



**UNIVERSITY OF ALASKA
and
UNIVERSITY OF ALASKA FOUNDATION
CONSOLIDATED FUND**

**Financial Statements
June 30, 2003 and 2002
(With Independent Auditor's Report Thereon)**

UNIVERSITY OF ALASKA
and
UNIVERSITY OF ALASKA FOUNDATION
CONSOLIDATED FUND

TABLE OF CONTENTS

	<u>Page</u>
Statements of Assets and Liabilities	1
Statements of Operations and Changes in Net Assets	2
Notes to Financial Statements	3



701 West Eighth Avenue
Suite 600
Anchorage, AK 99501

Independent Auditors' Report

The Board of Trustees
University of Alaska and University of Alaska
Foundation Consolidated Fund:

We have audited the accompanying statements of assets and liabilities of the University of Alaska and University of Alaska Foundation Consolidated Fund as of June 30, 2003 and 2002, and the related statements of operations and changes in net assets for the years then ended. These financial statements are the responsibility of the University of Alaska and University of Alaska Foundation Consolidated Fund'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 of 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 and University of Alaska Foundation Consolidated Fund at June 30, 2003 and 2002, and the changes in its net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

September 19, 2003



KPMG LLP. KPMG LLP, a U.S. limited partnership, is
a member of KPMG International, a Swiss association.

LEFT INTENTIONALLY BLANK

**UNIVERSITY OF ALASKA
and
UNIVERSITY OF ALASKA FOUNDATION
CONSOLIDATED FUND**

STATEMENTS OF ASSETS AND LIABILITIES

June 30, 2003 and 2002

Assets	2003	2002
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
Interest and dividends receivable	110,080	137,804
Due from the University of Alaska Foundation	60,362	229
Total assets	134,940,265	129,601,044
 Liabilities	 -	 -
 Net Assets		
University of Alaska	79,554,458	73,900,051
University of Alaska Foundation	55,385,807	55,700,993
Total net assets	\$ 134,940,265	\$ 129,601,044

The accompanying notes are an integral part of the financial statements

**UNIVERSITY OF ALASKA
and
UNIVERSITY OF ALASKA FOUNDATION
CONSOLIDATED FUND**

STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

For the years ended June 30, 2003 and 2002

Investment Income	2003	2002
Interest and dividend income	\$ 2,762,639	\$ 3,465,781
Operating losses from alternative investments	(138,013)	(88,848)
Net investment income before expenses	2,624,626	3,376,933
 Expenses		
Management fees	195,889	200,728
Investment consulting fees	50,000	50,000
Custodial fees	24,041	25,917
Audit fees	5,750	5,500
Total expenses	275,680	282,145
Net investment income	2,348,946	3,094,788
 Realized and Unrealized Investment Losses		
Net realized and unrealized investment losses	(1,051,107)	(13,191,576)
 Net Increase (Decrease) in Net Assets Resulting from Operations	 1,297,839	 (10,096,788)
Distributions for endowment spending	(4,044,489)	(3,740,240)
Additional investments	8,085,871	3,087,067
Net Increase (Decrease) in Net Assets	5,339,221	(10,749,961)
Net assets, beginning of year	129,601,044	140,351,005
Net assets, end of year	\$ 134,940,265	\$ 129,601,044

The accompanying notes are an integral part of the financial statements

**UNIVERSITY OF ALASKA
and
UNIVERSITY OF ALASKA FOUNDATION
CONSOLIDATED FUND**

NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

1. Organization and Summary of Significant Accounting Policies

Organization

The Consolidated Fund (fund) was established July 1, 1997 to combine, for investment purposes, certain assets of the University of Alaska (university) Endowment Trust Fund and the University of Alaska Foundation (foundation) Pooled Endowment Fund. The fund is managed by the foundation through its investment committee and treasurer.

The University Endowment Trust Fund, codified in Alaska Statute 14.40.400, is an endowment trust fund. The source of the funding consists of income from the sale or lease of land granted to the university by an Act of Congress approved January 21, 1929 and other gifts and bequests.

The Foundation Pooled Endowment Fund includes endowment and similar funds contributed to the foundation which do not have specific investment restrictions. Earnings from the Pooled Endowment Fund are for the support of the university, subject to donor imposed restrictions.

Investments of the fund may be held in the name of the foundation, the university, the fund, or any fund or nominee as may be authorized by the foundation's treasurer.

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 statements of assets and liabilities and operations 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 Accounting

The financial statements are prepared using the accrual basis of accounting.

Due to the endowment nature of the fund, all assets, including cash and cash equivalents, are considered non-current assets held for long-term investment.

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.

Investments are stated at current fair value. The net realized and unrealized appreciation (depreciation) in fair value of investments is reflected in the statement of operations.

**UNIVERSITY OF ALASKA
and
UNIVERSITY OF ALASKA FOUNDATION
CONSOLIDATED FUND**

NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

1. Organization and Summary of Significant Accounting Policies, continued

The fund is managed under the “total return” concept of investment management which is intended to preserve and maintain the purchasing power of the principal. This approach emphasizes total investment return - traditional yield or investment income, and net realized and unrealized gains and losses.

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. Investment income, fees and realized and unrealized gains and losses are allocated 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.

2. Asset Allocation

The asset allocation of the fund’s investments was as follows:

	<u>2003</u>	<u>2002</u>
Cash and cash equivalents	5.0%	1.9%
Fixed income, domestic	26.5%	29.3%
Equities, domestic	37.5%	44.2%
Equities, foreign	11.7%	12.0%
Alternative investments	13.1%	8.6%
Real estate partnerships and investment trusts	<u>6.2%</u>	<u>4.0%</u>
	<u>100%</u>	<u>100%</u>

3. Commitments

The fund had commitments to make capital contributions to various alternative investments and real estate investment trusts totaling \$23 million at June 30, 2003 and 2002.

**UNIVERSITY OF ALASKA
and
UNIVERSITY OF ALASKA FOUNDATION
CONSOLIDATED FUND**

NOTES TO FINANCIAL STATEMENTS
June 30, 2003 and 2002

4. Changes in Net Asset Balances

Changes in net asset balances by participant were as follows:

	<u>Foundation</u>	<u>University</u>	<u>Total</u>
Balance, July 1, 2001	\$ 59,601,959	\$ 80,749,046	\$ 140,351,005
Net decrease from operations	(4,299,995)	(5,796,793)	(10,096,788)
Distributions for endowment spending	(1,888,038)	(1,852,202)	(3,740,240)
Additional investments	<u>2,287,067</u>	<u>800,000</u>	<u>3,087,067</u>
Balance, June 30, 2002	55,700,993	73,900,051	129,601,044
Net increase from operations	409,843	887,996	1,297,839
Distributions for endowment spending	(1,881,410)	(2,163,079)	(4,044,489)
Additional net investments/withdrawals	<u>1,156,381</u>	<u>6,929,490</u>	<u>8,085,871</u>
Balance, June 30, 2003	<u>\$ 55,385,807</u>	<u>\$ 79,554,458</u>	<u>\$ 134,940,265</u>

5. Distributions

Distributions from the fund are based on policies established by each participant.