

Financial Statements and Report of Independent  
Certified Public Accountants

**Arctic Slope Community Foundation**

December 31, 2013 and 2012



# Grant Thornton

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Arctic Slope Community Foundation

Grant Thornton LLP  
1029 West 3rd Avenue, Suite 280  
Anchorage, AK 99501

T 907.754.9200  
F 907.754.9222  
[www.GrantThornton.com](http://www.GrantThornton.com)

We have audited the accompanying financial statements of the Arctic Slope Community Foundation (the “Foundation”), which comprise the statements of net assets (prepared on a modified cash basis) as of December 31, 2013 and 2012, and the related statements of activities (prepared on a modified cash basis) 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### Auditor’s responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 net assets of the Arctic Slope Community Foundation as of December 31, 2013 and 2012, and its change in net assets during the years then ended in accordance with the modified cash basis of accounting described in Note 1.

#### Basis of accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Grant Thornton LLP".

Anchorage, Alaska

August 19, 2014

**ARCTIC SLOPE COMMUNITY FOUNDATION**

Statements of Net Assets

(prepared on a modified cash basis)

December 31,

	<u>2013</u>	<u>2012</u>
Assets:		
Cash and cash equivalents	\$ 436,210	664,698
Investments in marketable securities	<u>5,513,539</u>	<u>4,941,938</u>
Unrestricted net assets	<u>\$ 5,949,749</u>	<u>5,606,636</u>

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

**ARCTIC SLOPE COMMUNITY FOUNDATION**

Statements of Activities  
(prepared on a modified cash basis)

For the years ended December 31,

	<u>2013</u>	<u>2012</u>
Revenues and other support:		
Contributions	\$ 178,907	213,173
Interest and dividends	109,260	113,037
Realized gains (losses), net	116,690	(21,386)
Unrealized gains, net	<u>368,372</u>	<u>448,886</u>
Total revenues and other support	773,229	753,710
Expenses:		
Grant awarded	175,134	187,371
Fundraising activities	9,484	15,116
General and administrative	<u>245,498</u>	<u>243,159</u>
Total expenses	<u>430,116</u>	<u>445,646</u>
Change in unrestricted net assets	343,113	308,064
Unrestricted net assets, beginning of year	<u>5,606,636</u>	<u>5,298,572</u>
Unrestricted net assets, end of year	<u>\$ 5,949,749</u>	<u>5,606,636</u>

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

**ARCTIC SLOPE COMMUNITY FOUNDATION**  
**Notes to Financial Statements**

December 31, 2013 and 2012

**(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, Atqasuk, 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. The majority of accumulated funding received was from Arctic Slope Regional Corporation (“ASRC”), with other funding coming from various contributors.

**(b) Basis of Accounting**

The Foundation maintains its accounting records and has prepared its financial statements on the modified cash basis of accounting. Revenues and other support are recognized when received rather than when earned, and expenses are recognized when paid rather than when the related obligation is incurred. Investments are recorded at fair value, with the associated unrealized gain/loss included in the statement of activities. This method of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**(c) 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. The Foundation maintains two cash accounts with a third party financial institution. The bank and book balances for each account are presented below:

As of December 31, 2013:

	<b>Bank balance</b>	<b>Book balance</b>
Money market account	\$ 241,138	241,138
Trust account	191,147	195,072
	\$ 432,285	436,210

As of December 31, 2012:

	<b>Bank balance</b>	<b>Book balance</b>
Money market account	\$ 421,475	421,475
Trust account	242,984	243,223
	\$ 664,460	664,698

Interest earnings on cash accounts totaled \$208 and \$182 for the years ended December 31, 2013 and 2012, respectively.

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.

**ARCTIC SLOPE COMMUNITY FOUNDATION**  
**Notes to Financial Statements**

December 31, 2013 and 2012

**(d) Investments in Marketable Securities**

Investments in marketable securities have maturities greater than three months from the date of purchase. Purchases and sales are accounted for on the trade date, when the order to buy or sell is executed. 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. The specific identification method is used to compute the realized gains and losses on securities.

The Foundation's investments in marketable securities consist of fixed income securities and common equities, and are classified as available-for-sale. The Foundation's investments are presented below:

As of December 31, 2013:

	<u>Cost</u>	<u>Unrealized holding gains (losses), net</u>	<u>Fair value</u>
Mutual funds:			
Fixed income securities	\$ 2,105,874	(34,764)	2,071,110
Common equities	<u>2,867,608</u>	<u>574,821</u>	<u>3,442,429</u>
	<u>\$ 4,973,482</u>	<u>540,057</u>	<u>5,513,539</u>

As of December 31, 2012:

	<u>Cost</u>	<u>Unrealized holding gains, net</u>	<u>Fair value</u>
Mutual funds:			
Fixed income securities	\$ 1,797,500	80,707	1,878,207
Common equities	<u>2,972,753</u>	<u>90,978</u>	<u>3,063,731</u>
	<u>\$ 4,770,253</u>	<u>171,685</u>	<u>4,941,938</u>

Gross purchases and sales of marketable securities for the year ended December 31, 2013 were \$1,610,691 and \$1,524,152, respectively, resulting in net realized gains of \$116,690. Gross purchases and sales of marketable securities for the year ended December 31, 2012 were \$395,629 and \$507,744, respectively, resulting in net realized losses of \$21,386.

Dividend earnings for the years ended December 31, 2013 and 2012 were \$109,052 and \$112,855, respectively.

# ARCTIC SLOPE COMMUNITY FOUNDATION

## Notes to Financial Statements

December 31, 2013 and 2012

### (e) 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.

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:* 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:* Valued based on a market approach using quoted prices from similar securities and observed market movements; accordingly these securities are classified as Level 2.

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.

**ARCTIC SLOPE COMMUNITY FOUNDATION**  
**Notes to Financial Statements**

**December 31, 2013 and 2012**

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, 2013:

Asset	Level 1	Level 2	Level 3	Total
Common equities	\$ 3,442,429	\$ -	\$ -	\$ 3,442,429
Fixed income securities	-	2,071,110	-	2,071,110
<b>Total</b>	<b>\$ 3,442,429</b>	<b>\$ 2,070,110</b>	<b>\$ -</b>	<b>\$ 5,513,539</b>

December 31, 2012:

Asset	Level 1	Level 2	Level 3	Total
Common equities	\$ 3,063,731	\$ -	\$ -	\$ 3,063,731
Fixed income securities	-	1,878,207	-	1,878,207
<b>Total</b>	<b>\$ 3,063,731</b>	<b>\$ 1,878,207</b>	<b>\$ -</b>	<b>\$ 4,941,938</b>

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, 2013 and December 31, 2012.

**(f) 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, 2013 and 2012 the Foundation had no unrelated business income tax.

**(2) Related Parties**

During the years ended December 31, 2013 and 2012, ASRC contributed \$16,000 and \$0, respectively, to the Foundation. ASRC also provided office space as well as administrative and accounting support at no cost to the Foundation.

**(3) Subsequent Events**

The Foundation has evaluated subsequent events from the balance sheet date through August 19, 2014 the date at which the financial statements were available to be issued.