Money market funds	\$843,300	\$927,053
Common stocks	8,265,417	7,714,074
Fixed income mutual funds	38,751	41,982
Corporate and government bonds	3,797,857	3,383,807
Equity index mutual funds	75,653	77,206
Accrued income	33,953	27,994
<b>Total at Fair Value</b>	<b>13,054,931</b>	<b>12,172,116</b>

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:

<b>June 30, 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Money market funds	\$843,300	\$ -	\$843,300
Common stocks	8,265,417	-	8,265,417
Fixed income	38,751	-	38,751
Corporate and government bonds	-	3,797,857	3,797,857
Equity index mutual funds	75,653	-	75,653
Accrued income	33,953	-	33,953
	<b>9,257,074</b>	<b>3,797,857</b>	<b>13,054,931</b>

<b>June 30, 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Money market funds	\$927,053	\$ -	\$927,053
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
Accrued income	27,994	-	27,994
	<b>8,788,309</b>	<b>3,383,807</b>	<b>12,172,116</b>

## 6. Cost Method Investments

Cost method investments at June 30 consisted of the following:

	<b>2023</b>	<b>2022</b>
<b>Land</b>	\$ 32,000	\$ 32,000

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. Leases

The Foundation leases office space and equipment and the leases have remaining lease terms of between 31 and 36 months. During the year ended June 30, 2023, the Foundation exercised an option in the lease agreement for office space to extend the lease period for three years. The total operating lease expense recognized in the Statement of Activities was \$75,800 and \$76,090 for the years ended June 30, 2023 and 2022, respectively. Other information related to leases was as follows:

	<b>2023</b>
Operating cash flows from operating leases	\$ (74,878)
Right-of-use assets obtained in exchange for operating lease obligations	\$258,522
Weighted Average Remaining Lease Term (months)	31.2
Weighted Average Discount Rate	2.99%

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, 2023:

June 30, 2024	\$ 73,273
June 30, 2025	75,477
June 30, 2026	45,695
<b>Total future minimum lease payments</b>	<b>194,445</b>
Less imputed interest	(10,114)
<b>Operating lease liabilities</b>	<b>184,331</b>

## 8. 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, 2023 and 2022, 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 9 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:

<b>June 30, 2023</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<i>Donor-restricted funds</i>			
Perpetual endowment	\$ -	\$10,285,606	\$10,285,606
Board-designated endowment and endowment funds without donor restrictions	2,662,390	-	2,662,390
<b>Total</b>	<b>2,662,390</b>	<b>10,285,606</b>	<b>12,947,996</b>

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

### 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 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
<b>Balance at June 30, 2021</b>	<b>\$3,010,521</b>	<b>\$10,588,292</b>	<b>\$13,598,813</b>
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)
<b>Balance at June 30, 2022</b>	<b>2,429,113</b>	<b>9,891,218</b>	<b>12,320,331</b>
Net investment return	269,463	939,685	1,209,148
Contributions to endowment	-	50,956	50,956
Amount appropriated and/or expended	(36,186)	(596,253)	(632,439)
<b>Balance at June 30, 2023</b>	<b>2,662,390</b>	<b>10,285,606</b>	<b>12,947,996</b>

## 9. Net Assets with Donor Restrictions

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

	2023	2022
<b>Purpose restrictions</b>		
Collective Conservation	\$223,391	\$83,296
Alaska Defense Fund	207,106	148,271
Movement Building	97,558	105,164
<b>Total Purpose Restricted Net Assets</b>	<b>528,055</b>	<b>336,731</b>
<b>Time restrictions</b>		
Life Insurance Policies	78,933	75,432
Gift annuities	53,114	54,650
<b>Total Time Restricted Net Assets</b>	<b>132,047</b>	<b>130,082</b>
<b>Endowment Funds</b>		
Donors specified for general use	2,142,881	2,128,299

	<b>2023</b>	<b>2022</b>
Donors restricted to the following purposes:		
Alaska Defense Fund	3,591,977	3,436,299
Movement Building	4,550,748	4,326,619
<b>Total Endowment Funds</b>	<b>10,285,606</b>	<b>9,891,217</b>
Land held for preservation	32,000	32,000
<b>Total Net Assets with Donor Restrictions</b>	<b>10,977,708</b>	<b>10,390,030</b>

## 10. 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 \$80,295 and \$68,532 for the years ended June 30, 2023 and 2022, respectively.

## 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 January 18, 2024, 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

for the year ended June 30, 2023

Federal Grantor/Program or Cluster Title	Federal Assistance Listing No.	Pass-through Grantor No.	Provided to Sub-recipients	Total Federal Expenditures
<b>Department of the Interior</b>				
Fish and Wildlife Service				
Cooperative Ecosystem Studies Units	15.678		\$83,342	\$715,322
<b>Total Department of the Interior</b>			<b>83,342</b>	<b>715,322</b>
<b>Department of Agriculture</b>				
National Resources Conservation Service				
Soil and Water Conservation	10.902		628,328	757,734
<b>Total Department of Agriculture</b>			<b>628,328</b>	<b>757,734</b>
<b>National Science Foundation</b>				
Geosciences	47.050		-	4,754
<b>Total National Science Foundation</b>			<b>-</b>	<b>4,754</b>
<b>Total Department of Commerce</b>				
National Oceanic and Atmospheric Administration				
Passed through Seward Association for the Advancement of Marine Science:				
Integrated Ocean Observing System	11.012	H3072	5,643	48,651
<b>Total Department of Commerce</b>			<b>5,643</b>	<b>48,651</b>
<b>Total Expenditures of Federal Awards</b>			<b>717,313</b>	<b>1,526,461</b>

## Notes to the Schedule of Expenditures on 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, 2023. 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 elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.





# PORTER & ALLISON

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## 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, 2023, 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 January 18, 2024.

#### **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  
January 18, 2024



# PORTER & ALLISON INC CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND 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, 2023. 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, 2023.

#### *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  
January 18, 2024

**ALASKA CONSERVATION FOUNDATION**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

**Section I – Summary of Auditor’s Results**

<b><i>Financial Statements</i></b>		
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
<b><i>Federal Awards</i></b>		
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:		
<b>Assistance Listing/ CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>	
10.902	Soil and Water Conservation	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000	
Auditee qualified as low-risk auditee?	<u> X </u> yes	_____ 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).