

ANCHORAGE MUSEUM FOUNDATION

Audited Financial Statements

For the Year Ended December 31, 2021



McDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Anchorage Museum Foundation

Opinion

We have audited the accompanying financial statements of Anchorage Museum Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Anchorage Museum Foundation as of December 31, 2021, and the changes in net assets and its cash flows for the year 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 Anchorage Museum Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Anchorage Museum Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 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 Anchorage Museum Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Anchorage Museum Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Anchorage Museum Foundation 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 7, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
June 15, 2022

ANCHORAGE MUSEUM FOUNDATION
STATEMENT OF FINANCIAL POSITION
December 31, 2021
(With comparative totals for 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 3,661,076	\$ 1,264,292
Pledges and interest receivable	9,220	6,335
Prepaid income taxes	62,500	62,500
Investments	39,371,327	37,436,525
Land	35,800	35,800
 TOTAL ASSETS	 \$ 43,139,923	 \$ 38,805,452
LIABILITIES AND NET ASSETS		
Liabilities:		
Total liabilities	\$ -	\$ -
Net assets:		
Without donor restrictions:	8,623,630	6,501,987
With donor restrictions	34,516,293	32,303,465
Total net assets	43,139,923	38,805,452
 TOTAL LIABILITIES AND NET ASSETS	 \$ 43,139,923	 \$ 38,805,452

See notes to financial statements.

ANCHORAGE MUSEUM FOUNDATION
STATEMENT OF ACTIVITIES
For the year ended December 31, 2021
(With comparative totals for 2020)

	2021			
	Without Donor Restrictions	With Donor Restrictions	Total	2020 Total
Revenue:				
Investment income:				
Interest and dividend income, net	\$ 302,467	\$ 102,824	\$ 405,291	\$ 182,610
Change in value of investments	4,240,963	1,441,710	5,682,673	4,025,147
Net investment income	4,543,430	1,544,534	6,087,964	4,207,757
Support:				
Contributions	-	25,800	25,800	42,146
Net assets released from restrictions and transfers:				
Satisfaction of purpose restrictions	410,473	(410,473)	-	-
Transfer to restricted endowment for inflation proofing	(1,052,967)	1,052,967	-	-
Total revenue	3,900,936	2,212,828	6,113,764	4,249,903
Expenses:				
Distributions to the Museum	1,663,501	-	1,663,501	1,595,000
Fundraising	60,000	-	60,000	60,000
Management and general	55,792	-	55,792	35,959
Total expenses	1,779,293	-	1,779,293	1,690,959
Change in net assets	2,121,643	2,212,828	4,334,471	2,558,944
Net assets:				
Beginning of year	6,501,987	32,303,465	38,805,452	36,246,508
End of year	\$ 8,623,630	\$ 34,516,293	\$ 43,139,923	\$ 38,805,452

See notes to financial statements.

ANCHORAGE MUSEUM FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2021
(With comparative totals for 2020)

	2021				
	Museum				2020
	Museum Support	Distributions Fundraising	Administrative Expense	Total	Total
Exhibits	\$ 195,492	\$ -	\$ -	\$ 195,492	\$ 171,966
Acquisitions	43,895	-	-	43,895	42,632
Conservation	5,940	-	-	5,940	3,285
Conservator	81,673	-	-	81,673	79,327
General support	1,336,501	-	-	1,336,501	1,297,790
Museum development director	-	60,000	-	60,000	60,000
Professional services	-	-	54,325	54,325	35,028
Other operating costs	-	-	1,467	1,467	931
	<u>\$ 1,663,501</u>	<u>\$ 60,000</u>	<u>\$ 55,792</u>	<u>\$ 1,779,293</u>	<u>\$ 1,690,959</u>

See notes to financial statements

ANCHORAGE MUSEUM FOUNDATION
STATEMENT OF CASH FLOWS
For the year ended December 31, 2021
(With comparative totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Interest and dividends, net of fees	\$ 405,156	\$ 183,080
Cash paid to the Museum	(1,663,501)	(1,595,000)
Cash paid for other operating expenses	<u>(115,792)</u>	<u>(99,482)</u>
Net cash flows from operating activities	<u>(1,374,137)</u>	<u>(1,511,402)</u>
 Cash flows from investing activities:		
Proceeds from the sale of investments and partnership distributions	7,493,375	2,112,347
Proceeds from the sale of investments used for operations	1,745,000	1,638,000
Purchase of investments and reinvested income	<u>(5,490,504)</u>	<u>(1,991,380)</u>
Net cash flows from investing activities	<u>3,747,871</u>	<u>1,758,967</u>
 Cash flows from financing activities:		
Contributions restricted for endowment	<u>23,050</u>	<u>49,646</u>
Net cash flows from financing activities	<u>23,050</u>	<u>49,646</u>
 Net change in cash and cash equivalents	2,396,784	297,211
 Cash and cash equivalents - beginning of year	<u>1,264,292</u>	<u>967,081</u>
 Cash and cash equivalents - end of year	<u>\$ 3,661,076</u>	<u>\$ 1,264,292</u>

See notes to financial statements.

ANCHORAGE MUSEUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

Anchorage Museum Foundation (the Foundation) is a non-profit corporation formed to serve as support to the Anchorage Museum at Rasmuson Center. Revenue is derived primarily from contributions and investment earnings.

A summary of significant accounting policies followed by the Foundation follows:

Net Assets

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

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Net assets of the Foundation are held in an endowment, see Note 6. All assets of the Foundation are either restricted or designated as endowment assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Pledges Receivable

Pledges receivable unsecured. Pledges receivable are reported at the amount management expects to collect on balances outstanding at year-end. Pledges due in more than one year are insignificant.

Investments

Investments are carried as follows:

- *Marketable securities*: Investments in marketable securities are stated at current market values.
- *Alternative investments*: Investments in limited partnership interests and other equity securities have been estimated by management (in the absence of readily determinable fair values) based on information provided by fund managers or the general partners.

ANCHORAGE MUSEUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2021

I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

Contributions

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Foundation is notified of the commitment. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Bequests are recorded as revenue at the time the Foundation has an established right to the bequest and the proceeds are measurable.

Functional Expenses

The costs of providing program, administrative and development services have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Costs are classified among the program and administrative services benefited.

Income Tax Status

Anchorage Museum Foundation is a nonprofit corporation exempt from federal and state income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. The Foundation is not a private foundation. Some income received from investments in pass-through entities, resulting from activities considered not substantially related to the Foundation's tax-exempt purpose, may be subject to reporting as unrelated business income. Taxes resulting from unrelated business income were insignificant to the financial statements.

The Foundation follows the provisions of FASB ASC Topic 740 *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Foundation's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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 reporting period. Actual results could differ from those estimates.

Summarized Financial Information for 2020

The financial information as of December 31, 2020 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

ANCHORAGE MUSEUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2021

2. AVAILABLE RESOURCES AND LIQUIDITY

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

Financial assets available for general expenditure consist of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,661,076	\$ 1,264,292
Pledges and interest receivable	9,220	6,335
Investments	<u>39,371,327</u>	<u>37,436,525</u>
	43,041,623	38,707,152
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	(34,516,293)	(32,303,465)
Board designated	(8,623,630)	(6,501,987)
Pledges due in more than one year	-	(2,500)
Unappropriated endowment distributions	<u>1,932,902</u>	<u>1,682,890</u>
Financial assets available for general expenditure	<u>\$ 1,834,602</u>	<u>\$ 1,582,090</u>

The Foundation's investment policy is structured with a target rate of five percent for cash holdings to help meet liquidity demands. See Note 6 for the Foundation's endowment policies which describe the spending rate for both the donor-restricted endowment and funds designated by the board as an endowment and Note 4 for board designated net assets.

ANCHORAGE MUSEUM FOUNDATION
 NOTES TO FINANCIAL STATEMENTS, Continued
 December 31, 2021

3. INVESTMENTS

Investments are carried at fair value and consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Mutual funds - equities	\$ 22,299,941	\$ 21,836,157
Mutual funds - fixed income	4,242,690	4,427,286
Common stock	741,147	466,190
Limited partnerships	12,087,549	10,706,892
Total investments	<u>\$ 39,371,327</u>	<u>\$ 37,436,525</u>

Commitments for limited partnership interests not yet funded total approximately \$5.1 million at December 31, 2021.

4. BOARD DESIGNATED NET ASSETS

Board designated net assets consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Accumulated endowment gains	\$ 8,088,306	\$ 5,965,725
Capital projects	535,324	536,262
Total board designated net assets	<u>\$ 8,623,630</u>	<u>\$ 6,501,987</u>

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are held in endowment funds and consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Acquisitions	\$ 435,560	\$ 391,775
Children's education	1,152,347	1,036,480
Exhibits	2,458,385	2,211,190
Nagley conservation	1,099,370	961,329
Nagley conservator	2,071,901	1,863,571
Segelhorst fund for children and youth	1,362,068	1,227,043
Hilscher marketing	78,584	70,683
Saradell Ard acquisitions	678,001	609,818
General museum operations	25,180,077	23,931,576
Total net assets with donor restrictions	<u>\$ 34,516,293</u>	<u>\$ 32,303,465</u>

See Note 6, Endowment, for composition of net assets with donor restrictions by expiring and perpetual restrictions.

ANCHORAGE MUSEUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2021

6. ENDOWMENT

The Foundation's endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America (U.S. GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

A brief description of each directed fund follows:

Acquisitions - specified by donor that earnings be used to purchase artwork for the Anchorage Museum at Rasmuson Center. This also includes the Braarud Memorial funds, the earnings of which are restricted for acquisitions.

Children's Education - specified by donor that earnings be used to support children's art education programs. This also includes the Hearst Foundation funds of which the earnings are restricted for children's programs.

Exhibits - specified by donor that earnings be used to help with the cost of exhibits sponsored by the Anchorage Museum at Rasmuson Center. This also includes the Kreielsheimer funds and the Alaska Airlines Silver Anniversary funds. Both funds restrict earnings to support exhibits.

Nagley Conservation - specified by donor that earnings be used for reconditioning, restoration and preservation of works of art in the museum.

Nagley Conservator - specified by donor that earnings are used for the support of the museum conservator position.

Segelhorst Fund for Children and Youth - specified by the donor that earnings be used to support experiences for children and youth, designed to engage them in and provide them access to the art, history, science and culture of Alaska and the North.

Hilscher Memorial - specified by donor that principal and earnings be restricted for marketing purposes.

Saradell Ard - specified by donor that earnings be restricted for acquisitions of contemporary Native Alaskan art.

ANCHORAGE MUSEUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2021

6. ENDOWMENT, Continued

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted Alaska's enacted Uniform Prudent Management of Institutional Funds Act (the Act or UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with perpetual donor restrictions, (a) the original value of gifts donated to the perpetual endowment (b) the original value of subsequent gifts to the perpetual endowment, (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, (d) accumulations made in accordance with the previous policy (effective through 2004) which required 50% of earnings to be restricted, and (e) beginning in 2017, an amount of earnings equivalent to the increase on the national Consumer Price Index each year to compensate for inflation has been transferred from the accumulated earnings of the unrestricted and purpose restricted net assets.

The remaining portion of the donor-restricted endowment fund that is not classified as net assets with perpetual donor restrictions is classified as net assets with expiring donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Act.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund,
- (2) The purposes of the Foundation and the donor-restricted endowment fund,
- (3) General economic conditions,
- (4) The possible effect of inflation and deflation,
- (5) The expected total return from income and the appreciation of investments,
- (6) Other resources of the Foundation, and
- (7) The investment policies of the Foundation.

ANCHORAGE MUSEUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2021

6. ENDOWMENT, Continued

Endowment net asset composition by type of fund are as follows as of December 31:

	Without	With Donor Restrictions		Total
	Donor Restrictions	Expiring	Perpetual	
December 31, 2021				
Donor-restricted	\$ -	\$ 3,834,050	\$ 30,682,243	\$ 34,516,293
Board-designated	8,623,630	-	-	8,623,630
Total endowment	<u>\$ 8,623,630</u>	<u>\$ 3,834,050</u>	<u>\$ 30,682,243</u>	<u>\$ 43,139,923</u>
December 31, 2020				
Donor-restricted	\$ -	\$ 3,022,596	\$ 29,280,869	\$ 32,303,465
Board-designated	6,501,987	-	-	6,501,987
Total endowment	<u>\$ 6,501,987</u>	<u>\$ 3,022,596</u>	<u>\$ 29,280,869</u>	<u>\$ 38,805,452</u>

Changes in endowment net assets are as follows for the years ended December 31:

	Without	With Donor Restrictions		Total
	Donor Restrictions	Expiring	Perpetual	
Endowment net assets -				
December 31, 2019	\$ 4,951,687	\$ 2,412,416	\$ 28,882,405	\$ 36,246,508
Contributions	-	-	42,146	42,146
Investment income, net of fees	136,281	46,329	-	182,610
Change in value of investments	3,003,956	1,021,191	-	4,025,147
Appropriation of endowment assets for expenditure	(1,317,305)	(373,654)	-	(1,690,959)
Other changes	<u>(272,632)</u>	<u>(83,686)</u>	<u>356,318</u>	<u>-</u>
Endowment net assets -				
December 31, 2020	6,501,987	3,022,596	29,280,869	38,805,452
Contributions	-	-	25,800	25,800
Investment income, net of fees	302,467	102,824	-	405,291
Change in value of investments	4,240,963	1,441,710	-	5,682,673
Appropriation of endowment assets for expenditure	(1,368,820)	(410,473)	-	(1,779,293)
Other changes	<u>(1,052,967)</u>	<u>(322,607)</u>	<u>1,375,574</u>	<u>-</u>
Endowment net assets -				
December 31, 2021	<u>\$ 8,623,630</u>	<u>\$ 3,834,050</u>	<u>\$ 30,682,243</u>	<u>\$ 43,139,923</u>

ANCHORAGE MUSEUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2021

6. ENDOWMENT, Continued

Funds with Deficiencies

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 Act requires the Foundation to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature that are reported in net assets without donor restrictions. At December 31, 2021 and 2020, there were no funds with deficiencies.

Strategies Employed for Achieving Objectives

By policy the Foundation allows using a broad range of investment asset classes to meet its goals. Eligible asset classes include cash equivalents, fixed income securities of various quality grade, marketable equities, real estate and private investment vehicles. In addition, the policy allows investing in securities issued by foreign countries or corporations and denominated in foreign currencies.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods, as well as board-designated funds. Under this policy, as approved by the Board of Directors, the Foundation's Spending Policy provides for annual payouts up to 5% of the fund's prior three-year average value. While no specific minimum or maximum threshold for risk are defined, the board has provided the following guidance:

- Adopted an investment policy outlining general goals, policies, roles, responsibilities and general guidelines to aid in managing the fund.
- States that the "prudent institutional investor" standard applies to the board, investment committee, treasurer and service providers in the management of the fund.
- Allows for using a "long term" time horizon in managing fund investments.

Over time, the Foundation expects its fund risk and return will be consistent with similar perpetual endowment portfolios.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 4.75% of its endowment fund's average fair value over the most recent three years. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. During the years ended December 31, 2021 and 2020, the board appropriated \$1,670,695 and \$1,445,255, respectively to be distributed to the museum. As of December 31, 2021, \$1,932,902 of prior appropriations remain to be distributed.

ANCHORAGE MUSEUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2021

7. CONTRIBUTIONS

Contributions by funding source are as follows for the years ended December 31:

	2021	2020
Individuals	\$ 22,800	\$ 33,146
Foundations	3,000	9,000
Total contributions	<u>\$ 25,800</u>	<u>\$ 42,146</u>

8. CONCENTRATIONS OF CREDIT RISK

The Foundation maintains its cash balances in several financial institutions. The balances in each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limited.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

9. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Not included in the fair value measurement hierarchy are investments measured at net asset value (NAV).

ANCHORAGE MUSEUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2021

9. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets and liabilities measured on a recurring basis at December 31:

	<u>Total</u>	<u>Level 1</u>
<u>December 31, 2021</u>		
Money market accounts	\$ 3,661,076	\$ 3,661,076
Marketable securities:		
Mutual funds:		
US Government obligations	1,652,868	1,652,868
Global bond	2,589,766	2,589,766
Equities	22,299,941	22,299,941
Common stock	<u>741,147</u>	<u>741,147</u>
Total measured at fair value	<u>\$ 30,944,798</u>	<u>\$ 30,944,798</u>
Investments measures at NAV:		
Limited partnerships	<u>\$ 12,087,605</u>	
	<u>Total</u>	<u>Level 1</u>
<u>December 31, 2020</u>		
Money market accounts	\$ 1,264,292	\$ 1,264,292
Marketable securities:		
Mutual funds:		
US Government obligations	2,321,237	2,321,237
Global bond	2,106,049	2,106,049
Equities	21,836,157	21,836,157
Common stock	<u>466,190</u>	<u>466,190</u>
Total measured at fair value	<u>\$ 27,993,925</u>	<u>\$ 27,993,925</u>
Investments measures at NAV:		
Limited partnerships	<u>\$ 10,706,892</u>	

Fair values for money market funds, mutual funds and common stock are determined by reference to quoted market prices and other relevant information generated by market transactions.

Investments Measured at Net Asset Value (NAV)

Quoted market prices are not available for the limited partnerships and real estate fund. These investments are recorded based on the net asset value of the Foundation's ownership interest in the partners' capital which includes assumptions and methods that were prepared by the General Partners and managers of the entity and were reviewed by Foundation's management. The Foundation believes that the reported amount for these investments is a reasonable estimate of their fair value at December 31, 2021 and 2020.

ANCHORAGE MUSEUM FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued
December 31, 2021

9. FAIR VALUE MEASUREMENTS, Continued

Net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, is used as a practical expedient to estimate the fair values of certain hedge funds, private equity funds, funds of funds, and limited partnerships, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy. The reported net asset value may differ from the value that would be used had the quoted market price existed.

Funds focus on growth in equity, buyout opportunities, or distressed debt. These investments are not readily redeemable; however, a secondary market does exist. Distributions normally are received through the liquidation of the underlying assets in the fund.

There were no changes in the valuation techniques during 2021 and 2020.

10. SUBSEQUENT EVENTS

Subsequent to year end, the Foundation's Board of Directors voted to request a change the Foundation's supporting organization type from Type III non-functionally integrated to Type II. Type II supporting organizations are required to be supervised or controlled in connection with the supported organization, the Anchorage Museum Association.

The Foundation has evaluated all subsequent events through June 15, 2022, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Anchorage Museum Foundation

We have audited the financial statements of Anchorage Museum Foundation for the year ended December 31, 2021, and our report thereon dated June 15, 2022, which contained an unmodified opinion on those financial statements, appears on page 1. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information in Schedules I through II is presented for purposes of additional analysis of the financial statements rather than to present the financial position and changes in net assets of the individual organizations, and it is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

McDonald Jacobs, P.C.

Portland, Oregon
June 15, 2022

ANCHORAGE MUSEUM FOUNDATION
SUPPLEMENTARY INFORMATION - SCHEDULE I
APPROVED APPROPRIATIONS
For the year ended December 31, 2021

The following amounts have been approved for distribution:

	Beginning of year	Appropriations	Distributed	End of year
General museum operations	\$ 1,084,285	\$ 1,434,570	\$ 1,266,945	\$ 1,251,910
Acquisitions	13,770	18,201	16,086	15,885
Children's education	26,020	34,403	30,393	30,030
Exhibits	75	105	90	90
Kreielsheimer	75,270	99,562	87,927	86,905
Nagley conservation	263,860	36,602	5,940	294,522
Nagley conservator	70,234	92,163	81,673	80,724
Municipal Trust	56,926	75,253	66,458	65,721
Silver anniversary	7,610	10,072	8,887	8,795
AMA/Hearst Foundation	12,865	17,035	15,030	14,870
Segelhorst fund	45,520	60,535	53,165	52,890
Jo Braarud Memorial	940	1,243	1,098	1,085
Hilscher marketing	2,650	3,508	3,098	3,060
Saradell Ard acquisitions	22,865	30,261	26,711	26,415
	<u>\$ 1,682,890</u>	<u>\$ 1,913,513</u>	<u>\$ 1,663,501</u>	<u>\$ 1,932,902</u>

See independent auditor's report on supplementary information.

ANCHORAGE MUSEUM FOUNDATION
SUPPLEMENTARY INFORMATION - SCHEDULE II
NET ASSETS AVAILABLE FOR RESERVE
For the year ended December 31, 2021

The following is a summary of net assets available for appropriation by the board for the benefit of the museum as of December 31, 2021:

	Average 3 year		Appropriated	Unappropriated
	FMV	4.75 Percent		
General museum operations	\$ 29,351,993	\$ 1,394,220	\$ 1,251,910	\$ 142,310
Acquisitions	372,443	17,691	15,885	1,806
Children's education	704,038	33,442	30,030	3,412
Exhibits	2,092	99	90	9
Kreielsheimer	2,037,475	96,780	86,905	9,875
Nagley conservation	737,957	35,053	32,315	2,738
Nagley conservator	1,892,657	89,901	80,725	9,176
Municipal Trust	1,541,504	73,221	65,720	7,501
Silver anniversary	206,131	9,791	8,795	996
AMA/Hearst Foundation	348,614	16,559	14,870	1,689
Segelhorst fund	1,239,948	58,898	52,890	6,008
Jo Braarud Memorial	25,449	1,209	1,085	124
Hilscher marketing	71,785	3,410	3,060	350
Saradell Ard acquisitions	619,331	29,418	26,415	3,003
	<u>\$ 39,151,417</u>	<u>\$ 1,859,692</u>	<u>\$ 1,670,695</u>	<u>\$ 188,997</u>

* Earnings distributions are calculated on a trailing three year average at 4.75% of the fair market value of the net assets of each fund.