

ARCTIC SLOPE COMMUNITY FOUNDATION

Financial Statements

December 31, 2016 and 2015

(With Report of Independent Certified Public Accountants Thereon)

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Grant Thornton

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Arctic Slope Community Foundation

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Report on the financial statements

We have audited the accompanying financial statements of Arctic Slope Community Foundation (the “Foundation”), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation’s internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arctic Slope Community Foundation as of December 31, 2016 and 2015, 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.

Other matters

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) 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 supplementary 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. These additional procedures included comparing and reconciling the 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 supplementary information 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 September 27, 2017 on our consideration of the 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 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 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 Foundation's internal control over financial reporting and compliance.



Anchorage, Alaska
September 27, 2017

ARCTIC SLOPE COMMUNITY FOUNDATION

Statements of Financial Position

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets:		
Cash and cash equivalents	\$ 1,380,874	429,915
Contributions and grants receivable	93,500	263,894
Investments in marketable securities	5,196,263	5,147,685
Property and equipment	<u>3,932</u>	<u>3,932</u>
Total assets	<u>\$ 6,674,569</u>	<u>5,845,426</u>
Liabilities:		
Accrued liabilities	\$ 809	199
Grants payable	<u>93,525</u>	<u>101,127</u>
Total liabilities	<u>94,334</u>	<u>101,326</u>
Net assets:		
Unrestricted	5,894,780	5,581,207
Temporarily restricted	<u>685,455</u>	<u>162,893</u>
Total net assets	<u>6,580,235</u>	<u>5,744,100</u>
Total liabilities and net assets	<u>\$ 6,674,569</u>	<u>5,845,426</u>

The accompanying notes are an integral part of these financial statements.

ARCTIC SLOPE COMMUNITY FOUNDATION

Statement of Activities

For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues and other support:			
Contributions	\$ 1,289,054	685,455	1,974,509
Grant revenue	1,091,843	-	1,091,843
Special events			
Event revenues	115,504	-	115,504
Less direct donor benefit	(20,626)	-	(20,626)
Total special events revenue	94,878	-	94,878
Investment income and gains			
Interest and dividends	118,324	-	118,324
Realized gains, net	91,559	-	91,559
Unrealized gains, net	188,680	-	188,680
Total investment income and gains	398,563	-	398,563
Net assets released from restriction	162,893	(162,893)	-
Total revenues and other support	3,037,231	522,562	3,559,793
Program expenses:			
Grants awarded	2,366,259	-	2,366,259
Supporting services:			
Management and general	339,525	-	339,525
Fundraising activities	17,874	-	17,874
Total supporting services	357,399	-	357,399
Total expenses	2,723,658	-	2,723,658
Change in net assets	313,573	522,562	836,135
Net assets, beginning of year	5,581,207	162,893	5,744,100
Net assets, end of year	\$ 5,894,780	685,455	6,580,235

The accompanying notes are an integral part of these financial statements.

ARCTIC SLOPE COMMUNITY FOUNDATION

Statement of Activities

For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues and other support:			
Contributions	\$ 243,019	162,893	405,912
Grant revenue	1,018,391	-	1,018,391
Special events			
Event revenues	110,474	-	110,474
Less direct donor benefit	(32,699)	-	(32,699)
Total special events revenue	77,775	-	77,775
Investment income and gains (losses)			
Interest and dividends	105,681	-	105,681
Realized gains, net	161,185	-	161,185
Unrealized losses, net	(307,518)	-	(307,518)
Total investment income and gains (losses)	(40,652)	-	(40,652)
Net assets released from restriction	14,480	(14,480)	-
Total revenues and other support	1,313,013	148,413	1,461,426
Program expenses:			
Grants awarded	1,358,960	-	1,358,960
Supporting services:			
Management and general	324,023	-	324,023
Fundraising activities	16,037	-	16,037
Total supporting services	340,060	-	340,060
Total expenses	1,699,020	-	1,699,020
Change in net assets	(386,007)	148,413	(237,594)
Net assets, beginning of year	5,967,214	14,480	5,981,694
Net assets, end of year	\$ 5,581,207	162,893	5,744,100

The accompanying notes are an integral part of these financial statements.

ARCTIC SLOPE COMMUNITY FOUNDATION

Statement of Functional Expenses

For the Year Ended December 31, 2016

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ -	175,443	-	175,443
Marketing	-	-	13,895	13,895
Dues and subscriptions	-	4,659	-	4,659
Insurance	-	2,542	-	2,542
Professional fees	-	47,921	-	47,921
Travel and meetings	-	47,116	-	47,116
Supplies and equipment	234,127	-	1,225	235,352
Pass-through grant expense	2,132,132	-	-	2,132,132
Bank fees	-	20,881	-	20,881
In-kind	-	38,571	-	38,571
Other expenses	-	2,392	2,754	5,146
	<u>\$ 2,366,259</u>	<u>339,525</u>	<u>17,874</u>	<u>2,723,658</u>

The accompanying notes are an integral part of these financial statements.

ARCTIC SLOPE COMMUNITY FOUNDATION

Statement of Functional Expenses

For the Year Ended December 31, 2015

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ -	153,274	-	153,274
Marketing	-	-	12,237	12,237
Dues and subscriptions	-	4,371	-	4,371
Insurance	-	4,050	-	4,050
Professional fees	-	40,966	-	40,966
Travel and meetings	-	50,506	543	51,049
Supplies and equipment	346,059	-	684	346,743
Pass-through grant expense	1,012,901	-	-	1,012,901
Bank fees	-	20,940	-	20,940
In-kind	-	49,916	-	49,916
Other expenses	-	-	2,573	2,573
	<u>\$ 1,358,960</u>	<u>324,023</u>	<u>16,037</u>	<u>1,699,020</u>

The accompanying notes are an integral part of these financial statements.

ARCTIC SLOPE COMMUNITY FOUNDATION

Statements of Cash Flows

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 836,135	(237,594)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Net (gains) losses on marketable securities	(280,239)	146,333
Changes in operating assets and liabilities providing (using) cash:		
Contributions receivable	170,394	(249,414)
Accrued liabilities	610	(6,715)
Grants payable	(7,602)	(17,851)
Net cash provided (used) by operating activities	<u>719,298</u>	<u>(365,241)</u>
Cash flows from investing activities:		
Purchases of marketable securities	(353,089)	(1,641,488)
Proceeds from sale of marketable securities	<u>584,750</u>	<u>1,832,962</u>
Net cash provided by investing activities	<u>231,661</u>	<u>191,474</u>
Net increase (decrease) in cash and cash equivalents	950,959	(173,767)
Cash and cash equivalents at beginning of year	<u>429,915</u>	<u>603,682</u>
Cash and cash equivalents at end of year	\$ <u><u>1,380,874</u></u>	<u><u>429,915</u></u>

The accompanying notes are an integral part of these financial statements.

ARCTIC SLOPE COMMUNITY FOUNDATION

Notes to Financial Statements

For the Years Ended December 31, 2016 and 2015

(1) Operations and Summary of Accounting Policies

(a) Operations

The Arctic Slope Community Foundation (the “Foundation”) is an Alaska nonprofit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation was established on June 15, 2009 and was organized as a public foundation. The mission; to strengthen the culture of giving and improve the quality of life among the people of the Arctic Slope region of Alaska by providing and administering grants to support the community health and economic stability of the villages of Point Hope, Point Lay, Wainwright, Atkasuk, Barrow, Nuiqsut, Anaktuvuk Pass, and Kaktovik. The Foundation will leverage the charitable resources of individuals, businesses, public and private foundations and other charities to make grants to support community-based solutions and serve the people of the Arctic Slope.

(b) Basis of Accounting

The Foundation prepares its financial statements on the accrual basis of accounting according to accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

(c) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments, maintained as part of the Foundation’s cash management activities, which are readily convertible into cash and have maturities of less than three months from their date of purchase. At times the Foundation’s cash account balances may exceed Federal Deposit Insurance Corporation insured limits. The Foundation believes the risk from this concentration is not significant.

(e) Contributions Receivable

All receivables are considered to be fully collectible, and accordingly, no allowance for doubtful accounts is recorded in the accompanying financial statements at December 31, 2016 and 2015.

(f) Investments in Marketable Securities

Investments in marketable securities include both debt and equity securities that have maturities greater than three months from the date of purchase. Marketable securities are accounted for in accordance with ASC Topic 320 - *Investments - Debt and Equity Securities* and are classified as available-for-sale. Available-for-sale securities are reported at fair value, with any unrealized holding gains and losses included in unrealized gains (losses) included in the statement of activities. The fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Fair value for the Foundation’s marketable securities is determined using quoted market prices. Purchases and sales are accounted for on the trade date, when the order to buy or sell is executed. The specific identification method is used to compute the realized gains and losses on securities.

ARCTIC SLOPE COMMUNITY FOUNDATION

Notes to Financial Statements

For the Years Ended December 31, 2016 and 2015

(g) Property and Equipment

Property and equipment are recorded at cost or, if acquired by donation, at estimated fair value at the date of acquisition. Depreciation of property and equipment is provided over the estimated useful lives of the assets using the straight-line method.

(h) Grants Payable

Grants payable represent commitments to provide funding under approved grant applications and reimbursements to subrecipients of federal pass-through grants. All amounts are payable within one year.

(i) Donor Restricted Contributions

The Foundation records contributions as temporarily or permanently restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are released from restrictions. It is the Foundation's policy to record temporarily restricted contributions received for which the related restrictions are met in the same fiscal year as unrestricted contributions. During the years ended December 31, 2016 and 2015, additions to and release of temporarily restricted net assets are attributable to time and purpose restrictions, as are the ending balances as of December 31, 2016 and 2015.

(j) Functional Expense Allocation

The costs of providing the various programs' services and supporting activities have been summarized in the statement of functional expenses. Expenses are charged to programs and supporting services based on direct expenses incurred. Certain costs which are not directly related to programs have been allocated among the programs and supporting services benefited.

(k) Grant Revenues

Cost reimbursable grant revenues are recorded as the related disbursement liability is incurred. Monies received prior to incurring expenses are recorded as deferred revenues. Expenses incurred that exceed monies received are recorded as grants receivable.

(l) In-Kind Contributions

In-kind contributions consist primarily of donated airfare, professional services, and advertising. In-kind contributions are recorded at fair value as revenues and an equivalent amount is recorded as expense or property at the time of donation.

(m) Income Taxes

The Foundation is an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is generally not subject to federal income taxes. Contributions to the Foundation are deductible for tax purposes by the donor, subject to the normal limitations imposed by the taxing authorities. However, the Foundation is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. For the years ended December 31, 2016 and 2015 the Foundation had no unrelated business income tax.

ARCTIC SLOPE COMMUNITY FOUNDATION

Notes to Financial Statements

For the Years Ended December 31, 2016 and 2015

The Foundation recognizes the effect of a tax position only if the position is “more likely than not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. The Foundation has not identified any unrecognized tax benefits or liabilities during the years ended December 31, 2016 and 2015, nor does it expect there will be a material change in the 12 months following the year ended December 31, 2016. The Foundation is no longer subject to examinations by income tax authorities for the tax years prior to 2014.

(n) Recently Issued Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updated (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, with the goal of improving not-for-profit entity financial statements to provide more useful information to donors, grantors, creditors, and other financial statement users. The new standard is effective for fiscal years beginning after December 15, 2017; however, early adoption is permitted. The Foundation is currently evaluating the impact of the adoption of ASU 2016-14 on its financial statements.

(2) Investment in Marketable Securities

The Foundation invests in various marketable securities. Marketable securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain marketable securities, it is at least reasonably possible that changes in the values of marketable securities will occur in the near term and that such change could materially affect the amounts reported in the Foundation’s financial statements. The value, liquidity, and related income of those securities are sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market’s perception of the issuers and changes in interest rates.

The carrying amount, net unrealized holding gains (losses), and fair value of the Foundation’s marketable securities as of December 31, 2016 are presented below:

	<u>Cost</u>	<u>Unrealized Holding Gains (Losses), net</u>	<u>Fair Value</u>
Exchange traded funds:			
Common equities	\$ 2,588,136	562,901	3,151,037
Fixed income securities	<u>2,059,492</u>	<u>(14,266)</u>	<u>2,045,226</u>
	<u>\$ 4,647,628</u>	<u>548,635</u>	<u>5,196,263</u>

ARCTIC SLOPE COMMUNITY FOUNDATION

Notes to Financial Statements

For the Years Ended December 31, 2016 and 2015

The carrying amount, net unrealized holding gains (losses), and fair value of the Foundation's marketable securities as of December 31, 2015 are presented below:

	<u>Cost</u>	<u>Unrealized Holding Gains (Losses), net</u>	<u>Fair Value</u>
Exchange traded funds:			
Common equities	\$ 2,721,019	395,058	3,116,077
Fixed income securities	<u>2,059,492</u>	<u>(27,884)</u>	<u>2,031,608</u>
	<u>\$ 4,780,511</u>	<u>367,174</u>	<u>5,147,685</u>

Interest and dividend earnings for the year ended December 31, 2016 were \$591 and \$117,733, respectively. Interest and dividend earnings for the year ended December 31, 2015 were \$440 and \$105,241, respectively.

The Foundation paid investment management and administrative fees for the years ended December 31, 2016 and 2015 of \$17,455 and \$20,149, respectively. These fees are included in management and general expenses in the statement of activities.

(3) Fair Value Measurement

Accounting Standards Codification ("ASC") Topic 820 - *Fair Value Measurements and Disclosures* defines fair value as the price that would be received to sell an asset or the amount paid to transfer a liability in an orderly transaction between market participants (an exit price) at the measurement date. Fair value is a market-based measurement considered from the perspective of a market participant. The Foundation uses market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation. These inputs can be readily observable, market corroborated or unobservable. The Foundation applies a market approach for recurring fair value measurements using the best available information while utilizing valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair Value Hierarchy

ASC Topic 820 establishes a fair value hierarchy that 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: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

ARCTIC SLOPE COMMUNITY FOUNDATION

Notes to Financial Statements

For the Years Ended December 31, 2016 and 2015

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.

Following is a description of the valuation methodologies used for the Foundation's investments measured at fair value:

Common equities funds: Valued at the closing price obtained from active exchanges for identical securities held by the Foundation at year end; accordingly these securities are classified as Level 1.

Fixed income securities funds: Valued at the closing price obtained from active exchanges for identical securities held by the Foundation at year end; accordingly these securities are classified as Level 1.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables sets forth by level, within the fair value hierarchy, the Foundation's assets measured at fair value on a recurring basis:

December 31, 2016:

	Level 1	Level 2	Level 3	Total
Exchange traded funds:				
Common equities	\$ 3,151,037	-	-	3,151,037
Fixed income securities	2,045,226	-	-	2,045,226
	\$ 5,196,263	-	-	5,196,263

December 31, 2015:

	Level 1	Level 2	Level 3	Total
Exchange traded funds:				
Common equities	\$ 3,116,077	-	-	3,116,077
Fixed income securities	2,031,608	-	-	2,031,608
	\$ 5,147,685	-	-	5,147,685

The Foundation has no assets measured at fair value on a nonrecurring basis.

The Foundation made no transfers of assets between levels of the fair value hierarchy during the years ended December 31, 2016 and 2015.

(4) Subsequent Events

ARCTIC SLOPE COMMUNITY FOUNDATION

Notes to Financial Statements

For the Years Ended December 31, 2016 and 2015

The Foundation has evaluated subsequent events from the balance sheet date through September 27, 2017, the date at which the financial statements were available to be issued. There were no matters noted that require recognition or disclosure in these financial statements.

Supplementary Information



**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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Board of Directors
Arctic Slope Community Foundation

We have audited, 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, the financial statements of Arctic Slope Community Foundation (the "Foundation"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 27, 2017.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting ("internal control") to design 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 the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Foundation'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 the Foundation's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. 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*.

Intended purpose

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 Foundation'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 Foundation's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Anchorage, Alaska
September 27, 2017



**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

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Board of Directors
Arctic Slope Community Foundation

Report on compliance for each major federal program

We have audited the compliance of Arctic Slope Community Foundation, with the types of compliance requirements described in the U.S. Office of Management and Budget's *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to the Foundation's federal programs.

Auditor's responsibility

Our responsibility is to express an opinion on compliance for each of the Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

Opinion on each major federal program

In our opinion, the 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 December 31, 2016.

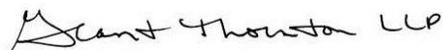
Report on internal control over compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the Foundation's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



Anchorage, Alaska
September 27, 2017

ARCTIC SLOPE COMMUNITY FOUNDATION

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2016

Federal Grantor/Pass-Through Grantor/Program Name	Grant Number	Federal CFDA Number	Passed through to Subrecipients	Federal Expenditures
Federal Awards				
U.S. Department of Education:				
Alaska Native Education Program - Project Learn	S356A140004-15	84.356A	\$ 677,705	726,054
Alaska Native Education Program - Project Learn	S356A140004-16	84.356A	346,284	364,835
			<u>1,023,989</u>	<u>1,090,889</u>
Total expenditures of federal awards			\$	<u><u>1,090,889</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

ARCTIC SLOPE COMMUNITY FOUNDATION

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2016

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the activity of federal financial assistance to Arctic Slope Community Foundation (the “Foundation”) for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations (CFR) 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 the Foundation, it is not intended to, and does not, present the financial position, operational results or cash flows of the Foundation.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the 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. The Foundation has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

(3) Subrecipients

The Foundation passed through federal awards to the following subrecipient during the year ended December 31, 2016:

Passed through to Boys & Girls Clubs of Southcentral Alaska:

<u>Grant Number</u>	<u>Amount</u>
S356A14004-15	\$ 677,705
S356A14004-16	<u>346,284</u>
	\$ <u><u>1,023,989</u></u>

(4) Subsequent Events

In preparing the Schedule, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 27, 2017, the date the Schedule was available to be issued. The Foundation is not aware of any subsequent events that would require recording or disclosure on this schedule.

ARCTIC SLOPE COMMUNITY FOUNDATION

Schedule of Findings and Questioned Costs

December 31, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement

Type of auditor report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200.516(a)? yes no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.356A	Alaska Native Education Program – Project Learn

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.