



Trustees for Alaska

Consolidated Financial Statements
Years Ended September 30, 2018 and 2017

Trustees for Alaska

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Trustees for Alaska

Contents

	Page
Independent Auditor's Report	1-2
Consolidated Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5
Consolidated Statements of Functional Expenses	6-7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9-18
Supplementary Information	
Combining Statements:	
Consolidating Statements of Financial Position	20
Consolidating Statements of Activities	21



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Independent Auditor's Report

Board of Directors
Trustees for Alaska
Anchorage, Alaska

We have audited the accompanying consolidated financial statements of Trustees for Alaska, which comprise the consolidated statements of financial position as of September 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Trustees for Alaska as of September 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

BDO USA, LLP

Anchorage, Alaska
January 21, 2019

Consolidated Financial Statements

Trustees for Alaska
Consolidated Statements of Financial Position

<i>September 30,</i>	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 350,225	\$ 330,725
Receivables:		
Foundation grants	115,000	70,000
Other receivables	10,157	2,330
Prepaid expenses	22,454	8,175
Total Current Assets	497,836	411,230
Property and equipment	72,701	53,979
Less accumulated depreciation	(48,831)	(41,647)
Property and equipment, net	23,870	12,332
Investments	6,915,864	6,348,798
Total Assets	\$ 7,437,570	\$ 6,772,360
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 11,302	\$ 14,695
Accrued payroll liabilities and leave	42,785	33,189
Current portion, capital lease payable	3,459	791
Total Current Liabilities	57,546	48,675
Long-term liabilities - capital lease payable, net of current portion	10,351	-
Total Liabilities	67,897	48,675
Net Assets		
Unrestricted:		
Designated by the Board - endowment	6,757,551	6,230,647
Designated by the Board for operations	150,000	150,000
Undesignated	88,758	83,832
Temporarily restricted	373,364	259,206
Total Net Assets	7,369,673	6,723,685
Total Liabilities and Net Assets	\$ 7,437,570	\$ 6,772,360

See accompanying notes to consolidated financial statements.

Trustees for Alaska
Consolidated Statements of Activities

<i>Years Ended September 30,</i>	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and Support						
Foundation grants	\$ 437,500	\$ 295,000	\$ 732,500	\$ 303,288	\$ 266,500	\$ 569,788
Contributions	251,428	75,000	326,428	231,815	1,100	232,915
Colleen Burgh Fund	-	-	-	-	5,050	5,050
In-kind revenue	61,634	-	61,634	131,682	-	131,682
Interest income	105,739	34,333	140,072	113,897	-	113,897
Other	12,333	-	12,333	10,782	-	10,782
Net assets released from restrictions in satisfaction of program requirements	290,175	(290,175)	-	299,907	(299,907)	-
Total Revenue and Support	1,158,809	114,158	1,272,967	1,091,371	(27,257)	1,064,114
Expenses						
Program services:						
Arctic	393,840	-	393,840	280,590	-	280,590
Clean Air and Water	285,703	-	285,703	300,477	-	300,477
Climate Change	73,752	-	73,752	204,124	-	204,124
Marine	34,043	-	34,043	79,320	-	79,320
Wildlife	198,805	-	198,805	124,939	-	124,939
Total Program Services	986,143	-	986,143	989,450	-	989,450
Support services:						
General and administrative	168,942	-	168,942	175,535	-	175,535
Fundraising	175,739	-	175,739	180,796	-	180,796
Total Support Services	344,681	-	344,681	356,331	-	356,331
Total Expenses	1,330,824	-	1,330,824	1,345,781	-	1,345,781
Increase (decrease) in net assets from operating activities	(172,015)	114,158	(57,857)	(254,410)	(27,257)	(281,667)
Non-operating Activities						
Other revenue	13,939	-	13,939	113,290	-	113,290
Other expenses	(38,174)	-	(38,174)	(34,777)	-	(34,777)
Gain on investments	728,080	-	728,080	889,110	-	889,110
Change in net assets	531,830	114,158	645,988	713,213	(27,257)	685,956
Net Assets, beginning of year	6,464,479	259,206	6,723,685	5,751,266	286,463	6,037,729
Net Assets, end of year	\$ 6,996,309	\$ 373,364	\$ 7,369,673	\$ 6,464,479	\$ 259,206	\$ 6,723,685

See accompanying notes to consolidated financial statements.

Trustees for Alaska
Consolidated Statement of Functional Expenses

<i>Year Ended September 30, 2018</i>	Arctic	Clean Air and Water	Climate Change	Marine	Wildlife	General and Admin- istrative	Fund- Raising	Total
Salaries and benefits	\$ 300,571	\$ 196,019	\$ 46,494	\$ 11,302	\$ 145,199	\$ 124,727	\$ 120,923	\$ 945,235
Occupancy costs	19,054	26,298	8,190	6,772	10,948	11,337	12,285	94,884
In-kind legal	11,768	16,518	4,355	3,988	7,020	11,066	6,920	61,635
Contract and professional	8,606	13,059	3,266	4,330	9,461	8,023	5,933	52,678
Travel	23,290	2,606	105	245	1,858	146	3,428	31,678
Dues and subscriptions	8,405	8,020	2,744	883	9,531	708	1,387	31,678
Equipment costs	4,903	6,404	1,736	1,562	2,713	558	3,552	21,428
Insurance	3,756	5,273	1,390	1,273	2,241	3,670	1,541	19,144
Board activities	1,792	1,367	667	886	1,937	1,929	7,174	15,752
Communications	3,943	2,005	737	704	1,795	1,437	1,206	11,827
Printing and publications	598	664	553	288	221	379	7,726	10,429
Case-related expenses	2,180	855	1,739	158	2,920	273	296	8,421
Training and recruitment	2,217	3,022	783	736	1,328	75	81	8,242
Depreciation	1,456	2,044	539	494	869	855	927	7,184
Meetings and events	819	922	238	240	463	232	628	3,542
Bank fees	-	-	-	-	-	3,250	72	3,322
Postage	236	317	125	90	127	143	1,475	2,513
Supplies and office expense	246	310	91	92	174	134	185	1,232
Total Expenses	\$ 393,840	\$ 285,703	\$ 73,752	\$ 34,043	\$ 198,805	\$ 168,942	\$ 175,739	\$ 1,330,824

See accompanying notes to consolidated financial statements.

Trustees for Alaska
Consolidated Statement of Functional Expenses

<i>Year Ended September 30, 2017</i>	Arctic	Clean Air and Water	Climate Change	Marine	Wildlife	General and Admin- istrative	Fund- Raising	Total
Salaries and benefits	\$ 190,229	\$ 223,153	\$ 125,514	\$ 44,254	\$ 93,814	\$ 115,142	\$ 122,031	\$ 914,137
Occupancy costs	17,884	19,543	20,844	9,981	5,468	12,267	13,258	99,245
In-kind legal	23,729	25,928	27,653	13,247	7,256	16,276	17,593	131,682
Contract and professional	8,340	6,419	9,853	3,216	6,621	8,554	6,118	49,121
Travel	21,428	3,284	-	-	1,137	-	-	25,849
Dues and subscriptions	5,292	7,899	4,359	2,124	4,728	229	1,159	25,790
Equipment costs	2,630	2,852	3,066	1,456	838	2,321	1,949	15,112
Insurance	3,381	3,694	3,939	1,888	1,034	4,908	1,614	20,458
Board activities	1,970	1,459	2,604	846	1,402	8,894	1,946	19,121
Communications	2,369	2,400	2,371	479	1,326	1,791	1,243	11,979
Printing and publications	419	474	493	225	137	289	7,771	9,808
Case-related expenses	474	732	567	275	284	321	347	3,000
Training and recruitment	829	872	965	447	303	1,473	382	5,271
Depreciation	1,067	1,166	1,243	596	326	731	791	5,920
Meetings and events	87	95	102	49	27	867	754	1,981
Bank fees	-	-	-	-	-	992	1,328	2,320
Postage	183	225	220	102	113	287	2,309	3,439
Supplies and office expense	279	282	331	135	125	193	203	1,548
Total Expenses	\$ 280,590	\$ 300,477	\$ 204,124	\$ 79,320	\$ 124,939	\$ 175,535	\$ 180,796	\$ 1,345,781

See accompanying notes to consolidated financial statements.

Trustees for Alaska
Consolidated Statements of Cash Flows

<i>Years Ended September 30,</i>	2018	2017
Cash Flows for Operating Activities		
Receipts from grants and contributions	\$ 1,013,928	\$ 737,753
Payments to employees and suppliers	(1,270,082)	(1,199,346)
Receipts from other revenue sources, net of attorney fees paid	18,445	123,156
Payments for investment fees	(38,174)	(34,777)
Interest and dividends received	140,072	113,897
Net Cash Flows for Operating Activities	(135,811)	(259,317)
Cash Flows from Investing Activities		
Purchases of investments	(3,894,514)	(2,537,207)
Proceeds from sale of investments	4,055,528	2,613,267
Purchases of property and equipment	(2,150)	(9,672)
Net Cash from Investing Activities	158,864	66,388
Cash Flows for Financing Activities -		
principal payments on capital lease obligations	(3,553)	(4,635)
Net change in cash and cash equivalents	19,500	(197,564)
Cash and Cash Equivalents, beginning of year	330,725	528,289
Cash and Cash Equivalents, end of year	\$ 350,225	\$ 330,725
Reconciliation of change in net assets to net cash for operating activities:		
Change in net assets	\$ 645,988	\$ 685,956
Adjustments to reconcile change in net assets to cash for operating activities:		
Depreciation	7,184	5,920
Realized and unrealized gains on investments	(728,080)	(889,110)
(Increase) decrease in assets:		
Foundation grants receivable	(45,000)	(70,000)
Other receivables	(7,827)	(916)
Prepaid expenses	(14,279)	(571)
Increase (decrease) in liabilities:		
Accounts payable	(3,393)	(197)
Accrued payroll liabilities and leave	9,596	9,601
Net Cash for Operating Activities	\$ (135,811)	\$ (259,317)
Supplemental Information - Cash Paid During the Year for Interest	\$ 427	\$ 596
Supplemental Disclosure of Noncash Information -		
Purchase of Property and Equipment with Capital Lease	\$ 16,572	\$ -

See accompanying notes to consolidated financial statements.

Trustees for Alaska

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Organization and Nature of Activities

Trustees for Alaska (the Organization or TFA) is a public interest law firm whose mission is to protect and defend Alaska's lands, waters, wildlife, and people. Founded in 1974 to address anticipated impacts from the then-proposed Trans-Alaska Pipeline System, the Organization has since evolved into an environmental law firm offering free counsel to local and national environmental groups, Alaska Native villages, nonprofit organizations and others with a stake in protecting Alaska's natural heritage. The Organization's support comes primarily from individual contributions, foundation grants and court-awarded attorney fees.

On December 31, 2008, Trustees for Alaska established the Trustees for Alaska Endowment Fund (TAEF) to provide financial support to the charitable activities, projects and programs of Trustees for Alaska. TAEF is classified as a Section 509(a)(3) "Type I" supporting organization by the Internal Revenue Service. All activities of the Endowment Fund are included in these financial statements.

Program Activities

Trustees for Alaska is dedicated to matters affecting the State of Alaska. Its work covers a wide range of issues from oil and gas development, climate change, mining, and air and water pollution, to wildlife conservation and terrestrial, aquatic and marine ecosystem protection. Trustees for Alaska works in five main areas:

- Protecting America's unique Arctic ecosystems
- Addressing the impacts of climate change on Alaska's communities and ecosystems
- Protecting Alaska's vast marine ecosystems
- Protecting Alaska's spectacular wilderness areas, and promoting the biodiversity of Alaska's wildlife.
- Assuring clean air, clean water, and continued access to subsistence resources.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses recognized when incurred.

Principles of Consolidation

The consolidated financial statements of Trustees for Alaska include the accounts of the Organization and its controlled entity, the Trustees for Alaska Endowment Fund.

Trustees for Alaska

Notes to Consolidated Financial Statements

Management Estimates and Assumptions

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets:

Unrestricted net assets: Net assets that are not subject to donor-imposed or time restrictions that are general in nature or that are for operating purposes of the Organization.

Temporarily restricted net assets: Net assets whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled by actions of Trustees for Alaska. When the stipulated time restriction ends or action is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from program restrictions.

Permanently restricted net assets: Net assets from contributions whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers the unrestricted balances in its checking, savings and money market accounts to be cash, as well as certificates of deposit that mature within one year.

Fair Value of Financial Instruments

Trustees for Alaska must disclose its estimate of the fair value of material financial instruments, including those recorded as assets or liabilities in its financial statements and derivative financial instruments.

The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) investments, (3) receivables, net, (4) certain other current assets, (5) accounts payable, and (6) other current liabilities. The carrying amounts reported on the Statement of Financial Position for the above financial instruments closely approximate their fair value due to the short-term nature of these assets and liabilities.

The carrying amount of receivables approximates fair value because they are expected to be received within a reasonable time period where any difference from fair value would be considered immaterial.

Included in investment related line items in the financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or, for certain bonds and stocks when carried at the lower of cost or market. Mutual

Trustees for Alaska

Notes to Consolidated Financial Statements

funds are valued at the net asset value (NAV) of shares held at year end. The Organization's financial assets carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by generally accepted accounting principles.

Equipment

Equipment in excess of \$1,000, which consists primarily of office equipment, is carried at cost if purchased or fair value if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Functional Allocation of Expenses

Direct expenses are charged to programs, fundraising and supporting services. Expenses related to more than one function are charged to each function on the basis of time studies and full-time equivalent positions. Management and general expenses include those expenses that are not directly chargeable to any other specific function but provide for the overall support and direction of the Organization.

Pledges and Promises to Give

Unconditional promises to give (pledges) are recognized as revenues in the period in which the promise is made, and as assets, decreases in liabilities, or expenses depending upon the form of the benefits to be received. Conditional pledges are considered unconditional if the possibility that the condition will not be met is remote. Promises to give that are contingent upon substantive conditions being met are recognized only when the conditions have been met and the promises become unconditional. Promises to give are recorded at net realizable value if expected to be collected in more than one year.

Contributed Services, Materials, and Utilities

Donated materials, supplies and utilities are valued at fair market on the date contributed. Donated services are included in the Organization's Statement of Activities in the following circumstances:

- a) the services performed create or enhance non-financial assets; or
- b) the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Fee Awards

Court-awarded case costs are recognized in the period which the court order is issued.

Income Taxes

The activities of the Organization are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Although the Organization is exempt from federal income taxes, any income derived from unrelated business activities is subject to the requirements of filing Federal Income Tax Form 990-T and a tax liability may be determined on these activities.

Trustees for Alaska

Notes to Consolidated Financial Statements

The Organization applies the provisions of Topic 740 of the FASB Accounting Standards Codification relating to accounting for uncertainty in income taxes. The Organization annually reviews its return and positions taken in accordance with the recognition standards.

The Organization believes that it has no uncertain tax positions taken in accordance with the recognition standards that would require disclosure or adjustment in these financial statements.

Contingencies

Grants awarded by private foundations may be subject to review by these organizations or their representatives. Adjustments of amounts received could result in the event of noncompliance with budgetary constraints, purpose restrictions, or other significant terms of the agreements.

Subsequent Events

The Organization has evaluated subsequent events through January 21, 2019, the date on which the financial statements were available to be issued.

2. Cash and Cash Equivalents

Cash and cash equivalents are comprised of the following amounts at September 30:

	2018	2017
Demand deposits	\$ 135,398	\$ 104,961
Short-term certificates of deposit	206,610	205,041
Cash on hand	16	16
Total - non-endowment funds	342,024	310,018
Demand deposits	2,360	7,392
Money market funds	5,841	13,315
Total - endowment funds	8,201	20,707
Total Cash and Cash Equivalents	\$ 350,225	\$ 330,725

Cash and cash equivalents are insured by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Share Insurance Fund (NCUSIF) to a maximum of \$250,000 per financial institution. Certificates of deposit are insured by the Securities Investor Protection Corporation (SIPC) to a maximum of \$500,000 per financial institution. Amounts in excess of the FDIC, NCUSIF and SIPC limits throughout the year are neither insured nor collateralized. At September 30, 2018 and 2017, there were no uninsured deposits in money market funds.

Trustees for Alaska

Notes to Consolidated Financial Statements

3. Foundation Grants Receivable

Promises to give amounts in the future that are not contingent upon meeting substantive conditions consist of the following at September 30:

	2018	2017
Wilburforce Foundation	\$ 50,000	\$ -
Brainerd Foundation	40,000	-
Mifflin Memorial Fund	25,000	-
True North Foundation	-	70,000
Total Grants Receivable	\$ 115,000	\$ 70,000

4. Prepaid Expenses

Prepaid expenses consisted of the following at September 30:

	2018	2017
Security deposit	\$ 5,754	\$ 5,754
Employee benefits	-	1,174
Insurance	1,459	1,247
Software subscription	7,495	-
Rent	7,746	-
Total	\$ 22,454	\$ 8,175

5. Leases

Capital Lease - Copier

In October 2017, the Organization entered into a 60-month capital lease for a copy machine with minimum monthly payments of \$319 and an effective interest rate of 3%. The cost of the copier was \$16,572 and will be depreciated over an estimated 5-year useful life. As of September 30, 2018, \$2,762 of depreciation has been recorded, leaving a remaining net book value of \$13,810 at September 30, 2018. Future required minimum lease payments are as follows:

Fiscal Year Ending

2019	\$	3,573
2020		3,573
2021		3,573
2022		3,931
Total value of payments to be made		14,650
Less amount representing interest		(840)
Present value of net minimum lease payments under capital lease		13,810
Current portion due next year		(3,459)
Long-term Portion	\$	10,351

Trustees for Alaska

Notes to Consolidated Financial Statements

Operating Lease - Office Space

The Organization leases office space under a lease originally executed June 7, 1999. The latest amendment extends the lease for a five-year period beginning June 7, 2017 and ending August 1, 2022. Future minimum required payments are as follows:

Fiscal Year Ending

2019		\$	93,300
2020			95,425
2021			97,549
2022			82,766

6. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted as to time or purpose as designated by the donor. The Organization's net assets temporarily restricted for the following purposes or time periods were as follows at September 30:

	2018		2017	
Arctic	\$	59,491	\$	-
Clean Air and Water		79,291		40,000
Coal/Climate Change		-		22,782
Colleen Burgh Fund		166,376		138,803
Operational		68,206		57,621
Total	\$	373,364	\$	259,206

The Organization's net assets released from temporary restrictions were as follows for the years ended September 30:

	2018		2017	
Arctic	\$	95,509	\$	46,500
Clean Air and Water		50,709		40,000
Coal/Climate Change		72,782		179,928
Colleen Burgh Fund		6,760		-
Operational		54,415		32,379
Wild Lands/Wild Life		10,000		1,100
Total	\$	290,175	\$	299,907

Trustees for Alaska

Notes to Consolidated Financial Statements

7. In-Kind Revenue and Expense

The value of donated goods and services is as follows for the year ended September 30, 2018:

	Program Services	Support Services	Total
In-kind personnel:			
Attorneys and interns	\$ 61,106	\$ -	\$ 61,106
Information technology	-	528	528
	\$ 61,106	\$ 528	\$ 61,634

The value of donated goods and services is as follows for the year ended September 30, 2017:

	Program Services	Support Services	Total
In-kind personnel:			
Attorneys and interns	\$ 125,202	\$ -	\$ 125,202
Information technology	-	480	480
Strategic consultant	-	6,000	6,000
	\$ 125,202	\$ 6,480	\$ 131,682

Trustees for Alaska received the services of first and second year law students during a summer internship program in fiscal year 2018 and 2017. The interns were paid \$13 per hour in 2018 and in 2017. These services are valuable to Trustees for Alaska because they must be provided by individuals possessing specialized skills in understanding of precedent, methods of legal research and legal reasoning. If these services were purchased from a contract attorney the rate of compensation would be significantly higher than Alaska's minimum wage. The value of in-kind intern salaries in these financial statements was calculated as the difference between estimated market rates for legal research services of \$90 per hour and the actual rates paid.

The value of in-kind attorney services was similarly calculated as the difference between estimated fair value of attorney rates and those actually charged by contract attorneys for services provided or the estimated fair value of donated time. The in-kind contributions for other professional services were valued at the excess of market rates over amounts actually charged.

8. Endowment Fund

Trustees for Alaska established an Endowment Fund in fiscal year 2009 for the purpose of providing future revenues for organizational spending. The Trustees for Alaska Endowment Fund (TAEF), an Alaska nonprofit corporation formed as a "public charity" under section 509(a)(3) of the Internal Revenue Code was formed as a supporting organization for Trustees for Alaska. TAEF is a "Type I" supporting organization within the meaning of 509(a)(3)(B)(i).

Trustees for Alaska

Notes to Consolidated Financial Statements

The TAEF had the following endowment-related activity for the years ended September 30:

	2018	2017
Endowment net assets, beginning of year	\$ 6,369,450	\$ 5,675,097
Contributions	285	26,745
Investment return:		
Interest and dividend income	140,072	113,897
Unrealized gain on investments	557,508	630,119
Realized gain on sale of investments	170,572	258,991
Investment fees	(38,174)	(34,777)
Total investment return	829,978	968,230
Amounts appropriated for expenditures:		
Contribution to TFA	270,385	295,540
Other expenses	5,401	5,082
Total expenditures	275,786	300,622
Endowment Net Assets, End of Year	6,923,927	6,369,450
Restricted for Colleen Burgh Fund	166,376	138,803
Unrestricted Endowment Net Assets, End of Year	\$ 6,757,551	\$ 6,230,647

Investment and Expenditure Policy

The purpose of the TAEF is to provide support and security for TFA in perpetuity. The Board has adopted an investment policy statement describing the goals and objectives for the assets, including the following:

- Maintain total cash reserves, in the aggregate, of not less than \$150,000, for use by TFA in emergency circumstances.
- Deem the TAEF assets as a quasi-endowment (“endowment assets”).
- Seek returns on its endowment assets (net of the Fund’s fees, expenses, and distributions to TFA) that are in excess of the rate of inflation over the long-term investment horizon of the portfolio.
- It is the policy of the Board to provide to the Executive Director, no later than the spring meeting, guidance as to the amount of and the restrictions (if any) on the use of the TAEF appropriation for the subsequent fiscal year. The TAEF appropriation and its use will be included as an item in the budget approved at the fall meeting, and the appropriation will ordinarily be effective on or about October 1.

Trustees for Alaska

Notes to Consolidated Financial Statements

- The investment policy statement also characterizes TAEF's risk profile as conservative. As part of this profile, a strategic asset allocation is outlined to reflect the TAEF's preferences and directions and provide baseline targets for investment managers.

9. Fair Value Measurements and Investments

All of the Organization's investment assets as of September 30, 2018 and 2017 are classified at Level 1, as the values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date. These assets include actively-traded exchange-listed equity and debt securities. Unadjusted quoted prices for these securities are provided to the Organization by independent pricing services. All investment assets are held in common stocks and mutual funds across a diversified group of industries.

10. Tax-Deferred Annuity Plan

In 1994, the Organization adopted a tax-deferred annuity plan pursuant to Internal Revenue Code Section 403(b). Beginning with an employee's second year, the Organization matches employee contributions to a maximum of 3.5% of annual compensation. On October 1, 2010 the plan was amended to include part-time employees. Employer contributions totaled \$21,786 and \$21,416 for years ending September 30, 2018 and 2017, respectively.

11. Concentrations

The Organization received approximately 23% of its total revenue (excluding in-kind contributions) in fiscal year 2018 and 30% in fiscal year 2017 from three contributors.

12. Board Designated Operating Funds

Effective 2014, organizational fiscal policies were accepted, requiring cash reserves of not less than \$150,000 for use in emergency circumstances. TFA has designated an equivalent amount of net assets to represent this reserve.

13. Upcoming Accounting Pronouncements

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for the Entities until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

Trustees for Alaska

Notes to Consolidated Financial Statements

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash*. This ASU was issued to address diversity in practice with regard to the classification and presentation of changes in restricted cash on the statement of cash flows. The provisions of the ASU require that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. To meet this requirement, amounts generally described as restricted cash or restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The ASU is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted and should be applied on a retrospective transition method to each period presented.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The standard also requires lessors to treat a lease as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a financing. If the lessor doesn't convey risks and rewards or control, an operating lease results. The guidance is effective for the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Management is currently evaluating the impact of their pending adoption of the new standard on their consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). ASU 2016-14 amends the current reporting model and enhances disclosures. Net assets will be reported in two categories: net assets with donor restrictions and net assets without donor restrictions, with additional disclosure of expirations of restrictions on gifts used to acquire or construct long-lived assets. If the direct method is used for the cash flow statement, the indirect method reconciliation will no longer be required to be presented. The financial statements will be required to present amounts of expenses by both their natural classification and functional classification. The standard also provides for enhanced disclosures related to board designations, appropriations, and similar actions, the composition of net assets with donor restrictions, management of liquid resources, and availability of financial assets to meet cash needs, methods used to allocate costs between functions, and additional information related to underwater endowment funds. The new standard will require the reporting of investment returns net of external and direct expenses, and no longer requires disclosure of those netted expenses. The guidance is effective for the fiscal years beginning after December 15, 2017. Management is currently evaluating the impact of their pending adoption of the new standard on their financial statements.

Supplementary Information

Trustees for Alaska
Consolidating Statements of Financial Position

<i>September 30,</i>	2018			2017		
	Trustees for Alaska	Trustees for Alaska Endowment	Total	Trustees for Alaska	Trustees for Alaska Endowment	Total
Assets						
Current Assets						
Cash and cash equivalents	\$ 342,024	\$ 8,201	\$ 350,225	\$ 310,018	\$ 20,707	\$ 330,725
Receivables:						
Foundation grants	115,000	-	115,000	70,000	-	70,000
Other receivables	10,157	-	10,157	2,330	-	2,330
Prepaid expenses	22,454	-	22,454	8,175	-	8,175
Total Current Assets	489,635	8,201	497,836	390,523	20,707	411,230
Property and equipment	72,701	-	72,701	53,979	-	53,979
Less accumulated depreciation	(48,831)	-	(48,831)	(41,647)	-	(41,647)
Property and equipment, net	23,870	-	23,870	12,332	-	12,332
Investments	-	6,915,864	6,915,864	-	6,348,798	6,348,798
Total Assets	\$ 513,505	\$ 6,924,065	\$ 7,437,570	\$ 402,855	\$ 6,369,505	\$ 6,772,360
Liabilities and Net Assets						
Current Liabilities						
Accounts payable	\$ 11,164	\$ 138	\$ 11,302	\$ 14,640	\$ 55	\$ 14,695
Accrued payroll liabilities and leave	42,785	-	42,785	33,189	-	33,189
Current portion, capital lease payable	3,459	-	3,459	791	-	791
Total Current Liabilities	57,408	138	57,546	48,620	55	48,675
Long-term Liabilities - capital lease payable, net of current portion	10,351	-	10,351	-	-	-
Total Liabilities	67,759	138	67,897	48,620	55	48,675
Net Assets						
Unrestricted:						
Designated by the Board - endowment	-	6,757,551	6,757,551	-	6,230,647	6,230,647
Designated by the Board for operations	150,000	-	150,000	150,000	-	150,000
Undesignated	88,758	-	88,758	83,832	-	83,832
Temporarily restricted	206,988	166,376	373,364	120,403	138,803	259,206
Total Net Assets	445,746	6,923,927	7,369,673	354,235	6,369,450	6,723,685
Total Liabilities and Net Assets	\$ 513,505	\$ 6,924,065	\$ 7,437,570	\$ 402,855	\$ 6,369,505	\$ 6,772,360

Trustees for Alaska
Consolidating Statement of Activities

Years Ended September 30,	2018				2017			
	Trustees for Alaska	Trustees for Alaska Endowment	Elimination:	Total	Trustees for Alaska	Trustees for Alaska Endowment	Eliminations	Total
Revenue and Support								
Foundation grants	\$ 732,500	\$ -	\$ -	\$ 732,500	\$ 569,788	\$ -	\$ -	\$ 569,788
Contributions *	596,528	285	(270,385)	326,428	506,760	21,695	(295,540)	232,915
Colleen Burgh Fund	-	-	-	-	-	5,050	-	5,050
In-kind revenue	61,634	-	-	61,634	131,682	-	-	131,682
Interest income	-	140,072	-	140,072	-	113,897	-	113,897
Other	12,333	-	-	12,333	10,782	-	-	10,782
Total Revenue and Support	1,402,995	140,357	(270,385)	1,272,967	1,219,012	140,642	(295,540)	1,064,114
Expenses								
Program Services								
Arctic	393,840	-	-	393,840	280,590	-	-	280,590
Clean Air and Water	285,703	-	-	285,703	300,477	-	-	300,477
Climate Change	73,752	-	-	73,752	204,124	-	-	204,124
Marine	34,043	-	-	34,043	79,320	-	-	79,320
Wildlife	198,805	-	-	198,805	124,939	-	-	124,939
Total Program Services	986,143	-	-	986,143	989,450	-	-	989,450
Support Services								
General and administrative	163,541	5,401	-	168,942	170,453	5,082	-	175,535
Fundraising	175,739	-	-	175,739	180,796	-	-	180,796
Total Support Services	339,280	5,401	-	344,681	351,249	5,082	-	356,331
Total Expenses	1,325,423	5,401	-	1,330,824	1,340,699	5,082	-	1,345,781
Increase (decrease) in net assets from operating activities	77,572	134,956	(270,385)	(57,857)	(121,687)	135,560	(295,540)	(281,667)
Non-operating Activities:								
Contribution to TFA *	-	(270,385)	270,385	-	-	(295,540)	295,540	-
Other revenue	13,939	-	-	13,939	113,290	-	-	113,290
Other expenses	-	(38,174)	-	(38,174)	-	(34,777)	-	(34,777)
Gain on investments	-	728,080	-	728,080	-	889,110	-	889,110
Change in net assets	91,511	554,477	-	645,988	(8,397)	694,353	-	685,956
Net Assets, beginning of year	354,235	6,369,450	-	6,723,685	362,632	5,675,097	-	6,037,729
Net Assets, end of year	\$ 445,746	\$ 6,923,927	\$ -	\$ 7,369,673	\$ 354,235	\$ 6,369,450	\$ -	\$ 6,723,685

* The elimination represents the contribution from Trustees for Alaska Endowment to Trustees for Alaska.