



UNIVERSITY OF ALASKA FOUNDATION

Financial Statements

June 30, 2003 and 2002

(With Independent Auditor's Report Thereon)

UNIVERSITY OF ALASKA FOUNDATION

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Independent Auditors' Report

The Board of Trustees
University of Alaska Foundation:

We have audited the accompanying statements of financial position of the University of Alaska Foundation as of June 30, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University of Alaska Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States America. These standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Alaska Foundation at June 30, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

September 19, 2003



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UNIVERSITY OF ALASKA FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2003 and 2002

Assets	2003	2002
Cash and cash equivalents	\$ 2,801,684	\$ 3,049,020
Interest receivable	270,403	276,796
Short term investments	265,340	278,915
Contributions receivable	8,498,955	8,125,559
Escrows receivable	692,426	630,058
Inventory	77,737	86,101
Other assets	433,805	432,497
Remainder trust receivable	407,399	428,465
Pooled endowment funds	55,385,807	55,700,993
Other long term investments	47,096,630	39,081,020
Total assets	\$ 115,930,186	\$ 108,089,424
Liabilities		
Due to the University of Alaska	\$ 1,616,707	\$ 1,363,178
Other liabilities	5,429	116,851
Remainder trust obligations	172,102	175,973
Term endowment liability	1,000,000	1,000,000
Total liabilities	2,794,238	2,656,002
Net Assets		
Unrestricted	25,943,362	22,665,822
Temporarily restricted	47,578,633	41,113,725
Permanently restricted	39,613,953	41,653,875
Total net assets	113,135,948	105,433,422
Total liabilities and net assets	\$ 115,930,186	\$ 108,089,424

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

UNIVERSITY OF ALASKA FOUNDATION
STATEMENTS OF ACTIVITIES
For the years ended June 30, 2003 and 2002

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2003</u>
Revenues, gains and other support				
Contributions	\$ 1,199,674	\$ 10,182,929	\$ 1,982,857	\$ 13,365,460
Investment income	1,485,519	992,943	-	2,478,462
Net realized and unrealized investment gains (losses)	(143,991)	718,463	-	574,472
Other revenues	-	90,396	4,500	94,896
Actuarial adjustment of remainder trust obligations	-	(644)	(17,210)	(17,854)
Gain (loss) on sale of other assets	9,100	-	-	9,100
Net assets released from restriction	9,552,891	(9,552,891)	-	-
Total revenues, gains and other support	<u>12,103,193</u>	<u>2,431,196</u>	<u>1,970,147</u>	<u>16,504,536</u>
Expenses and distributions				
Operating expenses	56,389	-	-	56,389
Distributions for the benefit of the University of Alaska	8,860,778	-	-	8,860,778
Total expenses, distributions and losses	<u>8,917,167</u>	<u>-</u>	<u>-</u>	<u>8,917,167</u>
Excess (deficit) of revenues over expenses	<u>3,186,026</u>	<u>2,431,196</u>	<u>1,970,147</u>	<u>7,587,369</u>
Transfers from the University of Alaska	91,514	23,643	-	115,157
Transfers between net asset classes	-	4,010,069	(4,010,069)	-
Total transfers	<u>91,514</u>	<u>4,033,712</u>	<u>(4,010,069)</u>	<u>115,157</u>
Increase (decrease) in net assets	3,277,540	6,464,908	(2,039,922)	7,702,526
Net assets, beginning of year	<u>22,665,822</u>	<u>41,113,725</u>	<u>41,653,875</u>	<u>105,433,422</u>
Net assets, end of year	<u>\$ 25,943,362</u>	<u>\$ 47,578,633</u>	<u>\$ 39,613,953</u>	<u>\$ 113,135,948</u>

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2002</u>
\$ 580,099	\$ 7,825,529	\$ 3,424,222	\$ 11,829,850
1,912,290	1,188,426	-	3,100,716
(265,973)	(4,935,165)	-	(5,201,138)
40,467	110,246	5,478	156,191
-	-	12,142	12,142
-	(13,990)	-	(13,990)
<u>5,000,441</u>	<u>(5,000,441)</u>	<u>-</u>	<u>-</u>
<u>7,267,324</u>	<u>(825,395)</u>	<u>3,441,842</u>	<u>9,883,771</u>
188,333	-	-	188,333
<u>7,356,973</u>	<u>-</u>	<u>-</u>	<u>7,356,973</u>
<u>7,545,306</u>	<u>-</u>	<u>-</u>	<u>7,545,306</u>
<u>(277,982)</u>	<u>(825,395)</u>	<u>3,441,842</u>	<u>2,338,465</u>
-	969,619	10,585	980,204
<u>(20,985)</u>	<u>(116,107)</u>	<u>137,092</u>	<u>-</u>
<u>(20,985)</u>	<u>853,512</u>	<u>147,677</u>	<u>980,204</u>
(298,967)	28,117	3,589,519	3,318,669
<u>22,964,789</u>	<u>41,085,608</u>	<u>38,064,356</u>	<u>102,114,753</u>
<u>\$ 22,665,822</u>	<u>\$ 41,113,725</u>	<u>\$ 41,653,875</u>	<u>\$ 105,433,422</u>

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

UNIVERSITY OF ALASKA FOUNDATION
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2003 and 2002

	2003	2002
Cash flows from operating activities:		
Contributions received	\$ 9,811,237	\$ 9,119,513
Investment income received	2,484,855	3,271,268
Distributions for the benefit of the University of Alaska	(8,534,839)	(6,698,598)
Cash paid for operating expenses	(56,389)	(185,613)
Other receipts	126,084	528,748
Net cash provided by operating activities	3,830,948	6,035,318
Cash flows from investing activities:		
Net increase in investments	(7,046,548)	(5,968,609)
Receipts from disposition of assets	27,532	106,694
Net cash used by investing activities	(7,019,016)	(5,861,915)
Cash flows from financing activities:		
Contributions restricted for permanent investment	2,947,962	1,110,700
Investment income on charitable remainder trusts	29,601	20,296
Payment of charitable remainder trust obligations	(36,831)	(39,198)
Net cash provided by financing activities	2,940,732	1,091,798
Net increase (decrease) in cash and cash equivalents	(247,336)	1,265,201
Cash and cash equivalents at beginning of year	3,049,020	1,783,819
Cash and cash equivalents at end of year	\$ 2,801,684	\$ 3,049,020

	<u>2003</u>	<u>2002</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 7,702,526	\$ 3,318,669
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions of non-cash assets	(126,770)	(448,523)
Net realized and unrealized investment (gains) losses	(574,472)	5,201,138
(Gain) loss on sale of other assets	(9,100)	13,990
Non-cash distributions to the University of Alaska	67,887	41,188
Non-cash transfers from the University of Alaska	(80,800)	(558,720)
Contributions restricted for permanent investment	(2,947,962)	(1,110,700)
Actuarial adjustment of remainder trust obligations	17,854	(12,142)
Changes in assets and liabilities:		
(Increase) decrease in interest receivable	6,393	170,552
(Increase) decrease in contributions receivable	(373,396)	(1,168,048)
(Increase) decrease in inventory	3,378	(4,073)
Increase (decrease) in due to the University of Alaska	252,909	582,918
Increase (decrease) in other liabilities	(107,499)	9,069
Net cash provided by operating activities	<u>\$ 3,830,948</u>	<u>\$ 6,035,318</u>

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

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

1. Organization and Summary of Significant Accounting Policies

Organization

The University of Alaska Foundation (foundation) was established May 30, 1974 to solicit donations and to hold and manage such assets for the exclusive benefit of the University of Alaska. The foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

In preparing the financial statements, management is required to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the statement of financial position and revenue and expenses for the period. 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.

Basis of Presentation

These financial statements are prepared on the accrual basis of accounting and focus on the foundation's resources and activities as a whole. Net assets and revenues, expenses, distributions, gains and losses are classified based on the existence or absence of donor-imposed or other external restrictions. Accordingly, net assets of the foundation and changes therein are classified and reported as follows:

Unrestricted net assets - Assets, net of related liabilities, which are not subject to donor-imposed or other external restrictions.

Temporarily restricted net assets - Assets, net of related liabilities, which are subject to donor-imposed or other external restrictions that may or will be met by actions of the foundation and/or the passage of time.

Permanently restricted net assets - Assets, net of related liabilities, which are subject to donor-imposed or other external restrictions and will be held in perpetuity by the foundation

Revenues are reported as increases in unrestricted net assets, unless use of the earnings is subject to donor-imposed or other external restrictions. Gains and losses on investments and other assets and changes in liabilities are reported as increases or decreases in unrestricted net assets, unless subject to donor-imposed or other external restrictions. Expirations of temporary restrictions on net assets through expenditure for the stipulated purpose or the passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets. Expenses and distributions are reported as decreases in unrestricted net assets.

Basis of Accounting

The foundation maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is a procedure by which resources are classified for accounting purposes in accordance with activities or objectives as specified by donors, with restrictions or limitations imposed by sources outside the institution, or with directions issued by the governing board.

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

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

1. Organization and Summary of Significant Accounting Policies, continued

Investments are stated at current fair value. Noncash assets are stated at cost basis. The carrying value of donated assets other than marketable securities represents the fair value of the asset as determined by independent appraisal or management's estimate at the time of receipt or contribution. Inventories of artworks and books for sale are stated at the lower of cost (first-in, first-out method) or market. 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.

The net realized and unrealized appreciation (depreciation) in fair value of investments is reflected in the statement of activities. Income and net gains on investments of endowment and similar funds are generally reported as increases in permanently restricted net assets if the terms of the respective gift require that they be added to the principal of a permanent endowment; as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income; or as increases in unrestricted net assets in all other cases. Losses on the investments of a donor-restricted endowment fund reduce temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining losses are classified as underwater endowment losses and reduce unrestricted net assets. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level are classified as increases in unrestricted net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions expected to be received one year or more in the future are discounted at a discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

Contributions received for memorials or prospective endowments that have not yet met the minimum requirements for acceptance as an endowment are accumulated in temporarily restricted accounts. The accumulated contributions are transferred to permanently restricted endowment accounts when the minimum requirements are fulfilled. If the requirements are not fulfilled, consistent with the conditions of acceptance, the contributions are expended for the purpose received.

Reclassifications

Certain reclassifications have been made to prior period amounts in order to conform them to current period presentation.

2. Cash and Cash Equivalents

Cash and cash equivalents include interest bearing funds of \$2,801,684 and \$3,049,020 at June 30, 2003 and 2002, respectively.

3. Short Term Investments

Short term investments consisted of Student Investment Fund equities of \$265,340 and \$278,915 at June 30, 2003 and 2002, respectively. Investment management fees for short term investments totaled \$1,420 and \$2,981 for the years ended June 30, 2003 and 2002, respectively. These fees have been included as reductions to investment income.

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

4. Contributions Receivable

Unconditional promises to make contributions are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Contributions receivable at June 30, 2003 and 2002 were recorded at the discounted present value of the future cash flows using a discount rate of 5% through June 30, 2002 and 2.5% after that date. Contributions receivable are expected to be realized in the following periods:

	<u>2003</u>	<u>2002</u>
In one year or less	\$ 6,063,681	\$ 7,383,867
Between one year and five years	<u>2,603,372</u>	<u>833,157</u>
	\$ 8,667,053	\$ 8,217,024
Discount	(165,752)	(91,253)
Allowance for uncollectible accounts	<u>(2,346)</u>	<u>(212)</u>
	<u>\$ 8,498,955</u>	<u>\$ 8,125,559</u>

Included in contributions receivable was \$3.4 million and \$3.9 million at June 30, 2003 and 2002 respectively, due pursuant to a charter agreement between certain oil companies and the State of Alaska. The agreement provides that annually, these oil companies will designate an amount based on aggregate net Alaska liquids production after royalty and the price for West Texas Intermediate crude oil for funding charitable organizations and causes within Alaska. The agreement specifies that 30% of this amount be given to the University of Alaska Foundation and the remainder to general community needs. Commitments applicable to any periods subsequent to June 30, 2003 have not been formally communicated to the foundation, nor are they reasonably estimable and are therefore not included in the accompanying financial statements.

5. Escrows Receivable

The foundation's escrows receivable are secured by deeds of trust from land sales, payable in monthly installments including interest of 7.75% to 10%.

6. Real Property

Under a cooperative agreement with the University of Alaska, the net proceeds from the sale of gifted real estate by the university, unless otherwise specified by the donor or the university president, will be transferred to the foundation to be managed in accordance with donor intent. Proceeds transferred to the foundation were \$91,514 and \$777,789 for the years ended June 30, 2003 and 2002, respectively.

7. Remainder Trust Receivable

The foundation is the remainder beneficiary of a charitable remainder annuity trust managed by independent trustees. The present value of estimated future benefits to be received when the trust assets are distributed has been recorded by the foundation as a permanently restricted donation and as a receivable. The remainder trust receivable is revalued annually and any resulting actuarial gain or loss is recorded as a change in net assets.

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

8. Pooled Endowment Funds

Effective July 1, 1997, management of the university's land grant trust fund was transferred from the State Department of Revenue to the university. The foundation and the university agreed to consolidate the foundation's pooled endowment funds and the university's land grant trust funds into a Consolidated Fund (fund) for investment purposes. The foundation's investment represents 41% and 43% of the total fund at June 30, 2003 and 2002, respectively. The fund is managed by the foundation's investment committee under the "total return" concept of investment management which is intended to preserve and maintain the purchasing power of the principal. The net assets and related activity for their respective investment in the fund are reflected in the financial statements of the foundation and the university.

The fund uses a unitized system to account for each participant's interest. Contributions to and withdrawals from the fund result in an increase or decrease in the number of units owned and are based on the unit value at the beginning of the month in which the contribution or withdrawal is made. Beginning January 1, 2003, large additions to the fund are initially invested in cash and cash equivalents and dollar-cost-averaged into the investment pool over a ten month period. Investment income, fees and realized and unrealized gains and losses are distributed monthly to participating funds on a per unit basis. Investment income net of fees increases the number of units outstanding, while realized and unrealized gains and losses affect the per unit value.

The Consolidated Fund includes the following:

	<u>2003</u>	<u>2002</u>
Cash and cash equivalents	\$ 6,795,069	\$ 2,470,860
Fixed income securities	35,628,379	37,816,611
Equity securities	66,382,560	72,790,526
Alternative investments	17,619,032	11,144,277
Real estate partnerships and investment trusts	8,344,783	5,240,737
Other	<u>170,442</u>	<u>138,033</u>
	<u>\$ 134,940,265</u>	<u>\$ 129,601,044</u>

Ownership of the net assets of the Consolidated Fund is as follows:

	<u>2003</u>	<u>2002</u>
University of Alaska Foundation	\$ 55,385,807	\$ 55,700,993
University of Alaska	<u>79,554,458</u>	<u>73,900,051</u>
	<u>\$ 134,940,265</u>	<u>\$ 129,604,044</u>

Investment management, custodial and consulting fees for the foundation's pooled endowment funds totaled \$117,512 and \$120,887 for the years ended June 30, 2003 and 2002, respectively. These fees have been included as reductions to investment income.

The calculation of the annual spending allowance for the foundation's pooled endowments is based on 5 percent of the five-year moving average of the December 31 market values of the endowment fund, not to exceed the unexpended accumulated earnings of the fund at December 31.

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

9. Other Long Term Investments

Other long term investments include the following:

	<u>2003</u>	<u>2002</u>
Cash and cash equivalents	\$ 195,666	\$ 13,830
Fixed income securities	44,827,445	37,166,888
Equity securities	1	1,489,352
Alternative investments	2,023,518	359,375
Real estate partnerships and investment trusts	50,000	51,575
	<u>\$ 47,096,630</u>	<u>\$ 39,081,020</u>

Investment custodial and management fees for other long term investments totaled \$56,718 and \$56,532 for the years ended June 30, 2003 and 2002 respectively. These fees have been included as reductions to investment income.

10. Split Interest Obligations

The foundation has established charitable remainder trust and charitable gift annuity plans. These plans specify that donors may contribute assets to the foundation in exchange for the right to receive a fixed dollar or fixed percentage annual return. The difference between the amount of the gift and the present value of the liability for future payments, determined on an actuarial basis, is recognized as a contribution at the date of the gift. The split interest obligations are revalued annually and any resulting actuarial gain or loss is recorded as a change in net assets.

11. Term Endowment Liability

In July 1997 the foundation accepted a term endowment. Earnings from the endowment are restricted for the maintenance of a student housing facility. The agreement with the donor requires the original principal of the endowment to remain inviolate until April 30, 2020 at which time the original principal and the unexpended earnings, if any, will be returned to the donor. The original principal of \$1,000,000 is recorded as a liability at June 30, 2003 and 2002.

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

12. Net Assets

Unrestricted net assets consisted of the following:

	<u>2003</u>	<u>2002</u>
Available for current operations - amounts not designated by management for specific purposes or subject to donor-imposed restrictions	\$ 10,135,240	\$ 8,572,091
Designated for specific purposes - spendable earnings of quasi endowment funds and amounts designated for specific purposes by management	7,509,868	5,430,483
Quasi endowments - corpus of board designated endowment funds	7,633,848	6,445,748
Underwater endowment losses – investment losses on donor restricted endowment funds in excess of net appreciation	(1,275,454)	-
Unexpended endowment earnings - accumulated earnings in excess of designated spending limits for quasi endowment funds not subject to donor-imposed restrictions	<u>1,939,860</u> <u>\$ 25,943,362</u>	<u>2,217,500</u> <u>\$ 22,665,822</u>

Temporarily restricted net assets consisted of the following:

Restricted for specific purposes - spendable earnings of endowment funds and other non-endowment net assets subject to donor imposed restrictions	\$ 33,734,477	\$ 31,413,921
Quasi endowments - corpus of funds subject to donor imposed restrictions designated by the board as endowment funds	1,215,612	1,168,576
Endowments - corpus of term funded endowments	4,291,177	292,043
Unexpended endowment earnings - accumulated earnings in excess of designated spending limits for endowment funds subject to donor-imposed restrictions	<u>8,337,367</u> <u>\$ 47,578,633</u>	<u>8,239,185</u> <u>\$ 41,113,725</u>

Permanently restricted net assets consisted of the following:

Endowments - corpus of endowment funds required by donor to be invested in perpetuity	\$ 39,261,444	\$ 41,305,222
Charitable remainder trusts - annuity trusts and unitrusts required by donor to be invested in perpetuity	<u>352,509</u> <u>\$ 39,613,953</u>	<u>348,653</u> <u>\$ 41,653,875</u>

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

13. Net Assets Released from Restriction

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, collecting payment on unconditional promises to give or by occurrence of other events specified by donors.

14. Distributions for the Benefit of the University of Alaska

Distributions for the benefit of the University of Alaska, by functional classification, for the years ended June 30, 2003 and 2002 were as follows:

	<u>2003</u>	<u>2002</u>
University of Alaska Anchorage		
Engineering	\$ 26,981	\$ 62,002
General	1,331,138	1,044,465
Liberal arts, human and rural development	229,175	175,296
Library	2,706	1,940
Management/business administration	222,486	96,976
Natural sciences, agriculture and land resources	2,418	3,601
Research	38,338	16,489
Student aid	<u>546,863</u>	<u>467,592</u>
	<u>2,400,105</u>	<u>1,868,361</u>
 University of Alaska Fairbanks		
Engineering	993	794
General	2,015,774	1,839,475
KUAC radio and television	685,056	564,091
Liberal arts, human and rural development	23,386	19,006
Library	26,311	70,005
Management/business administration	1,026	5,836
Museum	271,604	284,161
Natural sciences, agriculture and land resources	141,760	145,985
Research	457,477	758,375
Student aid	<u>912,090</u>	<u>901,996</u>
	<u>4,535,477</u>	<u>4,589,724</u>
 University of Alaska Southeast		
General	688,506	55,495
Library	37,588	52,889
Natural sciences, agriculture and land resources	183	4,758
Student aid	<u>177,929</u>	<u>172,502</u>
	<u>904,206</u>	<u>285,644</u>
 University of Alaska		
General	1,014,990	613,244
Student Aid	<u>6,000</u>	<u>-</u>
	<u>1,020,990</u>	<u>613,244</u>
	<u>\$ 8,860,778</u>	<u>\$ 7,356,973</u>

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

15. Transfers from the University of Alaska

Transfers from the university to the foundation for the years ended June 30, 2003 and 2002 were as follows:

	<u>2003</u>	<u>2002</u>
Earnings on funds held in trust, originally from the estate of Luther Hess	\$ -	\$ 52,415
Net proceeds from real estate sales	91,514	777,789
Stampede Mine proceeds	<u>23,643</u>	<u>150,000</u>
	<u>\$ 115,157</u>	<u>\$ 980,204</u>

16. Assets Held in Trust By Others

The University of Alaska is a named beneficiary of The Bentley Family Trust which is managed by independent trustees. In accordance with University of Alaska policy, the university's interest in this trust will accrue to the foundation. Distributions from the trust have been recorded by the foundation as unrestricted income during the period the distributions were received. Management's estimate of fair value of the university's undivided one-eighth (12.5%) interest in the trust was approximately \$3.4 million and \$4.1 million at June 30, 2003 and 2002 respectively. Since neither the university nor the foundation have control over the trust assets and cash flows cannot be reasonably estimated, the principal of the trust has not been recorded in the accounts of the university or the foundation.

The foundation is a remainder beneficiary of The Metcalf Family Trust which is managed by an independent trustee. Management's estimate of fair value of the foundation's undivided one-half (50%) interest in the trust at June 30, 2003 and 2002 is approximately \$0.3 million. Since the foundation does not have control over the trust assets and cash flows cannot be reasonably estimated, the principal of the trust has not been recorded in the accounts of the foundation.

The University of Alaska is a remainder beneficiary of The Anthony John Nordale Trust and The Anthony John Nordale Reserve Trust. These trusts are managed by an independent trustee. In accordance with University of Alaska policy, the university's interest in these trusts will accrue to the foundation. Management's estimate of fair value of the university's undivided one-half (50%) interest in the Anthony John Nordale Trust at June 30, 2003 and 2002 is approximately \$0.3 million. Management's estimate of fair value of the university's undivided one-half (50%) interest in the Anthony John Nordale Reserve Trust at June 30, 2003 and 2002 is approximately \$0.6 million and \$0.7 million respectively. Since neither the university nor the foundation have control over the trust assets and cash flows cannot be reasonably estimated, the principal of the trusts has not been recorded in the accounts of the university or the foundation.

17. Related Party Transactions

The university provides in-kind administrative and accounting support for the foundation. The cost of these services is not included in these financial statements.