

ARCTIC SLOPE COMMUNITY FOUNDATION

Financial Statements, Supplementary Information  
and Compliance Reports  
(With Independent Auditor's Report Thereon)

Years Ended December 31, 2023 and 2022

*Altman, Rogers  
& Co.* | CERTIFIED  
PUBLIC  
ACCOUNTANTS

ARCTIC SLOPE COMMUNITY FOUNDATION

Financial Statements, Supplementary Information  
and Compliance Reports  
(With Independent Auditor's Report Thereon)

Years Ended December 31, 2023 and 2022

# ARCTIC SLOPE COMMUNITY FOUNDATION

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## **Independent Auditor's Report**

Members of the Board of Directors  
Arctic Slope Community Foundation  
Anchorage, Alaska

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Arctic Slope Community Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 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 present fairly, in all material respects, the financial position of Arctic Slope Community Foundation as of December 31, 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 Arctic Slope Community Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***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 Arctic Slope Community 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, including omissions, 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 Arctic Slope Community 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 Arctic Slope Community 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 supplemental combining statement of activities, schedule of expenditures of federal awards, and accompanying notes, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 on the financial statements themselves, and other additional procedures in accordance with auditing standards general 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 June 20, 2024, on our consideration of Arctic Slope Community 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 Arctic Slope Community 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 Arctic Slope Community Foundation's internal control over financial reporting and compliance.



Anchorage, Alaska  
June 20, 2024

ARCTIC SLOPE COMMUNITY FOUNDATION

Statements of Financial Position

December 31, 2023 and 2022

<u>ASSETS</u>	<u>2023</u>	<u>2022</u> <u>(as restated)</u>
Current assets:		
Cash and cash equivalents	\$ 324,521	340,409
Accrued interest receivable	18,620	10,959
Contributions and grants receivable	589,634	523,136
Prepaid expenses	<u>34,373</u>	<u>18,303</u>
Total current assets	<u>967,148</u>	<u>892,807</u>
Non-current assets:		
Investments in marketable securities	8,309,860	9,205,556
Property and equipment, net	<u>22,433</u>	<u>23,002</u>
Total non-current assets	<u>8,332,293</u>	<u>9,228,558</u>
 Total assets	 \$ <u><u>9,299,441</u></u>	 <u><u>10,121,365</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accrued payroll liabilities	93,075	52,163
Accounts payable	582,794	392,423
Grants payable	-	155,637
Refundable advances	<u>68,518</u>	<u>182,015</u>
Total liabilities	<u>744,387</u>	<u>782,238</u>
Net assets:		
Without donor restrictions	8,123,878	8,954,194
With donor restrictions	<u>431,176</u>	<u>384,933</u>
Total net assets	<u>8,555,054</u>	<u>9,339,127</u>
 Total liabilities and net assets	 \$ <u><u>9,299,441</u></u>	 <u><u>10,121,365</u></u>

See accompanying notes to the financial statements.

ARCTIC SLOPE COMMUNITY FOUNDATION

Statements of Activities

Years Ended December 31, 2023 and 2022

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Contributions	\$ 91,218	-	91,218
Federal grants	3,325,990	-	3,325,990
Special events, net	221,143	-	221,143
Investment income, net	1,013,606	46,243	1,059,849
Contributed non-financial assets	31,762	-	31,762
Other	4,756	-	4,756
Net assets released from donor restriction	-	-	-
Total revenues and other support	<u>4,688,475</u>	<u>46,243</u>	<u>4,734,718</u>
Expenses:			
Program activities -			
Grants awarded	4,538,639	-	4,538,639
Supporting services:			
Management and general	880,585	-	880,585
Fundraising	99,567	-	99,567
Total expenses	<u>5,518,791</u>	<u>-</u>	<u>5,518,791</u>
Change in net assets	(830,316)	46,243	(784,073)
Net assets, beginning of year	<u>8,954,194</u>	<u>384,933</u>	<u>9,339,127</u>
Net assets, end of year	<u>\$ 8,123,878</u>	<u>431,176</u>	<u>8,555,054</u>

(continued)

## ARCTIC SLOPE COMMUNITY FOUNDATION

## Statements of Activities, Continued

	2022 (as restated)		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Contributions	\$ 189,454	-	189,454
Federal grants	3,801,583	-	3,801,583
Other grants	29,000	445,000	474,000
Special events	66,492	-	66,492
Investment income, net	(1,512,380)	(58,510)	(1,570,890)
Contributed non-financial assets	28,034	-	28,034
Other	68,355	-	68,355
Net assets released from donor restriction	445,000	(445,000)	-
Total revenues and other support	<u>3,115,538</u>	<u>(58,510)</u>	<u>3,057,028</u>
Expenses:			
Program activities -			
Grants awarded	4,440,726	-	4,440,726
Supporting services:			
Management and general	1,312,946	-	1,312,946
Fundraising	103,471	-	103,471
Total expenses	<u>5,857,143</u>	<u>-</u>	<u>5,857,143</u>
Change in net assets	(2,741,605)	(58,510)	(2,800,115)
Net assets, beginning of year	<u>11,695,799</u>	<u>443,443</u>	<u>12,139,242</u>
Net assets, end of year	<u>\$ 8,954,194</u>	<u>384,933</u>	<u>9,339,127</u>

See accompanying notes to the financial statements.

ARCTIC SLOPE COMMUNITY FOUNDATION

Statements of Functional Expenses

Years Ended December 31, 2023 and 2022

	2023			
	Program Activities	Supporting Services		Total
	Grants Awarded	Management and General	Fundraising	
Personnel	\$ 699,329	619,165	-	1,318,494
Professional fees	1,227,114	16,176	1,500	1,244,790
Marketing	76	4	1,366	1,446
Dues and subscriptions	2,577	44,321	583	47,481
Accounting and audit	4,500	55,335	-	59,835
Utilities	10,752	18,919	15	29,686
Travel and meetings	223,311	70,590	158	294,059
Supplies and equipment	21,174	4,465	5,655	31,294
Pass-through grant expense	1,339,478	-	-	1,339,478
Other program expenses	1,001,249	-	57,655	1,058,904
Bank and merchant fees	57	6,483	30,268	36,808
Depreciation	5,576	7,647	-	13,223
Contributed rent	-	27,720	-	27,720
Printing and copying	845	3,873	1,950	6,668
Postage and shipping	2,103	72	167	2,342
Insurance	-	4,282	-	4,282
Other	498	1,533	250	2,281
Total expenses	<u>\$ 4,538,639</u>	<u>880,585</u>	<u>99,567</u>	<u>5,518,791</u>

(continued)

ARCTIC SLOPE COMMUNITY FOUNDATION

Statements of Functional Expenses, continued

	2022 (as restated)			
	Program Activities	Supporting Services		Total
	Grants Awarded	Management and General	Fundraising	
Personnel	\$ -	1,023,031	-	1,023,031
Professional fees	2,648,544	174,716	2,500	2,825,760
Marketing	490	338	5,175	6,003
Dues and subscriptions	2,181	25,848	1,524	29,553
Travel and meetings	285,282	14,298	6,785	306,365
Supplies and equipment	46,114	11,879	76,536	134,529
Pass-through grant expense	1,428,682	-	-	1,428,682
Other program expenses	-	649	-	649
Bank and merchant fees	-	9,857	-	9,857
Depreciation	2,880	3,809	-	6,689
Contributed rent	-	28,034	-	28,034
Insurance	-	1,335	-	1,335
Other	26,553	19,152	10,951	56,656
Total expenses	\$ <u>4,440,726</u>	<u>1,312,946</u>	<u>103,471</u>	<u>5,857,143</u>

See accompanying notes to the financial statements.

ARCTIC SLOPE COMMUNITY FOUNDATION

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u> (as restated)
Cash flows provided (used) by operating activities:		
Change in net assets	\$ (784,073)	(2,800,115)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Realized / unrealized (gain) loss on investments	(869,332)	1,752,065
Depreciation	13,223	6,689
(Increase) decrease in assets:		
Accrued interest receivable	(7,661)	1,833
Contributions and grants receivable	(66,498)	(406,512)
Prepaid expenses	(16,070)	(12,724)
Increase (decrease) in liabilities:		
Accrued payroll liabilities	40,912	11,796
Accounts payable	190,371	323,887
Grants payable	(155,637)	77,391
Refundable advances	(113,497)	(127,472)
Net cash provided by (used) operating activities	<u>(1,768,262)</u>	<u>(1,173,162)</u>
Cash flows (used) by investing activities:		
Purchases of marketable securities	(2,086,141)	(2,858,116)
Proceeds from sale of marketable securities	3,851,169	3,347,397
Purchase of property and equipment	(12,654)	(21,995)
Net cash (used) by investing activities	<u>1,752,374</u>	<u>467,286</u>
Net change in cash and cash equivalents	(15,888)	(705,876)
Cash and cash equivalents, beginning of year	<u>340,409</u>	<u>1,046,285</u>
Cash and cash equivalents, end of year	\$ <u>324,521</u>	<u>340,409</u>
Supplemental cash flow disclosure:		
Non-cash contributed non-financial assets	\$ <u>31,762</u>	<u>28,034</u>

See accompanying notes to the financial statements.

# ARCTIC SLOPE COMMUNITY FOUNDATION

## Notes to the Financial Statements

December 31, 2023 and 2022

### 1. OPERATIONS AND SUMMARY OF ACCOUNTING POLICIES

#### 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.

#### 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.

#### Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has not designated, from net assets without donor restrictions, any net assets.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. The Foundation reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from donor restrictions.

## ARCTIC SLOPE COMMUNITY FOUNDATION

### Notes to the Financial Statements, Continued

#### **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.

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposits, money market funds, and all short-term 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 cash balances at a financial institution which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2023 and 2022, the Foundation had no uninsured cash balances.

#### **Contributions and Grants Receivable and Allowance for Credit Losses**

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Foundation that are subject to the guidance in FASB ASC 326 were contributions and grants receivable.

The Foundation adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only. All receivables are considered to be fully collectible, and accordingly, no allowance for credit losses is recorded in the accompanying financial statements at December 31, 2023 and 2022.

#### **Investments**

Investment purchases are recorded at cost, or if donated, at fair value on the date of the donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

#### **Fair Value of Financial Instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

## ARCTIC SLOPE COMMUNITY FOUNDATION

### Notes to the Financial Statements, Continued

The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) receivables, net, (3) certain other current assets, (4) accounts payable and (5) other current liabilities.

The carrying amounts reported in the statements of financial position for the above financial instruments closely approximates their fair value due to the short-term nature of these assets and liabilities.

#### **Property and Equipment**

Property and equipment are recorded at cost or, if acquired by donation, at estimated fair value at the date of acquisition. The foundation's policy is to capitalize all items which have a unit cost of greater than \$1,000. Depreciation of property and equipment is provided over the estimated useful lives of the assets (three to five years for furniture and equipment) using the straight-line method.

#### **Accrued Leave**

Paid time off is accrued as earned by employees and recorded as an expense in the period earned.

#### **Grants Payable**

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

#### **Refundable Advances**

Refundable advances represent amounts for which asset recognition criteria have been met but for which revenue recognition criteria have not been met.

#### **Functional Expense Allocation**

The costs of providing the various program services and supporting activities have been summarized in the Statements 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 program and supporting services benefited. The Foundation's personnel, professional fees, marketing, dues and subscriptions, accounting and auditing, utilities, travel and meetings, supplies and equipment, other program expenses, bank and merchant fees, depreciation, printing and copying, postage and shipping, and other expenses have been allocated functionally. These expenses have been allocated on the basis of estimated time and effort.

## Revenue Recognition

### Contract and Grant Revenues

A portion of the Foundation's revenue is derived from cost-reimbursable federal grants, which are conditional upon certain performance requirements and or/ the incurrence of allowable qualifying expenses and have a right of return. Amounts received prior to incurring qualifying expenses are reported as refundable advances on the Statements of Financial Position. The Foundation received \$68,518 and \$182,015 that has not been recognized as revenue at December 31, 2023 and 2022, respectively, because qualifying expenses have not yet been incurred.

The Foundation is funded primarily by grants from the U.S. Department of Education. Receivables from granting agencies, if any, represents the excess of allowable expenses over cash receipts.

### Contributions

The Foundation recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. The gifts are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the Statements of Activities as net assets released from program restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

The Foundation has adopted Accounting Standards Update (ASU) No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)*, as amended, and ASU No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes these standards improves the usefulness and understandability for the Organization's financial reporting.

Analysis of various provisions of these standards resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standards.

## Contributed Non-Financial Assets

Donated services are recognized as contributions in accordance with FASB ASC 958, Accounting for Contributions Received and Contributions Made, if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. Contributed non-financial assets for space and professional services are recorded in the Statements of Activities at fair value at the date of donation and recognized as revenue and expenses in the period they are received, except for donated equipment, which is recorded as revenue in the period received and the asset is depreciated over its estimated useful life. The Foundation received contributed non-financial assets of professional services and rent in the amount of \$31,762 and \$28,034 for the years ended December 31, 2023 and 2022, respectively.

ARCTIC SLOPE COMMUNITY FOUNDATION

Notes to the Financial Statements, Continued

All gifts in-kind received during the years ended December 31, 2023 and 2022 were unrestricted. In-kind contributions are allocated to functions based on program use:

December 31, 2023	Grants Awarded	Management and General	Total
Professional services	\$ 4,042	-	4,042
Rent	-	27,720	27,720
Total	\$ 4,042	27,720	31,762

December 31, 2022	Grants Awarded	Management and General	Total
Professional services	\$ -	314	314
Rent	-	27,720	27,720
Total	\$ -	28,034	28,034

**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, 2023 and 2022, the Foundation had no unrelated business income tax.

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, 2023 and 2022, nor does it expect there will be a material change in the twelve months following the years ended December 31, 2023 and 2022. The Foundation is no longer subject to examinations by income tax authorities for the tax years prior to 2020.

**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 Foundation paid investment management and administrative fees for the year ended December 31, 2023 and 2022 of \$45,738 and \$50,792, respectively. These fees are netted against investment income on the Statements of Activities.

## ARCTIC SLOPE COMMUNITY FOUNDATION

### Notes to the Financial Statements, Continued

The Organization's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by generally accepted accounting principles. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

- Level 1 – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect Arctic Slope Community Foundation's estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting 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 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.

ARCTIC SLOPE COMMUNITY FOUNDATION

Notes to the Financial Statements, Continued

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

2023	Level 1	Level 2	Level 3	Total
Investments:				
Domestic Equity	\$ 4,510,891	-	-	4,510,891
International Equity	1,118,803	-	-	1,118,803
Domestic Fixed Income	1,714,860	-	-	1,714,860
Mutual Fund Fixed Income	559,943	-	-	559,943
International Fixed Income	405,363	-	-	405,363
Total investments	\$ 8,309,860	-	-	8,309,860

  

2022	Level 1	Level 2	Level 3	Total
Investments:				
Domestic Equity	\$ 5,217,006	-	-	5,217,006
International Equity	1,186,121	-	-	1,186,121
Domestic Fixed Income	2,370,057	-	-	2,370,057
International Fixed Income	432,372	-	-	432,372
Total investments	\$ 9,205,566	-	-	9,205,566

**3. LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise of the following:

Cash and cash equivalents	\$ 324,521
Accrued interest receivable	18,620
Contributions and grant receivable	589,634
Investments in marketable securities	7,878,684
	\$ 8,811,459

As part of their liquidity management plan, management invests excess cash in Wells Fargo accounts from which they can draw if needed. Amounts held by Alaska Permanent Capital Management of \$431,176 represent net assets with donor restrictions and are not available for general expenditure.

**4. PROPERTY AND EQUIPMENT**

The following is a summary of equipment for the year ended December 31, 2023 and 2022:

	2023	2022
Equipment	\$ 51,211	38,557
Less: accumulated depreciation	(28,778)	(15,555)
Net book value	\$ 22,433	23,002

Depreciation expense for the years ended December 31, 2023 and 2022 was \$13,223 and \$6,689 respectively.

# ARCTIC SLOPE COMMUNITY FOUNDATION

## Notes to the Financial Statements, Continued

### 5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions of \$431,176 and \$384,933 as of December 31, 2023 and 2022, respectively, are restricted for the future benefit of the communities of Atqasuk and Nunamiut. Net assets of \$0 and \$445,000 were released from donor restrictions by incurring expenses satisfying the restricted purposes for the years ended December 31, 2023 and 2022, respectively.

### 6. CONTINGENCIES

Grants and contracts received from federal and local agencies are subject to audit by government entities or their representatives. Accordingly, adjustments of amounts received under grants and contracts could result if the grants or contracts are audited by such agencies and any expenses are disallowed. Management expects that such amounts, if any, will not have a material impact on the financial statements.

### 7. PENSION PLAN

The Foundation maintains a defined contribution pension plan for qualifying employees. Contributions are up to 4% of employee salary. Contributions of \$40,619 and \$30,896 were made to the plan during the years ended December 31, 2023 and 2022, respectively.

### 8. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the balance sheet date through June 20, 2024, 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.

### 9. ECONOMIC DEPENDENCY

For the years ended December 31, 2023 and 2022 the Foundation received 91% and 82% of its revenues (excluding investment income and loss) and other support from federal grants, respectively. A significant change in the economic environment could have substantial impact on the Foundation.

### 10. PRIOR PERIOD ADJUSTMENT

During the fiscal year ended December 31, 2023, management determined that refundable advances were overstated related to an error in prior years. As a result of the correction of the error, the Foundation has recorded an opening balance adjustments to correct the following account balances:

	Previously Reported 2022 Balances	2022 Balances as Restated	Effect of Change
Statement of Financial Position:			
Refundable advances	\$ 307,015	182,015	(125,000)
Net assets – without donor restrictions	\$ 8,829,194	8,954,194	125,000
Statement of Activities:			
Program activities – grants awarded	\$ 4,565,726	4,440,726	(125,000)

ARCTIC SLOPE COMMUNITY FOUNDATION

Supplemental Combining Statement of Activities

Year Ended December 31, 2023

	Other	Donor Advised Fund	Federal Grants	Special Projects	Total
<b>Revenues and support:</b>					
Contributions	\$ 55,336	-	-	35,882	91,218
Federal grants	-	-	3,325,990	-	3,325,990
Special events	195,388	-	-	25,755	221,143
Investment income, net	1,013,607	46,242	-	-	1,059,849
Contributed non-financial assets	28,737	3,025	-	-	31,762
Other	4,756	-	-	-	4,756
Total revenues and other support	<u>1,297,824</u>	<u>49,267</u>	<u>3,325,990</u>	<u>61,637</u>	<u>4,734,718</u>
<b>Expenses:</b>					
Personnel	619,164	-	696,288	3,042	1,318,494
Professional fees	118,265	1,803	1,077,454	47,268	1,244,790
Marketing	1,370	-	-	76	1,446
Dues and subscriptions	44,253	-	936	2,292	47,481
Accounting and audit	55,335	-	4,500	-	59,835
Utilities	18,934	-	7,400	3,352	29,686
Travel and meetings	99,949	-	183,903	10,207	294,059
Supplies and equipment	12,788	1,907	13,847	2,752	31,294
Pass-through grant expense	-	-	1,339,478	-	1,339,478
Other program expenses	1,041,973	16,931	-	-	1,058,904
Bank and merchant fees	36,751	-	-	57	36,808
Depreciation	13,223	-	-	-	13,223
Contributed rent	27,720	-	-	-	27,720
Printing and copying	5,823	-	81	764	6,668
Postage and shipping	239	-	2,103	-	2,342
Insurance	4,282	-	-	-	4,282
Other	1,983	-	-	298	2,281
Total expenses	<u>2,102,052</u>	<u>20,641</u>	<u>3,325,990</u>	<u>70,108</u>	<u>5,518,791</u>
Net income (loss)	<u>\$ (804,228)</u>	<u>28,626</u>	<u>-</u>	<u>(8,471)</u>	<u>(784,073)</u>

ARCTIC SLOPE COMMUNITY FOUNDATION

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2023

Federal Grant Title	Grant Number	Federal Assistance Listing Number	Total Award	Passed through to Subrecipients	Federal Expenditures
U.S. Department of Education:					
Direct:					
Alaska Native Education Program:					
Writing and Revising Interventions to Excel: Using Learning Maps and Interventions to Improve Written Communication (WRITE) for Alaska Native CTE Students	S356A210063	84.356A	\$ 1,753,461	-	559,254
Project Learn: Academic and Cultural Enrichment for Alaska Native Youth	S356A210037	84.356A	3,957,878	1,339,478	1,526,189
Aullaagvik - Local Indigenous Educator Training Total ALN 84.356A	S356A220083	84.356A	2,238,843	-	780,288
			<u>7,950,182</u>	<u>1,339,478</u>	<u>2,865,731</u>
U.S. Small Business Administration:					
Direct:					
Community Navigator Pilot Program (CNPP)	SBAHQ22CNP0033	59.077	995,550	-	361,619
U.S. Department of the Interior:					
Direct:					
Inupiatun Uqaqta Living Language Hub	A22AP00145-01	15.032	172,026	-	98,640
Total Federal Financial Assistance			<u>\$ 9,117,758</u>	<u>1,339,478</u>	<u>3,325,990</u>

See accompanying notes to the Schedule.

ARCTIC SLOPE COMMUNITY FOUNDATION

Notes to the Schedule of Expenditures of Federal Awards

Year ended December 31, 2023

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Arctic Slope Community Foundation under programs of the federal government for the year ended December 31, 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 Arctic Slope Community Foundation, it is not intended to and does not present the financial position, change in net assets, or cash flows of Arctic Slope Community Foundation.

**Note 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Arctic Slope Community Foundation has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 3. Passed Through Awards**

The following amount was passed through to subrecipient:

ALN# 84.356A			
Passed through to Boys and Girls Clubs of Southcentral Alaska	#S356A210037	\$	<u>1,339,478</u>

**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**

**Independent Auditor's Report**

Members of the Board of Directors  
Arctic Slope Community 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 Arctic Slope Community Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 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 June 20, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Arctic Slope Community 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 the Arctic Slope Community Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Arctic Slope Community 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 not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2023-001, that we consider to be a material weakness.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Arctic Slope Community 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*.

### **Arctic Slope Community Foundation's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on Arctic Slope Community Foundation's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Arctic Slope Community Foundation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Anchorage, Alaska  
June 20, 2024

**Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

**Independent Auditor's Report**

Members of the Board of Directors  
Arctic Slope Community Foundation  
Anchorage, Alaska

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Arctic Slope Community 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 Arctic Slope Community Foundation's major federal programs for the year ended December 31, 2023. Arctic Slope Community 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, Arctic Slope Community 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, 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 Arctic Slope Community 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 Arctic Slope Community 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 Arctic Slope Community 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 Arctic Slope Community 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 Arctic Slope Community 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 Arctic Slope Community 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 Arctic Slope Community 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 Arctic Slope Community 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.



Anchorage, Alaska  
June 20, 2024

ARCTIC SLOPE COMMUNITY FOUNDATION

Schedule of Findings and Questioned Costs

Year Ended December 31, 2023

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

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Is a going concern emphasis-of-matter paragraph included in the audit report?

\_\_\_ yes X no

Internal control over financial reporting:

Material weakness(es) identified?

X yes \_\_\_ no

Significant deficiency(ies) identified?

\_\_\_ yes X none reported

Noncompliance material to financial statements noted?

\_\_\_ yes X no

Federal Awards

Internal control over major programs (2 CFR 200.516 (a)(1))?

Material weakness(es) identified:

\_\_\_ yes X no

Significant deficiency(ies) identified:

\_\_\_ yes X none reported

Any material noncompliance with provisions of laws, regulations, contracts, or grant agreements related to a major program (2 CFR 200.516 (a)(2))?

\_\_\_ yes X no

Type of auditor’s report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, 2 CFR 200.516 (a) (3) or (4)?

\_\_\_ yes X no

Identification of major programs:

ALN Number(s)  
84.356A

Name of Federal Program  
Alaska Native Education Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

X yes \_\_\_ no

ARCTIC SLOPE COMMUNITY FOUNDATION

Schedule of Findings and Questioned Costs, Continued

**Section II – Financial Statement Findings**

**Finding 2023-001**

**Lack of Internal Control Over Grant Reconciliations – Prior Period Adjustment**

**Material Weakness**

**Criteria:**

Internal control procedures over financial reporting should be capable of detecting and correcting errors in a timely manner, which includes the identification of misstatements whether due to fraud or error.

**Condition and Context:**

During fiscal year 2023 management determined that the balance of refundable advances as of December 31, 2022 was overstated by \$125,000 due to an error that had occurred in prior years during the reconciliation of a grant program. As a result of the correction of the error, the Foundation recorded an opening balance adjustment (prior period adjustment) to properly state the beginning balances of refundable advances and net assets – without donor restrictions.

**Cause:**

Lack of internal controls over grant reconciliations.

**Effect:**

The beginning balance of refundable balances was overstated by \$125,000. Due to this, a prior period adjustment was recorded to properly state the balances.

**Repeat Finding:**

No. Since it is not a repeat finding we believe this to be an isolated instance.

**Recommendation:**

We recommend that management ensures all financial activity is properly accounted for at year end. This includes properly reconciling grant activity to ensure year end account balances are properly stated.

**Management's Response:**

Management concurs with this finding. See corrective action plan.

**Section III – Federal Award Findings and Questioned Costs**

Arctic Slope Community Foundation did not have any findings that related to federal awards.

Corrective Action Plan

December 31, 2023

***Financial Statement Findings***

**Finding 2023-001**

**Lack of Internal Control Over Grant Reconciliations – Prior Period Adjustment**

**Name of Contact Person:** Ronald Panigeo, Chief Financial Officer

**Corrective Action Plan:** The Chief Financial Officer and ASCF accounting team will review grant reconciliations prior to the issuance of the annual financial statements to ensure that the ending accounts receivable or deferred revenue balances are true and correct.

**Proposed Completion Date:** June 2024