

ALASKA CHILDREN'S TRUST

FINANCIAL STATEMENTS
(With Independent Auditor's Report Thereon)

Years Ended December 31, 2022 and 2021



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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, 2022 and 2021, 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 referred to above present fairly, in all material respects, the financial position of Alaska Children's Trust as of December 31, 2022 and 2021, 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. 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 audits. 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 Trust'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 Alaska Children's Trust'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.

Porter & Allison, Inc.

Anchorage, Alaska
June 29, 2023

FINANCIAL STATEMENTS

ALASKA CHILDREN'S TRUST

Statements of Financial Position

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets:		
Cash	\$ 262,450	\$ 508,480
Contributions receivable	100	64,273
Grants receivable	449,632	443,882
Distribution receivable from agency endowment fund	100,000	100,000
Prepaid expenses	2,644	17,299
Total Current Assets	<u>814,826</u>	<u>1,133,934</u>
Right of use asset	544,942	-
Security deposits	11,500	13,700
Beneficial interest in agency endowment funds	13,131,774	15,361,227
Property and equipment, net of accumulated depreciation of \$13,536 and \$0 for 2022 and 2021, respectively	<u>98,884</u>	<u>20,095</u>
Total Assets	<u><u>\$ 14,601,926</u></u>	<u><u>\$ 16,528,956</u></u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 201,252	\$ 241,640
Accrued payroll related liabilities	69,200	62,650
Deferred revenue	-	111,080
Operating lease liability - current portion	136,473	-
Total Current liabilities	<u>406,925</u>	<u>415,370</u>
Operating lease liability, net of current portion	<u>413,935</u>	<u>-</u>
Total Liabilities	<u>820,860</u>	<u>415,370</u>
Net Assets:		
Without donor restrictions	(129,228)	12,499
With donor restrictions	<u>13,910,294</u>	<u>16,101,087</u>
Total Net Assets	<u>13,781,066</u>	<u>16,113,586</u>
Total Liabilities and Net Assets	<u><u>\$ 14,601,926</u></u>	<u><u>\$ 16,528,956</u></u>

See accompanying notes to financial statements.

ALASKA CHILDREN'S TRUST
Statements of Activities
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:						
Support:						
Foundations	\$ 65,607	702,825	768,432	\$ 36,237	731,626	767,863
Corporations and individuals	329,654	295,818	625,472	267,464	-	267,464
Government	418,449	-	418,449	442,797	-	442,797
In-kind contributions	93,016	-	93,016	145,686	-	145,686
Net investment return (loss) on beneficial interest	-	(1,829,453)	(1,829,453)	-	1,775,889	1,775,889
Net Assets Released from Restrictions	1,359,983	(1,359,983)	-	1,115,973	(1,115,973)	-
Total Support	<u>2,266,709</u>	<u>(2,190,793)</u>	<u>75,916</u>	<u>2,008,157</u>	<u>1,391,542</u>	<u>3,399,699</u>
Revenues:						
Government	533,010	-	533,010	443,646	-	443,646
Other	21,397	-	21,397	27,824	-	27,824
Interest income	48	-	48	60	-	60
Total Revenues	<u>554,455</u>	<u>-</u>	<u>554,455</u>	<u>471,530</u>	<u>-</u>	<u>471,530</u>
Total Support and Revenues	<u>2,821,164</u>	<u>(2,190,793)</u>	<u>630,371</u>	<u>2,479,687</u>	<u>1,391,542</u>	<u>3,871,229</u>
Expenses:						
Program	2,324,446	-	2,324,446	1,857,313	-	1,857,313
Administrative	427,082	-	427,082	245,599	-	245,599
Fundraising	211,363	-	211,363	154,020	-	154,020
Total Expenses	<u>2,962,891</u>	<u>-</u>	<u>2,962,891</u>	<u>2,256,932</u>	<u>-</u>	<u>2,256,932</u>
Change in Net Assets	(141,727)	(2,190,793)	(2,332,520)	222,755	1,391,542	1,614,297
Net Assets, beginning of year	<u>12,499</u>	<u>16,101,087</u>	<u>16,113,586</u>	<u>(210,256)</u>	<u>14,709,545</u>	<u>14,499,289</u>
Net Assets, end of year	\$ <u>(129,228)</u>	<u>13,910,294</u>	<u>13,781,066</u>	\$ <u>12,499</u>	<u>16,101,087</u>	<u>16,113,586</u>

See accompanying notes to financial statements.

ALASKA CHILDREN'S TRUST
Statements of Functional Expenses
Years Ended December 31, 2022 and 2021

For the year ended December 31, 2022:

		Supporting Services		
	Program	Administrative	Fundraising	Total
Expenses:				
Payroll and related expenses	\$ 822,264	201,219	98,971	1,122,454
Grants to others	545,608	3,550	7,405	556,563
Professional fees	323,961	106,476	22,374	452,811
Printing and advertising	265,507	3,052	9,760	278,319
Facility	128,806	27,913	26,219	182,938
Travel and meetings	115,403	21,779	16,188	153,370
Supplies	58,526	12,968	5,329	76,823
Communications	24,635	18,268	16,549	59,452
Other	36,711	10,584	6,701	53,996
Depreciation	-	13,536	-	13,536
Licenses and subscriptions	25	7,737	1,867	9,629
Insurance	3,000	-	-	3,000
Total Expenses	\$ 2,324,446	427,082	211,363	2,962,891

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
Travel and meetings	22,013	7,768	2,018	31,799
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
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

See accompanying notes to financial statements.

ALASKA CHILDREN'S TRUST
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (2,332,520)	\$ 1,614,297
Adjustments to reconcile change in net assets to to net cash flows from operating activities:		
Depreciation	13,536	-
Amortization of right of use asset	5,466	-
Net investment (return) loss on beneficial interest	1,829,453	(1,774,489)
In-kind contributions of property	(61,000)	-
Contributions to beneficial interest directly remitted to ACF	-	(1,400)
(Increase) Decrease in assets:		
Contributions receivable	64,173	(64,273)
Grants receivable	(5,750)	(384,314)
Distribution receivable from agency endowment fund	-	(100,000)
Security deposits	2,200	(11,500)
Prepaid expenses	14,655	(10,370)
Increase (Decrease) in liabilities:		
Accounts payable	(40,388)	182,035
Accrued payroll liabilities	6,550	62,650
Deferred revenue	<u>(111,080)</u>	<u>111,080</u>
Net Cash Flows from Operating Activities	<u>(614,705)</u>	<u>(376,284)</u>
Cash Flows from Investing Activities:		
Purchase of furniture and fixtures	<u>(31,325)</u>	<u>(20,095)</u>
Cash Flows from Financing Activities:		
Distributions received from beneficial interest	<u>400,000</u>	<u>500,000</u>
Net Cash Flows	(246,030)	103,621
Cash, beginning of year	<u>508,480</u>	<u>404,859</u>
Cash, end of year	\$ <u><u>262,450</u></u>	\$ <u><u>508,480</u></u>
Supplementary Information:		
Cash paid during the year:		
Cash paid for operating leases including amounts prepaid	\$ <u><u>136,650</u></u>	\$ <u><u>-</u></u>

See accompanying notes to financial statements.

ALASKA CHILDREN'S TRUST
Notes to Financial Statements
Years Ended December 31, 2022 and 2021

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 statement presentation follows the financial statement presentation recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*, 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).

Implementation of New Accounting Standards

During the year ended December 31, 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

Additionally, the Organization adopted ASU No. 2016-02, *Leases* (Topic 842) effective January 1, 2022, using the modified retrospective method. The modified retrospective transition method allows entities to apply the transition requirements at the effective date rather than at the beginning of the earliest comparative period presented. The Organization's reporting for comparative periods was not recast and is presented in accordance with ASC 840. Adoption of the new standard resulted in the recording of right-of-use assets and lease liabilities of \$686,049, and \$686,049 respectively, on January 1, 2022. The adoption of the standard did not have a material impact on the Organization's net assets or cash flows. The Organization elected to use the transition package of three practical expedients, which among other things, allowed the Organization to carry forward the historical lease classification. The Organization has also elected to use the risk-free rate on the date of adoption using the remaining lease term as of the date of adoption. The underlying assets of the Organization's leases as of the adoption date consisted of office space.

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.

ALASKA CHILDREN'S TRUST
Notes to Financial Statements
Years Ended December 31, 2022 and 2021

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.

Lease Liability and Right of Use Asset

The Organization's leases consist of real property. The determination of whether an arrangement is a lease is made at the lease's inception. A contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct use of the asset. Management reassesses this determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities on the balance sheet. ROU assets represent the Organizations' right to use an underlying asset for the duration of the lease contract, and lease liabilities represent the obligation to make lease payments in future periods. Operating lease ROU assets and liabilities are recognized at the lease commencement date based

ALASKA CHILDREN'S TRUST
Notes to Financial Statements
Years Ended December 31, 2022 and 2021

on the present value of lease payments to be paid over the lease term. The discount rate for the present value calculation is based on the risk-free treasury rate at the inception of the lease. Operating lease ROU assets also includes any lease payments made and exclude any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. No lease agreements contain any material residual value guarantees. Costs of leases with a term shorter than one year are expensed ratably over the lease term and future obligations on short-term leases are not recognized on the balance sheet.

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. Items with an original cost in excess of \$5,000 are capitalized. 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.

ALASKA CHILDREN'S TRUST
Notes to Financial Statements
Years Ended December 31, 2022 and 2021

In-Kind Contributions

Contributed nonfinancial assets include donated office furniture, professional services and other in-kind contributions which are recorded at the respective fair values of the goods or services received. The estimated fair value of donated services is recognized as a contribution in accordance with ASC topic No. 958-605 if the services (a) create or enhance nonfinancial assets or (b) required specialized skills, are performed by people possessing those skills, and (c) would otherwise need to be purchased by the Organization.

It is the policy of the Organization to utilize all in kind contributions first before considering the monetization of the contributed goods. The use of contributed goods and services utilized by function is included on the statement of functional expenses unless, in the case of contributed goods, capitalized as appropriate.

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.

ALASKA CHILDREN'S TRUST
Notes to Financial Statements
Years Ended December 31, 2022 and 2021

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 June 29, 2023, the date the financial statements were available to be issued.

Note 3 – Cash and Concentrations of Credit Risk

The Federal Deposit Insurance Corporation (FDIC) insures funds held in a banking institution to a maximum of \$250,000 in total. Amounts in excess of the FDIC insurance limits are neither insured nor collateralized throughout the year. The Organization had uninsured cash balances totaling \$12,450 and \$256,105 at December 31, 2022, and 2021, respectively.

ALASKA CHILDREN'S TRUST
Notes to Financial Statements
Years Ended December 31, 2022 and 2021

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:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 15,361,227	\$ 14,085,338
Net investment return:		
Realized investment earnings	308,095	629,715
Unrealized fair value adjustment	(2,068,838)	1,217,032
ACF management/custodial fees	<u>(68,710)</u>	<u>(72,258)</u>
Total net investment return (loss)	(1,829,453)	1,774,489
Contributions	-	1,400
Distributions from ACF	<u>(400,000)</u>	<u>(500,000)</u>
Net change in beneficial interest	<u>(2,229,453)</u>	<u>1,275,889</u>
Balance, end of year	<u>\$ 13,131,774</u>	<u>\$ 15,361,227</u>

Note 5 – Net Assets

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Programs	\$ 778,520	\$ 739,860
Beneficial Interest held by ACF –		
Subject to ACF spending policy and appropriations (see Note 4)	<u>13,131,774</u>	<u>15,361,227</u>
Total Net Assets With Donor Restrictions	<u>\$ 13,910,294</u>	<u>\$ 16,101,087</u>

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Programs	\$ 959,983	\$ 615,973
Beneficial Interest held by ACF –		
Subject to ACF spending policy and appropriations (see Note 4)	<u>400,000</u>	<u>500,000</u>
Total Net Assets With Donor Restrictions Released during the year	<u>\$ 1,359,983</u>	<u>\$ 1,115,973</u>

ALASKA CHILDREN'S TRUST
Notes to Financial Statements
Years Ended December 31, 2022 and 2021

Note 6 – In-kind Contributions

For the year ended December 31, 2022 contributed nonfinancial assets recognized within the statement of activities included the following:

Donated office furniture and equipment	\$ 75,000
Professional services	<u>18,016</u>
	<u>\$ 93,016</u>

Note 7 – Payroll and Related Expenses

The Organization contracts with a professional employer organization, Paychex-Oasis, for employee payroll management and benefits administration. Amounts associated with this arrangement are presented as payroll and related expenses on the statement of functional expenses.

Note 8 – Related Party Transactions

The Organization received contributions from board members and related affiliates totaling \$275,614 and \$131,468 for the years ended December 31, 2022, and 2021, respectively. There were no balances due from related parties as of December 31, 2022 and 2021.

Note 9 – 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, 2022, and 2021, 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.

ALASKA CHILDREN'S TRUST
Notes to Financial Statements
Years Ended December 31, 2022 and 2021

Note 10 – 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:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash	\$ 262,450	\$ 508,480
Contributions receivable	100	64,273
Grants receivable	449,632	443,882
Distribution receivable from the agency endowment fund	100,000	100,000
Beneficial interest in agency endowment funds	<u>13,131,774</u>	<u>15,361,227</u>
Total Financial Assets	13,943,956	16,477,862
Less: funds subjected to ACF's spending and appropriation policy less portion notified as available	<u>(12,324,516)</u>	<u>(14,738,553)</u>
Total Financial Assets Available	<u>\$ 1,619,440</u>	<u>\$ 1,739,309</u>

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, 2022 and 2021, the agent has noted that \$807,258 and \$622,674, 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 11 – Operating Leases

In 2021, the Organization leased office space in an annual operating agreement with the Alaska Community Foundation which ended December 31, 2021. Total rent expense for December 31, 2021 was \$61,062.

In October 2021, the Organization entered into a non-cancelable operating lease for office space. The term of the lease is for five years, beginning November 1, 2021, and ending on December 31, 2026. The monthly rent for the premises is \$2.50 per square foot and increases \$0.05 per square foot per year. 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. Total operating lease cost for the year ended December 31, 2022 was \$142,116.

ALASKA CHILDREN'S TRUST
Notes to Financial Statements
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The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of December 31, 2022:

2023	\$ 139,383
2024	142,116
2025	144,849
2026	<u>147,582</u>
Total Lease payments	573,930
Less: Amounts representing interest	<u>(23,522)</u>
Present value of Lease Liabilities	550,408
Less: Current portion	<u>(136,473)</u>
Lease Liability, net of current portion	<u>\$ 413,935</u>

Note 12 – New Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The standard's goal is to improve financial reporting by requiring earlier recognition of credit losses on receivables and other financial assets. With ASU 2022-02 the effective date has been delayed until fiscal years beginning after December 15, 2022.