ALASKA CHILDREN'S TRUST

FINANCIAL STATEMENTS

(With Independent Auditor's Report Thereon)

Years Ended December 31, 2021 and 2020

PORTER & ALLISON
INC
CERTIFIED PUBLIC ACCOUNTANTS

ALASKA CHILDREN'S TRUST

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ALASKA CHILDREN'S TRUST

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PORTER & ALLISON
INC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors
Alaska Children's Trust
Anchorage, Alaska

Opinion

We have audited the accompanying financial statements of Alaska Children's Trust (a nonprofit organization), which comprise the statements of financial position 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 referred to above present fairly, in all material respects, the financial position of Alaska Children's Trust 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. 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 Alaska Children's Trust 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 Alaska Children's Trust'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 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, 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 Alaska Children's Trusts' 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 Alaska Children's Trusts' 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.

Porter & Allison, Inc.

Anchorage, Alaska
August 31, 2022

FINANCIAL STATEMENTS

ALASKA CHILDREN'S TRUST

Statements of Financial Position

December 31, 2021 and 2020

	2021	2020
Assets		
Current Assets:		
Cash	$ 508,480	$ 404,859
Contributions receivable	64,273	-
Grants receivable	443,882	59,568
Distribution receivable from agency endowment fund	100,000	-
Prepaid expenses	17,299	6,929
Total Current Assets	1,133,934	471,356
Security deposits	13,700	2,200
Beneficial interest in agency endowment funds	15,361,227	14,085,338
Property and equipment, net of accumulated depreciation of $8,335 and $8,335 for 2021 and 2020, respectively	20,095	-
Total Assets	$ 16,528,956	$ 14,558,894
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	$ 241,640	$ 59,605
Accrued payroll related liabilities	62,650	-
Deferred revenue	111,080	-
Total Current liabilities	415,370	59,605
Net Assets:		
Without donor restrictions	12,499	(210,256)
With donor restrictions	16,101,087	14,709,545
Total Net Assets	16,113,586	14,499,289
Total Liabilities and Net Assets	$ 16,528,956	$ 14,558,894

See accompanying notes to financial statements.

ALASKA CHILDREN'S TRUST

Statements of Activities

Years Ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:						
Support:						
Foundations	$ 36,237	731,626	767,863	$ -	713,195	713,195
Corporations and individuals	267,464	-	267,464	92,485	320,033	412,518
Government	442,797	-	442,797	62,451	35,000	97,451
In-kind revenues	145,686	-	145,686	2,228	-	2,228
Net investment return on				-		
beneficial interest	-	1,775,889	1,775,889	-	1,770,290	1,770,290
Net Assets Released from Restrictions	1,115,973	(1,115,973)	-	1,689,442	(1,689,442)	-
Total Support	2,008,157	1,391,542	3,399,699	1,846,606	1,149,076	2,995,682
Revenues:						
Government	443,646	-	443,646	466,248	-	466,248
Other	27,824	-	27,824	21,114	-	21,114
Interest income	60	-	60	99	-	99
Total Revenues	471,530	-	471,530	487,461	-	487,461
Total Support and Revenues	2,479,687	1,391,542	3,871,229	2,334,067	1,149,076	3,483,143
Expenses:						
Program	1,857,313	-	1,857,313	2,054,862	-	2,054,862
Administrative	245,599	-	245,599	162,888	-	162,888
Fundraising	154,020	-	154,020	193,605	-	193,605
Total Expenses	2,256,932	-	2,256,932	2,411,355	-	2,411,355
Change in Net Assets	222,755	1,391,542	1,614,297	(77,288)	1,149,076	1,071,788
Net Assets, beginning of year	(210,256)	14,709,545	14,499,289	(132,968)	13,560,469	13,427,501
Net Assets, end of year	$ 12,499	16,101,087	16,113,586	$ (210,256)	14,709,545	14,499,289

See accompanying notes to financial statements.

ALASKA CHILDREN'S TRUST

Statements of Functional Expenses

Years Ended December 31, 2021 and 2020

For the year ended December 31, 2021:

		Supporting Services		
	Program	Administrative	Fundraising	Total
Expenses:				
Payroll and related expenses	$ 695,439	158,246	83,803	937,488
Grants to others	466,750	-	-	466,750
Professional fees	395,573	29,864	19,985	445,422
Printing and advertising	130,967	2,028	12,571	145,566
Facility	43,545	15,606	10,977	70,128
Supplies	43,380	3,470	2,328	49,178
Communications	24,712	13,353	9,540	47,605
Other	29,461	5,966	11,813	47,240
Travel and meetings	22,013	7,768	2,018	31,799
Licenses and subscriptions	5,473	6,950	985	13,408
Insurance	-	2,348	-	2,348
Total Expenses	$ 1,857,313	245,599	154,020	2,256,932

For the year ended December 31, 2020:

		Supporting Services		
	Program	Administrative	Fundraising	Total
Expenses:				
Payroll and related expenses	$ 570,034	68,280	115,236	753,550
Grants to others	719,021	-	-	719,021
Professional fees	299,208	27,123	17,740	344,071
Printing and advertising	200,529	163	18,982	219,674
Facility	66,784	4,714	4,928	76,426
Supplies	65,183	17,829	4,990	88,002
Communications	56,030	11,813	25,523	93,366
Other	24,598	2,104	1,917	28,619
Travel and meetings	53,063	19,631	4,006	76,700
Licenses and subscriptions	-	9,052	283	9,335
Insurance	412	1,476	-	1,888
Depreciation	-	703	-	703
Total Expenses	$ 2,054,862	162,888	193,605	2,411,355

See accompanying notes to financial statements.

ALASKA CHILDREN'S TRUST

Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities:		
Change in Net Assets	$ 1,614,297	$ 1,071,788
Adjustments to reconcile change in net assets to to net cash flows from operating activates:		
Depreciation	-	703
Net investment return on beneficial interest	(1,774,489)	(1,770,290)
Contributions to beneficial interest directly remitted to ACF	(1,400)	-
(Increase) Decrease in assets:		
Contributions receivable	(64,273)	61,577
Grants receivable	(384,314)	4,443
Distribution receivable from agency endowment fund	(100,000)	250,000
Security deposits	(11,500)	-
Prepaid expenses	(10,370)	(6,100)
Increase (Decrease) in liabilities:		
Accounts payable	182,035	(166,523)
Accured payroll liabilties	62,650	-
Deferred revenue	111,080	(52,337)
Net Cash Flows from Operating Activities	(376,284)	(606,739)
Cash Flows from Investing Activities:		
Purchase of furniture and fixtures	(20,095)	-
Cash Flows from Financing Activities:		
Contributions to beneficial interest	-	(26)
Distributions received from beneficial interest	500,000	750,000
Net Cash Flows from Financing Activities	500,000	749,974
Net Cash Flows	103,621	143,235
Cash, beginning of year	404,859	261,624
Cash, end of year	$ 508,480	$ 404,859

See accompanying notes to financial statements.

Note 1 – Nature of Operations

Alaska Children's Trust (the Organization) is a non-profit corporation organized to improve the status of children in Alaska by generating funds and committing resources to eliminate child abuse and neglect.

The Organization was established by the Alaska State Legislature in 1988 and received initial funding in 1996. Each year, the Organization funds community-based prevention programs across the state aimed at strengthening families, protecting children, and developing healthy communities.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting
The accounting policies conform to accounting principles generally accepted in the United States of America as applicable. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide").

Cash
For purposes of reporting cash flows, all cash and highly liquid investments with an initial maturity of three months or less are considered cash.

Accounts Receivable
Accounts receivable are stated at the amount management expects to collect from outstanding balances related to support and revenues and are reported net of allowance for doubtful accounts. The allowance for doubtful accounts is based on management's estimate of the accounts receivable that will not be collected. Management considers the collectability of receivables on a case by case basis. Receivables are written off when all collection efforts have been exhausted. Management believes all balances will be collected for the years presented and therefore no allowance has been recorded.

Beneficial Interest in Agency Endowment Fund
In 2011, the State of Alaska transferred funds to the Alaska Community Foundation (ACF) on the Organization's behalf as the named beneficiary. ACF is holding them as the agent in an agency endowment fund (the Fund) for the benefit of the Organization. The intent of the Fund is to be used for general charitable uses to benefit the Organization. Distributions back to the Organization are subject to the ACF's investment and spending policies and are not readily available for operations until received. Therefore, the Organization reports the fair value of the Fund as a beneficial interest on the statement of financial position where the changes in the value of the Fund from realized and unrealized earnings net of expenses (net investment return) are reported as restricted until received from ACF.

The Fund has been valued, as a practical expedient, at the fair value of the Organization's share of the ACF's investment pool as of the measurement date, utilizing valuations provided by the investment funds. The ACF values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the ACF, which include private placements and other securities for which prices are not readily available, are determined by the management of the ACF and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. As such, the Fund is classified at Level 3, having elements of unobservable inputs. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the Organization to retain as a fund of perpetual duration. The Organization follows the policy of ACF in regard to spending underwater endowment funds. Deficiencies of this nature do not exist for the years presented.

Property and Equipment

Purchases of property and equipment are recorded at cost or, in the case of donated property, at the estimated fair value as of the date of the contribution. The Organization has not established a capitalization policy. Depreciation is provided using the straight-line method over the estimated useful lives of the property, which range from five to ten years. Expenditures for repairs and maintenance are charged against operations as incurred.

Net Assets

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

> Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.
>
> Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Support and Revenue Recognition

Support – Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barriers, and a right of return, are not recognized until the conditions on which they depend have been substantially met. They are classified on the statement of financial position as refundable advances until such conditions are met. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

Revenue - Revenues from contracts with customers are for training and consulting activities that support the Organization's mission. Revenue is recognized over time as performance obligations are met using the output method. Management evaluates each contract individually as performance obligations are specific to each individual contract. At times cash receipts from contracts are received in advance of performance obligations being met, these receipts are reported as deferred revenue (contract liability) until that time performance obligations are met. All beginning balances of deferred revenue presented were recognized as revenue in the subsequent year.

Donated Materials and Services

Donated materials and services meeting the criteria of FASB ASC 958-605 are recorded at their estimated fair value as of the date of the contribution. The amount of the contribution is presented as both support and expense in the accompanying financial statements. During the year, the Organization received professional services, discount on personnel contract services, auction items and space use.

Advertising

Costs related to advertising are expensed as incurred and is reported as printing and advertising on the statements of functional expenses.

Methods Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Organization. Those expenses include the president's office, communications, and information technology. Certain costs of the President's office, communications, and information technology are allocated based on estimates of time and effort. Fundraising payroll and related expenses are based on time studies that support 25% of the total general and administrative wages as being for purpose of fundraising.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Fair Value Measurements

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset 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, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs 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 are inputs other than quoted prices included in Level 1 that are observable for the asset or liabilities in active markets, quoted prices.
>
> Level 3 – Inputs are unobservable inputs for the asset or liability. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The Organization reports the following Level 1 financial instruments at fair value or at amounts that approximate fair value: (1) cash, (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 approximate their fair value due to the short-term nature of these assets and liabilities.

Income Taxes
The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is a nonprofit corporation that is a publicly supported charity and not a private foundation. The Organization believes that it has appropriate support for any tax positions taken, and as such does not have any uncertain tax positions that are material to the financial statements.

Subsequent Events
The Organization has evaluated subsequent events through August 31, 2022, the date the financial statements were available to be issued.

Note 3 – Cash and Concentrations of Credit Risk

The Organization maintains cash balances at several financial institutions located in Anchorage, Alaska. Accounts at each institution are insured up to $250,000 by the Federal Deposit Insurance Corporation. Alaska Children's Trust had uninsured cash totaling $256,105 and $487,510 at December 31, 2021, and 2020, respectively.

Note 4 – Beneficial Interest in Agency Endowment Fund

Changes in the Fund for the years ended December 31 that are included in net assets with donor restrictions are as follows:

	2021	2020
Balance, beginning of year	$ 14,085,338	$ 13,065,022
Net investment return:		
Realized investment earnings	629,715	358,964
Unrealized fair value adjustment	1,217,032	1,477,968
ACF management/custodial fees	(72,258)	(66,642)
Total net investment return	1,774,489	1,770,290
Contributions	1,400	26
Distributions from ACF	(500,000)	(750,000)
Net change in beneficial interest	1,275,889	1,020,316
Balance, end of year	$ 15,361,227	$ 14,085,338

Note 5 – Net Assets

Net assets with donor restrictions consists of the following purposes as of December 31:

	2021	2020
Subject to expenditure for specified purpose:		
Programs	$ 739,860	$ 624,208
Beneficial Interest held by ACF –		
Subject to ACF spending policy and appropriations (see Note 4)	15,361,227	14,085,337
Total Net Assets With Donor Restrictions	$ 16,101,087	$ 14,709,545

Releases from net assets with donor restrictions for the years ended December 31 are as follows:

	2021	2020
Subject to expenditure for specified purpose:		
Programs	$ 615,973	$ 939,442
Beneficial Interest held by ACF –		
Subject to ACF spending policy and appropriations (see Note 4)	500,000	750,000
Total Net Assets With Donor Restrictions Released during the year	$ 1,115,973	$ 1,689,442

Note 6 – Payroll and Related Expenses

In July 2021, the Organization transitioned from The Foraker Group to a professional employer organization, Paychex-Oasis, for employee payroll and benefits.

Note 7 – Related Party Transactions

The Organization received contributions from board members and related affiliates totaling $131,468 and $71,212 for the years ended December 31, 2021, and 2020, respectively. There were no balances due from related parties as of December 31, 2021, and 2020.

Note 8 – Commitments and Contingencies

The Organization receives grants that are subject to audit and adjustment by the grantor agencies. Any expenditure disallowed as a result of such an audit and for which grant monies had been expended would become a liability of the Organization. At December 31, 2021, and 2020, no such audit was pending and the management of the Organization does not anticipate any such liability arising that would have a material effect on the financial condition of the Organization.

Note 9 – Liquidity and Availability of Resources

The Organization financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the date of the statement of financial position, comprised of the following for the years ended December 31:

	2021	2020
Financial assets at year end:		
Cash	$ 508,480	$ 404,859
Contributions receivable	64,273	-
Grants receivable	443,882	59,568
Distribution receivable from the agency endowment fund	100,000	-
Beneficial interest in agency endowment funds	15,361,227	14,085,338
Total Financial Assets	16,477,862	14,549,765
Less: funds subjected to ACF's spending and appropriation policy less portion notified as available	(14,738,553)	(13,457,946)
Total Financial Assets Available	$ 1,739,309	$ 1,091,819

As part of the Organization's liquidity management, the Organization has structured its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization's beneficial interest income is available at the discretion of the agent. At December 31, 2021 and 2020, the agent has noted that $622,674 and $627,392, respectively, of the endowment is available for the Organization to use for any activities of the Organization in the next 12 months. In the event of an emergency, additional funds may be drawn down with the approval of the agent's board of directors.

Note 10 – Lease Committments

In October 2021, the Organization entered into a lease agreement to rent new office space under the terms of a non-cancelable operating lease. The term of the lease is for five years beginning on November 1, 2021, and ending on December 31, 2026. Monthly rent for the premises is $2.50 per square foot and increases $0.05 per square foot per year with payments scheduled to begin January 1, 2022. There is an option to renew for an additional five years at the end of the initial lease period with the same terms and conditions.

Prior to October 2021, the Organization leased office space in an annual operating agreement with the Alaska Community Foundation which ended December 31, 2021. Annual rent expense for 2021 represents payments on the pre-existing lease. Total rent expense for December 31, 2021 and 2020 was $61,062 and $62,781 respectively.

Future lease payments required under the new lease are as follows:

2022	$	136,650
2023		139,383
2024		142,116
2025		144,849
2026		147,582
	$	710,580

Note 11 – New Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, Leases (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the entities' fiscal years beginning after December 15, 2021, with early adoption permitted.

In September 2020, FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This amendment is to update the application to NFPs that receive contributed nonfinancial assets. The amendments address the presentation and disclosure of contributed nonfinancial assets. The ASU is required to be applied on the retrospective basis and is effective for the entities' fiscal years beginning after June 15, 2021, with early adoption permitted.