

ARCTIC SLOPE COMMUNITY FOUNDATION

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

Years Ended December 31, 2021 and 2020

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ARCTIC SLOPE COMMUNITY FOUNDATION

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Arctic Slope Community Foundation (a nonprofit organization), which comprise the statement of financial positions as of December 31, 2021 and 2020, and the related statements of activities 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, 2021 and 2020, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements themselves, and other additional procedures in accordance with auditing standards general accepted in the United States of America. In our opinion the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2022, 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.

Altman, Rogers & Co.

Anchorage, Alaska
July 12, 2022

ARCTIC SLOPE COMMUNITY FOUNDATION

Statements of Financial Position

December 31, 2021 and 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 1,046,285	966,303
Accrued interest receivable	12,792	10,045
Contributions and grants receivable	116,624	101,079
Prepaid expenses	5,579	-
Total current assets	<u>1,181,280</u>	<u>1,077,427</u>
Non-current assets:		
Investments in marketable securities	11,446,902	10,377,858
Property and equipment, net	7,696	-
Total non-current assets	<u>11,454,598</u>	<u>10,377,858</u>
Total assets	<u>\$ 12,635,878</u>	<u>11,455,285</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accrued payroll liabilities	40,367	17,830
Accounts payable	68,536	33,652
Grants payable	78,246	424,696
Deferred revenues	309,487	147,692
Total liabilities	<u>496,636</u>	<u>623,870</u>
Net assets:		
Without donor restrictions	11,695,799	10,437,035
With donor restrictions	443,443	394,380
Total net assets	<u>12,139,242</u>	<u>10,831,415</u>
Total liabilities and net assets	<u>\$ 12,635,878</u>	<u>11,455,285</u>

See accompanying notes to the financial statements.

ARCTIC SLOPE COMMUNITY FOUNDATION

Statements of Activities

Years Ended December 31, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:			
Contributions	\$ 568,546	-	568,546
Federal grants	3,269,014	-	3,269,014
Other grants	-	-	-
Special events	47,372	-	47,372
Investment income, net	1,275,677	49,677	1,325,354
In-kind contributions	58,449	-	58,449
Other	48,163	-	48,163
Net assets released from donor restriction	614	(614)	-
Total revenues and other support	<u>5,267,835</u>	<u>49,063</u>	<u>5,316,898</u>
Expenses:			
Program activities -			
Grants awarded	3,267,925	-	3,267,925
Supporting services:			
Management and general	624,096	-	624,096
Fundraising	117,050	-	117,050
Total expenses	<u>4,009,071</u>	<u>-</u>	<u>4,009,071</u>
Change in net assets	1,258,764	49,063	1,307,827
Net assets, beginning of year	<u>10,437,035</u>	<u>394,380</u>	<u>10,831,415</u>
Net assets, end of year	<u>\$ 11,695,799</u>	<u>443,443</u>	<u>12,139,242</u>

(continued)

ARCTIC SLOPE COMMUNITY FOUNDATION

Statements of Activities, Continued

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support:			
Contributions	\$ 205,725	-	205,725
Federal grants	1,487,578	-	1,487,578
Other grants	4,636	-	4,636
Special events	6,024	-	6,024
Investment income, net	840,611	34,553	875,164
In-kind contributions	37,550	-	37,550
Other	1,691	-	1,691
Net assets released from donor restriction	1,582	(1,582)	-
Total revenues and other support	<u>2,585,397</u>	<u>32,971</u>	<u>2,618,368</u>
Expenses:			
Program activities -			
Grants awarded	2,024,970	-	2,024,970
Supporting services:			
Management and general	352,714	-	352,714
Fundraising	18,577	-	18,577
Total expenses	<u>2,396,261</u>	<u>-</u>	<u>2,396,261</u>
Change in net assets	189,136	32,971	222,107
Net assets, beginning of year	<u>10,247,899</u>	<u>361,409</u>	<u>10,609,308</u>
Net assets, end of year	<u>\$ 10,437,035</u>	<u>394,380</u>	<u>10,831,415</u>

See accompanying notes to the financial statements.

ARCTIC SLOPE COMMUNITY FOUNDATION

Statements of Functional Expenses

Years Ended December 31, 2021 and 2020

2021				
	Program Activities	Supporting Services		Total
	Grants Awarded	Management and General	Fundraising	
Personnel	\$ -	453,804	-	453,804
Marketing	-	300	26,763	27,063
Dues and subscriptions	20	20,959	1,814	22,793
Insurance	-	1,196	-	1,196
Professional fees	183,967	64,207	-	248,174
Travel and meetings	34,378	15,903	6,848	57,129
Supplies and equipment	79,624	8,154	61,212	148,990
Pass-through grant expense	1,568,122	-	-	1,568,122
Other grant expense	1,333,567	-	-	1,333,567
Bank fees	-	4,169	2,280	6,449
Depreciation	-	2,565	-	2,565
Rent - in-kind	-	43,449	15,000	58,449
Other expenses	68,247	9,390	3,133	80,770
Total expenses	\$ <u>3,267,925</u>	<u>624,096</u>	<u>117,050</u>	<u>4,009,071</u>

(continued)

ARCTIC SLOPE COMMUNITY FOUNDATION

Statements of Functional Expenses, continued

2020				
	Program Activities	Supporting Services		Total
	Grants Awarded	Management and General	Fundraising	
Personnel	\$ -	218,998	-	218,998
Marketing	-	901	12,485	13,386
Dues and subscriptions	-	100	-	100
Insurance	-	1,234	-	1,234
Professional fees	14,419	65,300	-	79,719
Travel and meetings	-	24,412	-	24,412
Supplies and equipment	40	13,396	-	13,436
Pass-through grant expense	1,035,620	(3,312)	-	1,032,308
Other grant expense	974,891	-	6,092	980,983
Bank fees	-	981	-	981
Depreciation	-	637	-	637
Rent - in-kind	-	27,810	-	27,810
Other expenses	\$ -	2,257	-	2,257
Total expenses	<u>2,024,970</u>	<u>352,714</u>	<u>18,577</u>	<u>2,396,261</u>

See accompanying notes to the financial statements.

ARCTIC SLOPE COMMUNITY FOUNDATION

Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows provided (used) by operating activities:		
Change in net assets	\$ 1,307,827	222,107
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Gain on investments, net	1,081,602	875,164
Depreciation	2,565	637
(Increase) decrease in assets:		
Accrued interest receivable	(2,747)	(788)
Contributions and grants receivable	(15,545)	231,449
Prepaid expenses	(5,579)	-
Increase (decrease) in liabilities:		
Accrued payroll liabilities	22,537	(6,612)
Accounts payable	34,884	23,026
Grants payable	(346,450)	(33,704)
Deferred revenue	161,795	(187,141)
Net cash provided by operating activities	<u>2,240,889</u>	<u>1,124,138</u>
Cash flows (used) by investing activities:		
Purchases of marketable securities	(3,448,088)	(3,326,638)
Proceeds from sale of marketable securities	1,297,442	2,475,703
Purchase of property and equipment	(10,261)	-
Net cash (used) by investing activities	<u>(2,160,907)</u>	<u>(850,935)</u>
Net change in cash and cash equivalents	79,982	273,203
Cash and cash equivalents, beginning of year	<u>966,303</u>	<u>693,100</u>
Cash and cash equivalents, end of year	<u>\$ 1,046,285</u>	<u>966,303</u>
Supplemental cash flow disclosure:		
Non-cash in-kind expenses/donations	<u>\$ 58,449</u>	<u>37,550</u>

See accompanying notes to the financial statements.

ARCTIC SLOPE COMMUNITY FOUNDATION

Notes to the Financial Statements

December 31, 2021 and 2020

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, 2021 and 2020, \$318,395 and \$108,844 was uninsured, respectively.

Contributions and Grants 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, 2021 and 2020.

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.

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.

ARCTIC SLOPE COMMUNITY FOUNDATION

Notes to the Financial Statements, Continued

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.

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.

Deferred Revenue

Deferred revenue represents 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 marketing, dues and subscriptions, professional fees, travel and meetings, supplies and equipment, bank fees, rent in-kind and other expenses have been allocated functionally.

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 deferred revenues on the Statements of Financial Position. The Foundation received \$309,487 and \$147,692 that have not been recognized at December 31, 2021 and 2020, 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.

ARCTIC SLOPE COMMUNITY FOUNDATION

Notes to the Financial Statements, Continued

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.

In-Kind Contributions

In-kind contributions consist of donated rent and services. In-kind contributions are recorded at fair value as revenues and an equivalent amount is recorded as expense at the time of donation. Donated rent of \$27,720 and \$27,810, donated travel and meetings of \$0 and \$9,740 and professional services of \$30,729 and \$0 were recorded in the Management and General function in the Statement of Functional Expenses for the years ended December 31, 2021 and 2020, respectively.

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, 2021 and 2020, 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, 2021 and 2020, nor does it expect there will be a material change in the 12 months following the years ended December 31, 2021 and 2020. The Foundation is no longer subject to examinations by income tax authorities for the tax years prior to 2018.

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, 2021 and 2020 of \$45,430 and \$47,580, respectively. These fees are netted against investment income on the Statements of Activities.

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.

ARCTIC SLOPE COMMUNITY FOUNDATION

Notes to the Financial Statements, Continued

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:

2021	Level 1	Level 2	Level 3	Total
Investments:		-	-	
Domestic Equity	\$ 6,205,993	-	-	6,205,993
International Equity	1,467,445			1,467,445
Domestic Fixed Income	3,225,780	-	-	3,225,780
International Fixed Income	547,684	-	-	547,684
Total investments	\$ 11,446,902	-	-	11,446,902

2020	Level 1	Level 2	Level 3	Total
Investments:		-	-	
Domestic Equity	\$ 4,603,822	-	-	4,603,822
International Equity	1,689,808			1,689,808
Domestic Fixed Income	3,580,579	-	-	3,580,579
International Fixed Income	503,649	-	-	503,649
Total investments	\$ 10,377,858	-	-	10,377,858

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	\$ 1,046,285
Accrued interest receivable	12,972
Contributions and grant receivable	116,624
Investments in marketable securities	11,003,459
	<u>\$ 12,179,340</u>

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 \$443,443 represent net assets with donor restrictions and are not available for general expenditure.

ARCTIC SLOPE COMMUNITY FOUNDATION

Notes to the Financial Statements, Continued

4. PROPERTY AND EQUIPMENT

The following is a summary of equipment for the year ended December 31, 2021 and 2020:

	2021	2020
Equipment	\$ 16,561	6,300
Less: accumulated depreciation	(8,865)	(6,300)
Net Book Value	\$ 7,696	-

Depreciation expense for the years ended December 31, 2021 and 2020 was \$2,565 and \$637 respectively.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions of \$443,443 and \$394,380 as of December 31, 2021 and 2020, respectively, are restricted for the future benefit of the communities of Atqasuk and Nunamiut. Net assets of \$614 and \$1,582 were released from donor restrictions by incurring expenses satisfying the restricted purposes for the years ended December 31, 2021 and 2020, 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. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events from the balance sheet date through July 12, 2022 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.

8. ECONOMIC DEPENDENCY

For the years ended December 31, 2021 and 2020 the Foundation received 61% and 57% of its revenues and other support from federal grants, respectively. A significant change in the economic environment could have substantial impact on the Foundation.

ARCTIC SLOPE COMMUNITY FOUNDATION

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

Federal Grant Title	Grant Number	Assistance Listing Number	Passed through to Subrecipients	Federal Expenditures
U.S. Department of Education:				
Direct:				
Alaska Native Education Program:				
Project Learn: Academic and Cultural Enrichment for Alaska Native Youth	S356A180032-20	84.356A	\$ 1,114,925	1,165,021
Aullaagvik Program - North Slope Borough Alaska Cultural Immersion Camp Teacher Retention Program	S356A190038	84.356A	453,197	950,714
Writing and Revising Interventions to Excel: Using Learning Maps and Interventions to Improve Written Communication (WRITE) for Alaska Native CTE students Total ALN 84.356A	S356A210063	84.356A	- <u>1,568,122</u>	19,478 <u>2,135,213</u>
U.S. Department of Health and Human Services:				
Direct:				
Promote the Survival and Continuing Vitality of Native American Languages	90XN0110-01-00	93.587	-	18,590
U.S. Small Business Administration:				
Direct:				
Community Navigator Pilot Program (CNPP)	SBAHQ22CNP0033	59.077	-	10,392
U.S. Department of Treasury:				
Passed through Arctic Slope Regional Corporation:				
COVID-19 CARES Act	SLT2046	21.019	-	1,104,819
Total Federal Financial Assistance			\$ <u>1,568,122</u>	<u>3,269,014</u>

See accompanying notes to the Schedule.

ARCTIC SLOPE COMMUNITY FOUNDATION

Notes to the Schedule of Expenditures of Federal Awards

Year ended December 31, 2021

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, 2021. 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 amounts were passed through to subrecipients from ALN# 84.356A:

Passed through to Boys and Girls Clubs of Southcentral Alaska	#S356A180032-20	\$ <u>1,114,925</u>
Passed through to Alaska Humanities Foundation	#S356A1900038	\$ <u>453,197</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, 2021, 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 July 12, 2022.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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*.

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.

A handwritten signature in cursive script that reads "Altman, Rogers & Co.".

Anchorage, Alaska
July 12, 2022

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, 2021. 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, 2021.

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
July 12, 2022

ARCTIC SLOPE COMMUNITY FOUNDATION

Schedule of Findings and Questioned Costs

Year Ended December 31, 2021

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?

____ yes X 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

21.019

Name of Federal Program

Alaska Native Education Program

COVID-19 CARES Act

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

\$ 750,000

Auditee qualified as low-risk auditee?

____ yes X no

ARCTIC SLOPE COMMUNITY FOUNDATION

Schedule of Findings and Questioned Costs, Continued

Section II – Financial Statement Findings

The Foundation did not have any findings that related to the financial statements.

Section III – Federal Award Findings and Questioned Costs

The Foundation did not have any findings that related to federal awards.

ARCTIC SLOPE COMMUNITY FOUNDATION

Status of Prior Audit Findings

December 31, 2021

Section II – Financial Statement Findings

Finding 2020-001

Material Weakness

Lack of Segregation of Duties

Condition and Context:

During our audit work over cash disbursements, we encountered multiple disbursements and credit card transactions which lacked adequate approval. We noted no review or approval of the executive director's monthly transactions on credit cards. In addition, there is a lack of segregation of duties and multiple staff can authorize an electronic (ACH) payment. Additionally, we noted no management review of journal entries.

Status:

This finding has been resolved.

Finding 2020-002

Significant Deficiency

Lack of Internal Controls over Management of Federal Awards

Condition and Context:

During our review of policies and procedures and discussions with management we discovered that the Organization does not have a written procurement policy that complies with Title 2 CFR 200.318 to 327.

Status:

This finding has been resolved.

Finding 2020-003

Lack of Internal Controls over Compliance with Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Federal Agency:

U.S. Department of Education

Federal Program:

Alaska Native Education Program

CFDA Number:

84.356

Award Number:

S356A190038 and S35A180032-20

Award Year:

2020 and 2020, respectively

Type of Finding:

Significant deficiency in internal control over compliance.

Condition and Context:

During testing of transactions we noted that adequate documentation of approval was not maintained as audit evidence that internal controls are in place. Physical copies of checks that required two signatures were not retained, and electronic documentation of ACH initiation and approval was not available as audit evidence.

Status:

This finding has been resolved.