



UNIVERSITY OF ALASKA FOUNDATION

Financial Statements

June 30, 2005 and 2004

(With Independent Auditor's Report Thereon)

UNIVERSITY OF ALASKA FOUNDATION

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KPMG LLP
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Anchorage, AK 99501

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, 2005 and 2004, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2005 and 2004, 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 16, 2005

UNIVERSITY OF ALASKA FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2005 and 2004

Assets	2005	2004
Cash and cash equivalents	\$ 3,794,041	\$ 3,662,289
Interest receivable	185,821	280,966
Short term investments	24,247	47,850
Contributions receivable	7,578,378	7,620,851
Escrows receivable	726,307	620,741
Inventory	80,854	73,714
Other assets	427,429	410,663
Remainder trust receivable	395,065	391,217
Pooled endowment funds	76,278,744	69,246,303
Other long term investments	40,793,520	46,657,579
	\$ 130,284,406	\$ 129,012,173
Total assets	\$ 130,284,406	\$ 129,012,173
Liabilities		
Due to the University of Alaska	\$ 2,608,499	\$ 3,630,665
Other liabilities	15,111	36,476
Remainder trust obligations	124,195	158,412
Term endowment liability	1,000,000	1,000,000
	3,747,805	4,825,553
Total liabilities	3,747,805	4,825,553
Net Assets		
Unrestricted	31,520,614	29,438,405
Temporarily restricted	49,637,723	50,961,840
Permanently restricted	45,378,264	43,786,375
	126,536,601	124,186,620
Total net assets	126,536,601	124,186,620
Total liabilities and net assets	\$ 130,284,406	\$ 129,012,173

UNIVERSITY OF ALASKA FOUNDATION
STATEMENTS OF ACTIVITIES
For the years ended June 30, 2005 and 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2005</u>
Revenues, gains and other support				
Contributions	\$ 269,297	\$ 10,568,694	\$ 1,379,794	\$ 12,217,785
Investment income	1,404,971	1,755,232	-	3,160,203
Net realized and unrealized investment gains	1,315,609	4,715,943	-	6,031,552
Other revenues	1,620	88,885	-	90,505
Actuarial adjustment of remainder trust obligations	-	(1,964)	80,500	78,536
Gains (losses) on disposition of other assets	-	(2,795)	(1,475)	(4,270)
Transfers from the University of Alaska	20,509	172,366	133,070	325,945
Net assets released from restriction	<u>18,620,478</u>	<u>(18,620,478)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>21,632,484</u>	<u>(1,324,117)</u>	<u>1,591,889</u>	<u>21,900,256</u>
Expenses and distributions				
Operating expenses	638,384	-	-	638,384
Distributions for the benefit of the University of Alaska	<u>18,911,891</u>	<u>-</u>	<u>-</u>	<u>18,911,891</u>
Total expenses and distributions	<u>19,550,275</u>	<u>-</u>	<u>-</u>	<u>19,550,275</u>
Excess (deficit) of revenues over expenses	2,082,209	(1,324,117)	1,591,889	2,349,981
Transfers between net asset classes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	2,082,209	(1,324,117)	1,591,889	2,349,981
Net assets, beginning of year	<u>29,438,405</u>	<u>50,961,840</u>	<u>43,786,375</u>	<u>124,186,620</u>
Net assets, end of year	<u>\$ 31,520,614</u>	<u>\$ 49,637,723</u>	<u>\$ 45,378,264</u>	<u>\$ 126,536,601</u>

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

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2004</u>
\$ 1,317,502	\$ 8,833,471	\$ 4,015,869	\$ 14,166,842
1,400,765	1,514,446	-	2,915,211
1,752,057	4,216,509	-	5,968,566
4,776	123,842	-	128,618
-	(155)	(25,642)	(25,797)
-	95,592	(540)	95,052
-	509	142,035	142,544
<u>11,360,307</u>	<u>(11,360,307)</u>	<u>-</u>	<u>-</u>
<u>15,835,407</u>	<u>3,423,907</u>	<u>4,131,722</u>	<u>23,391,036</u>
282,119	-	-	282,119
<u>12,058,245</u>	<u>-</u>	<u>-</u>	<u>12,058,245</u>
<u>12,340,364</u>	<u>-</u>	<u>-</u>	<u>12,340,364</u>
3,495,043	3,423,907	4,131,722	11,050,672
-	(40,700)	40,700	-
3,495,043	3,383,207	4,172,422	11,050,672
<u>25,943,362</u>	<u>47,578,633</u>	<u>39,613,953</u>	<u>113,135,948</u>
<u>\$ 29,438,405</u>	<u>\$ 50,961,840</u>	<u>\$ 43,786,375</u>	<u>\$ 124,186,620</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, 2005 and 2004

	2005	2004
Cash flows from operating activities:		
Contributions received	\$ 10,241,347	\$ 10,198,372
Investment income received	3,255,348	2,904,648
Distributions for the benefit of the University of Alaska	(19,925,527)	(9,895,569)
Cash paid for operating expenses	(628,933)	(241,479)
Other receipts	125,664	276,273
Net cash provided (used) by operating activities	(6,932,101)	3,242,245
Cash flows from investing activities:		
Net (increase) decrease in investments	5,046,352	(6,603,175)
Receipts from disposition of assets	70,490	204,999
Net cash provided (used) by investing activities	5,116,842	(6,398,176)
Cash flows from financing activities:		
Contributions restricted for permanent investment	1,934,828	4,039,842
Investment income on charitable remainder trusts	31,963	3,756
Payment of charitable remainder trust obligations	(19,780)	(27,062)
Net cash provided by financing activities	1,947,011	4,016,536
Net increase in cash and cash equivalents	131,752	860,605
Cash and cash equivalents, beginning of year	3,662,289	2,801,684
Cash and cash equivalents, end of year	\$ 3,794,041	\$ 3,662,289

	<u>2005</u>	<u>2004</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 2,349,981	\$ 11,050,672
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions of non-cash assets	(171,226)	(790,703)
Net realized and unrealized investment gains	(6,031,552)	(5,968,566)
(Gain) loss on disposition of other assets	4,270	(95,052)
Non-cash operating expenses	7,336	8,284
Non-cash distributions to the University of Alaska	19,060	150,324
Non-cash transfers from the University of Alaska	(176,055)	-
Contributions restricted for permanent investment	(1,934,828)	(4,039,842)
Actuarial adjustment of remainder trust obligations	(78,536)	25,797
Changes in assets and liabilities:		
(Increase) decrease in interest receivable	95,145	(10,563)
(Increase) decrease in contributions receivable	(4,513)	861,007
(Increase) decrease in inventory	4,060	4,409
Increase (decrease) in due to the University of Alaska	(1,022,166)	2,013,958
Increase (decrease) in other liabilities	(21,365)	32,520
Increase (decrease) in annuity payment liabilities	28,288	-
Net cash provided (used) by operating activities	<u>\$ (6,932,101)</u>	<u>\$ 3,242,245</u>

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2005 and 2004

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 and unconditional promises to give that are due in future periods and are not permanently restricted.

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, 2005 and 2004

1. Organization and Summary of Significant Accounting Policies, continued

Investments in fixed income and equity marketable securities are 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. General partners typically value privately held companies at cost as adjusted based on recent arms' length transactions. Public companies are valued using quoted market prices and exchange rates, if applicable. Real estate partnerships and funds are valued based on appraisals of properties held and conducted by third-party appraisers retained by the general partner or investment manager. General partners of marketable alternatives provide values based on quoted market prices and exchange rates for publicly held securities and valuation estimates of derivative instruments. General partners of oil and gas partnerships use third-party appraisers to value properties. Valuations provided by the general partners and investment managers are evaluated by management and management believes such values are reasonable at June 30, 2005. Other investments, which consist of collateralized debt obligations, are stated at cost. 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.

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.

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.

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.

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2005 and 2004

2. Cash and Cash Equivalents

Cash and cash equivalents consists of interest bearing funds of \$3,794,041 and \$3,662,289 at June 30, 2005 and 2004, respectively.

3. Short Term Investments

Short term investments consists of donated marketable securities valued at \$24,247 and \$47,850 at June 30, 2005 and 2004, respectively.

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, 2005 and 2004 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>2005</u>	<u>2004</u>
In one year or less	\$ 6,689,329	\$ 6,512,182
Between one year and five years	900,033	1,143,785
More than five years	<u>50,500</u>	<u>50,000</u>
	7,639,862	7,705,967
Discount	(60,047)	(70,693)
Allowance for uncollectible accounts	<u>(1,437)</u>	<u>(14,423)</u>
	<u>\$ 7,578,378</u>	<u>\$ 7,620,851</u>

Included in contributions receivable was \$4.8 million and \$4.1 million at June 30, 2005 and 2004, 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, 2005 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 7.25% 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 \$307,334 and \$-0- for the years ended June 30, 2005 and 2004, respectively.

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2005 and 2004

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.

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 Endowment Fund (fund) for investment purposes. The foundation's investment represents 40% and 43% of the total fund at June 30, 2005 and 2004, respectively. The fund is managed by the foundation's investment committee under the "total return" concept of investment management 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. 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 Endowment Fund includes the following:

	<u>2005</u>	<u>2004</u>
Cash and cash equivalents	\$ 10,451,863	\$ 6,625,560
Fixed income securities	45,112,675	43,560,605
Equity securities	87,379,899	72,128,917
Alternative investments	31,933,783	24,977,613
Real estate partnerships and investment trusts	9,498,012	8,584,168
Other investments	5,000,000	5,000,000
Other	163,728	191,524
	<u>\$ 189,539,960</u>	<u>\$ 161,068,387</u>

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

	<u>2005</u>	<u>2004</u>
University of Alaska Foundation	\$ 76,278,744	\$ 69,246,303
University of Alaska	113,261,216	91,822,084
	<u>\$ 189,539,960</u>	<u>\$ 161,068,387</u>

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2005 and 2004

8. Pooled Endowment Funds, continued

Investment management, custodial and consulting fees for the foundation's pooled endowment funds totaled \$136,485 and \$118,788 for the years ended June 30, 2005 and 2004, respectively. These fees have been included as reductions to investment income.

The calculation of the annual spending allowance is based on 4.5 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.

9. Other Long Term Investments

Other long term investments include the following:

	<u>2005</u>	<u>2004</u>
Cash and cash equivalents	\$ 2,699	\$ 4,624
Fixed income securities	38,471,192	44,167,379
Equity securities	461,135	419,714
Alternative investments	308,494	515,862
Real estate partnerships	50,000	50,000
Other investments	<u>1,500,000</u>	<u>1,500,000</u>
	<u>\$ 40,793,520</u>	<u>\$ 46,657,579</u>

Investment custodial and management fees for other long term investments totaled \$57,203 and \$60,977 for the years ended June 30, 2005 and 2004, 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, 2005 and 2004.

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2005 and 2004

12. Net Assets

Unrestricted net assets consisted of the following:

	<u>2005</u>	<u>2004</u>
Available for current operations - amounts not designated by management for specific purposes or subject to donor-imposed restrictions	\$ 5,394,000	\$ 6,843,160
Designated for specific purposes - spendable earnings of quasi endowment funds and amounts designated for specific purposes by management	13,357,174	11,059,868
Quasi endowments - corpus of board designated endowment funds	9,092,611	8,821,693
Underwater endowment losses – investment losses on donor restricted endowment funds in excess of net appreciation	-	(143,650)
Unexpended endowment earnings - accumulated earnings in excess of designated spending limits for quasi endowment funds not subject to donor-imposed restrictions	<u>3,676,829</u>	<u>2,857,334</u>
	<u>\$ 31,520,614</u>	<u>\$ 29,438,405</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	\$ 21,463,053	\$ 27,147,773
Unconditional promises to give – contributions receivable in future periods that are not subject to donor imposed restrictions	4,795,976	4,114,800
Quasi endowments - corpus of funds subject to donor imposed restrictions designated by the board as endowment funds	2,881,502	2,537,428
Endowments - corpus of term funded endowments	3,748,614	4,204,453
Unexpended endowment earnings - accumulated earnings in excess of designated spending limits for endowment funds subject to donor-imposed restrictions	<u>16,748,578</u>	<u>12,957,386</u>
	<u>\$ 49,637,723</u>	<u>\$ 50,961,840</u>

Permanently restricted net assets consisted of the following:

Endowments - corpus of endowment funds required by donor to be invested in perpetuity	\$ 45,307,113	\$ 43,530,768
Charitable remainder trusts - annuity trusts and unitrusts required by donor to be invested in perpetuity	<u>71,151</u>	<u>255,607</u>
	<u>\$ 45,378,264</u>	<u>\$ 43,786,375</u>

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2005 and 2004

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, 2005 and 2004 were as follows:

	<u>2005</u>	<u>2004</u>
University of Alaska Anchorage		
Engineering	\$ 219,449	\$ 143,299
General	2,001,409	1,657,920
Liberal arts, human and rural development	358,893	52,756
Library	32,535	2,660
Management/business administration	238,437	158,274
Natural sciences, agriculture and land resources	9,984	1,662
Research	54,608	64,962
Student aid	<u>654,345</u>	<u>528,756</u>
	<u>3,569,660</u>	<u>2,610,289</u>
University of Alaska Fairbanks		
Engineering	4,212	8,862
General	2,117,717	2,022,317
KUAC radio and television	1,250,892	750,506
Liberal arts, human and rural development	52,908	26,523
Library	53,079	69,224
Management/business administration	3,727	1,521
Museum	8,131,582	2,982,116
Natural sciences, agriculture and land resources	211,960	242,814
Research	641,231	641,208
Student aid	<u>928,569</u>	<u>905,147</u>
	<u>13,395,877</u>	<u>7,650,238</u>
University of Alaska Southeast		
General	477,255	342,471
Liberal arts, human and rural development	6,645	-
Library	28,079	7,108
Natural sciences, agriculture and land resources	13,198	-
Student aid	<u>195,497</u>	<u>157,941</u>
	<u>720,674</u>	<u>507,520</u>
University of Alaska		
General	1,225,680	1,284,291
Natural Sciences	-	907
Research	<u>-</u>	<u>5,000</u>
	<u>1,225,680</u>	<u>1,290,198</u>
	<u>\$ 18,911,891</u>	<u>\$ 12,058,245</u>

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2005 and 2004

15. Transfers from the University of Alaska

Transfers from the university to the foundation for the years ended June 30, 2005 and 2004 were as follows:

	<u>2005</u>	<u>2004</u>
Net proceeds from real estate sales and lease	\$ 325,531	\$ 142,035
Other	<u>414</u>	<u>509</u>
	<u>\$ 325,945</u>	<u>\$ 142,544</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 at June 30, 2005 and 2004 is approximately \$4.0 and \$3.4 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 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 was approximately \$0.4 million at June 30, 2005 and 2004, respectively. 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, 2005 and 2004 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, 2005 and 2004 is approximately \$0.8 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 administrative and accounting support for the foundation. Reimbursements to the university for these services of \$569,492 and \$223,997 for the years ended June 30, 2005 and 2004, respectively, are included in these financial statements.