SOUTHEAST ALASKA INDEPENDENT LIVING
Inspiring Personal Independence

FINANCIAL STATEMENTS

June 30, 2019 and 2018

Together with Independent Auditor's Report

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

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MERTZ
CPA & Advisor

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Southeast Alaska Independent Living, Inc.
Juneau, Alaska

Report on the Financial Statements

I have audited the accompanying financial statements of the Southeast Alaska Independent Living, Inc. ("SAIL", a nonprofit organization), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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, I 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 financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of SAIL as of June 30, 2019 and 2018, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 13, 2019 on my consideration of SAIL's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SAIL's internal control over financial reporting and compliance.

December 13, 2019

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents:		
Operating	$ 438,456	$ 310,606
Project Playground - Juneau and Sitka	23,684	99,488
Accounts and grants receivable	354,921	420,423
Prepaids and deposits	36,098	45,905
Total Current Assets	853,159	876,422
EQUIPMENT AND LEASEHOLD IMPROVEMENTS, net	199,237	251,383
LONG-TERM INVESTMENTS	231,391	224,861
BENEFICIAL INTEREST	92,043	87,039
Total Assets	$ 1,375,830	$ 1,439,705
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 89,163	$ 137,858
Accrued payroll expenses	95,873	100,349
Payable to Project Playground - Juneau and Sitka	23,684	99,488
Deferred revenue	34,878	72,502
Total Current Liabilities	243,598	410,197
NET ASSETS		
Without Donor Restrictions		
Undesignated	534,544	456,225
Invested in equipment and leasehold improvements	199,237	251,383
Beneficial interest	92,043	87,039
Board-designated endowment	231,391	224,861
Total Net Assets Without Donor Restrictions	1,057,215	1,019,508
With Donor Restrictions	75,017	10,000
Total Net Assets	1,132,232	1,029,508
Total Liabilities and Net Assets	$ 1,375,830	$ 1,439,705

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2019 and 2018

	For the Year Ended June 30, 2019			For the Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	**Total**	Without Donor Restrictions	With Donor Restrictions	**Total**
SUPPORT AND REVENUE						
SUPPORT						
Grants and Contracts from Government Agencies						
Federal government	$ 639,631	$ -	**$ 639,631**	$ 520,009	$ -	**$ 520,009**
State of Alaska, including federal pass-thru grants	920,374	-	**920,374**	914,457	-	**914,457**
Local governments	130,905	-	**130,905**	140,549	-	**140,549**
Total Government Grants and Contracts	1,690,910	-	**1,690,910**	1,575,015	-	**1,575,015**
Contributions	174,396	75,017	**249,413**	174,101	48,312	**222,413**
Less: costs of direct benefits to donors	(14,665)	-	**(14,665)**	(17,929)	-	**(17,929)**
Total Support	1,850,641	75,017	**1,925,658**	1,731,187	48,312	**1,779,499**
REVENUES						
Program service fees	353,493	-	**353,493**	334,755	-	**334,755**
Investment income	14,538	-	**14,538**	13,117	-	**13,117**
Other income	22,863	-	**22,863**	3,494	-	**3,494**
Total Revenues	390,894	-	**390,894**	351,366	-	**351,366**
SUPPORT PROVIDED BY EXPIRING TIME AND PURPOSE RESTRICTIONS	10,000	(10,000)	**-**	45,033	(45,033)	**-**
Total Support and Revenue	2,251,535	65,017	**2,316,552**	2,127,586	3,279	**2,130,865**
EXPENSES						
Program Services - Independent Living	1,836,509	-	**1,836,509**	1,777,183	-	**1,777,183**
Supporting Services:						
Management and general	349,802	-	**349,802**	317,290	-	**317,290**
Fundraising	27,517	-	**27,517**	31,337	-	**31,337**
Total Expenses	2,213,828	-	**2,213,828**	2,125,810	-	**2,125,810**
Change in Net Assets	37,707	65,017	**102,724**	1,776	3,279	**5,055**
NET ASSETS, beginning of year	1,019,508	10,000	**1,029,508**	1,017,732	6,721	**1,024,453**
NET ASSETS, end of year	$ 1,057,215	$ 75,017	**$ 1,132,232**	$ 1,019,508	$ 10,000	**$ 1,029,508**

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

	PROGRAM SERVICES	SUPPORTING SERVICES		
	Independent Living	Management and General	Fundraising	TOTAL EXPENSES
Personnel services	$ 1,021,823	$ 199,230	$ 5,983	$ 1,227,036
Travel	73,287	4,375	3,053	80,715
Facility	139,894	33,124	7,972	180,990
Supplies	73,609	2,459	3,804	79,872
Equipment	6,817	330	430	7,577
Other expenses	51,720	47,128	6,075	104,923
Contracts	399,189	58,185	200	457,574
Depreciation and amortization	70,170	4,971	-	75,141
Total Expenses	$ 1,836,509	$ 349,802	$ 27,517	$ 2,213,828

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2018

	PROGRAM SERVICES	SUPPORTING SERVICES		
	Independent Living	Management and General	Fundraising	TOTAL EXPENSES
Personnel services	$ 1,036,064	$ 167,140	$ 14,446	$ 1,217,650
Travel	50,916	15,104	2,015	68,035
Facility	123,323	31,382	8,981	163,686
Supplies	114,532	2,246	241	117,019
Equipment	19,418	-	130	19,548
Other expenses	52,561	44,921	5,034	102,516
Contracts	291,131	51,313	490	342,934
Depreciation and amortization	89,238	5,184	-	94,422
Total Expenses	$ 1,777,183	$ 317,290	$ 31,337	$ 2,125,810

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows from Operations		
Cash received from grants and government contracts	$ 1,577,482	$ 1,661,362
Cash received from contributions	229,744	117,445
Cash received from service fees	418,995	251,304
Cash received from interest	14,538	13,117
Cash received from other sources	22,863	3,494
Cash Outflows from Operations		
Cash paid to employees	(1,231,512)	(1,208,547)
Cash paid to suppliers	(950,539)	(796,636)
Net Cash Provided by Operating Activities	81,571	41,539
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for long-term investment	(6,530)	(224,861)
Cash paid for equipment	(22,995)	(66,575)
Net Cash Used for Investing Activities	(29,525)	(291,436)
Change in cash and cash equivalents	$ 52,046	$ (249,897)
Cash and Cash Equivalents, Beginning of Year	410,094	659,991
Cash and Cash Equivalents, Beginning of Year	$ 462,140	$ 410,094

The accompanying notes to financial statements are an integral part of these statements.

NOTE 1 – DESCRIPTION OF ORGANIZATION

Southeast Alaska Independent Living, Inc. (SAIL) is an advocacy-oriented organization that was incorporated in November 1992. SAIL is a Center for Independent Living and an Aging and Disability Resource Center whose mission is to "Inspire Personal Independence" by providing and promoting options for Southeast Alaskans to live as active, productive, and involved citizens in their community of choice.

SAIL provides consumer directed independent living services to seniors and people with significant disabilities throughout Southeast Alaska, enabling increased options for active, involved, productive and integrated community living. SAIL provides five core services, 1) Advocacy, 2) Information and Referral; 3) Peer Support; 4) Independent Living Skills training; and 5) Transition Services. SAIL is significantly funded by federal and state of Alaska grants to promote independent living.

SAIL is controlled by a Board of Directors who has hired an Executive Director to carry on the day-to-day activities of the organization.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SAIL prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by SAIL are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Accounting

SAIL prepares its financial statements using the accrual basis of accounting and accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, SAIL's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. SAIL's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements that are entered into in the course of its operations.

Net Assets with Donor Restrictions
Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; SAIL must continue to use the resources in accordance with the donor's instructions.

SAIL's unspent contributions are included in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. SAIL also classifies donor restricted amounts as unrestricted if it satisfied the restriction in the same fiscal year in which the support was received. Net assets restricted for acquisition of buildings or equipment (or infrequently, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by SAIL, unless the donor provides more specific directions about the period of its use.

Classification of Transactions

All revenues are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on beneficial interests increase net assets with donor restrictions, and net losses on beneficial interests reduce that net asset class.

Cash and Cash Equivalents

SAIL considers all cash on-hand and in certificates of deposit, and checking and savings accounts to be cash and cash equivalents. Cash associated with gaming activities is maintained in a separate bank account, as required by State statute and regulations. SAIL maintains cash balances at several Alaska-based financial institutions. Deposit accounts at each are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per account. The balances in these accounts occasionally exceed these limits.

Accounts and Grants Receivables

Accounts and grants receivable consist of amounts due from grantors on cost reimbursements grants, and amounts from customers on contractual or fee for service arrangements. Management believes that all receivables are collectible in full. Accordingly, no allowance for doubtful receivables has been made.

Prepaid Expenses and Deposits

Prepaid expenses and deposits include amounts paid in advance for insurance agreements, and resulting from facility rental agreements.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are recorded in the balance sheets at cost or, in the case of donated property, at their estimated fair value at date of receipt. Equipment is capitalized if it has a cost of $5,000 or more and a useful life when acquired of more than one year. Depreciation is calculated by the straight-line method over the useful lives of the assets, estimated to be five to ten years. Repairs and maintenance that do not significantly increase the useful life of an asset are expensed as incurred; major renewals and betterments are capitalized.

Equipment and leasehold improvements are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

Long-Term Investments and Board Designated Endowment

Long-term investments consist of an account with the Alaska Community Foundation (ACF), purchased with board-designated resources in fiscal year 2018, which have been set aside by the Board of Directors for an indeterminate period to operate in a manner similar to a donor-restricted perpetual endowment. Because a board-designated endowment results from an internal designation, it can be spent upon action of the Board of Directors. ACF is an Alaska-based 501 (c)(3) charitable organization and SAIL's account with ACF, titled the Sail Inc. Fund is a component of ACF as defined in Section 1.170A-9(f)(11) of the Internal Revenue Code. ACF manages and invests the Sail Inc. Fund and it is commingled with the assets of ACF.

Endowment investments are reported at fair value as reported by ACF, with changes to fair value reported as investment return in the statements of activities. Purchases and sales of investments are reported on the trade date. The investment and spending policies for the Board designated endowment are discussed in note 8.

Beneficial Interest

SAIL is the irrevocable beneficiary of a perpetual charitable trust held by the Juneau Community Foundation (JCF), which was established by the Board of Directors in fiscal 2018 through a transfer of unrestricted assets to JCF. The beneficial interest is reported at its fair value, which is estimated as the fair value of the underlying trust assets. Distributions of income from the trust assets are restricted to support SAIL as its Board of Directors deems necessary and are reported as investment return. The value of the beneficial interest is adjusted annually for the change in its estimated fair value.

Accrued Personal Leave

SAIL recognizes employee compensation for future absences as a liability when earned. Accrued leave is based upon an established monthly accrual at the employee's hourly rate of pay. The accrual is adjusted when an employee uses leave or requests a payment of cash in lieu of actual personal leave taken.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

SAIL may be a beneficiary under donors' wills. Contributions from bequests are recognized as contributions receivable when the probate court declares that the will is valid and SAIL has an irrevocable right to the bequest.

Gifts-in-Kind Contributions

SAIL receives contributions in a form other than cash or investments. Most are donated independent-living equipment, which are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed. If SAIL receives a contribution of equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets SAIL's capitalization policy.

SAIL benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services to SAIL's program operations and its fund-raising activities. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. GAAP allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. None of the donated services met those criteria in fiscal years 2019 and 2018.

Grant Recognition

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue from federal agencies is subject to independent audit under the Office of Management and Budget's audit requirements for federal awards and review by grantor agencies. Grant funds from State agencies are subject to independent audit per the State of Alaska's audit requirements for state awards and reviews by grantor agencies. Such reviews could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, SAIL's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of SAIL. SAIL was subject to federal, but not State, grant audit requirements in fiscal year 2019. SAIL was not subject to federal or state grant requirements in fiscal year 2018.

Expense Recognition and Allocation

The cost of providing SAIL's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on time records prepared by SAIL's employees.
- Rent, supplies, postage and internet and telephone costs are allocated quarterly based on the proportion of each program's personnel expenses determined using payroll time records.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of SAIL. These expenses are charged to programs based on SAIL's federally approved indirect cost rate.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. SAIL generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

Income Taxes

SAIL is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to SAIL are tax deductible to donors under Section 170 of the IRC. SAIL is not classified as a private foundation. Management believes that it has appropriate support for any tax positions taken. SAIL's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statute of limitations on those tax returns, which, in general, have a three-year statute of limitations.

Management's Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recent Accounting Pronouncements

SAIL is evaluating the impact of the recent accounting pronouncements, listed below, on SAIL's financial position, results of operations or cash flows. The impact of adoption has not been fully determined. Other accounting standards that have been issued or proposed by the FASB, or other standard-setting bodies, not listed below, will also be evaluated prior to their effective date.

ASU 2016-02

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." The amendments in this update will supersede much of the existing authoritative guidance for leases. This guidance requires lessees to recognize right-of-use assets and liabilities on their balance sheet for all leases with terms longer than twelve months. The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2019 with early application permitted. SAIL plans to adopt ASU 2016-02 in its fiscal year ended June 30, 2020 and does not anticipate a significant impact as a result of adoption.

ASU 2015-14

In August 2015, the FASB issued ASU No. 2015-14, "Deferral of the Effective Date" which modified ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" which was issued by the FASB in May 2014. These standards replace existing revenue recognition rules with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements. ASU 2015-14 is effective for not-for-profits entities annual reporting periods beginning after December 15, 2018, including interim reporting periods within that reporting period. The amendment is required to be applied retrospectively and all entities can adopt the standard as early as the original effective date. SAIL plans to adopt ASU 2015-14 in its fiscal year ended June 30, 2020 and does not anticipate a significant impact as a result of adoption.

ASU 2018-08
In June 2018, the FASB issued a new accounting standard, ASU 2018-08 "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made" (Topic 958), to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The standard will take effect for annual financial statements issued for fiscal years beginning after December 15, 2018. Early adoption is permitted. SAIL plans to adopt ASU 2018-08 (Topic 958) for its fiscal year ended June 30, 2020. SAIL management is currently evaluating the impact that the adoption of this guidance will have on SAIL's financial statements.

Subsequent Events
SAIL has evaluated subsequent events through the date of the Independent Auditor's Report, which is commensurate with the date the financial statements were available to be issued.

Reclassification
Certain amounts presented for the prior year have been reclassified to conform to the current year presentation.

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, are:

	2019	2018
Financial assets:		
Cash and cash equivalents	$ 462,140	$ 410,094
Accounts and grants receivable	354,921	420,423
Long-term investments	231,391	224,861
Beneficial interest	92,043	87,039
Total financial assets	1,140,495	1,142,417
Less financial assets had to meet donor-imposed restrictions:		
Beneficial interest	(92,043)	(87,039)
Less amounts held by SAIL for Project Playground	(23,684)	(99,488)
Less board-designated endowment	(231,391)	(224,861)
Amount available for general expenditure within one year	$ 793,377	$ 731,029

The above table reflects board-designated endowment funds as unavailable because it is SAIL's intention to invest those resources for the long-term support of SAIL. However, in the case of need, the Board of Directors could appropriate resources from its designated endowment fund of $231,391 and $224,861 as of June 30, 2019 and 2018, respectively. Note 8 provides more information about those funds and about the spending policies for all endowment funds.

NOTE 4 – FAIR VALUE MEASUREMENTS

SAIL reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices for identical assets or liabilities in active markets to which SAIL has access at the measurement date.
- Level 2 - Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
    - quoted prices for similar assets or liabilities in active markets;
    - quoted prices for identical or similar assets in markets that are not active;
    - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
    - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

When available, SAIL measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for certain assets including its long-term investment and its beneficial interest.

The primary uses of fair value measures in SAIL's financial statements are:

- Recurring measurement of the long-term investment (note 5).
- Recurring measurement of beneficial interests in trusts (note 6).

NOTE 5 – LONG-TERM INVESTMENT

Long-term investment includes SAIL's account with ACF which was reported by ACF to have a fair market value of $231,391 and $224,861 as of June 30, 2019 and 2018, respectively, and has a cost basis of $225,000 and $225,000 as of June 30, 2019 and 2018, respectively. Fair value is based on the underlying fair value of the ACF net assets. As of December 31, 2018, the end of ACF's most recently completed fiscal year, ACF reported total assets of $92.9 million and net assets of $76.4 million. SAIL's account is part of ACF's Agency Funds which totaled $14.0 million as of December 31, 2018. ACF reported revenues of $11.3 million and expenses of $12.3 million in the year ended December 31, 2018.

The beneficial interest in assets held at the ACF is valued, as a practical expedient, at the fair value of the SAIL's share of 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 Foundation, which includes private placements and other securities for which prices are not readily available, are determined by the management of the Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The ACF's investments are composed approximately of 8 percent of cash and cash equivalents, 42 percent of common equity accounts, 26 percent corporate, government and agency bonds, and 24 percent alternative investments including hedge funds, real estate and private equity funds. The beneficial interest in assets held at the Foundation is not redeemable by SAIL.

As discussed in note 4, SAIL is required to report its fair value measurements in one of three levels, which are based on the ability to observe the inputs to SAIL's valuation techniques in the marketplace. For its account with ACF, SAIL uses the fair value as reported in the account statement provided by ACF, and considers the underlying financial condition of ACF. Because there are no observable market transactions for assets similar to the account in ACF, the valuation technique used by SAIL is a level 3 fair value measure. The changes in long-term investment balances are reflected in Note 8.

NOTE 6 – BENEFICIAL INTEREST

SAIL's beneficial interest with JCF are neither in the possession of, nor under the control of, SAIL. The terms of the Endowment Agreement with JCF provide that SAIL is to receive an annual distribution from JCF, if requested by SAIL, in accordance with the spending policy established by the Board of JCF, not less than annually. The present spending policy of the JCF calls for no more than 5% of the average fund balance to be distributed to SAIL annually if SAIL chooses to make a distribution. As further discussed in Note 8, SAIL has adopted a spending plan, which is integrated with its endowment, for use of earnings from the beneficial interest

The beneficial interest is reported at its fair value, which is estimated as the fair value of the underlying JCF net assets. As of December 31, 2018, the end of JCF's most recently completed fiscal year, JCF reported total assets of $55.1 million and net assets of $53.0 million. SAIL's account is part of JCF's Agency Endowments which totaled $2.1 million as of December 31, 2018. JCF reported revenues, net of investment losses of $(1.6) million and expenses of $3.5 million in the year ended December 31, 2018. As discussed in note 4, because there are no observable market transactions for assets similar to the beneficial interest in the trust and because the trust cannot be redeemed, the valuation technique used by SAIL is a level 3 fair value measure.

The changes in SAIL's beneficial interest in JCF for the year ended June 30, are as follows:

	2019	2018
Beneficial interest, beginning of year	$ 87,039	$ -
Contribution to JCF	-	76,000
Investment return earned by JCF	5,084	12,039
Administrative fees paid to JCF	(80)	(1,000)
Amount distributed to SAIL	-	-
Beneficial interest, end of year	$ 92,043	$ 87,039

Investment return, net of administrative fees paid to JCF, increases net assets with donor restrictions in the statement of activities.

NOTE 7 – EQUIPMENT AND LEASEHOLD IMPROVEMENTS

SAIL's equipment and leasehold improvements consist of the following at June 30:

	2019	2018
Equipment	$ 759,204	$ 759,204
Leasehold improvements	60,244	37,249
Less: accumulated depreciation and amortization	(620,211)	(545,070)
Equipment and leasehold improvements, net	$ 199,237	$ 251,383

Depreciation and amortization expense was $75,141 and $94,422 for fiscal years 2019 and 2018, respectively.

The federal or state government retains a reversionary interest in equipment funded by federal or state monies, respectively, for individual items greater than $5,000. Sale, trade-in or other disposition of such equipment generally requires notification of the appropriate federal or state authorities.

NOTE 8 – ACCOUNTING FOR ENDOWMENTS

SAIL's endowment consists of resources set aside by the Board of Directors to function as endowments (referred to as board-designated endowment funds). The board designated endowment is included in net assets without donor restrictions in the accompanying financial statements.

SAIL adopted an investment policy, as a component of its financial policies, which is monitored by the Finance/Investment/Audit Committee. The investment policy describes the objective for the fund which is to preserve capital, maintain liquidity to meet SAIL operating requirements, minimize credit, market and interest rate risk and provide the highest yield commensurate with the other objectives. The investment policy has established a guideline of maintaining at least three months of operating expenses in cash and cash equivalents, with remaining funds to be invested in fixed-income securities, endowed or non-endowed funds of an Alaska-based community foundation, or land and property.

SAIL has adopted a spending plan for its board-designated endowment and beneficial interest. Under the current plan, the board has determined that it will not use earnings in order to allow the funds to grow. On no less than an annual basis, the Board will evaluate SAIL's financial position to determine whether circumstances warrant a change to this policy that would allow spending or some earnings. Uses of the earnings of the board-designated endowment fund is integrated with SAIL's annual budget development and approval process.

The changes in SAIL's board-designated endowment fund for the year ended June 30, are as follows:

	2019	2018
Board-designated endowment, beginning of year	$ 224,861	$ -
Contributions	-	225,000
Investment return	8,151	54
Administrative and custodial fees paid to ACF	(1,621)	(193)
Amount distributed to SAIL	-	-
Board-designated endowment, end of year	$ 231,391	$ 224,861

NOTE 9 – OPERATING LEASES

SAIL leases office space in four Southeast Alaska communities in order to provide consumer services. Leases are either month to month or non-cancellable operating leases. Rent expense on office operating leases for the years ended June 30, 2019 and 2018 was $ 136,218 and $122,355, respectively.

The following are the minimum lease payments under noncancelable leases for each of the fiscal years ended June 30:

Fiscal Year	Minimum Lease Payments
2020	$ 78,009
2021	7,800
2023	650

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods at June 30:

	2019	2018
Purpose and Time Restrictions:		
SAIL's Outdoor Recreation and Community Access (ORCA)funds to be spent in subsequent fiscal year	$ 10,000	$ 10,000
Disability Pride funds to be spent in subsequent fiscal year	3,320	-
HomeMap funds to be spent in subsequent fiscal year	8,906	-
Rasmusson Foundation vehicle acquisition funds to be used to acquire a vehicle in the subsequent fiscal year	17,791	-
Juneau Community Foundation - Hope Endowment for the subsequent fiscal year	35,000	-
Total net assets with donor restrictions	$ 75,017	$ 10,000

NOTE 11 – CONCENTRATIONS AND CONTINGENCIES

Grant Revenue and Receivables

SAIL receives a substantial amount of support from federal and State of Alaska grants. If a significant reduction in the level of this support were to occur, it would have a significant adverse effect on SAIL's programs and activities.

Taxi Lease Contingencies

SAIL leases ramp-equipped vehicles to taxi companies in Juneau and Ketchikan at no charge. While the taxi companies are required to provide maintenance and insurance on the vehicles, if one or more of the vehicles were in an accident, it could result in a loss of SAIL's equipment.

Funding Concentration

A significant proportion, approximately 40 percent, of SAIL's annual funding comes from the State of Alaska. The majority of SAIL's contributions are from individuals and businesses located in Southeast

Alaska. As such, SAIL's ability to generate resources via contributions and grants is dependent upon the economic health of Alaska and Southeast Alaska.

NOTE 12 – RETIREMENT PLAN

SAIL has established a 403(b) Thrift Plan to provide retirement benefits to employees. SAIL's retirement plan covers employees who received at least $5,000 in compensation during the preceding calendar year. The retirement plan allows for employee contributions up to the maximum amount allowed by the Internal Revenue Code. SAIL annually makes a matching contribution to each eligible employee's account, equal to the employee's contributions, up to a limit of 3% of the employee's compensation for the calendar year. Employer contributions for the years ended June 30, 2019 and 2018 are $13,968 and $15,377, respectively.