

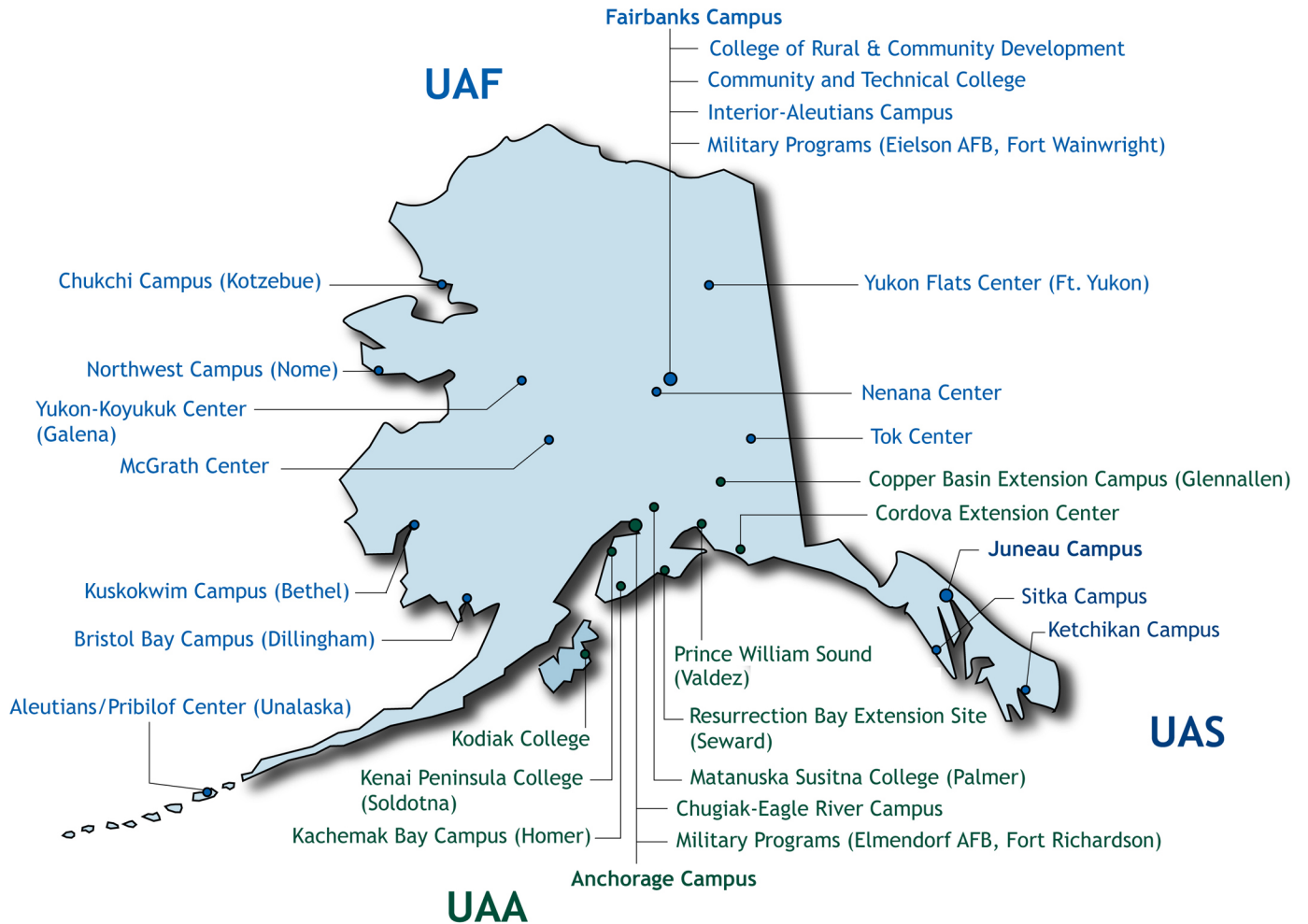


UNIVERSITY
of ALASKA

Many Traditions One Alaska



Annual Financial Report
Fiscal Year 2014



Front cover:

An Aeryon Scout helicopter used by UAF Alaska Center for Unmanned Aircraft Systems Integration.
 Courtesy of Todd Paris



UNIVERSITY
of ALASKA
Many Traditions One Alaska

University of Alaska
Annual Financial Report
Year Ended June 30, 2014

A Component Unit of the State of Alaska

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LETTER OF TRANSMITTAL

December 12, 2014

Board of Regents
University System of Alaska
910 Yukon Drive, Suite 202
Fairbanks, AK 99775

Dear Regents,

On behalf of President Gamble, I am pleased to present to you the Annual Financial Report of the University of Alaska System for the year ended June 30, 2014.

This report provides financial information regarding the System's operations during the year and presents its financial position at the end of the fiscal year.

Moss Adams, LLP, Certified Public Accountants, have performed the audit of the University's financial statements which includes its discreetly presented component unit, the consolidated financial statements of the University of Alaska Foundation for the year ended June 30, 2014, and have issued an "unmodified" opinion, the most favorable outcome of the audit process. The audit opinion provides reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

We have also received from Moss Adams, LLP, Single Audit Reports on federal awards in accordance with Government Auditing Standards and OMB Circular A-133.

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion & Analysis. Accordingly this letter of transmittal should be read with that statement.

Additionally, on behalf of President Gamble, I am pleased to announce to you that the combined financial statements of the Education Trust of Alaska for the year ended June 30, 2014, was audited by PricewaterhouseCoopers, LLP, Certified Public Accountants, and they have issued an "unmodified" audit opinion on these statements. These are available upon request.

Above all, and as always, my profound thanks to President Gamble, and to the Chancellors for their continued support, interest, and collaboration.

The preparation of this report was accomplished with the professional and dedicated services of the entire staff of the System Finance department. I wish to express my particular gratitude to Michelle Wood, Connie Hooper, Alex Amegashie, Vickie Gilligan, Elaine Main, Myron Dosch, Wei Guo, Nichole Pittman, James Lynch, Tamera Weaver, Susan Freel, and Diane Slusher. I can't thank them enough.

Respectfully submitted,

Ashok K. Roy,
Ph.D., MS, M.Ed., MA, CIA, CBA, CFSA
Vice President for Finance & Administration/
CFO & Associate Professor of Business
Administration

THE BOARD OF REGENTS

The University of Alaska Board of Regents is an 11-member board, appointed by the Governor and confirmed by the Alaska Legislature. Members serve an eight year term, with the exception of the student regent who is nominated from his/her campus and serves a two year term.

The University of Alaska and the Board of Regents are established by the Constitution of the State of Alaska. The Board is responsible for the University of Alaska policy and management through the University President.

The Board oversees the University of Alaska System consisting of three separately accredited universities encompassing 16 campuses across Alaska. The University of Alaska serves a state twice the size of Texas. In Fall 2013 the University of Alaska System enrolled 32,696 students for credit, and employed 4,502 full-time employees and 4,112 part-time employees to provide teaching and related services to students and the communities in which they are located. The University of Alaska System maintains 418 buildings comprising 7.0 million gross square feet, and has title to approximately 145,691 acres of land (educational property: 12,186 acres; investment property: 133,505 acres). The University of Alaska Fairbanks and the University of Alaska Anchorage participate in three NCAA Division I teams, all other sports are NCAA Division II or multi-dimensional. Sports at the University of Alaska Southeast are recreational/intramural.

FY 2014

Full-time Equivalent (FTE) Enrollment:	18,896
State Appropriation per FTE :	\$20,422
Net Tuition & Fees Revenue per FTE:	\$ 6,621
Student & Academic Expenses per FTE:	\$19,356

MEMBERS:

Dale Anderson

Timothy Brady

Fuller A. Cowell

Courtney Enright

Kenneth J. Fisher (Secretary)

Jyotsna Heckman (Vice Chair)

Mary K. Hughes

Patricia Jacobson (Chair)

Gloria O'Neill

Michael Powers (Treasurer)

Kirk Wickersham

UNIVERSITY PRESIDENT:

Patrick K. Gamble

CHANCELLORS:

Brian Rogers
University of Alaska Fairbanks

Tom Case
University of Alaska Anchorage

John Pugh
University of Alaska Southeast

VICE PRESIDENTS:

Ashok K. Roy
Finance & Administration/CFO

Dana L. Thomas
Academic Affairs & Research

Carla Beam
University Relations

SYSTEM SENIOR FINANCE STAFF:

Myron Dosch, MBA, CPA

Wei Guo, M.Acc, CPA

James Lynch, BS, CPA, CGFM

Tamera Weaver, BBA, CPA

Nichole Pittman, BBA, CIA, CISA

MESSAGE FROM THE PRESIDENT

The University of Alaska is not immune to the seismic shifts in academic and operating challenges that are pressuring U.S. higher education in general. That said, a close look at our financial statement depicts a diverse university system, well positioned to accommodate the need for measured change as the way to achieving new institutional performance goals and objectives. Moreover, while tightly constrained in its budgeting, the University of Alaska is firmly affixed atop a solid overall financial foundation. Our 2014 Annual Financial Report reflects success in carrying out our mission of providing broad student access to an affordable, high-quality education, as well as creating research results that are garnering national and international attention.

Members of our University-support community, especially the Board of Regents, have worked hard to formalize our dedication to transformational outcome improvement via a process entitled *Shaping Alaska's Future* ... a published policy guide for UA decision-makers. *Shaping Alaska's Future* will have a lasting impact on the evolution of the University of Alaska system as it influences the way ahead.

www.alaska.edu/shapingalaskasfuture/

The University is continuing to serve as a thought leader in international arctic and circumpolar dialogues. Included in that role we are proud to celebrate and preserve our Alaskan Native cultural roots. Furthermore, we pioneered many new innovative ways of teaching, learning, and research in FY14 to further our position as a premier land-grant, space-grant, and sea-grant university. Innovation, so important to our success, will continue as fundamental to our core culture. Academic engagement across Alaska through an education network connecting 16 campuses is a university feature that assists our outstanding staff and faculty members to reach thousands of students involved in learning and workforce development at every university level

... in class, in the labs, and more and more online. That very same network is also the backbone of the university system's public outreach. When Alaskans are in search of advice or answers that can enhance a fishing business or agricultural development project, the Cooperative Extension Service and Marine Advisory Program are two fine examples from UA's portfolio of outreach talents.

Thanks to the unqualified support of our Governor and our Legislature, FY14 was a robust year for new infrastructure construction, as well as for the restoration of deteriorated academic, research, training, and student services structures. That kind of state support is not lost on potential students, faculty, and staff looking to join a quality, high-value higher education and workforce development opportunity.

When you finish this report you will see why we are proud to be "Alaska's University."



Patrick K. Gamble
President

TOP CAMPUS AND DEPARTMENT ACCOMPLISHMENTS

It is a very productive time for higher education in Alaska as depicted by a sampling of accomplishments for FY2014.

SHAPING ALASKA'S FUTURE

In June 2014 the University of Alaska Board of Regents approved UA's publication Shaping Alaska's Future as university policy. It contains a list of 23 effects, or outcomes, the university is tasked to achieve. The effects, developed in concert with faculty, staff and student governance groups, are aimed at improving graduation rates, streamlining administrative processes and providing better service to students, among other things.

In order to navigate the challenges ahead, 5 major themes were identified. These 5 themes are:

- Student Achievement and Attainment
- Productive Partnerships with Alaska's Schools
- Productive Partnerships with Public Entities and Private Industries
- Research and Development and Scholarship to Enhance Alaska's Communities and Economic Growth
- Accountability to the People of Alaska

The intent of the multi-year effort, which involves students, faculty, alumni, staff and the public, is to create a culture shift toward continuous improvement, and greater use of innovation. In the overall quest for excellence and continuous improvement, these are our priority target areas:

For example, the Board approved a common academic calendar for all campuses within the UA System and requested that faculty develop and

adopt common general education requirements for math and English. Both moves are aimed at better serving students.

UA formed a system-wide collaborative decision-making group called the Summit Team consisting of the president; the three chancellors; the three provosts; and the vice president for academic affairs & research. The name Summit Team was selected in honor of the Latin "ad summum" emblazoned on the official University of Alaska seal, which appears on all UA diplomas. The group has assumed an essential leadership role in "Shaping Alaska's Future" decisions that require system-wide collaboration.

Leadership development has been a major part of UA's effort to manage change. Institutional leaders across the system have taken part in Center for Creative Leadership development sessions, completed 360 degree reviews, and drafted plans for initiatives designed to achieve the effects listed in "SHAPING."

A comprehensive effort to review and revise UA Board of Regents' policy and University regulation is nearing completion to better reflect the many adjustments stimulated by the many new "SHAPING" initiatives.



UNIVERSITY OF ALASKA FAIRBANKS

(A Land Grant, Sea Grant, and Space Grant Institution)

STUDENT ACHIEVEMENT AND ATTAINMENT

UAF has increased emphasis on eLearning and Distance Education, which now reports directly to the Chancellor. Course offerings increased by 13 percent and now include twelve on-line certificates and degrees and enrollments increased by 7%. The Chancellor's Innovation in Technology and eLearning (CITE) Fellows program was launched to accelerate organizational learning regarding the integration of education and technology.

The Faculty Senate approved new general education learning outcomes based on the Association of American Colleges and Universities LEAP Learning Outcomes, including intellectual and practical skills, personal and social responsibility, and integrative and applied learning.

An on-line training course for all student advisors has been developed that will certify advisors and serve as a reference tool.

Longitudinal data indicates that several steps taken in recent years to improve placement of college applicants has resulted in both improved first term grade point averages for, and better retention of, baccalaureate intended and baccalaureate admitted students.

The 2014 graduating class, 1,433 students, is the largest in the university's history and includes the largest number of Alaska Native graduates.

PRODUCTIVE PARTNERSHIPS WITH ALASKA'S SCHOOLS

The Alaska Experimental Program to Stimulate Competitive Research (EPSCoR) and UAF's Upward Bound secured National Science Foundation funding of \$750,000 over three years to serve 60 low-income, prospective first-generation college students in the rural communities of Shishmaref, Bethel, Nikiski, and Seward with an unmanned aerial vehicle curriculum to increase their interest in science, technology, engineering and math (STEM) fields.

PRODUCTIVE PARTNERSHIPS WITH PUBLIC ENTITIES AND PRIVATE INDUSTRIES

In December, the Pan-Pacific Unmanned Aircraft Systems Test Range Complex led by the Alaska Center for Unmanned Aircraft Systems Integration was selected by the Federal Aviation Authority as one of the nation's six official unmanned aircraft systems test sites.

UAF exceeded its stretch fundraising goal of \$8 million by more than 50%, securing more than \$12 million in charitable donations this year. Included in these gifts was a \$2.5 million gift from a retired school teacher and construction manager couple, dedicated for student scholarships.

The Center for the Study of Security, Hazards, Response and Preparedness was established by the Board of Regents. It collaborated with US Northern Command to put on an international workshop event for military and civilian experts regarding operational responses to the complex scenarios in the Arctic.

Chancellor Rogers served as Chair of the Board of Governor's for UArctic, which has more than 130

member organizations spanning all eight Arctic nations.

The International Piano e-Competition was hosted in summer 2014. 24 world-class pianists competed in finals in Fairbanks. Through advanced technology, including the use of e-pianos capable of digitally transmitting the pianists' actual performance keystrokes through the Internet to other digital pianos, the Piano-e-Competition could be followed on the web from any location.

RESEARCH & DEVELOPMENT AND SCHOLARSHIP TO ENHANCE ALASKA'S COMMUNITIES AND ECONOMIC GROWTH
UAF entered into a formal partnership with Colorado State University, a top-ranked veterinary school, to launch a professional veterinary medicine program in Alaska.

Climate change programs from different research disciplines, including the Scenarios Network for Alaska Planning (SNAP), the Alaska Center for Climate and Policy (ACCAP), Geographic Information Network of Alaska (GINA), and the Alaska Fire Science Consortium (AFSC), were consolidated under the International Arctic Research Center to strengthen interdisciplinary work in this important issue area.

UAF RESEARCH ACCOMPLISHMENTS

The University of Alaska Fairbanks (UAF) is a nationally ranked research university, 69th among U.S. public universities in Federally-funded research expenditures,¹ with a research focus on Alaska and the circumpolar north. UAF is the world leader in both Alaska and arctic research, in terms of publications and citations of those publications, as documented by the *Web of*

¹*The Top American Research Universities, 2012 Annual Report, The Center for Measuring University Performance, Arizona State University and the University of Massachusetts, Amherst.*

Science™ Core Collection (Thompson Reuters). From 2011 through 2013, UAF led all other single institutions (universities, research institutes and government laboratories) in the number of arctic publications, with 380 total. UAF also led all single institutions in citations to its arctic publications, with more than 1,800 in the past three years. Below are some highlights of UAF research.

NORTHERN PEOPLES

College of Liberal Arts archaeology faculty member Dr. Ben Potter is conducting research on foraging behaviors and paleoenvironments at Upward Sun River (Xaasaa Na'), a terminal Pleistocene site in central Alaska. With support from the National Science Foundation, Dr. Potter trains future archaeology technicians, and his team has unearthed many artifacts - some greater than 10,000 years old - left by some of Alaska's first human inhabitants.

Linguistics Associate Professor, Sabine Siekmann, is working with western Alaska communities to revitalize the Yup'ik language using Computer Assisted Language Learning. Her research is supported by the U.S. Department of Education.

Suicide prevention in Alaska Native communities through NIH-supported community-based participatory research is led by Institute of Arctic Biology (IAB) and Center for Alaska Native Health Research Assistant Professor Stacy Rasmus. Along with community co-researchers Billy Charles and Tara Ford, Dr. Rasmus was invited by the Alaska legislature to present the research in Juneau in February 2014.

A USDA funded research project is incorporating high quality, culturally important foods into school meals. The research is led by Institute of Arctic Biology and Center for Alaska Native Health Research Assistant Professor Andrea Bersamin in collaboration with co-researchers including Quentin Fong (School of Fisheries and

Ocean Sciences) and Bret Luick (School of Natural Resources and Extension).

ARCTIC ENVIRONMENT AND INFRASTRUCTURE

International Arctic Research Center (IARC) scientists have produced a new Digital Sea Ice Atlas, encompassing 160 years of historical data. The web-based interactive map, the first of its kind, allows users to simultaneously view multiple sources of historical sea ice data in the Beaufort, Chukchi and Bering seas. With funding from the Alaska Ocean Observing System, John Walsh and Sarah Trainor worked in partnership with the National Snow and Ice Data Center and the University of Illinois.

The UAF Water and Environmental Research Center (WERC), Institute of Northern Engineering (INE) is conducting research on proposed highways to resource-rich areas of Alaska. WERC has just completed a 5-year study to evaluate hydrologic conditions at potential bridge crossing locations associated with the road to Umiat. Faculty member Anna Liljedahl's Jarvis Creek project investigates the relationship between glaciers, frozen ground, groundwater and river hydrology and how flooding affects infrastructure in surrounding communities.

Studies by the INE Alaska University Transportation Center showed that bridges respond differently during seismic events when founded on frozen ground and that soil will liquefy down to about -2 degrees C. Based on UAF research American Association of State Highway and Transportation Officials Bridge Codes were recently changed to recognize the impact of frozen ground on structural response to earthquakes.

Pilgrim Hot Springs located near Nome, Alaska is the hottest water resource in the state not directly associated with a volcanic system. The INE Alaska Center for Energy and Power and its partners have found that the resource could be capable of

sustaining approximately 2 MW of power generation.

A paper this fall documented the occurrence of a new group of dinosaurs in Mesozoic Era Alaska, when the climate was much warmer. In the past two decades, researchers have uncovered thousands of specimens on the North Slope, which are now housed at the UA Museum of the North. Curator Patrick Druckenmiller partnered with Florida State University researchers on the NSF-funded project.

NEW AND EXPANDED NATIONAL RESEARCH FACILITIES

The Geophysical Institute (GI) Alaska Satellite Facility (ASF), directed by Nettie LaBelle-Hamer, installed a new NASA-owned 11 meter antenna to join the NASA Ground Network support ASF provides. ASF was gifted a 9.1 meter antenna and purchased the property it occupied to establish the long-planned UAF Ground Station. An additional 7.3 meter antenna will be installed on the same property this summer.

The Alaska Earthquake Center and the Seismology Group of the GI will participate in the NSF EarthScope Project, a massive effort to install ~250 new seismic stations across Alaska in order to study the earth's interior and increase understanding of the origins of earthquakes and faults.

The University of Alaska Fairbanks Toolik Field Station, located in the foothills of the Brooks Range north of the Arctic Circle, is funded by the National Science Foundation and managed and operated year-round by IAB. It provides support for the research and education programs of 300-400 scientists and students each year. The National Science Foundation has been funding a major capital improvement program for additional housing, science and support facilities.

The NSF owned and UAF School of Fisheries and Ocean Sciences operated ice-capable research

vessel R/V Sikuliaq was completed and outfitted and will undergo sea trials this summer. The Sikuliaq will arrive in Alaska in early 2015, to support oceanographic research in the Arctic Ocean and Bering Sea.

UAF ALASKA CENTER FOR UNMANNED AIRCRAFT SYSTEMS INTEGRATION

The Alaska Center for Unmanned Aircraft Systems Integration (ACUASI) is a research center at the University of Alaska, Fairbanks for small, unmanned aircraft systems, providing integration of unique payloads and supporting pathfinder missions, with a special emphasis on the Arctic region.

In December 2013 the Federal Aviation Administration (FAA) announced that the University of Alaska will serve as one of six official unmanned aircraft system test sites. The Pan-Pacific UAS Test Range Complex will be managed by the University of Alaska Fairbanks and includes partners in Oregon and Hawaii. Alaska is an optimal location to conduct this type of work. Aviation is a central to commerce and community in the state and Alaska has six times more pilots per capita than the rest of the nation. Unmanned aircraft can find a place in Alaska's vast airspace, while that is more difficult in populous regions.

Unmanned aircraft have strong advantages in a variety of research and other applications. Manned aircraft are expensive, and can put people in high-risk situations. Unmanned aircraft can fly low and slow, operate in dangerous conditions, and take high-quality video and photographic images. Some examples of research applications for unmanned aircraft worldwide include: acquiring images of nests made by endangered Chinook salmon in the Snake River canyon of Idaho; surveying a Viking settlement in Iceland; assisting wildlife managers in South Africa; and mapping a glacier in Chile. In Alaska, the testing center carried out a Steller sea lion count in the

western Aleutian Islands, flying unmanned aircraft low enough to get high-resolution images without spooking the animals. Scientists are studying the sea lions to learn why their populations appear to be on the decline. In addition, the center is looking at ways the oil and gas industry can use unmanned aircraft to detect pipeline leaks, survey roads and locate polar bear dens. One humanitarian mission helped guide a fuel tanker to iced-in Nome. A storm caused the town in western Alaska to miss its fall fuel delivery, so a Russian tanker was chartered to arrive in January. UAF dispatched an Aeryon Scout unmanned aircraft to collect images of sea ice to assist the ship in finding the best route. As these examples illustrate, unmanned aircraft systems have enormous potential in research, search and rescue operations, infrastructure development and maintenance in remote areas, and many other applications.

UAF OFFICE OF INTELLECTUAL PROPERTY AND COMMERCIALIZATION

The Office of Intellectual Property and Commercialization (OIPC) promotes innovative research at the University of Alaska Fairbanks (UAF) and engages inventors, entrepreneurs and investors to commercialize such work. While OIPC protects intellectual property (IP) of faculty, students, and staff, the separate non-profit Nanook Innovation Corporation (NIC) and for-profit Nanook Tech Ventures (NTV) are charged with commercializing the IP. NIC ensures revenue is returned to both the inventor and the University while NTV assists entrepreneurial faculty, staff, and students in creating startup companies and viable businesses based on UAF IP.

In FY14, UAF received 46 invention disclosure forms (IDF) from faculty, staff, and students. Invention disclosures are the first step in the process of commercializing research. Two patents were granted to UAF with another nine filed and

under review. OIPC also executed 108 non-disclosure agreements (NDA) between the University and non-university entities. Non-disclosure agreements are a key indicator of the volume of interaction between the private sector and University regarding IP.

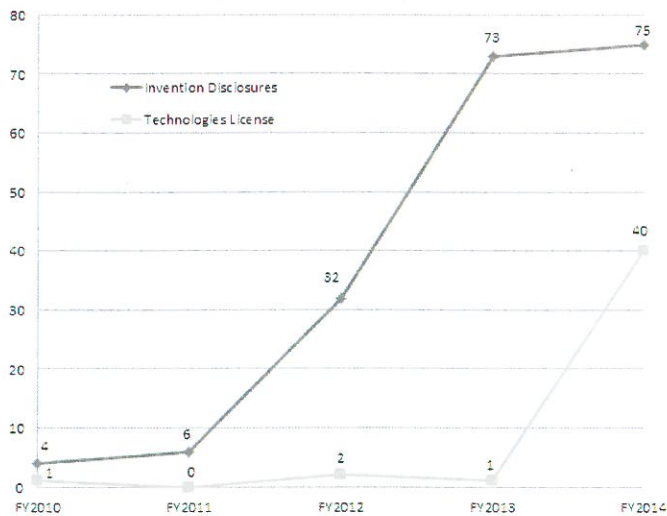
In FY14 to date, NIC licensed 36 pieces of UAF technology to companies, with all of these technologies going to companies in Alaska.

In FY14 to date, NTV assisted with the formation of two start-up companies: V-ADAPT, Inc. and ArcticFire Development Corporation. Both companies are licensees of UAF technologies. OIPC made the first ever royalty payment from a startup company to university inventors in FY14.

More than 200 tons of steel are being erected for a new six-story engineering building. The building will open by 2017 and add 119,000 square feet and renovate 23,000 square feet of space for UAF's engineering and mining programs.

A construction air quality permit and funding were secured to undertake a major upgrade of the Fairbanks campus' combined heat and power plant to replace aged equipment and increase fuel efficiency and reduce emissions.

OIPC Fiscal Year Comparison



ACCOUNTABILITY TO THE PEOPLE OF ALASKA

A new Applied Sciences Center on the Bristol Bay Campus in Dillingham was officially dedicated.

The Emily Ivanoff Brown Library at the Northwest Campus in Nome was remodeled to become the Emily Ivanoff Brown Student Resource Center and is a more energy efficient, user friendly building.



UNIVERSITY OF ALASKA ANCHORAGE

UAA PRIORITIZATION PROCESS

For the past 18 months UAA has been undergoing a Prioritization Process assessing all academic and support functions in order to better align the university's strategic mission in accordance with UAA Strategic Plan 2014 and Shaping Alaska's Future – with the goal of making UAA the best institution possible. The results will be used to strengthen the university and its alignment with the university's strategic mission and Shaping Alaska's Future strategic themes.

STUDENT ACHIEVEMENT AND ATTAINMENT

- UAA graduated its largest class ever in May 2014: 2,420 students. In total, UAA conferred 85 certificates, 652 associate degrees, 1,364 baccalaureate degrees, 13 post-baccalaureates, 88 graduate certificates, 312 master's degrees and three doctoral degrees. The 2,420 graduates of the Class of 2014 earned a total of 2,517 degrees or certificates.
- UAA's Anchorage campus graduated 7.7% more students in AY14 (N=2312) than it did in AY13 (N=2146), highlighting Anchorage campus efforts to focus students on defining a pathway to completion early and providing regular academic advising.
- UAA is fully accredited as a doctoral granting institution providing students

with quality, programs of distinction, and making UAA an attractive, highly competitive choice for undergraduate and graduate students and faculty.

- UAA's curriculum proposal, selected out of 13 submitted, will become the basis for the new curriculum structure for the Foundations Phase for the University of Washington School of Medicine and the entire WWAMI system beginning fall 2015.
- UAA and Willamette University College of Law have partnered to offer an accelerated "3+3 program" enhancing law school opportunities for Alaska college students while addressing concerns about student debt. The agreement allows students to complete a bachelor's degree and a law degree in six years, rather than the usual seven.
- Boosted by NCAA championship finishes in four sports in March 2014, UAA has risen to a program-record No. 5 ranking in the Learfield Sports Director's Cup standings, placing Seawolves among the top 2 percent of all NCAA Division II programs.
- Seawolf student athletes have had an exceptional year with 4 Conference Championships, 26 college graduates and a department-wide GPA of 3.18.
- UAA's top debate team made it to the quarterfinals of the 2014 U.S. Championship, placing them in the top 16 of the nearly 200 teams that participated. The UAA Debate team will host the 2015 U.S. Championship in Alaska.

- Student excellence:
 - Kyle Demientieff-Worl, a junior pursuing a degree in anthropology with a minor in Alaska Native studies, received the Roger Lang Youth Leadership award by the Alaska Federation of Natives.
 - Xavier Mason, a junior in the Bachelor of Business Administration program, is a national finalist for the prestigious Truman Scholar program. Xavier plans to study policy-making as it applies to homelessness.
 - Michael Edmond Kituralria Ulroan is the first ANSEP graduate to serve as student commencement speaker. He spoke on his personal path from Chevak to UAA and graduation as the first Engineering graduate from his village.
 - Tom Honer and Angelica Remaley have been selected as Fulbright Scholars for 2014-2015. Both students are mentored by Natasa Masanovic, chair of the Languages Department and Professor of German. The German program now claims in total 7 Fulbright scholars to Germany and 8 Congress-Bundestag recipients.
 - UAA students placed fifth in the American College of Sports Medicine Student Bowl.
- Faculty excellence:
 - Professor Landry Signe had three books published and/or accepted for publication since August 2013, one of which won the 2013 Best Book on Africa Award bestowed by Touki Montreal. Professor Signe also received the 2014 Governor General of Canada's Award and UAA Chancellor Awards for both Teaching Excellence and Excellence in Academic Research and Creative Activity.
 - Andrew Romerdahl is named the first College of Business and Public Policy Weidner Chair. Romerdahl is a UAA alum and general manager at Pacific Tower Properties.
 - Ryan Harrod, Assistant Professor of Anthropology, is the author of two books released this year: *Bioarchaeology: An Integrated Approach to Working with Human Remains* and *Bioarchaeology of Climate Change and Violence: Ethical Considerations*.
 - Nancy Jane Shelby, Ph.D., professor and director of the Alaska WWAMI School of Medical Education, has been named to the Louis L. Kralick, M.D. Alaska WWAMI Professorship. Dr. Shelby will serve as the Kralick Professor for a term of three years.
 - James Muller, UAA professor of Political Science, has been selected by the National Association of Scholars to be the president of the Alaska Association of Scholars for next year.
 - 2014 faculty emeriti: Phyllis Fast, Ping-Tung "P.T." Chang, Lee Huskey, Stephen Langdon, Kim Peterson and Bart Quimby.

- Staff excellence:
 - Maria Bonifacio, associate director of Residence Life, received the public service award from the American College Personnel Association's standing committee for LGBTQAI awareness for the creation of SafeZone on campus.
- UAA published "Transforming the University: Alaska Native Studies in the 21st Century," an important follow up from the first Alaska Native Studies conference held at UAA last spring.
- UAA hosted the first Winter Design Project which transformed the quad into an interactive playground. Ten faculty (in Art, Public Health, Engineering, Math, and Alaska Native Studies), more than 250 students, more than 30 staff, and community members that included the Anchorage Museum Education Department and 10 international guests from Nesna University College, Norway participated in the "design intervention."
- UAA signed an agreement with Nankai University in Tianjin, China, providing Nankai students from the master of economics programs to be considered for admission to MBA programs in UAA's College of Business and Public Policy – increasing international recognition of quality education and programs of distinction.
- More than 70 faculty, staff and students participated in a university-wide "Healthy Minds" conversation to talk about programs, projects and research at UAA aimed at supporting mental health.
- The Northwest Commission on Colleges and Universities has approved the

proposed Master of Science in Mechanical Engineering at UAA.

PRODUCTIVE PARTNERSHIPS WITH ALASKA'S SCHOOLS

- UAA signed an MOU with the Anchorage School District paving the way for students enrolled in high school to receive dual credit (high school and college) for college courses at UAA.
- UAA students in BIO 490 (neuroanatomy and neurophysiology), organized the 3rd Annual Alaska Brain Bee, a competition designed to increase the interest of high school students in studying neuroscience through a fun and competitive atmosphere.
- UAA/APU Books of the Year brought NPR's Brooke Gladstone to Alaska for a number of public events including a book signing and public lecture on her book, *The Influencing Machine*.
- Kenai Peninsula College and the Kenai Peninsula Borough School district are partnering on two new efforts to help borough high school students to take college classes. Beginning in fall 2014, juniors will be able to take KPC courses at the rate of \$55/credit versus the regular tuition rate of \$174/credit. In the past, the program has only been available to high school seniors. Students who take 30 dual credit/college credits will save \$3,570 on their first year of college. The school district will also provide transportation.

PRODUCTIVE PARTNERSHIPS WITH PUBLIC ENTITIES AND PRIVATE INDUSTRIES

- UAA broke ground and "topped out" the new Engineering and Industry Building

slated to be open in Fall 2015. The building will provide the university the ability to meet industry and state need for engineers.

- Faculty and students at the University of Alaska Anchorage will have early access to the ConocoPhillips Arctic Science and Engineering Endowment, thanks to a one-year-early payoff of the \$15million pledge made by ConocoPhillips Alaska, Inc. in 2008. Originally scheduled to begin distributions in 2016, the endowment will now provide researchers more than \$138,000 this fiscal year end, increasing substantially over the next few years. By the end of FY17, there will be approximately \$435,000 available to be awarded each year.
- The Building Futures Fund, established in October 2013, has raised more than \$2M to support building enhancements for athletic facilities at UAA.
- Premera Blue Cross Blue Shield of Alaska donated \$100,000 to fund training workshops for community physicians, making it easier for doctors to take WWAMI students into their practices and teach them.
- UAA's Smoke-free campus, a group of students, faculty and staff advocating for a 100 percent smoke or tobacco-free campus signed onto the Fresh Air Campus Challenge and hosted "Fresh Air Challenge" at UAA bringing to campus local, state and federal tobacco control advocates.

**RESEARCH AND DEVELOPMENT AND
SCHOLARSHIP TO ENHANCE ALASKA'S
COMMUNITIES AND ECONOMIC GROWTH**

- Doctoral granting status paves the way for UAA – the University of Alaska's health campus – to further enhance the health and welfare of Alaska's communities, providing a foundation for future economic development.
- UAA Justice Center and the Anchorage Police Department released the "Officer Involved Shootings in Anchorage 1993-2013" as part of a cooperative effort to better understand officer use of force in Anchorage.
- The Fall 2013/Winter 2014 issue of the Alaska Justice Forum includes articles on collateral consequences of criminal convictions and the relationship between unemployment and domestic violence.
- Investigators in the Center for Behavioral Health Research and Services Center received a three-year \$943,000 federal grant to implement a training program for students in health profession programs to conduct routine substance and alcohol abuse screening with their patients.
- The University of Alaska Center for Economic Development was awarded a \$200,000 Rural Cooperative Development Grant and \$70,000 in funding through a Rural Business Opportunity Grant. Both grants support services to historically underserved areas of Alaska including Bethel, Bristol Bay and the Dillingham regions.
- UAA School of Social Work is one of 11 programs nationwide selected to participate in the second cohort for the National Child Welfare Workforce Institute to extend education, training and mentorship opportunities to participating students in the hopes of encouraging graduates to stay with the Office of

Children's Services longer. A priority will be given B.S.W. students willing to commit to working in rural Alaska.

- UAA is partnering with 12 other universities on a \$20.3 million grant from the National Institutes of Health to create a research network that will expand partner universities' capacity to put clinical research into practice to address health problems including cancer, diabetes, cardiovascular and autoimmune disorders and obesity.
- The Alaska Justice Statistical Analysis Center August 2013 Fact Sheet presents information on driving under the influence and driving while intoxicated arrests made by Alaska police agencies 2000-2011. The fact sheet is by Brad A. Myrstol, director of AJSAC.

ACCOUNTABILITY TO THE PEOPLE OF ALASKA

- The opening of the Alaska Airlines Center in September 2014 will offer an on-campus venue for Commencement and Seawolf Athletics, as well as a forum for community events. Built with public and private support, the Alaska Airlines Center demonstrates UAA's stewardship of public and private resources and accountability to the people of Alaska. UAA will hold its first Commencement in the Alaska Airlines Arena in December 2014.
- Kenai Peninsula College's Kenai River Campus celebrated the grand opening of their two new facilities – the Career and Technical Education Center (\$15.25M total project cost) and Residence Hall (\$17.8M total project cost) in Aug. 2013.

- UAA Alumni Relations is gaining momentum with nine newly chartered alumni chapters located in Alaska and around the country. The chapters include Engineering, Aviation, Houston, Seawolf Athletics, Honors College, Juneau, Health, Justice and Washington, D.C.
- Due to demand, UAA added two new Summer Engineering Academy sessions for students in sixth through ninth grades. These week-long, hands-on instructional opportunities are designed to inspire students and provide exposure to science, technology, engineering and mathematics. The academies also seek to support historically underserved and underrepresented students who might otherwise have limited opportunities for these experiences.
- UAA values, supports and delivers excellent service at every level including -- Also Theme 1: Student Achievement and Attainment:
 - UAA Care Team, established in 2009, to review reports of current and prospective students of concern, has continually increased reporting from 145 reports in FY10 to 325 reports to date. In addition, the Care Team has increased response and follow-up actions from 503 in FY13 to 1,336 to date.
 - Student Affairs realigned resources to form the new division of Student Access, Advising and Transition. This unit provides the structure that focuses on a seamless comprehensive experience for students that begins before the student enters the university and provides guidance

through admissions and their first year. Piloting mandatory orientation and advising was the top priority for this division in FY14 and 97% of students in the pilot successfully met with an academic advisor before registering for spring 14 courses. 86% of students in the pilot who met with an academic advisor persisted into the spring semester, whereas only 76% of first-year degree seeking students who did not participate in the pilot persisted into the spring semester. Full implementation of mandatory orientation and advising for all first- and second-year students begins in FY15.

- UAA’s first E-Catalog went live in June 2014, providing faculty, staff and student early access to next year’s academic bulletin.
 - UAA’s Title IX team provided trainings for more than 500 employees in June and continues to provide trainings in the coming months for UAA, UAF and UAS employees.
 - Student Affairs implemented a financial literacy program to increase students’ awareness about borrowing, debt and options for paying for college. It’s an important area that aligns with college access/affordability — part of the Shaping Alaska’s Future. savvy\$eawolf - Financial Literacy@UAA provides workshops on budget, credit and loans, as well as one-on-one counseling for students about the student loan process.
- “River of Bears,” the first-ever wildlife film made for a planetarium, was developed by UAA astrophysicist Travis Rector and is being shown at the Anchorage Museum of History and Art over the summer.
 - The "NO MORE at UAA" campaign which began the week of March 17 as a precursor to National Sexual Assault Awareness Month has co-branded with the "NO MORE" national campaign to increase greater awareness and action to end domestic violence and sexual assault. Over 150 people attended the March 19 "NO MORE Silence in the Dark" panel discussion on domestic violence and sexual assault held at the UAA/APU Consortium Library.
 - University sponsored debates provide public with topical information: Over 200 students, faculty, and members of the public attended “Time to Legalize? A Public Discussion on Marijuana Law and Policy,” sponsored by the UAA Justice Center and the UAA Justice Club. The UAA Debate Program also hosted the Yale Debate Association for an exhibition debate: “No public funds should go to support competitive athletics in public education.”
 - UAA received two Higher Education Marketing Awards – competing against 1000 other colleges and universities – for brand advertising working including our social media hub, The Howl, developed by Travis Michel and Spawn, and suite of Amazing Stories television commercials developed by Spawn.
 - University Police Department honored by the Alaska Legislature for work as first responders.

- UAA Justice Center is the first UAA unit to have research published on ScholarWorks@UA, the statewide online institutional repository for UA faculty, staff, and students. The Alaska Justice Forum (1991-2014) and Alaska Justice Statistical Analysis Center Fact Sheets, 2012-2013 are now available on this statewide site.



UNIVERSITY OF ALASKA SOUTHEAST

UAS AWARDS RECORD NUMBERS OF DEGREES AND CERTIFICATES

UAS awarded over 780 degrees, certificates, and other credentials in the 2013-14 academic year. In 2013 the number of awards increased 15 percent over those the year before, and preliminary data from 2014 shows similar increases. About half of all awards are master's degrees focusing on teacher education, business management, and public administration. Eighty-six percent of all UAS graduates are in high demand occupational categories.

UAS eLEARNING EXPANDS TO OVER HALF OF ALL CREDITS EARNED

Online or eLearning programs continue to be a prominent part of UAS academic offerings, particularly in teacher education, business, accounting, and liberal arts. UAS offers 42 degrees, endorsements, and certificates largely or entirely by eLearning. Just over half of all UAS credits are now earned online. In the Sitka and Ketchikan campuses, a large majority of all credits are earned through online offerings.

IMPROVING RETENTION AND PERSISTENCE THROUGH ACTIVE, ENGAGED LEARNING

UAS advisors and faculty are redoubling efforts to improve student retention and persistence. Advising is key for student success, and advisors are using DegreeWorks and EMAS recruitment and retention tools to track student progress. UAS is improving student success metrics through First Year Experience programs, One Campus/One

Book efforts, our new Honors Program, and more. These and other efforts reduced by 18 percent the number of students placed on academic probation and increased the number of students on the Dean's List by 15 percent.

NEW FRESHMAN HOUSING ENHANCES JUNEAU CAMPUS LEARNING COMMUNITY

UAS constructed new freshman housing on the Juneau Campus which will significantly enhance the student learning experience for residential students. The housing, offering 120 new beds, provides students with stunning views of the Juneau Campus' natural environment, including Auke Lake, Mendenhall Glacier, and the Juneau Icefield.

UAS KETCHIKAN CAMPUS PARTNERS WITH VIGOR INDUSTRIAL—ALASKA SHIP AND DRYDOCK

Faculty and staff in the UAS Ketchikan Campus are tailoring programs to meet the workforce needs of the Alaska Ship and Drydock facility, operated by Vigor Industrial. Faculty created an intensive workforce development program to train maritime and multi-skilled workers. They are also teaching math for the trades, blueprint reading, refrigeration, and hydraulics to yard workers.

UAS STUDENTS ENGAGE WITH INMATES AT JUNEAU'S LEMON CREEK CORRECTIONAL CENTER

UAS faculty member Dr. Sol Neely and his students are working with inmates at Juneau's Lemon Creek Correctional Center, enriching the lives of participants both inside and outside of the institution. That work is paying off, with several inmates becoming successful students following their release. "If it wasn't for this class, I'd probably still be in jail," said one recently-released student. "I would have ended up fighting...these guys and not getting [credit for] good time. That class allowed us to engage ourselves outside the

confines of the gang mentality. We created a new mentality.”

**ALASKA COASTAL RAINFOREST CENTER
FOCUSES ON TRANS-BOUNDARY
COLLABORATION**

The Alaska Coastal Rainforest Center, with support from all three UA universities, continues to focus on strategic research collaboration with Canadian partners. Dr. Allison Bidlack is engaged with colleagues at the British Columbia Ministry of Forest, Land, and Natural Resource Operations and also Simon Fraser University’s Hakai Network for Coastal Peoples, Ecosystems, and Management focusing on bog forest research and trans-boundary forest research and management.

OTHER NOTEABLE ACCOMPLISHMENTS

UA MUSEUM OF THE NORTH (UAF)

The University of Alaska Museum of the North continues to be a top-tier research institution, as well as an educational destination for both tourists and community members. The museum's scientific research faculty and staff continued to add to the more than 1.4 million unique specimens available to artists, community members, students, scientists, and writers for research and other investigations.

In April 2014, the entomology department entered its 180,000th insect record using the online database Arctos which the museum designed and manages. In addition to UAMN, there are 13 institutional members of Arctos, including the Museum of Comparative Zoology at Harvard University and the Denver Museum of Nature & Science. This collaborative database is fully searchable, with more than three million museum records providing invaluable information for scientists worldwide who are engaged in studies of climate change, genetic diversity, atmospheric and oceanic contaminants, and disease vectors. Thanks to a \$149,000 IMLS grant awarded this fiscal year, UAMN is preparing to move information from its cultural collections to Arctos.

Museum curators and collections staff made several important discoveries during this fiscal year. In July 2013, Curator of Insects Derek Sikes and UAF MS student Jill Stockbridge identified a new species of snow scorpionfly, *Caurinus tlagu*. Later that summer, Earth Sciences Curator Pat Druckenmiller and his team discovered a major site for dinosaur fossils along the Yukon River. They encountered footprints big and small from both meat and plant-eating species along their 500-mile river journey.

Another potential scientific advancement came when Curator of Mammals Link Olson and his colleagues won a \$1.7 million NSF grant to study population trends in the Pacific walrus, including ancient specimens thousands of years old that will be examined in the museum's Ancient DNA lab. The Ancient DNA Lab, built as part of the museum's expansion, is the only dedicated lab of its kind in the state of Alaska and one of the only ancient DNA labs in a museum in which the polymerase chain reaction (PCR) has never been conducted, allowing for a facility that is uncontaminated by copies of genetic codes.

Senior Collections Manager Angela Linn worked with local volunteers to reinstall a Curtiss JN-4D, the historic aircraft known as the Jenny, in the Fairbanks International Airport. Carl "Ben" Eielson, who made the first flight across the Arctic Ocean, purchased the airplane in 1923 and used it to fly mail and passengers around the Interior. By conducting research on this artifact, Linn contributed valuable information to the history of Fairbanks.

The museum continues to be a community-minded institution, seeking collaborations with local schools, non-profits, and organizations. Among the highlights were the museum's success in working with corporate partner Wells Fargo to secure free admission for Alaska-based military members and their families in 2014. The museum also partnered with the Fairbanks Children's Museum, providing space for a winter exhibit that brought scores of new members from the community to campus.

One of the museum's educational goals is to render university research understandable to the public. The museum's exhibits team completed the special exhibit *Arctic Odyssey: Voyages of the R/V Sikuliaq*, which opened in May 2014. This installation features a 12-foot model of UAF's research vessel, interactive elements that explore ocean depth and sonar, as well as collections illustrating the biodiversity of the Arctic Ocean. Another May debut is *PoLAR Voices*, an adventure

audio series that explores climate change at the poles through the voices of the people who study, live and work there. It is collaboration with the PoLAR Climate Change Education Partnership funding by the NSF through Columbia University. The museum also began work on *Arctic Currents*, an animated film exploring a year in the life of a bowhead whale.

UNIVERSITY OF ALASKA PRESS (UAF)

The Chicago Tribune, *Booklist*, *Publishers' Weekly*, *Huffington Post*, and *Slate* all reviewed and praised UA Press books from the list of our seventeen publications in FY14. More locally, our FY14 books have been featured in the *Alaska Magazine*, *Alaska Airlines Magazine*, *Alaska Dispatch*, *Anchorage Daily News*, and *Fairbanks Daily News-Miner*. *Northern Exposures*, by well-known author Jonathan Waterman, received a starred review in *Publisher's Weekly*, the third year in a row that a UA Press book received a starred review, a feat acknowledged by *Publisher's Weekly* as being notable and unusual for a small regional press. Jane Goodall and Robert Redford, among others, wrote supporting blurbs for our books.

Our highly scholarly books also fared well in review. For example, the Arctic Studies Center Newsletter recently wrote of *Yupik Transitions* by Igor Krupnik and Michael Chlenov: "The interweaving of personal stories, memories, and impingement of events from the 'outside' world makes this Yupik history a thrilling read as well as a rich scholarly contribution to Anthropology and northern Studies."

Several of our FY14 publications were the result of partnerships, including the stunning catalog, *Dena'inaq' Huch'ulyeshi*, a joint project with the Anchorage Museum; the acclaimed *I Am Alaskan*, supported by the Rasmuson Foundation and the Alaska Humanities Forum; and three new titles in the fully supported Alaska Literary Series.

Our titles include books for scholars and for the general public, including high quality children's books. We anticipate another strong year for book sales and have seen significant increases in our e-book sales as more titles become available electronically. We look forward to continuing to fulfill our mission of serving the scholarly community, K-12 education, and the general public.

ALASKA NATIVE SCIENCE & ENGINEERING PROGRAM (UAA)

The Alaska Native Science & Engineering Program (ANSEP) was started with a single student in 1995 as a scholarship program for Alaska Native Engineering students. ANSEP has evolved into a longitudinal education model that provides a continuous string of components beginning with students in sixth grade and on through high school, into science and engineering undergraduate degree programs and through graduate school to the PhD. By successfully completing the ANSEP components every student in Alaska can earn the Alaska Performance Scholarship regardless of where they live. We are providing inspiration, guidance, and opportunity for students from 95 communities. The focus at each level is to provide excitement and empowerment around these careers. We have arrived at this model after 18 years of effort and with the awareness that a fragmented approach that focuses on one academic level is not adequate to deal with the scope of the problem and ultimately falls short. Each component is based on the fundamental Native principle of working together in a community.

ANSEP students at every level are successful at rates far exceeding national and state numbers.

- ANSEP Middle School students complete algebra 1 before graduating from eighth grade at a rate of 83%.
- The national average is 26%.

- More than half of ANSEP high school students graduate engineering ready. 4% of minority students nationwide do so.
- More than 70% of all ANSEP students who begin BS STEM degrees graduate.
- There are now 1,200 ANSEP middle school, high school, university students and alumni.

During FY14, ANSEP kicked off the ‘Expanding Our Reach’ initiative. The goal is to engage 650 new students annually through the ANSEP Middle School Academy. This puts 4,000 students in the ANSEP pipeline by 2020. Major philanthropic donations during the year include \$5 million from the Rasmuson Foundation, \$280,000 from ExxonMobil, \$230,000 from Alyeska Pipeline, and \$200,000 from Udelhoven Oilfield System Services. Total non-University raised for the year was approximately \$8 million. Additionally, the 28th Alaska State Legislature and the Governor of Alaska included In the Governor’s Education Bill \$3 million annually for the next three years to support the ‘Expanding Our Reach’ initiative.

RECORDS AND INFORMATION MANAGEMENT (STATEWIDE OFFICE)

Records and Information Management (RIM) provides control and oversight over records and information received, created or maintained by UA pursuant to its mission, operation and activities. RIM manages 7,500,000 active UA records and documents in OnBase- an enterprise records and information management system, increasing efficiency, maximizing physical space and saving costs of paper, filing cabinets and minimizing errors.

- UA is in compliance for FY14 with Identity Theft Prevention Program pursuant to Board of Regents annual reporting requirements and Federal Trade Commission Red Flag Rule. UA did not

have any reported incidents of student or employee identity theft.

- In conjunction with Student Enrollment Services, RIM implemented an automated transcript processing solution to provide faster transcript processing and credit evaluation for students.
- Published records and information retention and disposition schedules for registrars, financial aid, and finance fund accounting offices.
- In coordination with campus human resources, implemented a digital process to manage, store and retrieve staff performance evaluation documents.
- In coordination with campuses, designed and started an all-digital business process for archiving journal vouchers, awards, proposals, restricted invoices and supporting documents for Finance and Grants & Contracts departments.
- All members of the RIM earned industry standard certifications in enterprise content and electronics records management.
- A publication titled “Considerations Implementing ECM Solutions” by Shiva Hullavarad, Russ O’Hare, & Ashok Roy was accepted in the *Information Management Journal*, a national trade journal.

THE OFFICE OF AUDIT AND CONSULTING SERVICES (STATEWIDE OFFICE)

- Completion of a system-wide audit of procurement card that resulted in a reduction of credit exposure for the university and bank in excess of 50%.
- Transition to a new firm for the University’s annual external audit.
- Identification of the need for written guidance on the topics of fraud, waste and

abuse; and the administration of external travel accounts.

- Acting as lead for the team that completed the system-wide hotline vendor selection and the team that is working on implementation of the hotline.
- Presentation at training events on the topic of internal auditing.

THE OFFICE OF INFORMATION TECHNOLOGY (STATEWIDE OFFICE)

The Office of Information Technology successfully piloted the use of digital signatures across the UA System. Digital signature processing improved efficiency and reduced the overall workflow from days in some instances to minutes. Over 2000 documents were processed with an average time to completion of about one hour. The Office of Information Technology will continue the evaluation and its applicability for broad enterprise deployment.

In FY14, the Office of Information Technology expanded the deployment of single-credential sign on by expanding its use to additional UA systems and technologies including UAOnline, the University of Alaska's web entry point for many student and employee transactions.

Deployed a system-wide mobile technology by Ellucian, giving students mobile access to online schedules and grades. Anticipating mobile registration prior to the 2014-15 academic year.

OIT successfully expanded the use of Unified Active directory across the system and decommissioned legacy directories, streamlining access and enterprise architecture for UA.

Successfully streamlined campus-card systems across all campuses, hosting and managing all campus-card programs centrally while providing local administration to each campus.

In FY14, the Office of Information Technology successfully ran a complete payroll from its disaster recovery site in Hillsboro, Oregon improving and proving IT's capacity for business continuity in the event of a disaster.

OIT successfully completed and tested electronic emergency notification system for all UA. Multiple campus test alerts throughout the UA system, much improving emergency communications capacity and capabilities for local and system wide alerts

UA COLLEGE SAVINGS PLAN (STATEWIDE OFFICE)

As of June 30, 2014, assets under management by the Education Trust of Alaska for the College Savings Program totaled approximately \$6.5 billion. During the year then ended, total assets grew by more than \$1.1 billion, an increase of 20%. In October 2013, the Trust's T. Rowe Price College Savings Plan (TRP Plan) was one of only four plans to receive a "Gold Rating" from Morningstar. The UA Plan, as marketed in Alaska, includes the same investment options as the TRP Plan plus one additional conservative portfolio that includes a guarantee that earnings will keep pace with tuition inflation at the University of Alaska. In November 2013, the University of Alaska College Saving Plan received recognition in the form of two prestigious marketing awards, the Prism Award and the Star Award. During the 2013 Permanent Fund Dividend (PFD) season approximately 12,700 Alaskans elected to contribute half of their PFD to their college savings account. For 2014, current estimates are that almost 14,200 will contribute this year, an increase of approximately 11%.

UA SCHOLARS PROGRAM (STATEWIDE OFFICE)

The UA Scholars Program had another successful

year and enrolled 444 new scholars: 249 at UAA, 178 at UAF, and 21 at UAS. The UA Scholars Program led the UA system this year with the highest level of retention for students returning to the UA System at 83.80%. The University honored its new class of scholars with receptions at each of the main campuses and the publication of a circular citing each of the names of the scholars on the University of Alaska website (ScholarsInsert2014.pdf) and in every major newspaper in Alaska.

ACADEMIC AFFAIRS & RESEARCH (STATEWIDE OFFICE)

Academic Affairs & Research worked with the Alaska Commission on Postsecondary Commission and e-Learning leaders at UA institutions for Alaska to join the Western Interstate Commission on Higher Education State Authorization Reciprocity Agreement. Taking part in this voluntary agreement among member states will make it easier for students to take online courses offered by postsecondary institutions based in another state.

AA & R completed the Alaska Maritime Workforce Development Plan as part of the UA Fisheries, Seafood, Maritime Initiative.

Mining and Petroleum Training Services graduated the initial class of Canadian first-time miners. President Gamble, Provincial Officials, and the Alaska Department of Labor Workforce Development commissioner attended the graduation, which was held 800 feet underground in the Delta Mine Training Center. Canada plans to train 1000 new miners. This cooperative agreement provides economies of scale for training Alaskan miners as well.

Student and Enrollment Services completed the successful launch of Schedule Planner software. This software assists students in finding courses

that fit into their schedule, ultimately helping students to achieve on-time completion.

UA Statewide successfully transferred the responsibilities and accountabilities of the University of Alaska Corporate Programs functions to the campuses. This change resulted in the reduction of five UA Statewide positions. The campuses are currently engaged in marketing and delivering professional education, continuing education, and contract training to a variety of employers throughout the state.

PUBLIC AFFAIRS (STATEWIDE OFFICE)

The internal and external rollout of the Shaping Alaska's Future initiative has commenced, following approval by the Board of Regents in April 2014. The strategic communications plan to share progress includes: a complete web redesign (www.alaska.edu/shapingalaskasfuture); digital and hard copy versions of the Shaping Alaska's Future document distributed through a variety of methods; and an introductory video on why Shaping Alaska's Future is vital for UA students and their families, faculty and staff, Alaska and the future.

The plan includes speaking engagements, advertising through traditional and social media and other strategic communications targeting key partners, elected and business leaders, alumni and donors.

Enaa neenyo
"Welcome"
Koyukon Athabaskan

Waqaa
"Greetings"
YUP'IK

Tsen-'ii, shign'ahdal
"Thank you for coming here"
TANANA (UPPER)

Chin'an gu nin yu
"Thank you, you came here"
DENA'INA ATHABASCAN

Daneyosh
"Come on in"
UPPER KUSKOWIKWIM

*Yak'ei haat
yigoode'e*
"It's good that you have come"
TLINGIT

Nakhwal'in shoo ihtii
"Welcome"
GWICH'IN ATHABASCAN

Paġlagivsigiñ
"We welcome you"
INUPIAQ

*Awa'ahdah
aanda'
laxsa'a'ch't*
"Thank you for coming here"
EYAK

Aang
"Welcome"
UNANGAN/UNANGAS
(ALEUT)

*Quyana
taaluten*
"Thank you for coming"
CUP'IG
(NUNIVAK ISLAND)

*Quyakamsi
tagilghiisi*
"We welcome you"
ST. LAWRENCE
ISLAND YUPIK

*Quyana
tailuci*
"Thank you for coming"
CUP'IK

Cama'i
Alutiiq greeting
ALUTIIQ (SUGPIAQ)



Tats gwiik
"Welcome. Here is the place
of honor for you"
HAIDA

Ts'lm'wii'amhaw
Greeting called out while entering
TSIMSHIAN

*Ugheli
nanghal'aeni*
"It's good to see you"
AHTNA ATHABASCAN

Yuxudz yuxogh srigisddheyh go ninuxdatl
"We are glad that you all came"
DEG XINAG (DEG HIT'AN) ATHABASCAN

Greetings in Alaskan Native dialects

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

December 12, 2014

The management of the University of Alaska System is responsible for the preparation, integrity, and fair presentation of the financial statements which have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on judgments and estimates by management.

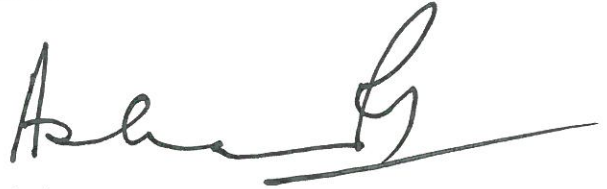
The University of Alaska System believes that all UA representations made to the independent auditors during their audit were valid and appropriate. Moss Adams' audit opinion is presented in this Report.

The University of Alaska System maintains complex internal controls over financial reporting, which is designed to provide reasonable assurance to the university's management and the Board of Regents regarding the preparation of reliable published financial statements. Such controls are maintained by the establishment and communication of accounting and financial policies and procedures, by the selection and training of qualified personnel, and by an internal audit program designed to identify internal control weakness in order to permit management to take appropriate corrective action on a timely basis. There are, however, inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention of controls.

The Board of Regents, through its Audit Committee, is responsible for engaging the independent auditors and meeting regularly with management, internal audit, and the independent auditors to ensure that each is carrying out their responsibilities and to discuss auditing, internal

control, and financial reporting matters. Both internal auditors and the independent auditors have full and free access to the Audit Committee.

Based on the above, I certify that the information contained in the accompanying financial statements fairly presents, in all material aspects, the financial condition of the University of Alaska System.



Ashok K. Roy,
Ph.D., MS, M.Ed., MA, CIA, CBA, CFSA
Vice President for Finance & Administration/
CFO & Associate Professor of Business
Administration



UNIVERSITY
of ALASKA

Many Traditions One Alaska

University of Alaska Financial Statements

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited – see accompanying accountants' report)

Introduction

The following discussion and analysis provides an overview of the financial position and activities of the University of Alaska (University) for the years ended June 30, 2014 (2014) and June 30, 2013 (2013), with selected comparative information for the year ended June 30, 2012 (2012). This discussion has been prepared by management and should be read in conjunction with the financial statements including the notes thereto, which follow this section.

Using the Financial Statements

The University's financial report includes the basic financial statements of the University and the financial statements of the University of Alaska Foundation (Foundation), a legally separate, nonprofit component unit. The three basic financial statements of the University are: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These statements are prepared in accordance with generally accepted accounting principles (Governmental Accounting Standards Board (GASB) pronouncements). The University is presented as a business-type activity. GASB Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, establishes standards for external financial reporting for public colleges and universities and classifies resources into three net position categories – unrestricted, restricted, and net investment in capital assets.

The Foundation is presented as a component unit of the University in accordance with GASB Statement No. 39, *Determining*

Whether Certain Organizations Are Component Units. The Foundation's financial statements include the Statement of Financial Position and the Statement of Activities and these statements are presented as originally audited according to U.S. generally accepted accounting principles and Financial Accounting Standards Board (FASB) pronouncements.

The Foundation was established to solicit donations and to hold and manage such assets for the exclusive benefit of the University. Resources managed by the Foundation and distributions made to the University are governed by the Foundation's Board of Trustees (operating independently and separately from the University's Board of Regents). The component unit status of the Foundation indicates that significant resources are held by the Foundation for the sole benefit of the University. However, the University is not accountable for, nor has ownership of, the Foundation's resources.

Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the University. The net position is one indicator of the financial condition of the University, while the change in net position is an indicator of whether the financial condition has improved or declined during the year.

A summarized comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2014, 2013 and 2012 follows (\$ in thousands):

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited – see accompanying accountants' report)

	2014	Restated 2013	Restated 2012
Assets:			
Current Assets	\$ 171,236	\$ 143,039	\$ 157,492
Other noncurrent assets	315,979	336,078	296,779
Capital assets, net of depreciation	<u>1,447,301</u>	<u>1,280,298</u>	<u>1,054,648</u>
Total assets	<u>1,934,516</u>	<u>1,759,415</u>	<u>1,508,919</u>
Deferred Outflow of Resources	<u>1,369</u>	<u>1,491</u>	<u>-</u>
Liabilities:			
Current liabilities	117,980	120,515	115,298
Noncurrent liabilities	<u>186,679</u>	<u>196,427</u>	<u>159,863</u>
Total liabilities	<u>304,659</u>	<u>316,942</u>	<u>275,161</u>
Net position:			
Net investment in capital assets	1,255,355	1,076,861	889,064
Restricted – expendable	69,987	78,443	74,102
Restricted – nonexpendable	130,853	131,365	130,513
Unrestricted	<u>175,031</u>	<u>157,295</u>	<u>140,079</u>
Total net position	<u>\$ 1,631,226</u>	<u>\$ 1,443,964</u>	<u>\$ 1,233,758</u>

Overall, total net position of the University increased \$187.3 million, or 13 percent. This increase was mainly due to capital appropriations received which resulted in a \$178.5 million increase in the net investment in capital assets. The change in net investment in capital assets is discussed in more detail in the *Capital and Debt Activities* section below. The unrestricted net position totaled \$175.0 million at June 30, 2014, representing an increase of \$17.7 million over the prior year. At year end, \$148.8 million of the unrestricted net position were designated for specific purposes. See Note 7 of the financial statements for a detailed list of these designations.

Total operating cash and investments were \$144.2 million at June 30, 2014 compared to \$124.6 million at June 30, 2013. This portfolio consists primarily of bank deposits,

money market mutual funds and fixed income securities that are held to maturity to match liquidity needs. The fixed income securities comprised 54 percent, or \$77.7 million, of total operating cash and investments at June 30, 2014. The money market mutual funds were \$41.1 million, or 28 percent of the total. Note 2 of the financial statements provides more information about deposits and investments and associated risks.

Other noncurrent assets decreased from \$336.1 million at June 30, 2013, to \$316.0 million at June 30, 2014. The change was primarily due to a decrease of \$34.7 million in bond funds held with the trustee, as these funds were expended on capital projects. However, this decrease was offset by an increase in the University's endowment investments of \$11.8 million, primarily as a result of positive market returns.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited – see accompanying accountants' report)

Total liabilities are categorized as either current liabilities or noncurrent liabilities on the Statement of Net Position. Current liabilities are those that are due or will likely be paid in the next fiscal year. They are primarily comprised of accounts payable, accrued payroll and other expenses, insurance and risk management payables, amounts due in the next year on debt, and student deposits. Noncurrent liabilities are comprised mostly of long-term debt. Total liabilities decreased \$12.3 million during 2014 to a total of \$304.7 million primarily as a result of a decrease in long-term debt.

Total debt outstanding, which includes capital lease obligations, decreased from \$203.1 million at June 30, 2013 to \$193.1 million at June 30, 2014. The decrease was a result of scheduled payments on existing debt. More information is available in the *Capital and Debt Activities* section that follows.

Fiscal Year 2013 Comparisons (Statement of Net Position)

Significant comments about changes between 2012 and 2013 that were noted in fiscal year 2013 *Management's Discussion and Analysis* are summarized below:

The Statement of Net Position reflected an overall increase in net position of 17 percent, or \$210.2 million. Most of this change, or \$187.8 million, is attributed to the increase in the net investment in capital assets.

Total debt outstanding increased from \$163.3 million at June 30, 2012 to \$201.6 million at June 30, 2013 as a result of a general revenue bond issuance, 2013 Series S, plus the campus entered into a long term capital lease for a new dining facility. The 2013 Series S bonds provided funding for numerous deferred maintenance projects throughout the state. In addition, the bonds refunded previously issued debt, providing debt service savings.

Unrestricted net position totaled \$157.3 million at June 30, 2013, representing an increase of \$17.2 million over the prior year. At June 30, 2013, \$134.3 million was designated for specific purposes.

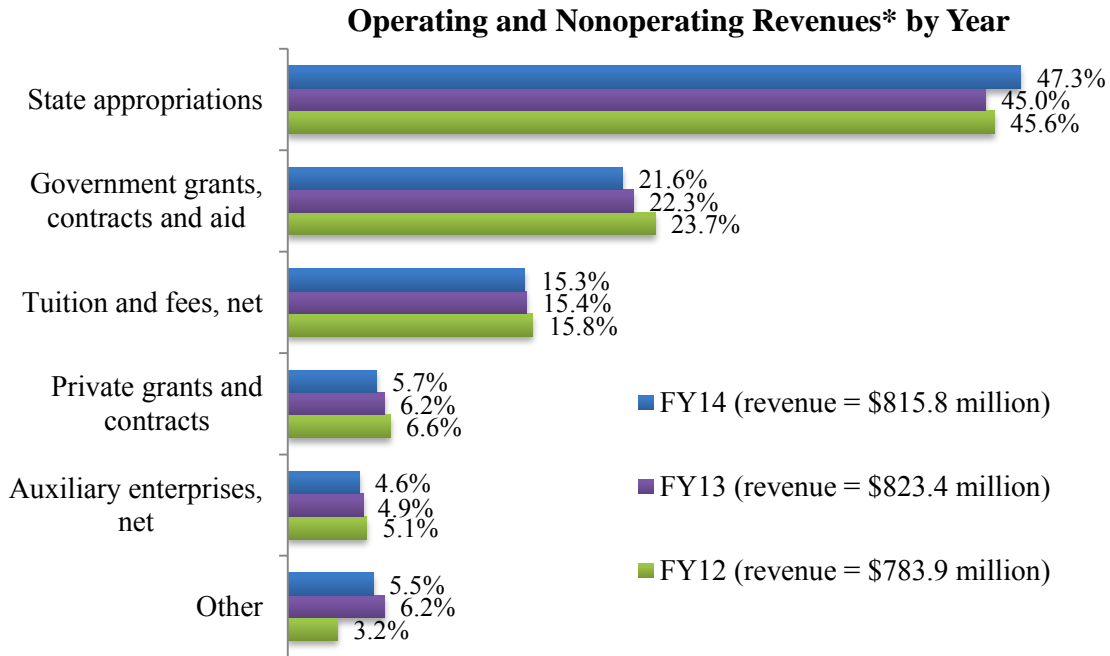
Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the results of operations for the University as a whole. Revenues, expenses and other changes in net position are reported as either operating or non-operating. Significant recurring sources of University revenue, such as state appropriations and investment earnings, are defined by GASB Statement No. 35 as non-operating.

A summarized comparison of the University's revenues, expenses and changes in net position for the years ended June 30, 2014, 2013 and 2012 follows (\$ in thousands):

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited – see accompanying accountants' report)

	2014	Restated 2013	Restated 2012
Operating revenues	\$ 380,433	\$ 397,145	\$ 393,374
Operating expenses	(841,138)	(828,444)	(821,376)
Operating loss	(460,705)	(431,299)	(428,002)
Net nonoperating revenues	461,636	449,696	409,153
Gain (Loss) before other revenues, expenses, gains, or losses	931	18,397	(18,849)
Other revenues, expenses, gains or losses	186,331	191,809	171,279
Increase in net position	187,262	210,206	152,430
Net position at beginning of year	1,443,964	1,233,758	1,081,328
Net position at end of year	<u>\$1,631,226</u>	<u>\$1,443,964</u>	<u>\$1,233,758</u>



* Excludes capital appropriations, grants and contracts, and state on-behalf payments for pension

The Statement of Revenues, Expenses and Changes in Net Position reflects an overall increase in net position of 13 percent, or \$187.3 million. Major changes in revenues and expenses in 2014 are described below.

State of Alaska general fund appropriations continue to be the single major source of revenue for the University, providing \$385.9

million in 2014, as compared to \$371.1 million in 2013. The appropriations are substantially aimed to fund a portion of the operations, and in some cases are targeted for special programs or initiatives. In addition, the state made on-behalf pension payments of \$32.9 million directly to the Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS) defined

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited – see accompanying accountants' report)

benefit plans on behalf of the University for both fiscal years 2014 and 2013. The state is paying the cost above the University's employer contribution rate to fully fund the plans at the actuarial computed rate. The University's employer contribution rates have been capped at 22 percent and 12.56 percent for PERS and TRS, respectively. The pension payments were made on-behalf of the University and are presented as revenue and expense in the University's financial statements in accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*.

Gross student tuition and fee revenue totaled \$140.3 million in 2014 as compared to \$141.9 million in 2013. The Fall 2013 tuition rates increased two percent for undergraduate courses and two percent for graduate courses. However, an overall enrollment decline from Fall 2012 to Fall 2013 of approximately 2.6 percent offset the tuition rate increases.

Operating grant and contract revenue totaled \$197 million for 2014, as compared to \$208.2 million in the prior year. The University receives grant funding from a diverse group of federal agencies, the State of Alaska, and private sponsors, including the University of Alaska Foundation. Generally, grant revenue is recorded when expenditures of the grant award occur, so the revenue reported in the

financial statements reflects the amount expended in the applicable fiscal year. Grants provide funding primarily for research projects, instructional programs, public service activities and student aid.

Capital appropriations and capital grant and contract revenue decreased from \$191.9 million in 2013 to \$186.3 million in 2014. This revenue category consists mostly of funds appropriated from the State of Alaska's capital budget or from general obligation bonds issued by the State of Alaska for University capital projects. For a more detailed discussion on capital activity, see the *Capital and Debt Activities* section which follows.

Endowment proceeds and investment income totaled \$19 million in 2014, the same as 2013. Total return in 2014 from the consolidated endowment fund was 12.5 percent. Endowment proceeds also includes yield from, or sales of, trust land, and mineral interests, the net proceeds of which are generally deposited to the land grant endowment trust fund.

A comparison of operating expenses by functional and natural classification for selected fiscal years follows (see Note 18 of the financial statements for more information):

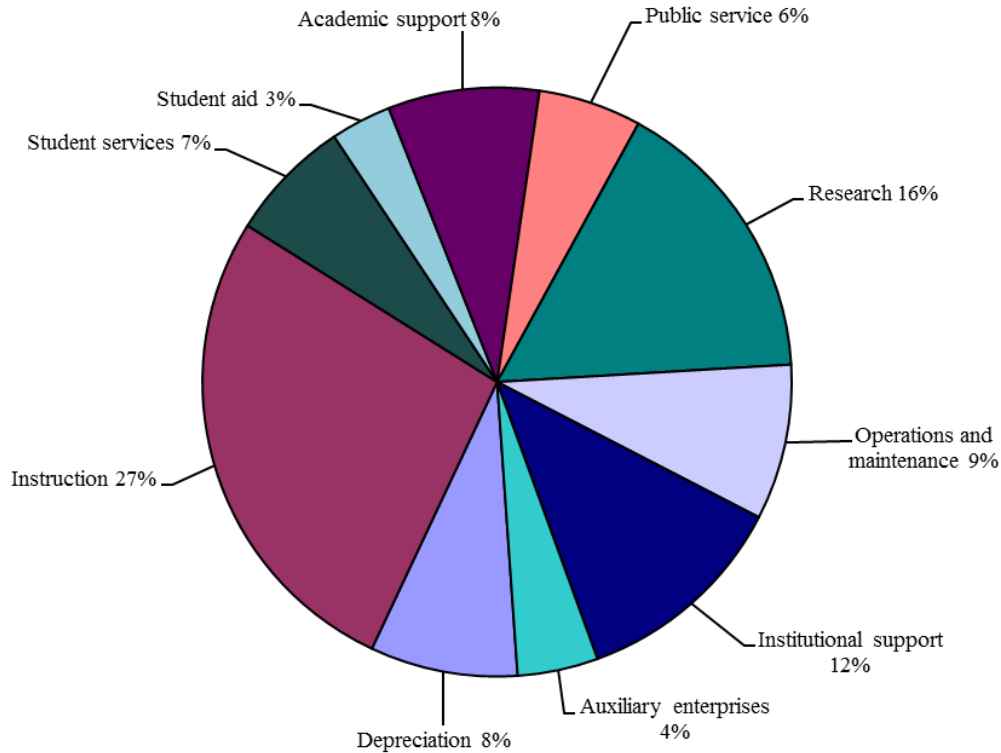
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited – see accompanying accountants' report)

Operating Expenses*
Functional Classification (\$ in millions)

	FY2014		FY2013 Restated		FY2012 Restated	
Instruction	\$ 217.3	26.9%	\$ 214.2	27.0%	\$ 213.2	26.9%
Student Services	54.6	6.8%	54.9	6.9%	53.1	6.7%
Student Aid	26.9	3.3%	28.8	3.6%	28.5	3.6%
Academic Support	67.0	8.3%	65.1	8.2%	65.2	8.2%
Student and Academic	365.8	45.3%	363.0	45.7%	360.0	45.4%
Research	129.8	16.1%	132.9	16.6%	135.9	17.1%
Public Service	45.6	5.6%	41.4	5.2%	38.8	4.9%
Auxiliary Enterprises	35.7	4.4%	35.3	4.4%	38.3	4.8%
Institutional Support	95.8	11.9%	96.1	12.1%	95.4	12.0%
Operations and Maintenance	68.9	8.5%	63.4	8.0%	65.5	8.3%
Depreciation	66.6	8.2%	63.4	8.0%	59.7	7.5%
Total Operating Expenses	\$ 808.2	100.0%	\$ 795.5	100.0%	\$ 793.6	100.0%

* Does not include On-Behalf payments made by State of Alaska for pension

**Fiscal Year 2014
Functional Classification**

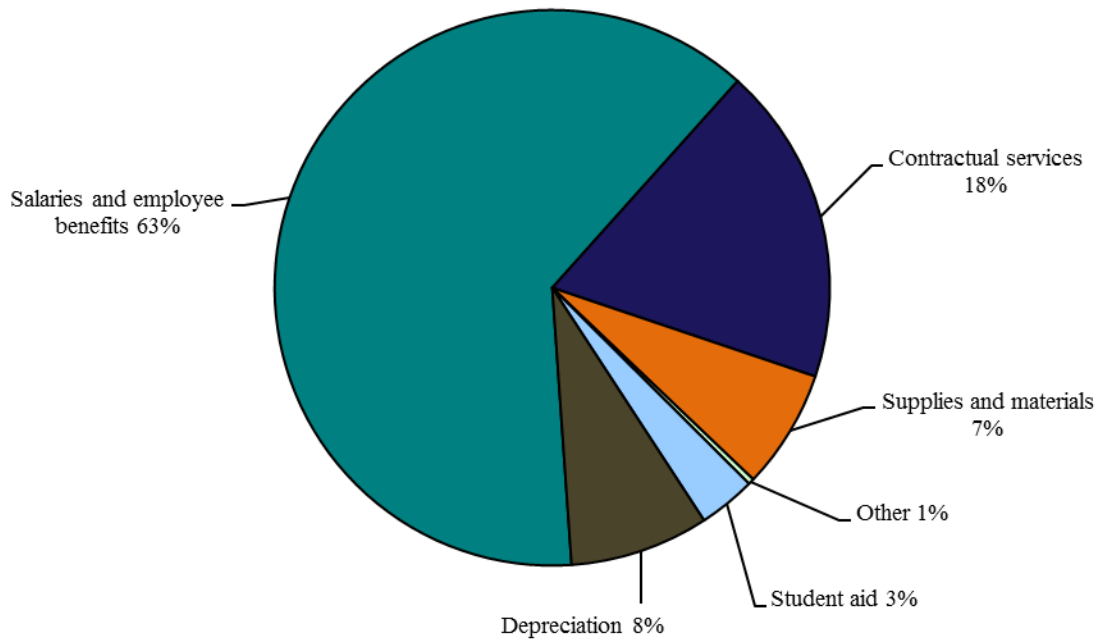


MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited – see accompanying accountants' report)

Operating Expenses*						
Natural Classification (\$ in millions)						
	FY2014		FY2013 Restated		FY2012 Restated	
Salaries and benefits	\$ 506.4	62.8%	\$ 494.1	62.2%	\$ 490.6	61.7%
Contractual services	149.5	18.5%	144.3	18.1%	144.4	18.2%
Supplies and materials	56.1	6.9%	63.2	7.9%	65.6	8.3%
Student Aid	26.9	3.3%	28.8	3.6%	28.5	3.6%
Depreciation	66.6	8.2%	63.4	8.0%	59.7	7.6%
Other	2.7	0.3%	1.7	0.2%	4.8	0.6%
Total Operating Expenses	\$ 808.2	100.0%	\$ 795.5	100.0%	\$ 793.6	100.0%

* Does not include On-Behalf payments made by State of Alaska for pension

**Fiscal Year 2014
Natural Classification**



Total operating expenses increased 1.6 percent in 2014 as compared to .2 percent in 2013. Expenditures related to the student and academic core mission, about 45 percent of all expenditures, showed a \$2.8 million increase in 2014. For the same period, expenditures for research decreased \$3.1 million, primarily a result of the tapering off of available

American Recovery and Reinvestment Act funds, competitive pressures on grant monies and federal sequestration. Amounts expended for institutional support remained stable while expenditures for operations and maintenance of facilities increased \$5.5 million as compared to 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited – see accompanying accountants' report)

A portion of University resources applied to student accounts for tuition, fees, or room and board are not reported as student aid expense, but are reported in the financial statements as a scholarship allowance, directly offsetting student tuition and fee revenue or auxiliary revenue. Scholarship allowances totaled \$15.2 million in 2014 and \$14.8 million in 2013. In addition to the allowances, students participate in governmental financial aid loan programs. The loans are neither recorded as revenue or expense in the financial statements, but are recorded in the Statements of Cash Flows as direct lending receipts totaling \$74.8 million and \$83.9 million in 2014 and 2013, respectively.

Fiscal Year 2013 Comparisons (Statement of Revenues, Expenses and Changes in Net Position)

Significant comments about changes between 2012 and 2013 that were noted in fiscal year 2013 *Management's Discussion and Analysis* are summarized below:

The Statement of Revenues, Expenses and Changes in Net Position reflected an overall increase in net position of 17 percent, or \$210.2 million.

Gross student tuition and fee revenue totaled \$141.9 million in 2013 as compared to \$138.5 million in 2012. The increase was primarily due to fall 2012 tuition rate increases of 7 percent for undergraduate courses and 3 percent for graduate courses.

Salaries and employee benefits increased .7 percent, or \$3.5 million, in 2013, which represents less of an increase than was experienced in recent years. The relatively modest growth can be attributed to a combination of savings from vacancies and

management efforts to minimize overall headcount growth.

Capital and Debt Activities

The University continued to modernize various facilities and build new facilities to address emerging state needs. Net capital asset increases (excluding accumulated depreciation) totaled \$224.9 million in 2014, as compared with \$275.1 million in 2013 and \$191.3 million in 2012. These capital additions primarily comprise replacement, renovation, code corrections and new construction of academic and research facilities, as well as investments in equipment and information technology. State capital appropriations for 2014 and 2013 were \$62.6 million and \$154.9 million, respectively. Major components of the 2014 appropriation included \$30 million for the Anchorage campus engineering building and the Fairbanks engineering building. Plus, \$30 million was provided for numerous high-priority deferred maintenance projects throughout the University system. The 2013 appropriation included \$37.5 million for deferred maintenance and \$104.9 million for the Anchorage and Fairbanks engineering buildings.

Construction in progress at June 30, 2014 totaled \$528.1 million and includes the following major projects:

A new sports arena on the Anchorage campus was opened subsequent to year end, in September 2014. This 196,000 square foot multi-use facility will house a 5,000 seat performance gymnasium for basketball and volleyball, plus supporting space for other athletic activities. The project cost of \$109 million is funded from State of Alaska capital appropriations and general obligation bonds.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited – see accompanying accountants' report)

The University of Alaska Fairbanks began construction in fiscal year 2010 of a new research vessel, named "Sikuliaq". The vessel construction is being funded by a \$148.1 million award from the National Science Foundation. As designed, the vessel will be a 261 foot multipurpose oceanographic research ship capable of operating in seasonal ice and open regions around Alaska. Once constructed, the University will manage the vessel operations to support the National Science Foundation and other federally funded science activities. The first research cruises are scheduled to begin in October 2014 in the Pacific Ocean. The ship is expected to arrive in Alaska waters in February 2015. A commissioning ceremony is scheduled for March 2015.

New engineering buildings are underway at both the Fairbanks and Anchorage campuses, to meet the engineering workforce demands of the state and modernize the classroom instruction experience. To date, the buildings have been funded by State of Alaska capital appropriations.

At June 30, 2014, \$151.9 million remains unexpended from current and prior year capital appropriations and general revenue bond proceeds, of which \$98 million is committed to existing construction contracts. The balance is for projects still in design or preconstruction, or is held for contingencies for work in progress.

Debt and Capital Leases

At June 30, 2014, total debt outstanding, including capital leases, totaled \$193.1 million. The University traditionally issues general revenue bond tax-exempt debt, and secures the repayment via a master trust indenture with a broad pledge of university receipts.

In fiscal year 2013, the University issued general revenue and refunding bonds 2013 Series S with a par amount of \$31,020,000 and a 22 year term. The bonds funded numerous deferred maintenance projects and refunded substantially all maturities of 2003 Series L, 2004 Series M and 2005 Series N general revenue bonds. The economic gain from the refunding is \$782,516 in present value and total debt service payments are reduced by \$938,706 over the life of the bonds. The University also defeased \$1,540,000 of 2009 Series P general revenue bonds maturing through October 1, 2017 by contributing cash to an escrow account held by a trustee.

In fiscal year 2013, the University entered into a long term lease agreement with Community Properties of Alaska, Inc. (CPA), an Alaska non-profit corporation, to lease a new student dining facility on the University of Alaska Fairbanks Campus. CPA built the student dining facility using proceeds from its Lease Revenue Bonds 2012. The new dining facility opened in August 2014. At June 30, 2014, the present value of the minimum lease payments is approximately \$25.8 million.

In previous years, other bonds were issued to finance construction of student residences at three campuses, the West Ridge Research Building, student recreation centers, a research facility to house the International Arctic Research Center, the acquisition and renovation of several properties adjacent to or near the University's campuses, additions to the University's self-operated power, heat, water and telephone utility systems in Fairbanks, purchase of the University Center Building in Anchorage, deferred maintenance projects, and to refund previously issued general revenue bonds and other contractual obligations in order to realize debt service savings.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited – see accompanying accountants' report)

The University has an Aa2 Stable credit rating from Moody's Investors Service and AA-Stable rating from Standard and Poor's. These ratings were affirmed in February 2013.

The University has traditionally utilized tax exempt financings to provide for its capital needs or to facilitate systematic renewals. Working capital is available to provide interim cash flow financing for facilities intended to be funded with general revenue bond proceeds or other debt arrangements.

Capital Activities – Looking Ahead

The State of Alaska appropriated \$232.4 million to the University for fiscal year 2015 via its capital budget. The appropriations include \$19.2 million designated for deferred maintenance needs across the University system. This funding is the fifth installment of a five year deferred maintenance program instituted by the Governor. The appropriations also include \$162 million for the Fairbanks heat and power plant upgrade and \$50.6 million for engineering buildings construction and renovation at the Anchorage and Fairbanks campuses. The remaining \$0.6 million is for other smaller projects.

Other Economic and Financial Conditions

The following is a description of currently known facts, decisions, or conditions that are expected to have a significant effect on the

financial position or results of operations of the University.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The University provides a significant number of its employees with pension benefits through the state's multiple-employer cost-sharing defined-benefit retirement plan administered by the Public Employee's Retirement System (PERS) and the Teacher's Retirement System (TRS). GASB Statement No. 68 will require cost-sharing employers participating in PERS and TRS, such as the University, to record their proportionate share, as defined in GASB Statement No. 68, of PERS and TRS net pension liability. The requirement to record a net pension liability will negatively impact the University's future unrestricted net position. At this time, management does not have a firm estimate of the magnitude of this impact, but it is expected to be material to the financial statements as a whole. GASB Statement No. 68 is effective beginning in fiscal year 2015.

Commencing in spring of 2015, a new heat and power plant will be constructed on the Fairbanks campus to replace an aged power plant. The project cost is estimated to be \$245 million, and the plant is expected to be complete during the winter of 2018. In the 2014 legislative session, the state approved a financing plan that includes state appropriated funds and loans of \$175 million and university general revenue bonds of \$70 million. The revenue bonds are expected to be issued in fiscal year 2017.

REPORT OF INDEPENDENT AUDITORS

The Board of Regents
University of Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Alaska (University), which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the financial statements of its discretely presented component unit, the University of Alaska Foundation, Inc., which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities for the years then ended, and the related notes to the financial statements.

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

Our responsibility is to express opinions on these 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 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 University'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 financial statements.

**REPORT OF INDEPENDENT AUDITORS
(continued)**

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its discretely present component unit as of June 30, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 17, the University had not accounted for depreciation related to library books in accordance with accounting principles generally accepted in the United States of America in prior years. This error was discovered in the fiscal year ending June 30, 2014, and resulted in restatement of amounts reported for fiscal year ending June 30, 2013. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 26.1 through 26.10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Moss Adams LLP

Spokane, Washington
October 15, 2014

UNIVERSITY OF ALASKA
(A Component Unit of the State of Alaska)
Statements of Net Position
June 30, 2014 and 2013
(in thousands)

Assets	2014	2013 Restated
Current assets:		
Cash and cash equivalents	\$ 46,679	\$ 40,231
Short-term investments	31,937	22,668
Accounts receivable, net	84,723	73,308
Inventories	5,836	6,399
Other assets	2,061	433
Total current assets	171,236	143,039
Noncurrent assets:		
Restricted cash and cash equivalents	4,015	8,751
Notes receivable	2,428	2,739
Bond funds held with trustee	16,387	51,099
Endowment investments	148,499	136,679
Land Grant Trust property and other endowment assets	62,579	62,885
Long-term investments	63,215	58,795
Education Trust of Alaska investments	18,856	15,130
Capital assets, net	1,447,301	1,280,298
Total noncurrent assets	1,763,280	1,616,376
Total assets	1,934,516	1,759,415
Deferred Outflow of Resources		
Deferred amount on debt refunding	1,369	1,491
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	38,115	38,983
Accrued payroll and annual leave	36,592	36,132
Unearned revenue and deposits	18,464	18,923
Unearned lease revenue - current portion	-	961
Long-term debt - current portion	10,870	11,164
Insurance and risk management	13,939	14,352
Total current liabilities	117,980	120,515
Noncurrent liabilities:		
Long-term debt	156,423	166,955
Capital lease obligation	25,814	24,953
Other noncurrent liabilities	4,442	4,519
Total noncurrent liabilities	186,679	196,427
Total liabilities	304,659	316,942
Net Position		
Net investment in capital assets	1,255,355	1,076,861
Restricted:		
Expendable	69,987	78,443
Nonexpendable	130,853	131,365
Unrestricted	175,031	157,295
Total net position	\$ 1,631,226	\$ 1,443,964

The accompanying notes are an integral part of the financial statements.

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UNIVERSITY OF ALASKA FOUNDATION
(A Component Unit of the University of Alaska)
Statements of Financial Position
June 30, 2014 and 2013
(in thousands)

Assets	2014	2013
Cash and cash equivalents	\$ 25,524	\$ 21,609
Interest receivable	253	95
Contributions receivable, net	8,237	8,589
Remainder trusts receivable	1,901	2,028
Other receivables	2,573	328
Other assets	816	818
Pooled endowment funds	317,234	151,728
Other investments	25,583	24,879
Total assets	\$ 382,121	\$ 210,074
 Liabilities		
Assets held in trust for University of Alaska	\$ 146,213	\$ -
Due to University of Alaska	1,372	2,244
Other liabilities	363	239
Split interest obligations	351	302
Term endowment liability	1,000	1,000
Total liabilities	149,299	3,785
 Net Assets		
Unrestricted	26,800	24,991
Temporarily restricted	106,689	85,444
Permanently restricted	99,333	95,854
Total net assets	232,822	206,289
Total liabilities and net assets	\$ 382,121	\$ 210,074

The accompanying notes are an integral part of the financial statements.

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UNIVERSITY OF ALASKA
(A Component Unit of the State of Alaska)
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2014 and 2013
(in thousands)

	2014	2013 Restated
Operating revenues		
Student tuition and fees	\$ 140,325	\$ 141,910
less scholarship allowances	(15,221)	(14,855)
	<u>125,104</u>	<u>127,055</u>
Federal grants and contracts	123,078	130,443
State and local grants and contracts	27,778	26,795
Private grants and contracts	46,156	51,006
Sales and services, educational departments	5,255	4,712
Auxiliary enterprises, net of scholarship allowances of \$2,189 in 2014 and \$2,051 in 2013	37,717	40,008
Other	15,345	17,126
Total operating revenues	<u>380,433</u>	<u>397,145</u>
Operating expenses		
Instruction	217,287	214,239
Academic support	67,014	65,136
Research	129,842	132,905
Public service	45,631	41,360
Student services	54,576	54,944
Operations and maintenance	68,918	63,364
Institutional support	95,793	96,072
Student aid	26,872	28,755
Auxiliary enterprises	35,714	35,276
Depreciation	66,618	63,403
State on-behalf payments - pension	32,873	32,990
Total operating expenses	<u>841,138</u>	<u>828,444</u>
Operating loss	<u>(460,705)</u>	<u>(431,299)</u>
Nonoperating revenues (expenses)		
State appropriations	385,887	371,051
State on-behalf contributions - pension	32,873	32,990
Investment earnings	5,180	5,474
Endowment proceeds and investment income	19,065	18,992
Federal student financial aid	25,261	25,804
Gain on sale of building	-	4,914
Interest on debt	(4,098)	(7,501)
Other nonoperating expenses	(2,532)	(2,028)
Net nonoperating revenues	<u>461,636</u>	<u>449,696</u>
Income before other revenues	931	18,397
Capital appropriations, grants and contracts	186,331	191,809
Increase in net position	<u>187,262</u>	<u>210,206</u>
Net Position		
Net Position - beginning of year	1,443,964	1,276,368
Cumulative effect of restatement (note 17)	-	(42,610)
Net Position - beginning of year as restated	-	<u>1,233,758</u>
Net Position - end of year	<u>\$ 1,631,226</u>	<u>\$ 1,443,964</u>

The accompanying notes are an integral part of the financial statements.

UNIVERSITY OF ALASKA FOUNDATION
(A Component Unit of the University of Alaska)
Statements of Activities
For the years ended June 30, 2014 and 2013
(in thousands)

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, gains and other support				
Contributions	\$ 161	\$ 15,756	\$ 4,411	\$ 20,328
Investment income	443	853	-	1,296
Net realized and unrealized investment gains (losses)	1,718	16,673	-	18,391
Other revenues	-	542	-	542
Actuarial adjustment of remainder trust obligations	-	322	3	325
Gains (Losses) on disposition of other assets	-	(30)	-	(30)
Administrative assessments	2,161	(1,457)	(53)	651
Support from University of Alaska	800	-	-	800
Donor directed reclassifications	-	882	(882)	-
Net assets released from restriction	12,296	(12,296)	-	-
Total revenues, gains and other support	17,579	21,245	3,479	42,303
Expenses and distributions				
Operating expenses	2,638	-	-	2,638
Distributions for the benefit of University of Alaska	13,132	-	-	13,132
Total expenses and distributions	15,770	-	-	15,770
Excess (deficiency) of revenues over expenses	1,809	21,245	3,479	26,533
Transfers between net asset classes	-	-	-	-
Increase (decrease) in net assets	1,809	21,245	3,479	26,533
Net assets, beginning of year	24,991	85,444	95,854	206,289
Net assets, end of year	<u>\$ 26,800</u>	<u>\$ 106,689</u>	<u>\$ 99,333</u>	<u>\$ 232,822</u>

The accompanying notes are an integral part of the financial statements.

2013

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 404	\$ 10,459	\$ 3,599	\$ 14,462
472	358	-	830
1,261	12,179	-	13,440
-	390	-	390
-	343	4	347
-	(39)	-	(39)
1,903	(1,264)	(40)	599
900	-	-	900
-	-	-	-
14,946	(14,946)	-	-
19,886	7,480	3,563	30,929
2,440	-	-	2,440
16,003	-	-	16,003
18,443	-	-	18,443
1,443	7,480	3,563	12,486
(44)	(50)	94	-
1,399	7,430	3,657	12,486
23,592	78,014	92,197	193,803
\$ 24,991	\$ 85,444	\$ 95,854	\$ 206,289

The accompanying notes are an integral part of the financial statements.

UNIVERSITY OF ALASKA
(A Component Unit of the State of Alaska)
Statements of Cash Flows
For the Years Ended June 30, 2014 and 2013
(in thousands)

	2014	2013
Cash flows from operating activities		
Student tuition and fees	\$ 141,337	\$ 139,442
less scholarship allowances	(15,221)	(14,855)
	126,116	124,587
Grants and contracts	185,566	210,649
Sales and services, educational departments	5,255	4,712
Sales and services, auxiliary enterprises	37,864	40,083
Other operating receipts	14,384	15,845
Payments to employees for salaries and benefits	(506,107)	(491,903)
Payments to suppliers	(203,818)	(204,075)
Payments to students for financial aid	(26,874)	(29,072)
	(367,614)	(329,174)
Net cash used for operating activities		
Cash flows from noncapital financing activities		
State appropriations	385,895	370,990
Other revenue	23,225	28,819
Direct lending receipts	74,768	83,902
Direct lending payments	(74,760)	(83,514)
	409,128	400,197
Net cash provided by noncapital financing activities		
Cash flows from capital and related financing activities		
Capital appropriations, grants and contracts	184,623	186,004
Proceeds from issuance of capital debt	-	31,203
Redemption of general revenue bonds	-	(10,395)
Purchases of capital assets	(238,248)	(258,536)
Principal paid on capital debt	(10,296)	(10,665)
Interest paid on capital debt	(6,214)	(5,664)
	(70,135)	(68,053)
Net cash used for capital and related financing activities		
Cash flows from investing activities		
Proceeds from sales and maturities of investments	63,445	121,575
Purchases of investments	(39,595)	(123,237)
Interest received on investments	2,476	4,795
Interest and other sales receipts from endowment assets	4,007	3,099
	30,333	6,232
Net cash provided by investing activities		
Net increase in cash and cash equivalents	1,712	9,202
Cash and cash equivalents, beginning of the year	48,982	39,780
	\$ 50,694	\$ 48,982
	\$ 50,694	\$ 48,982
Cash and cash equivalents (current)	\$ 46,679	\$ 40,231
Restricted cash and cash equivalents (noncurrent)	4,015	8,751
Total cash and cash equivalents	\$ 50,694	\$ 48,982

The accompanying notes are an integral part of the financial statements.

UNIVERSITY OF ALASKA
(A Component Unit of the State of Alaska)
Statements of Cash Flows
For the Years Ended June 30, 2014 and 2013
(in thousands)

Reconciliation of operating loss to net cash used for operating activities:	2014	Restated 2013
Operating loss	\$ (460,705)	\$ (431,299)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense	66,618	63,403
State on-behalf payments - pension	32,873	32,990
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable, net	(10,941)	2,530
Other assets	(1,628)	93
Inventories	562	174
Accounts payable and accrued expenses	5,832	3,269
Accrued payroll	47	1,893
Unearned revenue, deposits from students and others	654	(2,838)
Accrued annual leave	412	250
Unearned lease revenue - current portion	(961)	(1,281)
Insurance and risk management	(413)	80
Real and personal property contributions	36	1,562
Net cash used for operating activities	\$ (367,614)	\$ (329,174)

Schedule of Noncash Investing, Noncapital Financing, Capital and Financing Related Activities:

For the Year Ended June 30, 2014

Decrease in accounts payable for capital assets is \$6.2 million.

Book value of capital asset disposals totaled \$0.5 million.

The University received \$40,000 in donated equipment.

The University received on-behalf pension payments from the State of Alaska totaling \$33.0 million.

For the Year Ended June 30, 2013

Increase in accounts payable for capital assets is \$3.3 million.

Book value of capital asset disposals totaled \$0.7 million.

The University received \$1.6 million in donated equipment.

The University received on-behalf pension payments from the State of Alaska totaling \$33.0 million.

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

1. **Organization and Summary of Significant Accounting Policies**

Organization:

The University of Alaska (University) is a constitutionally created corporation of the State of Alaska which is authorized to hold title to real and personal property and to issue debt in its own name. The University is the only public institution of higher learning in Alaska. It is a statewide system that consists of three universities located in Anchorage, Fairbanks, and Juneau, with each having extended satellite colleges and sites throughout Alaska. The system's administrative offices are located on the Fairbanks campus. The University is governed by an eleven-member Board of Regents, which is appointed by the governor.

The University is a component unit of the State of Alaska for purposes of financial reporting. As an instrumentality of the State of Alaska, the University is exempt from federal income tax under Internal Revenue Code Section 115, except for unrelated business activities as covered under Internal Revenue Code Sections 511 to 514.

The University of Alaska Foundation (Foundation) is a legally separate, nonprofit component unit of the University. The Foundation was established to solicit donations and to hold and manage such assets for the exclusive benefit of the University. Resources managed by the Foundation and distributions made to the University are governed by the Foundation's Board of Trustees. Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and Statement No. 61, *The Financial Reporting Entity: Omnibus*, an amendment of GASB Statement No. 14 and No. 34, require the University to include the Foundation as part of its financial statements to better report resources benefiting the University. The University is not accountable for, nor has ownership of, the Foundation's resources. The Foundation's financial statements include the Statement of Financial Position and the Statement of Activities and these

statements are presented in their original audited format according to Financial Accounting Standards Board (FASB) pronouncements.

The Nanook Innovation Corporation (NIC) and Seawolf Holdings, LLC were established in fiscal year 2013 for the purpose of supporting the University of Alaska through commercialization of University generated intellectual properties. The Nanook Innovation Corporation operates as a non-profit organization under the meaning of Internal Revenue Code 509(a)(3). The Board of Directors of NIC are appointed by the University. Seawolf Holdings, LLC is a limited liability company with the University being the sole member of the LLC. The Nanook Innovation Corporation and Seawolf Holdings, LLC are considered component units of the University according to GASB Statements No. 39 and No. 61. These entities had no significant activity in fiscal year 2014 and 2013.

Basis of Presentation:

The University's financial statements are presented in accordance with U.S. generally accepted accounting principles as prescribed in applicable pronouncements of the Governmental Accounting Standards Board. The Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows report the financial activities of the University of Alaska.

The University adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Positions*, effective for the fiscal year ending June 30, 2013. This statement amends the net asset reporting requirements in GASB Statement No. 34 by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and*

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

Liabilities. This Statement requires that certain items that were previously reported as assets and liabilities be classified or recognized as deferred outflows of resources or deferred inflows of resources. These determinations are based on the definitions of those elements in GASB Concepts Statement No. 4, *Elements of Financial Statements*. The new standard was effective retrospectively for the fiscal year beginning July 1, 2013. The University adopted GASB Statement No. 65 in fiscal year 2014.

Deferred outflows of resources represent the consumption of net assets by the University in one period that is applicable to future periods.

Deferred inflows of resources represent the acquisition of net assets in one period that is applicable to future periods.

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources and is required to be classified for accounting and reporting purposes into the following categories:

- *Unrestricted net position* is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted net position may be designated for specific purposes by the Board of Regents or may otherwise be limited by contractual agreements with outside parties.

- *Restricted net position:*

Expendable net position is subject to externally-imposed restrictions that may or will be met by actions of the University and/or that expire with the passage of time.

Non-expendable net position is subject to externally-imposed restrictions requiring that they be maintained permanently by the University.

- *Net investment in capital assets* – Capital assets, net of accumulated depreciation, reduced by outstanding balances of debt attributable to the acquisition, construction or improvement of those assets.

When both restricted and unrestricted funds are available for use, the University's policy is to allow management to apply the most appropriate funds based on the facts and circumstances.

In preparing the financial statements, management is required to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the statement of net position. Actual results could differ from those estimates. The more significant accounting and reporting policies and estimates applied in the preparation of the accompanying financial statements are discussed below.

Summary of Significant Accounting Policies:

The accompanying financial statements have been prepared on the economic resources measurement focus and the accrual basis of accounting. All significant intra-university transactions have been eliminated. The University reports as a business type activity, as defined by GASB Statement No. 35. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Cash and Cash Equivalents

All highly liquid investments, not held for long-term investment, with original maturities of three months or less are reported as cash and cash equivalents.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market. Inventories consist of parts, fuel, books, shop stock, etc.

Investments

Investments are stated at fair value. Investments in fixed income and equity marketable securities are

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

stated at fair value based on quoted market prices. Investments in private partnership interests are valued using the most current information provided by the general partner. Valuations provided by the general partners and investment managers are evaluated by management and management believes such values are reasonable at June 30, 2014 and 2013. When, in the opinion of management, there has been a permanent impairment in the asset value, the asset is written down to its fair value. Income from other investments is recognized when received.

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 net position. Investments also include securities with contractual cash flows such as asset-backed securities, collateralized mortgage obligations and commercial mortgage-backed securities. The value, liquidity and related income of these securities are sensitive to economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates. Long-term investments include those restricted by outside parties as to withdrawal or use for other than current operations, or are designated for expenditure in the acquisition or construction of noncurrent assets or held with an intent not to be used for operations within the next fiscal year.

Capital Assets

Capital assets are stated at cost when purchased and at fair value when donated. Equipment with a unit value of \$5,000 or greater is capitalized. Buildings and infrastructure with a unit value of \$100,000 or greater are capitalized. Other capital assets with a unit value of \$50,000 or greater are capitalized. Certain land and other resources acquired through land grants and donated museum collections for which fair value at date of acquisition was not

determinable are reported at zero basis in the financial statements.

Depreciation is computed on a straight-line basis with useful lives of building and building components ranging from 12 to 50 years, 10 to 35 years for infrastructure and other improvements, 5 to 11 years for equipment and 20 years for library books. Museum collections are not depreciated because they are preserved and cared for and have an extraordinarily long useful life.

Endowments

The University's endowments consist of the Land Grant Endowment Trust Fund (LGETF) established pursuant to the 1929 federal land grant legislation, its related Inflation Proofing Fund (IPF) and several smaller "other" endowments. Alaska Statute 14.40.400 provides that the net income from the sale or use of grant lands must be held in trust in perpetuity.

Alaska Statute 14.40.400 provides the Board of Regents with authority to manage the LGETF under the total return principles which intends to preserve and maintain the purchasing power of the endowment principal. The investable resources of the LGETF and IPF are invested in the Consolidated Endowment Fund, a unitized investment fund. The annual spending allowance is currently based on 4.5 percent of a five-year moving average of the invested balance. Withdrawals of net earnings appreciation to meet the spending allowance are limited to the unexpended accumulated net earnings balance of the preceding December 31.

Operating Activities

The University's policy for defining operating activities as reported on the statement of revenues, expenses and changes in net position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues,

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

as defined by GASB Statement No. 35, including state appropriations and investment earnings.

Scholarship Allowances

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship allowances in the statement of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for tuition and room and board provided by the University and the amount paid by the student and/or third parties making payments on the students' behalf.

Lapse of State Appropriations

Alaska Statutes provide that unexpended balances of one-year appropriations will lapse on June 30 of the fiscal year of the appropriation; however, university receipts in excess of expenditures may be expended by the University in the next fiscal year. University receipts include student tuition and fees, donations, sales, rentals, facilities and administrative cost recovery, investment earnings, auxiliary and restricted revenues. The unexpended balances of

capital appropriations generally lapse after five years or upon determination that the funds are no longer necessary for the project.

Reclassifications

Certain amounts in the June 30, 2013 financial statements have been reclassified for comparative purposes to conform to the presentation in the June 30, 2014 financial statements.

Recently Issued Accounting Standards

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27. This Statement requires that an employer recognize its obligation for pension net of the amount of the pension plan's fiduciary net position that is available to satisfy that obligation as well as additional note disclosures regarding the obligation. The new standard is effective retrospectively for the fiscal year beginning July 1, 2014. The University is currently evaluating the impact that the adoption of GASB Statement 68 will have on its financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

2. Deposits and Investments

Deposits and investments at June 30, 2014 were as follows (\$ in thousands):

Investment Type	Operating	Capital Funds	Endowment	Education Trust of Alaska	Total
Cash and Deposits	\$ 21,688	\$ -	\$ 685	\$ -	\$ 22,373
Certificates of Deposit	3,791	-	-	-	3,791
Money Market Mututal Funds	41,074	18,021	9,108	360	68,563
Equities:					
Domestic	-	-	6,916	-	6,916
Domestic Funds	-	-	18,377	7,598	25,975
Global Funds	-	-	21,861	-	21,861
Exchange Traded Funds - Domestic	-	-	5,384	-	5,384
Emerging Markets Funds	-	-	8,892	-	8,892
Debt-related:					
Corporate	56,145	-	3,618	-	59,763
Federal Agency	5,516	-	-	-	5,516
U.S. Treasuries	13,946	-	2,499	-	16,445
U.S. Municipals	-	-	302	-	302
International Government	2,052	-	-	-	2,052
Fixed Income Funds	-	-	2,367	10,898	13,265
Asset Backed Securities	-	-	2,126	-	2,126
Mortgage Backed Securities	-	-	1,581	-	1,581
Alternative Investments:					
Private Equity	-	-	14,667	-	14,667
Futures	-	-	4	-	4
Hedge Funds	-	-	49,110	-	49,110
Other	-	-	1,002	-	1,002
	\$144,212	\$18,021	\$ 148,499	\$ 18,856	\$329,588

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

Deposits and investments at June 30, 2013 were as follows (\$ in thousands):

Investment Type	Operating	Capital Funds	Endowment	Education Trust of Alaska	Total
Cash and Deposits	\$ 20,202	\$ -	\$ 1,404	\$ -	\$ 21,606
Certificates of Deposit	3,786	-	-	-	3,786
Money Market Mutual Funds	43,362	51,610	7,571	284	102,827
Equities:	-	-	-	-	-
Domestic Funds	-	-	-	6,224	6,224
Global Funds	-	-	6,252	-	6,252
Exchange Traded Funds (ETF):	-	-	-	-	-
Fixed Income	-	-	16,420	-	16,420
U.S. Treasuries	-	-	8,617	-	8,617
Domestic	-	-	23,960	-	23,960
Global	-	-	20,340	-	20,340
Emerging Markets	-	-	6,687	-	6,687
Real Assets	-	-	4,120	-	4,120
Debt-related:	-	-	-	-	-
Corporate	36,259	-	-	-	36,259
Federal Agency	3,594	-	-	-	3,594
U.S. Treasuries	14,314	5,291	-	-	19,605
International Government	3,126	-	-	-	3,126
Fixed Income Funds	-	-	-	8,622	8,622
Alternative Investments:	-	-	-	-	-
Private Equity - Domestic	-	-	1,226	-	1,226
Private Equity - Int'l	-	-	5,861	-	5,861
Commodities	-	-	921	-	921
Natural Resources	-	-	3,275	-	3,275
Venture Capital	-	-	2,478	-	2,478
Mezzanine	-	-	437	-	437
Hedge Funds	-	-	19,809	-	19,809
Real Estate	-	-	6,165	-	6,165
Other	-	-	1,136	-	1,136
	\$ 124,643	\$ 56,901	\$ 136,679	\$ 15,130	\$ 333,353

Operating funds consist of cash on hand (including overnight repurchase agreements), time deposits, money market funds and bonds. Alaska Statutes and Board of Regents' policy provide the University with broad authority to invest funds. Generally, operating funds are invested according to the University's

liquidity needs. The University has operating fund investment guidelines, which set forth the objectives, structure and acceptable investments for the University's operating funds.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

The University's operating funds include investments in high quality bonds, including U.S. treasuries, federal agency bonds, international government bonds, and corporate bonds. These investments are held under the name of the University. Bonds comprise the largest portion of operating funds. The majority of the money market mutual funds are invested through the Commonfund, a nonprofit provider of pooled multi-manager investment vehicles for colleges and universities. The University has a \$13 million compensating balance with its checking and depository financial institution.

Capital funds include unexpended general revenue bond proceeds and related reserves and advances from state capital appropriations. At June 30, 2014 and 2013, bond funds held by a trustee totaled \$16.4 million and \$51.1 million, respectively, and consisted of funds held for construction purposes totaling \$9.3 million and \$43.9 million, respectively, and general revenue bond reserves totaling \$7.1 million and \$7.2 million, respectively. The general revenue bond reserves are invested with a third party trustee in accordance with terms of a trust indenture, requiring purchase of investment securities that are investment grade.

Endowment investments totaling \$148.5 million and \$136.7 million in 2014 and 2013, respectively, primarily consisted of \$146.2 million and \$134.6 million in investable resources of the University's Land Grant Endowment Trust Fund at June 30, 2014 and 2013, respectively, and are invested in a Consolidated Endowment Fund managed by the Foundation. These resources are combined with the Foundation's pooled endowment funds for investment purposes, and managed by the University of Alaska Foundation Consolidated Endowment Fund, LP in accordance with an investment policy approved by the Board of Regents. A copy of the Consolidated Endowment Fund's investment policy and guidelines can be obtained by contacting the University Controller's Office.

Education Trust of Alaska investments include the operating funds of the college savings program, established pursuant to state statute by the Board of Regents and Internal Revenue Code Section 529. Program investments are in mutual funds of T. Rowe Price Associates, Inc., the program manager. See Note 4 for further information.

Certain funds held in trust for the benefit of the University are not included in the financial statements as the University has only limited control over their administration. These funds are in the custody of independent fiduciaries and at June 30, 2014 and 2013 had an estimated fair value of approximately \$4.6 and \$4.0 million, respectively.

At June 30, 2014, the University has approximately \$29.4 million in investments that are not readily marketable, compared to \$47.6 million at June 30, 2013. These investments are invested in the Consolidated Endowment Fund managed by the Foundation. These investment instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependency upon key individuals, and nondisclosure of portfolio composition. Because these investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investment existed. Such difference could be material.

Disclosures for deposits and investments are presented according to GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. Accordingly, the following information addresses various risk categories for University deposits and investments and the investment policies for managing that risk.

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The operating fund investment

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

guidelines require that at the time of purchase, short term instruments must be rated A2 or better by Standard & Poor's (S & P), and P2 or better by Moody's. Long term instruments must be rated

BBB- or better by S & P and Baa3 or better by Moody's. The average credit rating of any separately managed account portfolio shall be no lower than A by S & P and A2 by Moody's.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

At June 30, 2014, investments consisted of securities with credit quality ratings issued by nationally recognized statistical rating organizations as follows (\$ in thousands):

Investment Type	Rating	Operating	Capital Funds	Endowment	Education Trust of Alaska
Securities Underlying Repurchase Agreements	Aaa/AAA	\$ 25,150	\$ -	\$ -	\$ -
Money Market Mututal Funds	Aaa/AAA	39,372	18,021	9,108	-
Money Market Mututal Funds	Not Rated	1,702	-	-	360
Debt-related:					
Corporate	Aaa/AAA	1,044	-	83	-
Corporate	Aa1/AA+	5,111	-	48	-
Corporate	Aa2/AA	4,554	-	-	-
Corporate	Aa3/AA-	10,628	-	95	-
Corporate	A1/A+	6,872	-	179	-
Corporate	A2/A	10,418	-	386	-
Corporate	A3/A-	7,482	-	900	-
Corporate	Baa1/BBB+	4,349	-	1,061	-
Corporate	Baa2/BBB	4,688	-	832	-
Corporate	Baa3/BBB-	-	-	34	-
Corporate	P-1	999	-	-	-
Federal Agency	Aaa/AAA	5,516	-	-	-
U.S. Municipals	Aa1/AA+	-	-	99	-
U.S. Municipals	Aa3/AA-	-	-	12	-
U.S. Municipals	A2/A	-	-	191	-
International Government	Aaa/AAA	510	-	-	-
International Government	Aa1/AA+	518	-	-	-
International Government	Aa2/AA	1,024	-	-	-
Fixed Income Funds	Not Rated	-	-	2,367	10,898
Asset Backed Securities	Aaa/AAA	-	-	883	-
Asset Backed Securities	Not Rated	-	-	1,243	-
Mortgaged Backed Securities	Aaa/AAA	-	-	359	-
Mortgaged Backed Securities	Aa2/AA	-	-	131	-
Mortgaged Backed Securities	Aa3/AA-	-	-	289	-
Mortgaged Backed Securities	A3/A-	-	-	99	-
Mortgaged Backed Securities	Baa1/BBB+	-	-	184	-
Mortgaged Backed Securities	Not Rated	-	-	519	-
Hedge Funds	Not Rated	-	-	49,110	-

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. GASB Statement No. 40 requires disclosure when the amount invested with a single issuer exceeds five percent of the University's total investments. At June 30, 2014, the University did not have any material concentrations of credit risk.

The operating fund investment guidelines limits the aggregate fair value of the portfolio that may be invested in any combination of instruments from one issuer to four percent and callable bonds are limited to 15 percent of the total portfolio value, with exceptions for federally backed securities.

Custodial Credit Risk:

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository institution, the University will not be able to recover deposits or will not be able to recover collateral securities in the possession of an outside party. For investments, custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the University will not be able to recover the value of investment or collateral securities in the possession of an outside party.

At June 30, 2014, the University does not have custodial credit risk. Deposits of the University are covered by Federal Depository Insurance or securities pledged by the University's counterparty to its repurchase agreement held at a third party bank. The collateral is held in the name of the University and at June 30, 2014, provided \$7.6 million coverage in excess of deposits.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University uses the modified duration measurement to evaluate interest rate risk. Modified duration measures a debt investment's exposure to fair value changes arising from changing interest rates. For example, a modified duration of 2 means that for a rise in interest rates of one percent, the value of the security would decrease two percent. The University does not have a policy regarding interest rate risk.

At June 30, 2014, the University had the following debt investments and corresponding duration (\$ in thousands):

Investment Type	Operating	Capital Funds	Endowment	Education Trust of Alaska	Duration
Debt-related:					
International Government	\$ 2,052	\$ -	\$ -	\$ -	0.96
Federal Agency	5,516	-	-	-	1.04
Corporate	56,145	-	-	-	1.55
U.S. Treasuries	13,946	-	-	-	2.02
Fixed Income Funds	-	-	2,367	-	2.90
Mortgaged Backed Securities	-	-	1,581	-	3.20
Asset Backed Securities	-	-	2,126	-	4.40
Fixed Income Funds	-	-	-	10,898	5.53
U.S. Treasuries	-	-	2,499	-	6.61
Corporate	-	-	3,618	-	7.53
U.S. Municipals	-	-	302	-	9.27

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

Hedge funds totaling \$49.1 million are exposed to interest rate risk; however, underlying fund data is not available to measure the interest rate risk.

Foreign Currency Risk:

Foreign currency risk is the risk that changes in exchange rates could have an adverse effect on an investment's value for investments denominated in foreign currencies. GASB Statement No. 40 requires

disclosure of value in U.S. dollars by foreign currency denomination and investment type. The University does not have a policy regarding foreign currency risk. At June 30, 2014, the University did not have any foreign currency risk, with the exception of the Consolidated Endowment Fund's private equity investments held in Canadian dollars with a fair value of \$128,924

3. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2014 and 2013 (\$ in thousands):

June 30, 2014	Gross	Allowance	Net
Student tuition and fees	\$ 20,324	\$ (3,484)	\$ 16,840
Sponsored programs	55,063	(574)	54,489
Auxiliary services and other operating activities	676	(81)	595
Capital appropriations, grants and contracts	12,799	-	12,799
	<u>\$ 88,862</u>	<u>\$ (4,139)</u>	<u>\$ 84,723</u>

June 30, 2013	Gross	Allowance	Net
Student tuition and fees	\$ 20,744	\$ (3,388)	\$ 17,356
Sponsored programs	43,755	(893)	42,862
Auxiliary services and other operating activities	570	(115)	455
Capital appropriations, grants and contracts	12,635	-	12,635
	<u>\$ 77,704</u>	<u>\$ (4,396)</u>	<u>\$ 73,308</u>

4. Education Trust of Alaska

Assets held in trust include operating funds of the Education Trust of Alaska (Trust). The Trust was established pursuant to State of Alaska statute on April 20, 2001 by the Board of Regents to facilitate administration of the State's Internal Revenue Code (IRC) Section 529 College Savings Program. The program is a nationally marketed college savings program developed in accordance with IRC Section 529. Participant account balances of approximately \$6.5 billion and \$5.4 billion at June 30, 2014 and 2013, respectively, are not included in the financial statements. Separately audited Trust financial

statements are available upon request from the University of Alaska Controller's office.

Assets of the Trust are invested in various mutual funds at the direction of T. Rowe Price Associates, Inc., the program manager. The net assets of the Trust, which include a reserve for University of Alaska (UA) Tuition Value Guarantees, are available for payment of program administrative costs, benefits and other purposes of the Trust. Based on an actuarial study, management estimates reserve requirements for the UA Tuition Value Guarantees to be approximately \$3.4 million and \$4.1 million at

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

June 30, 2014 and 2013, respectively. The Tuition Value Guarantees are recorded in the Statements of Net Position in Other Noncurrent Liabilities.

5. Endowments, Land Grant Trust Property and Other Endowment Assets

The University's endowments consist of the Land Grant Endowment Trust Fund (LGETF) established pursuant to the 1929 federal land grant legislation, its related Inflation Proofing Fund (IPF) and several smaller "other" endowments.

Land Grant Trust (LGT) property and other assets consist of real property and timber and other rights. By Acts of Congress in 1915 and 1929, approximately 110,000 acres of land was granted to the territory of Alaska to be held in trust for the benefit of the University. The lands were managed

by the territory, and later the State of Alaska. In accordance with a 1982 agreement, the lands were subsequently transferred to the Board of Regents, as trustee. In 1982 and 1988 certain state lands including timber and other rights were transferred to the trust as replacement for lands disposed of or adversely affected during the period of administration by the territory and the state. These lands and property interests were recorded at their fair value as of the date of transfer. The net proceeds from land sales and other rights are deposited in the Land Grant Endowment Trust Fund as described in the Endowment section in Note 1 above. At June 30, 2014 and 2013, approximately 82,223 and 82,393 acres, respectively, were held in trust at zero basis because fair value at the time of transfer was not determinable.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

A summary of the endowments and Land Grant Trust property for the years ended June 30, 2014 and 2013 follows (\$ in thousands)

June 30, 2014	LGETF and LGT	IPF	Other	Total
Assets:				
Notes receivable	\$ 2,182	\$ 246	\$ -	\$ 2,428
Investments	127,099	20,654	746	148,499
Property, rights and other assets	30,053	30,747	1,780	62,580
Total assets	159,334	51,647	2,526	213,507
Liabilities:				
	3,550	15,380	(65)	18,865
Net Position:				
Unrestricted	-	36,267	66	36,333
Restricted - Expendable	27,456	-	-	27,456
Restricted - Non-expendable:	-	-	-	-
Endowment corpus	98,801	-	2,525	101,326
Land Grant Trust Property	29,527	-	-	29,527
Total non-expendable	128,328	-	2,525	130,853
Total net position	\$ 155,784	\$ 36,267	\$ 2,591	\$ 194,642
June 30, 2013				
June 30, 2013	LGETF and LGT	IPF	Other	Total
Assets:				
Notes receivable	\$ 2,590	\$ -	\$ 149	\$ 2,739
Investments	116,895	19,064	720	136,679
Property, rights and other assets	30,070	31,004	1,811	62,885
Total assets	149,555	50,068	2,680	202,303
Liabilities:				
	2,845	16,120	-	18,965
Net Position:				
Unrestricted	-	33,948	64	34,012
Restricted - Expendable	17,954	-	7	17,961
Restricted - Non-expendable:				
Endowment corpus	98,803	-	2,609	101,412
Land Grant Trust Property	29,953	-	-	29,953
Total non-expendable	128,756	-	2,609	131,365
Total net position	\$ 146,710	\$ 33,948	\$ 2,680	\$ 183,338

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

6. Capital Assets

A summary of capital assets follows (\$ in thousands):

	Balance (Restated)				Balance
	July 1, 2013	Additions	Reductions		June 30, 2014
Capital assets not depreciated					
Land	\$ 38,172	\$ 1,418	\$ 214	\$	39,376
Construction in progress	402,177	219,930	93,979		528,128
Museum collections	6,076	566	-		6,642
Other capital assets					
Buildings	1,402,302	77,144	3,456		1,475,990
Infrastructure	79,370	12,283	-		91,653
Equipment	188,457	14,333	6,656		196,134
Library books	55,622	604	-		56,226
Leasehold improvements	25,424	-	-		25,424
Other improvements	29,017	2,970	-		31,987
Total	2,226,617	329,248	104,305		2,451,560
Less accumulated depreciation:					
Buildings	699,909	46,944	2,569		744,284
Infrastructure	38,736	2,926	-		41,662
Equipment	132,543	13,598	6,109		140,032
Leasehold improvements	11,045	935	-		11,980
Library books	43,910	1,265	-		45,175
Other improvements	20,176	950	-		21,126
Total accumulated depreciation	946,319	66,618	8,678		1,004,259
Capital assets, net	\$ 1,280,298	\$ 262,630	\$ 95,627	\$	1,447,301
<hr/>					
	Balance (Restated)				Balance (Restated)
	July 1, 2012	Additions	Reductions		June 30, 2013
Capital assets not depreciated					
Land	\$ 38,516	\$ 256	\$ 600	\$	38,172
Construction in progress	265,347	274,119	137,289		402,177
Museum collections	5,677	399	-		6,076
Other capital assets					
Buildings	1,288,110	120,692	6,500		1,402,302
Infrastructure	66,639	12,731	-		79,370
Equipment	180,780	19,685	12,008		188,457
Library books	54,642	980	-		55,622
Leasehold improvements	26,203	-	779		25,424
Other improvements	25,649	3,368	-		29,017
Total	1,951,563	432,230	157,176		2,226,617
Less accumulated depreciation:					
Buildings	657,414	44,433	1,938		699,909
Infrastructure	36,065	2,671	-		38,736
Equipment	130,777	13,048	11,282		132,543
Leasehold improvements	10,798	1,026	779		11,045
Library books	42,610	1,300	-		43,910
Other improvements	19,251	925	-		20,176
Total accumulated depreciation	896,915	63,403	13,999		946,319
Capital assets, net	\$ 1,054,648	\$ 368,827	\$ 143,177	\$	1,280,298

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

7. Unrestricted and Restricted Net Position

At June 30, unrestricted and restricted net position included the following (\$ in thousands):

Unrestricted:	2014	2013
Auxiliaries	\$ 11,843	\$ 10,562
Working capital fund	4,464	4,509
Working capital advances	(3,579)	(4,358)
Service centers	22,453	21,892
Debt service funds	13,992	6,021
Renewal and replacement funds	15,304	13,628
Quasi-endowment funds	36,333	34,012
Employee benefit funds	25,846	20,423
Endowment earnings	13,444	13,205
Encumbrances	8,703	14,399
Undesignated	26,228	23,002
Total unrestricted net position	\$ 175,031	\$ 157,295

Restricted:	2014	2013
Expendable:		
Restricted funds	\$ 555	\$ 554
Student loan funds	194	194
Education Trust of Alaska	15,742	11,223
Capital project funds	18,938	41,297
Debt service funds	7,102	7,214
Endowment accumulated earnings	27,456	17,961
Nonexpendable:		
Endowment corpus	101,326	101,412
Land Grant Trust property	29,527	29,953
Total restricted net position	\$ 200,840	\$ 209,808

Unrestricted net position includes non-lapsing University receipts of \$57.4 million at June 30, 2014. Non-lapsing University receipts of \$59.3 million from fiscal year 2013 were fully expended in fiscal year 2014.

At June 30, 2014 and 2013, the following funds were pledged as collateral for the University's general revenue bonds, as calculated under the terms of the 1992 General Revenue Bonds Trust Indenture.

	Pledged Revenue	
	2014	2013
Auxiliaries	\$ 11,843	\$ 10,562
Service centers	22,453	21,892
Encumbrances	8,703	14,399
Undesignated	26,228	23,002
	\$ 69,227	\$ 69,855

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

8. Long-term Debt

Debt service requirements at June 30, 2014 were as follows (\$ in thousands):

Years Ending June 30,	Principal	Interest	Total
2015	\$ 10,015	\$ 5,857	\$ 15,872
2016	10,445	5,530	15,975
2017	10,666	5,167	15,833
2018	10,918	4,801	15,719
2019	10,200	4,421	14,621
2020-2024	54,241	15,695	69,936
2025-2029	36,985	5,654	42,639
2030-2034	11,785	1,107	12,892
2035-2036	560	18	578
	<u>\$ 155,815</u>	<u>\$ 48,250</u>	<u>\$ 204,065</u>

Long-term debt consisted of the following at June 30, 2014 and 2013 (\$ in thousands):

	2014	2013
Revenue bonds payable: 2.00% to 5.00% general revenue bonds due serially to 2036, secured by a pledge of unrestricted current fund revenue generated from tuition, fees, recovery of facilities and administrative costs, sales and services of educational departments, miscellaneous receipts and auxiliaries.	\$ 140,555	\$ 148,720
Note payable: 1.826% note payable to the Alaska Housing Finance Corporation (AHFC) to finance construction of Anchorage campus housing, due semiannually through February 2024.	13,655	14,888
Equipment financings: 2.18% to 4.77% notes payable for the purchase of equipment and vehicles due in quarterly installments through June 2021, secured by title liens.	1,605	2,035
	<u>\$ 155,815</u>	<u>\$ 165,643</u>
Premium on bonds	11,478	12,476
Deferred amount on debt refunding	(1,369)	(1,491)
Long-term Debt	<u>\$ 165,924</u>	<u>\$ 176,628</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

In fiscal year 2013, the University issued general revenue and refunding bonds 2013 Series S with a par amount of \$31,020,000 and a 22 year term. The bonds funded numerous deferred maintenance projects and refunded substantially all maturities of 2003 Series L, 2004 Series M and 2005 Series N general revenue bonds. The economic gain from the refunding is \$782,516 in present value and total debt service payments are reduced by \$938,706 over the life of the bonds. The University also defeased \$1,540,000 of 2009 Series P general revenue bonds maturing through October 1, 2017 by contributing cash to an escrow account held by a trustee.

In fiscal year 2014 and 2013, the state reimbursed the University \$1,220,600 and \$1,253,047 respectively, for debt service on certain projects financed in the 2002 Series K general revenue bonds. The reimbursement is included in state appropriations. Subject to annual appropriation, future annual state reimbursement for the projects is approximately \$1.22 million.

Under the terms of the 1992 General Revenue Bonds Trust Indenture, the University is required to maintain a reserve account with a trustee at an amount equal to one-half of the maximum annual general revenue bond debt service. The 2013 Series S bonds' supplemental indenture includes a springing amendment that eliminates the reserve fund. The reserve is eliminated once all existing bonds prior to 2013 Series S (Series L through R) have been retired. The balance in the reserve

account at June 30, 2014 and 2013 was \$7.1 million and \$7.2 million, respectively. In addition, \$9.3 million and \$43.9 million of bond funds are held in trust for construction purposes at June 30, 2014 and 2013, respectively, resulting in total bond funds held in trust of \$16.4 million and \$51.1 million at June 30, 2014 and 2013, respectively.

For fiscal year 2014, total interest expense is \$4.1 million and total interest capitalized is \$1.2 million.

9. Capital Lease Obligation

In fiscal year 2013, the University entered into a long term lease agreement with Community Properties of Alaska, Inc. (CPA), an Alaska non-profit corporation, to lease a new student dining facility on the University of Alaska Fairbanks Campus. CPA will build the student dining facility using proceeds from its Lease Revenue Bonds 2012. CPA is leasing the underlying land from the University. Security for the Lease Revenue Bonds 2012 is the University's lease payments to CPA, paid from dining and other university receipts. The University will operate the facility. The University receives title to the facility when the bonds are fully paid off, which may be done at any time. The lease is recorded as a capital lease and the obligation is recorded at the present value of future minimum lease payments.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

Future minimum lease payments under this capital lease and the present value of the minimum lease payments as of June 30, 2014 are as follows:

Years Ending June 30,	Future Payments (\$ in thousands)
2015	\$ 621
2016	1,389
2017	1,390
2018	1,389
2019	1,385
2020-2024	6,919
2025-2029	6,895
2030-2034	6,865
2035-2039	6,843
2040-2044	6,809
2045	1,445
Total lease obligations	\$ 41,950
Less: amount representing interest costs	(16,136)
Present value of minimum lease obligations	\$ 25,814

10. Operating Leases

The University has various operating lease agreements for facilities. The expense for operating

leases was \$5.2 million and \$5.6 million for the years ended June 30, 2014 and 2013, respectively

The future minimum lease payments are as follows:

Years Ending June 30,	Future Payments (\$ in thousands)
2015	\$ 3,159
2016	922
2017	758
2018	558
2019	170
2020-2024	520
2025-2029	520
2030-2034	520
2035-2039	520
2040	87
Total lease obligations	\$ 7,734

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

11. Long-term Liabilities

Long-term liability activity was as follows (\$ in thousands):

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Balance due within one year
Unearned lease revenue	\$ 961	\$ -	\$ 961	\$ -	\$ -
Capital lease obligation	24,953	861	-	25,814	-
Long-term debt	176,628	467	11,171	165,924	10,870
Other noncurrent liabilities	4,519	623	700	4,442	-
	\$ 207,061	\$ 1,951	\$ 12,832	\$ 196,180	\$ 10,870

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Balance due within one year
Unearned lease revenue	\$ 2,242	\$ -	\$ 1,281	\$ 961	\$ 961
Capital lease obligation	-	24,953	-	24,953	-
Long-term debt	163,302	34,983	21,657	176,628	11,164
Other noncurrent liabilities	5,233	135	849	4,519	-
	\$ 170,777	\$ 60,071	\$ 23,787	\$ 207,061	\$ 12,125

12. Capital Appropriations and Construction Commitments

Major construction projects of the University are funded primarily by State of Alaska appropriations and general obligation bonds, University revenue bonds and federal grants. Unexpended and unbilled capital funds appropriated by the State of Alaska in prior years, which are not reflected as appropriation revenue or receivables on the University's books at June 30, 2014 and 2013, totaled \$143.3 million and \$243.1 million, respectively. In addition, unexpended proceeds of University-issued general revenue bonds designated for construction projects totaled \$8.6 million and \$33.3 million at June 30, 2014 and 2013, respectively.

Construction commitments at June 30, 2014 aggregated \$98 million. At June 30, 2014, the University had received \$1.1 million from State of Alaska capital appropriations and other sources in

advance of expenditures. The advances are included in unearned revenue and deposits.

As of June 30, 2014 the University has spent \$169.1 million, included in construction in progress, on building a ship named "Sikuliaq". After construction, title of the vessel will be retained by the National Science Foundation, the agency funding the construction, but managed and operated by the University of Alaska Fairbanks, as part of the U.S. academic research fleet. It will be used by scientists in the United States and international oceanographic community through the University-National Oceanographic Laboratory System. The Sikuliaq is anticipated to be ready for unrestricted science operations in fiscal year 2015 and will be home ported in Alaska at the Seward Marine Center.

13. Pension Plans

Participation in one of the various pension plans generally depends on when an employee was

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

originally hired. Substantially all regular employees hired before July 1, 2006 participate in one of the following pension plans:

- The State of Alaska Public Employees' Retirement System – Defined Benefit (PERS-DB), a cost-sharing, multiple-employer public employee retirement plan,
- The State of Alaska Teachers' Retirement System – Defined Benefit (TRS-DB), a cost-sharing, multiple-employer public employee retirement plan,
- The University of Alaska Optional Retirement Plan (ORP) Tier 1 or Tier 2, a single-employer defined contribution plan.

In addition, substantially all eligible employees participate in the University of Alaska Pension Plan, a supplemental single-employer defined contribution plan. Employees hired on or after July 1, 2006 have a choice to participate in the University of Alaska Retirement Program or the applicable state defined contribution plan. The University of Alaska Retirement Program consists of ORP (Tier 3) and the University of Alaska Pension Plan. The state's defined contribution plans are the Public Employees' Retirement System – Defined Contribution (PERS-DC) or the Teachers' Retirement System-Defined Contribution (TRS-DC).

The University provides elective deferral options for employee contributions to deferred annuity plans in accordance with Internal Revenue Code sections 403(b) and 457(b), subject to eligibility criteria.

Each of the plans noted above are described in more detail in the sections that follow. None of the retirement systems or plans own any notes, bonds or other instruments of the University.

State of Alaska Public Employees' Retirement System - Defined Benefit (PERS-DB)

Plan Description

PERS-DB is a defined benefit, cost-sharing, multiple-employer public employee retirement plan established and administered by the State of Alaska. The plan was originally established as an agent multiple-employer plan, but was converted by legislation to a cost-sharing plan, effective July 1, 2008. This change provided for an integrated system of accounting for all employers. Under the integrated system, the PERS-DB plans' unfunded liability will be shared among all employers with each contributing 22 percent of their covered payroll.

PERS provides pension, postemployment health care, death and disability benefits to eligible participants. Benefit and contribution provisions are established by state law and may be amended only by the state legislature. Effective July 1, 2006, the state legislature closed PERS-DB to new members and created a Public Employees' Retirement System Defined Contribution Retirement Plan (PERS-DC), disclosed later in this note.

The PERS-DB Plan is a plan within the Public Employees' Retirement System (PERS). PERS includes the PERS-DB and Alaska Retiree Healthcare Trust (ARHCT). Senate Bill 123 was passed during the 2007 legislative session and created the ARHCT. ARHCT is self-funded and provides major medical coverage to retirees of PERS. PERS retains the risk of loss of allowable claims for eligible members. ARHCT began paying member healthcare claims on March 1, 2008. Prior to that time, healthcare claims were paid for by the Retiree Health Fund (RHF).

Each fiscal year, PERS issues a publicly available financial report which includes financial statements and required supplementary information. That report may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska, 99811-0203 or by calling (907) 465-4460.

Funding Policy and Annual Pension Cost

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

Employee contribution rates are 6.75 percent (7.5 percent for peace officers and firefighters). The funding policy for PERS-DB provides for periodic employer contributions at actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate the assets to pay benefits when due. The 2014 and 2013 actuarially determined rates were 35.68 percent and 35.84 percent of applicable gross pay, respectively. However, the employer contribution rate for the

University was capped by the state at 22 percent for fiscal years 2014 and 2013.

The state appropriated funding directly to the PERS-DB plan as a relief payment to employers' contributions for fiscal year 2014. The University recognized \$16,444,951, \$16,761,931 and \$14,416,865 for fiscal years 2014, 2013 and 2012, respectively, in state on-behalf pension payments for the PERS-DB plan.

The University's Schedule of Required Contributions follows:

Years Ending June 30,	PERS-DB Annual Required Contributions			Postemployment	
	Pension	Postemployment healthcare	Total	Pension percentage contributed	healthcare percentage contributed
2014	\$ 12,375,374	\$ 13,212,806	\$ 25,588,180	100%	100%
2013	11,406,444	14,544,100	25,950,544	100%	100%
2012	11,540,162	14,052,940	25,593,102	100%	100%

Alaska Statutes require the University contribute to PERS-DB and DC plans a minimum each year of 22 percent of the University's fiscal year 2008 PERS covered payroll. The annual required contributions table above includes the additional University contributions of \$2,270,876, \$1,831,664 and \$311,725 for fiscal years 2014, 2013, and 2012, respectively, which were required to adhere to the minimum contribution levels per the statutes.

State of Alaska Teachers' Retirement System - Defined Benefit (TRS-DB)

Plan Description

TRS-DB is a defined benefit, cost-sharing, multiple employer public employee retirement plan established and administered by the State of Alaska. TRS-DB provides pension, postemployment health care, death and disability benefits to participants. Benefit and contribution provisions are established by state law and may be amended only by the state

legislature. Effective July 1, 2006, the state legislature closed TRS-DB to new members and created a Teachers' Retirement System Defined Contribution Retirement Plan (TRS-DC), disclosed later in this note.

Each fiscal year, TRS-DB issues a publicly available financial report which includes financial statements and required supplementary information. That report may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska, 99811-0203 or by calling (907) 465-4460.

Funding Policy and Annual Pension Cost

Employees contribute 8.65 percent of their base salary as required by state statute. The funding policy for TRS-DB provides for periodic employer contributions at actuarially determined rates that, expressed as a percentage of annual covered

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

payroll, are sufficient to accumulate the assets to pay benefits when due. During fiscal year 2014, contractually required employee and employer contribution rates were 8.65 percent and 12.56 percent, respectively.

The actuarially determined employer contribution rate for 2014 and 2013 was 53.62 percent and

52.67 percent, respectively. The state appropriated funding directly to the TRS-DB plan to augment employer contributions for 2014. For fiscal years 2014, 2013 and 2012, the University recognized \$16,427,624, \$16,228,064 and \$13,379,877 respectively, in state on-behalf pension payments for the TRS-DB plan.

The University's Schedule of Required Contributions follows:

Years Ending June 30,	TRS-DB Annual Required Contributions			Pension percentage contributed	Postemployment healthcare percentage contributed
	Pension	Postemployment healthcare	Total		
2014	\$ 2,297,489	\$ 2,035,313	\$ 4,332,802	100%	100%
2013	2,335,279	2,205,140	4,540,419	100%	100%
2012	2,524,719	2,399,267	4,923,986	100%	100%

State of Alaska Public Employees' Retirement System - Defined Contribution (PERS-DC)

and \$9.6 million. Contributions made by the University follows:

Plan Description

PERS-DC is a defined contribution, cost-sharing, multiple-employer public employee retirement plan established and administered by the State of Alaska to provide pension and postemployment healthcare benefits for eligible employees. Benefit and contribution provisions are established by state law and may be amended only by the state legislature. PERS-DC was created by the state effective July 1, 2006. Plan savings are accumulated in individual retirement accounts for the exclusive benefit of each member or beneficiary.

Years Ending June 30,	PERS-DC University Contributions		
	Pension	Postemployment Healthcare	Total Contributions
2014	\$ 1,400,416	\$ 1,172,459	\$ 2,572,875
2013	1,007,148	1,110,489	2,117,637

On July 1, 2006, three pension trust sub-funds were created within PERS, the Retiree Major Medical Insurance (RMP), Health Reimbursement Arrangement (HRA), and Occupation Death and Disability (OD&D). RMP allows eligible members who retire directly from the plan to obtain medical benefits. The HRA allows medical care expenses to be reimbursed from individual savings accounts established for eligible persons. OD&D provides employees with benefits as a result of death or disability on the job. PERS-DC participants are eligible members of RMP and HRA and their postemployment healthcare benefits are paid out of these funds. The employer RMP contribution rates

Funding Policy and Annual Pension Cost

The employee contribution rate is 8 percent and the employer effective contribution rate is 22 percent of covered payroll. For the years ended June 30, 2014 and 2013, the University's total covered payroll for the PERS-DC plan was approximately \$11.7 million

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

for fiscal years 2014 and 2013 are 0.48 and 0.48 percent, respectively, for medical coverage and 0.20 and 0.14 percent, respectively, (1.14 percent for peace officers and firefighters) for occupational death and disability benefit contributions. For fiscal years 2014 and 2013, the HRA employer contributions are \$158.05 and \$154.04 per month, respectively, for full time employees and \$1.22 and \$1.18 per hour for part time employees, respectively.

Each fiscal year, PERS-DC issues a publicly available financial report which includes financial statements and required supplementary information. That report may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska, 99811-0203 or by calling (907) 465-4460.

State of Alaska Teachers' Retirement System - Defined Contribution (TRS-DC)

Plan Description

TRS-DC is a defined contribution, cost-sharing, multiple-employer public employee retirement plan established and administered by the State of Alaska to provide pension and postemployment healthcare benefits for teachers and other eligible employees. Benefit and contribution provisions are established by state law and may be amended only by the state legislature. TRS-DC was created by the state effective July 1, 2006. Plan savings are accumulated in individual retirement accounts for the exclusive benefit of members or beneficiaries.

Funding Policy and Annual Pension Cost

The employee contribution rate is 8 percent and the effective employer contribution rate is 12.56 percent of covered payroll. For the years ended June 30, 2014 and 2013, the University's total covered payroll for the TRS-DC plan was approximately \$6.0 million and \$5.6 million. Contributions made by the University follows:

Years Ending June 30,	TRS-DC University Contributions		
	Pension	Postemployment Healthcare	Total Contributions
2014	\$509,126	\$ 243,129	\$ 752,255
2013	443,566	253,755	697,321

On July 1, 2006, two pension trust sub-funds were created in TRS, the Retiree Major Medical Insurance (RMP) and Health Reimbursement Arrangement (HRA). The TRS Occupational Death and Disability (OD&D) trust sub-fund was created on July 1, 2007. RMP allows eligible members who retire directly from the plan to obtain medical benefits. The HRA allows medical care expenses to be reimbursed from individual savings accounts established for eligible persons. OD&D provides employees with benefits as a result of death or disability on the job. TRS-DC participants are eligible members of RMP and HRA and their postemployment healthcare benefits are paid out of these funds. The employer RMP contribution rate for fiscal years 2014 and 2013 for each member's compensation was 0.47 and 0.49 percent, respectively, for medical coverage, zero and zero percent, respectively, for occupational death and disability benefit contributions. For fiscal years 2014 and 2013, the HRA employer contributions are \$158.05 and \$154.04 per month, respectively, for full time employees and \$1.22 and \$1.18 per hour for part time employees, respectively.

Each fiscal year, TRS-DC issues a publicly available financial report which includes financial statements and required supplementary information. That report may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska, 99811-0203 or by calling (907) 465-4460.

University of Alaska Optional Retirement Plan - Defined Contribution (ORP)

Plan Description

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

The ORP is an employer funded defined contribution plan which operates in conjunction with a companion mandatory tax-deferred annuity plan. The ORP is comprised of three layers of participants: the original ORP or ORP Tier 1 which was created for participants hired prior to July 1, 2005, ORP Tier 2 which was created for participants hired between July 1, 2005 and June 30, 2006, and ORP Tier 3 which was created for participants hired on or after July 1, 2006. For ORP Tier 1 and ORP Tier 2, faculty classified as regular and certain administrators made a one-time election to participate in the ORP as an alternative to participation in the defined benefit plans, PERS-DB or TRS-DB. The ORP Tier 2 plan was available for new ORP benefit-eligible employees hired in fiscal year 2006. As of July 1, 2006, the ORP Tier 2 plan was no longer available to newly-hired ORP benefit-

eligible employees. For ORP Tier 3, each new eligible employee may make a one-time election to participate in the University of Alaska Retirement Program (includes ORP Tier 3 and the University of Alaska Pension Plan) as an alternative to participation in the State of Alaska defined contribution plans, PERS-DC or TRS-DC.

Funding Policy and Annual Pension Cost

University contributions are remitted to the plan's authorized employee-selected annuity providers or investment managers. The contribution rates and amounts for fiscal years 2014 and 2013 were as follows:

	<u>ORP Tier 1</u>		<u>ORP Tier 2</u>		<u>ORP Tier 3</u>	
	2014	2013	2014	2013	2014	2013
Employee Contribution Rates	8.65%	8.65%	8.65%	8.65%	8.00%	8.00%
University Contribution Rates	14.00%	14.00%	12.00%	12.00%	12.00%	12.00%
Covered Payroll (in millions)	\$45.8	\$47.3	\$3.2	\$3.3	\$117.3	\$101.4
University Contributions (in millions)	\$6.4	\$6.6	\$0.4	\$0.4	\$14.1	\$12.2

Plan Assets

At June 30, 2014 and 2013, plan assets (participants' accounts attributable to employer contributions) for ORP Tier 1, Tier 2 and Tier 3 had a net value of \$244.4 million and \$199.5 million, respectively. ORP Tier 1 and ORP Tier 2 participants are 100 percent vested at all times. University contributions for ORP Tier 3 participants are 100 percent vested after three years of service.

University of Alaska Pension Plan (Pension)

Plan Description

In addition to the other retirement plans, substantially all regular employees (hired before July 1, 2006) and certain faculty classified as temporary,

participate in the Pension plan which was established January 1, 1982, when the University withdrew from the federal social security program. Eligible employees, hired on or after July 1, 2006, electing to participate in the University of Alaska Retirement Program also participate in the Pension plan.

Funding Policy and Annual Pension Cost

Effective January 1, 2014 and 2013, employer contributions for regular employees were 7.65 percent of covered wages up to \$42,000. For certain faculty classified as temporary, the employer contributions were 7.65 percent of covered wages up to \$117,000 and \$113,700 in 2014 and 2013, respectively. The plan provides for employer

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

contributions to be invested in accordance with participant-directed investment elections. Participants hired before July 1, 2006 are 100 percent vested at all times. University contributions for participants hired on or after July 1, 2006 are 100 percent vested after three years of service.

Plan Assets

In fiscal years 2014 and 2013, the University's total covered payroll for the Pension plan was \$176.3 million and \$175.4 million, respectively. The University's gross costs to fund and administer the plan totaled \$13.5 million and \$13.4 million for the years ended June 30, 2014 and 2013, respectively. At June 30, 2014 and 2013, plan assets (participants' accounts) had a net value of \$386.1 million and \$340.5 million, respectively.

14. Insurance and Risk Management

The University is exposed to a wide variety of risks including property loss, bodily and personal injury, intellectual property, errors and omissions, aviation and marine. Exposures are handled with a combination of self-insurance, commercial insurance, and membership in a reciprocal risk retention group.

The University is self-insured up to the maximum of \$2.0 million per occurrence for casualty claims and \$250,000 for property claims. Commercial carriers provide coverage in excess of these amounts. Health care, workers' compensation and unemployment claims are fully self-insured. Liabilities have been established using actuarial analysis to cover estimates for specific reported losses, estimates for unreported losses based upon past experience modified for current trends, and estimates of expenses for investigating and settling claims.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

Changes in applicable self-insured liability amounts follow (\$ in thousands):

	Balance July 1, 2013	Provision for Claims	Claims Payments	Balance June 30, 2014
Health	\$ 5,733	\$ 55,942	\$ (55,277)	\$ 6,398
General liability	3,198	271	(531)	2,938
Workers' compensation	5,304	960	(1,816)	4,448
Unemployment	117	660	(622)	155
	\$ 14,352	\$ 57,833	\$ (58,246)	\$ 13,939

	Balance July 1, 2012	Provision for Claims	Claims Payments	Balance June 30, 2013
Health	\$ 6,189	\$ 53,900	\$ (54,356)	\$ 5,733
General liability	3,163	834	(799)	3,198
Workers' compensation	4,774	2,047	(1,517)	5,304
Unemployment	146	670	(699)	117
	\$ 14,272	\$ 57,451	\$ (57,371)	\$ 14,352

15. Commitments and Contingencies

Amounts received and expended by the University under various federal and state grants, contracts and other programs are subject to audit and potential disallowance. From time to time the University is named as a defendant in legal proceedings or cited in regulatory actions related to the conduct of its operations.

In the normal course of business, the University also has various other commitments and contingent liabilities which are not reflected in the accompanying financial statements. In the opinion of management, the University will not be affected materially by the final outcome of any of these proceedings, or insufficient information exists to make an opinion.

The University received a Potentially Responsible Party (PRP) letter from the Alaska Department of Environmental Conservation (ADEC) in August 2006. The letter identified the University as one of the potential parties that may be responsible for

cleanup costs of soil contamination found during a water line improvement project next to Northwest Campus property. The extent of the contamination source, the number of potentially responsible parties, and remediation costs are being assessed but the outcome is unknown.

16. University of Alaska Foundation

The University of Alaska Foundation (Foundation) is a legally separate, nonprofit organization formed in 1974 to solicit donations for the exclusive benefit of the University of Alaska. During the fiscal years 2014 and 2013, the University transferred \$0.8 million and \$0.9 million for general support, respectively. For the same periods, the Foundation reimbursed the University for operating expenses totaling \$2.6 million and \$2.4 million, respectively.

For the years ended June 30, 2014 and 2013, distributions and expenditures by the Foundation for the benefit of the University totaled \$13.1 million and \$16 million, of which \$12.9 million and \$15.7 million were direct reimbursements to the

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

University, respectively. Additionally, the University had a receivable from the Foundation of \$1.4 million and \$2.2 million at June 30, 2014 and 2013, respectively, primarily for unreimbursed expenditures incurred on Foundation awards made to the University.

The investable resources of the University's Land Grant Endowment Trust Fund and the Foundation's pooled endowment funds are combined into a Consolidated Endowment Fund for investment purposes. At June 30, 2014 and 2013, the fair value of the fund was \$319.4 million and \$286.3 million, respectively. The University's share of this fund was \$146.2 million and \$134.6 million, respectively, which is reflected in endowment investments.

The fund is managed by the Foundation's investment committee and treasurer on a total return basis in accordance with an investment policy approved by the Board of Regents. The net assets and related activity for the University's Land Grant Endowment Trust's investment in the fund is reflected in the University's financial statements.

On June 17, 2013, the Foundation entered into a partnership agreement with Cambridge Associates Resources, LLC to form the University of Alaska Foundation Consolidated Endowment Fund, L.P. (the partnership) and assume management of the fund effective July 1, 2013. The partnership is a single investor fund with Cambridge Associates Resources, LLC serving as general partner, and the University of Alaska Foundation serving as the sole limited partner. This relationship does not affect the ownership of units in the Consolidated Endowment Fund by the University or the Foundation. Effective July 1, 2013, all assets of the fund were transferred to the partnership. The investment committee of the Foundation has retained authority for setting investment policy, guidelines and philosophy, and approving asset allocation targets and benchmarks. Under the restructuring plan for the fund, the general partner has been delegated discretionary authority by

the investment committee for manager selection and termination, management of cash flows to and from investments of the partnership, due diligence on underlying managers and investments, and performance reporting.

As a result of the partnership formation, the Foundations changed its presentation of the Statement of Financial Position. In fiscal years 2013 and before, the University and the Foundation reported their respective shares of the Consolidated Endowment Fund in their financial statements. Beginning fiscal year 2014, the Foundation incorporated the total value of the Consolidated Endowment Fund into its Statement of Financial Position, and University's portion of the Consolidated Endowment Fund is presented as Assets Held for University of Alaska in the Statement of Financial Position.

The financial statements of Foundation may be obtained by writing to University of Alaska Foundation, P.O. Box 755080, Fairbanks, Alaska 99775 or by calling (907) 450-8030.

17. Prior Period Adjustment

In Fiscal Year 2014, the University began to depreciate library books in accordance with Generally Accepted Accounting Principles. The change required retroactively computing depreciation expense. As a result of the change, the beginning net position as of July 1, 2012 was restated, resulting in a decrease of \$42.6 million in net investment in capital assets, and capital assets, net of accumulated depreciation decreased by \$42.6 million. The change represents the amount of depreciation expense that would have been recognized through that date had the University previously depreciated library books using a 20 year useful life. As part of the change, additional depreciation expense of \$1.3 million was recorded in fiscal year 2013.

NOTES TO FINANCIAL STATEMENTS

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18. Functional and Natural Expense Classifications

The University's operating expenses by functional and natural classification for fiscal years 2014 and 2013 were as follows (\$ in thousands):

FY 2014	Compensation & Benefits	Contractual Services	Materials	Other	Student Aid	Depreciation	Total
Instruction	\$ 183,163	\$ 24,463	\$ 9,146	\$ 515	\$ -	\$ -	\$ 217,287
Academic support	52,117	6,706	8,120	71	-	-	67,014
Research	88,540	34,238	7,052	12	-	-	129,842
Public service	26,813	15,639	2,913	266	-	-	45,631
Student services	39,740	11,746	2,959	131	-	-	54,576
Operations and maintenance	30,547	22,671	14,511	1,189	-	-	68,918
Institutional support	75,231	16,343	3,829	390	-	-	95,793
Student aid	-	-	-	-	26,872	-	26,872
Auxiliary enterprises	10,225	17,741	7,531	217	-	-	35,714
Depreciation	-	-	-	-	-	66,618	66,618
State on-behalf payments	-	-	-	32,873	-	-	32,873
	\$ 506,376	\$ 149,547	\$ 56,061	\$ 35,664	\$ 26,872	\$ 66,618	\$ 841,138

FY 2013 (Restated)	Compensation & Benefits	Contractual Services	Materials	Other	Student Aid	Depreciation	Total
Instruction	\$ 176,859	\$ 25,974	\$ 11,057	\$ 349	\$ -	\$ -	\$ 214,239
Academic support	50,246	7,456	7,379	55	-	-	65,136
Research	89,514	34,416	8,925	50	-	-	132,905
Public service	25,826	12,961	2,263	310	-	-	41,360
Student services	39,296	12,105	3,407	136	-	-	54,944
Operations and maintenance	29,095	17,143	17,020	106	-	-	63,364
Institutional support	73,612	17,308	4,616	536	-	-	96,072
Student aid	-	-	-	-	28,755	-	28,755
Auxiliary enterprises	9,671	16,913	8,534	158	-	-	35,276
Depreciation	-	-	-	-	-	63,403	63,403
State on-behalf payments	-	-	-	32,990	-	-	32,990
	\$ 494,119	\$ 144,276	\$ 63,201	\$ 34,690	\$ 28,755	\$ 63,403	\$ 828,444

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Alaska Native Science & Engineering Program Building at UAA



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