

### **Land-Grant Endowment Funds**

The University of Alaska Land Grant Endowment has its origin in the federal land grant acts of 1915 and 1929 and subsequently the Alaska Statehood Act. Approximately 110,000 acres of land were transferred to the territory of Alaska and eventually to the Board of Regents to be held in trust for the university. The net proceeds from the sale, lease, exchange and other uses of these lands have been deposited in the University of Alaska Endowment Trust Fund as provided by Alaska Statute 14.40.400. Alaska Statute 14.40.400 gives the Board of Regents the authority to manage the endowment under the total return principles which are intended to preserve and maintain the purchasing power of the endowment fund, a unitized investment fund.

The accompanying schedules of Net Position and Changes in Net Position reflect the financial position of the Land-Grant Endowment and related funds as of June 30, 2016 and the changes in net position for the year then ended. The investments of the Land-Grant Endowment and Inflation-Proofing Fund, which have fair values at June 30, 2016 of \$110.7 and \$17.4 million, respectively, are invested in a consolidated endowment fund managed by the University of Alaska Foundation in accordance with an agreement and investment policy approved by the Board of Regents.

Expenditure of the endowment fund earnings is governed by regents' policy, which provides that a portion of the earnings be utilized to manage the university's lands, a portion be set aside in order to maintain the purchasing power of the endowment, and a portion be transferred to the Natural Resources Fund for the purpose of funding programs in support of UA Scholars, natural resource management, marketing and education, and other university programs.

The Schedule of Allocated Natural Resources Fund Balances represents a summary of awards, transfers and expenditures for Natural Resources Fund projects.

Land-Grant Endowment Funds  
Notes to the Financial Schedules  
June 30, 2016

By Acts of Congress in 1915 and 1929, approximately 110,000 acres of land were transferred to the territory of Alaska to be held in trust for the university. The grant lands were subsequently transferred to the state of Alaska and eventually to the Board of Regents to be held in trust for the university. Currently, approximately 81,367 acres of these lands are held at no basis because fair value at the date of transfer was not determinable. In 1982 and 1988, the university was allowed to select certain state lands including timber and other rights as replacement for lands disposed of by the territory and the state. These replacement lands and property interests were recorded at their fair value as of the date of transfer.

**Land-Grant Trust Fund**

The Land-Grant Trust Fund as reported in these schedules represents the original land grant, the invested proceeds from the sale and/or development of these resources and the appreciation in value of the invested funds. The endowment is managed on a total return basis. Receivables of approximately \$1.9 million are primarily from sales of trust land. Investments of approximately \$110.7 million are held in a consolidated endowment fund under the direction of the University of Alaska Foundation. The consolidated investment fund is managed by the Foundation's investment committee and treasurer in accordance with an investment policy approved by the Board of Regents. Cash balances are invested in pooled investment funds. Real property of approximately \$31.8 million is comprised primarily of replacement and property interests and does not include the value of the university's original entitlement land. Security deposits totaling \$0.8 million are held for security or performance on contracts and other leases. Net position includes \$8.2 million of accumulated net earnings.

The annual spending allowance is based on four and one half percent of a five-year moving average of the December 31 market value of the investable resources of the Land-Grant and Inflation-Proofing funds. The annual spending allowance is limited to the unexpended accumulated earnings of the endowments as of the preceding December 31. The spending allowance requirement for fiscal year 2016 was \$5,797,300. To meet the spending allowance, \$5,196,009 and \$666,211, were transferred from the Land-Grant and Inflation-Proofing funds, respectively. The spending allowance distributions include a provision of \$830,000 for land management operating costs and \$4,967,295 for program support to be distributed through the Natural Resources Fund.

**Inflation-Proofing Fund**

The Inflation-Proofing Fund represents reinvested earnings of the Land-Grant Trust Fund and net proceeds of non-trust real property transactions designated for preservation of the long-term purchasing strength of the endowment. Its assets include approximately \$30.6 million in improved and unimproved real property held for investment including the University Lake and Bragaw Complex. The cash balances of the Inflation-Proofing Fund are invested in pooled investment funds. The other investments are held in the consolidated endowment fund under the direction of the University of Alaska Foundation. The long-term debt is approximately \$1.0 million for real estate located near the University of Alaska. Total net position of \$49.1 million is considered accumulated net earnings, of which \$2.4 million is designated for future renewal and replacement of investment property.

**Revenue Fund**

The Revenue Fund represents a depository fund for the distributable earnings of the Land-Grant Trust Fund, the Inflation-Proofing Fund, and the Natural Resources Fund.

Investment income reported in the Revenue Fund represents current yield or income on investments and other assets of the endowment and related designated funds.

**Natural Resources Fund**

The Natural Resources Fund represents spendable funds designated by regents' policy to provide support for UA Scholars, agriculture, forestry, fisheries, mineral, and other university programs. All unexpended funds are invested in pooled investment funds.

**Land Management Operations Fund**

The Land Management Operations Fund represents spendable funds designated by regents' policy to provide support for land management operations. All unexpended funds are invested in pooled investment funds.

**Land Grant Endowment Funds**  
**Schedule of Net Position**  
**June 30, 2016**

	Land Grant Trust Fund	Inflation Proofing Fund	Revenue Fund	Natural Resources Fund	Land Management Operations
<b>Assets:</b>					
Cash (due (to) from University)	\$ (5,695,704)	\$ 2,062,470	\$ -	\$ 12,585,719	\$ 1,622,692
Receivables	1,897,185	237,801	-	-	-
Investments	110,674,642	17,361,582	-	-	-
Real property & subdivision inventory	31,759,443	30,563,524	-	-	-
<b>Total Assets:</b>	<b>138,635,566</b>	<b>50,225,377</b>	<b>-</b>	<b>12,585,719</b>	<b>1,622,692</b>
<b>Liabilities:</b>					
Security deposits and other payables	836,497	104,945	-	-	-
Long-term debt	-	1,042,850	-	-	-
<b>Total Liabilities</b>	<b>836,497</b>	<b>1,147,795</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net position</b>	<b>\$ 137,799,069</b>	<b>\$ 49,077,581</b>	<b>\$ -</b>	<b>\$ 12,585,719</b>	<b>\$ 1,622,692</b>

**Schedule of Changes in Net Position**  
**For the Year Ended June 30, 2016**

<b>Revenue and other additions:</b>					
Sale, lease, or transfer of real property, materials, and mineral interests	1,231,330	2,907,080	24,440	-	-
Cost basis of property sold	-	-	-	-	-
Net sales	1,231,330	2,907,080	24,440	-	-
Net realized and unrealized gain (loss) from investments	(6,551,089)	(975,773)	(89,365)	-	-
<b>Total Revenue</b>	<b>(5,319,759)</b>	<b>1,931,307</b>	<b>(64,925)</b>	<b>-</b>	<b>-</b>
<b>Expenditures and other deductions:</b>					
Development project costs	858,012	861,867	-	-	715,408
Interest expense	-	539,189	-	-	-
Natural Resources Fund projects	-	-	-	4,812,266	-
	858,012	1,401,056	-	4,812,266	715,408
<b>Transfers in (out):</b>					
Earnings	70,000	-	-	(70,000)	-
Debt Service	-	(669,441)	-	-	-
Provision for land management operations	-	-	(830,000)	-	830,000
Transfer for spending allowance	(5,196,009)	(666,211)	5,862,220	-	-
Natural Resources Fund allocation	-	-	(4,967,295)	4,967,295	-
	(5,126,009)	(1,335,652)	64,925	4,897,295	830,000
<b>Net increase (decrease) in net position</b>	<b>(11,303,780)</b>	<b>(805,401)</b>	<b>-</b>	<b>85,029</b>	<b>114,592</b>
Net position at beginning of year	149,102,849	49,882,983	-	12,500,690	1,508,100
<b>Net position at end of year</b>	<b>\$ 137,799,069</b>	<b>\$ 49,077,581</b>	<b>\$ -</b>	<b>\$ 12,585,719</b>	<b>\$ 1,622,692</b>

See accompanying notes to these schedules

**Land Grant Endowment Funds**  
**Schedule of Allocated Natural Resources Fund Balances**  
**For the Year Ended June 30, 2016**

	Available June 30, 2015	FY17 Spending Allowance	Expenditures & Transfers	Available June 30, 2016
<b>NATURAL RESOURCES PROJECTS</b>				
UAF/Factors Influence Spruce Bark Beetle	\$ 1,128	\$ -	\$ -	\$ 1,128
UAF/Master Land Planning, Agriculture Research Station	42,298	-	-	42,298
UAF/Videoconferencing upgrades (ANC/JUN)	177,600	-	177,581	19
UAF/Green Dot Violence Prevention Strategy	50,000	-	49,982	18
UAF/University of Alaska Press	100,000	100,000	100,000	100,000
UAF/Piano-e-Competition	-	30,000	-	30,000
UAF/Museum Dinosaur Exhibit	42,069	-	40,995	1,074
UAF/Financial Literacy	10,000	-	10,000	0
UAF/Researching Rhodiola Harvesting	20,000	-	16,800	3,200
UAF/Investment in Youth Leadership	15,000	-	14,986	14
UAF/Cooperative Extension Support	380,275	400,000	391,967	388,308
Deferred Maintenance	-	269,300	-	269,300
UAF/Collaboration Classroom, College of Liberal Arts	-	23,000	-	23,000
UAA/Alaska Scholars Program	211,691	2,246,460	2,113,375	344,776
UAF/Alaska Scholars Program	142,431	1,487,467	1,399,500	230,398
UAS/Alaska Scholars Program	21,325	229,481	216,000	34,807
SYS/Alaska Scholars Program	8,189,924	11,592	109,388	8,092,129
SYS/Tuition Waiver Program, Coop. Scholarships	249,233	170,000	171,694	247,539
	<u>9,652,975</u>	<u>4,967,300</u>	<u>4,812,266</u>	<u>9,808,008</u>
<b>Undistributed</b>				
FY04 Transfer - suppressed - avail for UA Scholars	836,850	-	-	836,850
FY05 Transfer - suppressed - avail for UA Scholars	610,000	-	-	610,000
FY10 Transfer - available for UA Scholars	335,032	-	-	335,032
FY11 Transfer - available for UA Scholars	217,974	-	-	217,974
FY12 Transfer - available for UA Scholars	44,837	-	-	44,837
FY13 Transfer - available for UA Scholars	87,854	-	70,000	17,854
FY14 Transfer - available for UA Scholars	239,531	-	-	239,531
FY15 Transfer - available for UA Scholars	475,637	-	-	475,637
FY16 Transfer	-	-	5	(5)
Total Undistributed	<u>2,847,715</u>	<u>-</u>	<u>70,005</u>	<u>2,777,710</u>
	<u><b>\$ 12,500,690</b></u>	<u><b>\$ 4,967,300</b></u>	<u><b>\$ 4,882,271</b></u>	<u><b>\$ 12,585,719</b></u>
<b>SW Land Management Operations</b>	<u><b>\$ 1,508,100</b></u>	<u><b>\$ 830,000</b></u>	<u><b>\$ 715,408</b></u>	<u><b>\$ 1,622,692</b></u>
Total Natural Resources Funds	<u><b>\$ 14,008,790</b></u>	<u><b>\$ 5,797,300</b></u>	<u><b>\$ 5,597,680</b></u>	<u><b>\$ 14,208,411</b></u>