

UNIVERSITY OF ALASKA FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

**UNIVERSITY OF ALASKA FOUNDATION
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YEARS ENDED JUNE 30, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
University of Alaska Foundation
Fairbanks, Alaska

We have audited the accompanying consolidated financial statements of the University of Alaska Foundation and the University of Alaska Foundation Consolidated Endowment Fund, LP (the Foundation), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of the University of Alaska Foundation Consolidated Endowment Fund, LP, an affiliated entity, whose statements reflect total assets of \$339,599,256 and \$325,063,642 as of June 30, 2018 and 2017, respectively, and total investment income and net realized gains (losses) of \$27,589,317 and \$42,401,515, respectively, for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of Alaska Foundation Consolidated Endowment Fund, LP, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 entity'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 consolidated financial statements.

Board of Trustees
University of Alaska Foundation


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

Opinion

In our opinion, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2018, and the change in net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2017 consolidated financial statements of University of Alaska Foundation were audited by other auditors whose report dated October 13, 2017, expressed an unmodified opinion on those statements.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

St. Louis, Missouri
October 15, 2018

**UNIVERSITY OF ALASKA FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

	2018	2017
ASSETS		
Cash and Cash Equivalents	\$ 31,990,481	\$ 32,022,767
Interest and Dividends Receivable	144,676	333,563
Contributions Receivable, Net	2,374,188	2,219,137
Other Receivables	8,467,573	6,315,327
Other Investments	26,089,696	25,999,546
Pooled Endowment Funds	331,190,518	318,592,151
Remainder Trusts Receivable	2,166,218	1,964,040
Bequests Receivable	8,139,627	7,698,392
Other Assets	173,803	473,536
Total Assets	\$ 410,736,780	\$ 395,618,459
LIABILITIES AND NET ASSETS		
LIABILITIES		
Due to University of Alaska	\$ 3,251,053	\$ 2,921,448
Other Liabilities	666,351	4,638,195
Split Interest Obligations	316,701	321,884
Term Endowment Liability	1,000,000	1,000,000
Assets Held in Trust for University of Alaska	146,368,280	141,126,461
Total Liabilities	151,602,385	150,007,988
NET ASSETS		
Unrestricted	25,587,474	24,941,234
Temporarily Restricted	112,280,348	103,224,020
Permanently Restricted	121,266,573	117,445,217
Total Net Assets	259,134,395	245,610,471
Total Liabilities and Net Assets	\$ 410,736,780	\$ 395,618,459

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF ALASKA FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS, AND OTHER SUPPORT				
Contributions	\$ 100,570	\$ 13,578,873	\$ 2,399,791	\$ 16,079,234
Investment Income	776,405	483,379	-	1,259,784
Net Realized and Unrealized Investment Gains	898,810	12,921,336	-	13,820,146
Other Revenues	5	187,548	-	187,553
Actuarial Adjustment of Remainder Trust Obligations	-	180,213	892,523	1,072,736
Gains (Losses) on Disposition of Other Assets	-	(13,247)	(50)	(13,297)
Administrative Assessments	2,479,041	(1,761,621)	(55,287)	662,133
Support from University of Alaska	960,000	-	-	960,000
Donor Directed Reclassifications	-	(584,379)	584,379	-
Net Assets Released from Restriction	15,935,774	(15,935,774)	-	-
Total Revenues, Gains, and Other Support	<u>21,150,605</u>	<u>9,056,328</u>	<u>3,821,356</u>	<u>34,028,289</u>
EXPENSES AND DISTRIBUTIONS				
Operating Expenses	3,647,154	-	-	3,647,154
Distributions for the Benefit of University of Alaska	16,857,211	-	-	16,857,211
Total Expenses and Distributions	<u>20,504,365</u>	<u>-</u>	<u>-</u>	<u>20,504,365</u>
INCREASE (DECREASE) IN NET ASSETS	646,240	9,056,328	3,821,356	13,523,924
Net Assets - Beginning of Year	<u>24,941,234</u>	<u>103,224,020</u>	<u>117,445,217</u>	<u>245,610,471</u>
NET ASSETS - END OF YEAR	<u>\$ 25,587,474</u>	<u>\$ 112,280,348</u>	<u>\$ 121,266,573</u>	<u>\$ 259,134,395</u>

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF ALASKA FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS, AND OTHER SUPPORT				
Contributions	\$ 86,512	\$ 12,232,152	\$ 12,768,061	\$ 25,086,725
Investment Income	480,622	542,538	-	1,023,160
Net Realized and Unrealized Investment Gains	2,412,933	19,685,642	-	22,098,575
Other Revenues	-	224,837	-	224,837
Actuarial Adjustment of Remainder Trust Obligations	-	76,194	262	76,456
Gains (Losses) on Disposition of Other Assets	(17,211)	48,007	101	30,897
Administrative Assessments	2,256,963	(1,558,880)	(48,549)	649,534
Support from University Of Alaska	764,810	-	-	764,810
Donor Directed Reclassifications	(1,044,217)	6,537	1,037,680	-
Net Assets Released from Restriction	17,058,937	(17,058,937)	-	-
Total Revenues, Gains, and Other Support	<u>21,999,349</u>	<u>14,198,090</u>	<u>13,757,555</u>	<u>49,954,994</u>
EXPENSES AND DISTRIBUTIONS				
Operating Expenses	3,288,782	-	-	3,288,782
Distributions for the Benefit of University of Alaska	17,957,783	-	-	17,957,783
Total Expenses and Distributions	<u>21,246,565</u>	<u>-</u>	<u>-</u>	<u>21,246,565</u>
INCREASE (DECREASE) IN NET ASSETS	752,784	14,198,090	13,757,555	28,708,429
Net Assets - Beginning of Year	<u>24,188,450</u>	<u>89,025,930</u>	<u>103,687,662</u>	<u>216,902,042</u>
NET ASSETS - END OF YEAR	<u>\$ 24,941,234</u>	<u>\$ 103,224,020</u>	<u>\$ 117,445,217</u>	<u>\$ 245,610,471</u>

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF ALASKA FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 13,523,924	\$ 28,708,429
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Contributions of Operating Noncash Assets	(2,652,176)	(204,397)
Contributions Restricted for Permanent Investment	(2,399,791)	(12,768,061)
Net Realized and Unrealized Investment (Gains) Losses	(13,820,146)	(22,098,575)
(Gain) Loss on Disposition of Other Assets	13,297	(30,897)
Noncash Operating Expenses	42,978	9,749
Noncash Distributions to University of Alaska	135,978	166,176
Actuarial Adjustment of Remainder Trust Obligations	(1,072,736)	(76,456)
Changes in Assets and Liabilities:		
Interest and Dividends Receivable	188,887	(79,087)
Contributions Receivable	(550,252)	414,421
Bequests Receivable	255,780	-
Other Assets	(64,969)	70,453
Due to University of Alaska	327,015	867,630
Other Liabilities	187,074	242,550
Split Interest Obligations	13,189	-
Net Cash Used by Operating Activities	(5,871,948)	(4,778,065)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(109,434,711)	(128,772,789)
Proceeds from Sales of Investments	110,176,547	127,520,186
Proceeds from Disposition of Assets	40,404	266,046
Net Cash Provided (Used) by Investing Activities	782,240	(986,557)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Permanent Investment	5,098,408	4,980,343
Investment Income on Charitable Remainder Trusts	(1,186)	1,464
Payment Of Split Interest Obligations	(39,800)	(19,596)
Net Cash Provided by Financing Activities	5,057,422	4,962,211
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(32,286)	(802,411)
Cash and Cash Equivalents - Beginning of Year	32,022,767	32,825,178
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 31,990,481	\$ 32,022,767
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Contributions of Noncash Investment Assets	\$ 417,772	\$ 290,832
Cash Paid for Interest	\$ 57	\$ 6,976
Cash Paid for Income Taxes	\$ -	\$ 41,749

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The University of Alaska Foundation (the 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 University). The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) organized in accordance with the laws of the state of Alaska and governed by a volunteer board of trustees.

Although the University is the exclusive beneficiary of the Foundation, the Foundation is independent of the University. The net assets of the Foundation are the exclusive property of the Foundation. The board of trustees of the Foundation is entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the University.

The consolidated financial statements include the accounts of the Foundation and an affiliated entity, the University of Alaska Foundation Consolidated Endowment Fund, LP. The affiliated entity is included in these consolidated financial statements because the Foundation has an economic interest in the organization and, although the Foundation is the limited partner, it has authority to remove the general partner. All inter-entity transactions and balances have been eliminated.

Basis of Presentation

These consolidated financial statements are prepared on the accrual basis of accounting as promulgated by the Financial Accounting Standards Board. Net assets, 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.

**UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. 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. These are highly liquid short-term investments including an overnight repurchase agreement and money market mutual funds.

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. Unconditional promises to give expected to be collected in one year or more are valued at fair value. The valuation technique used, which is consistent with the income approach, is expected present value (EPV). EPV is a probability-weighted average of all possible cash flows discounted by the risk-adjusted rate, which is based on Treasury note rates. The cash flows are further discounted to adjust for systematic risk by adding a risk premium of 3%. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

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.

Nonfinancial 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.

**UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, 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 most significant accounting estimates applied in the preparation of the accompanying consolidated financial statements include those in the areas of contributions receivable discounts and allowances, fair value of investments, and obligations to beneficiaries of split interest agreements. Management periodically evaluates estimates used in the preparation of consolidated financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates are made prospectively based on such periodic evaluations.

Other Receivables

Other receivables include escrows receivable, an installment contract receivable, and receivables from underlying investments.

Escrows receivable of \$22,396 and \$31,375 at June 30, 2018 and 2017, respectively, are secured by deeds of trust from land sales, payable in monthly installments including interest at 8.25%.

An installment contract receivable of \$65,057 and \$96,482 at June 30, 2018 and 2017, resulted from the sale of capital stock in a closely held corporation. The contract is secured by the shares of capital stock sold, and payable in annual installments of \$20,000 including interest at 4.75%.

Receivables from underlying investments of \$8,380,120 and \$6,187,470 at June 30, 2018 and 2017, respectively, include net proceeds receivable from sales pending settlement.

**UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Purchases and sales of securities, mutual funds, exchange traded funds, and commingled funds are accounted for on a trade date basis. Realized gains and losses are determined using the specific identification method.

Purchases and sales of hedge fund investments are accounted for on a trade date basis. For hedge funds that are reported on a unitized basis, realized gains and losses are determined based on the specific identification method. For hedge funds that are not reported on a unitized basis, realized gains and losses are based on percentage of capital redeemed from the hedge fund.

Contributions to and distributions from private capital funds are accounted for on an effective date basis. Distributions, when identified as realized gain or loss or investment income, are recorded as such. Returns of capital reduce the private capital fund's cost basis.

Futures contracts are generally valued at the settlement price established at the close of each business day by the board of trade or exchange on which they are traded. The value of each futures contract is marked to market daily and an appropriate payable or receivable for the change in value (variation margin) is recorded. The payable or receivable is settled the following business day. Gains or losses are recognized but not accounted for as realized until the contracts expire or are closed.

The net realized and unrealized appreciation (depreciation) in fair value of investments is reflected in the consolidated statement of activities. Income and net gains on investments of endowment and similar funds are generally reported 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.

**UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pooled Endowment Funds

Effective July 1, 1997, management of the University's Land Grant Endowment Trust Fund was transferred from the State of Alaska Department of Revenue to the University Board of Regents. The Foundation and the University Board of Regents agreed to consolidate the Foundation's pooled endowment funds and the University's land grant endowments into a Consolidated Endowment Fund (Fund) for investment purposes. 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 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 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 Foundation, with more than 99.99% ownership, serving as the sole limited partner. The investment manager of the Partnership is Cambridge Associates, LLC. This relationship does not affect the ownership of units in the Consolidated Endowment Fund by the University or the Foundation.

Remainder Trusts Receivable

A charitable remainder trust administered by a third party is an arrangement in which a donor establishes and funds a trust in which the assets are invested and administered by a third-party trustee and distributions are made to the income beneficiaries during the term of the agreement. Upon death of the donor the assets, or a portion of the assets remaining in the trust, are distributed to a nonprofit entity. The Foundation, as remainder beneficiary, records its interest in these irrevocable trusts, upon discovery of their existence, at fair value as determined using the present value of the estimated future cash receipts to be received from the trust, discounted at rates between 4.69% and 9.44% which reflect the expected rate of return as adjusted for various risk factors. Initial recognition and subsequent adjustments to the assets' carrying value are recognized as contribution revenue and actuarial adjustment of the remainder trust obligations, respectively, and are classified as permanently restricted, temporarily restricted, or unrestricted support, depending on donor-imposed purpose and time restrictions, if any.

Other Assets

Other assets include prepaid expenses of \$67,558 and \$80,012, inventory of \$23,244 and \$23,245, donated illiquid investments carried at cost of \$2, and artwork of \$82,999 and \$370,277 at June 30, 2018 and 2017, respectively.

**UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Split Interest Obligations

The Foundation has established charitable remainder trust and charitable gift annuity plans for which the Foundation serves as trustee. 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 Foundation records the assets held at fair value and the corresponding liability at the actuarially determined present value of payments to be made to the income beneficiaries. 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 present value of payments to income beneficiaries is calculated using discount rates which represent the Charitable Federal Midterm Rate (CFMR) in existence 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.

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, 2018 and 2017.

Assets Held in Trust for University of Alaska

The liability represents the University's participation in the Consolidated Endowment Fund. The related assets are available for distribution to the University upon 60 days written notice, subject to availability of liquid resources of the fund and considerations of the potential adverse impacts on other endowments participating in the fund.

Administrative Assessments

The Foundation charges assessments to cover administrative and fundraising expenses as follows:

Gifts – All endowment cash gifts are assessed 1% and nonendowed gifts are assessed 5% of the gift value at the time of the gift. Noncash gifts are assessed at the time of conversion to cash by the Foundation, based on the proceeds received.

Endowments – 1% is assessed by the Foundation each fiscal year based on the asset valuation at the end of the previous calendar year.

Land Grant Trust Fund Assets – 0.5% is assessed by the Foundation each fiscal year based on the asset valuation of the University's land grant trust fund assets invested by the Foundation as of the end of the previous calendar year.

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification of Net Assets

The Foundation reclassifies net assets from one category to another in the following situations:

Donor Directed Reclassifications – Net asset reclassifications which occur when a donor withdraws or increases their previously imposed restrictions, when prospective endowments meet the minimum requirements for acceptance as an endowment, and when net proceeds from appropriately advertised events are transferred to an endowment fund.

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

Income Taxes

The Foundation is an organization exempt from income tax under Section 501(c)(3) of the IRC and is generally not subject to federal income taxes. Contributions to the Foundation are deductible for tax purposes by the donor, subject to the normal limitations imposed by the taxing authorities. However, the Foundation is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. Accordingly, the Foundation recorded federal and state income tax liabilities of \$-0- for the years ended June 30, 2018 and 2017, respectively, primarily originating from certain investments in private capital. The income tax expense is reported on the consolidated statements of activities as a reduction in investment income.

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Reclassifications

Certain amounts reported in the prior year's consolidated financial statements have been reclassified for conformity with classifications adopted in the current year. Such reclassifications were not material and had no effect on previously reported net assets.

Subsequent Events

Subsequent events have been evaluated through October 15, 2018, the date the consolidated financial statements were available to be issued.

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 2 CONTRIBUTIONS RECEIVABLE

Unconditional promises to make contributions are included in the consolidated financial statements as contributions receivable and temporarily or permanently restricted revenue. Contributions receivable are expected to be realized in the following periods:

	<u>2018</u>	<u>2017</u>
In One Year or Less	\$ 946,062	\$ 1,739,707
Between One Year and Five Years	1,538,519	499,336
More than Five Years	-	50,006
Subtotal	<u>2,484,581</u>	<u>2,289,049</u>
Discount	(107,763)	(67,201)
Allowance for Uncollectible Pledges	(2,630)	(2,711)
Total	<u>\$ 2,374,188</u>	<u>\$ 2,219,137</u>

Unconditional promises to give are recorded at the discounted present value of the future cash flows using a discount rate ranging from 3.9% to 5.9%. 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 fundraising activity.

NOTE 3 INVESTMENTS

Operating Funds

Operating funds consist of investable resources of unrestricted funds, expendable gifts, and endowment distributions prior to disbursement. The investment objective of these funds is to provide 1) for the liquidity necessary to meet operational needs and 2) for the preservation of the principal necessary to meet program commitments.

Pooled Endowment Funds

The pooled endowment funds consist of general foundation endowments and funds designated by the board of trustees to function as endowments, as well as the University's land grant endowments. The primary investment goal of these funds is to provide a real rate of return, net of investment expenses sufficient to cover the endowment administrative fee and the annual spending allowances, in support of the purposes of the various endowments, in perpetuity.

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 3 INVESTMENTS (CONTINUED)

Remainder Trusts and Other

Remainder trust assets valued at \$55,778 and \$58,835 at June 30, 2018 and 2017, respectively, for which the Foundation is trustee are separately invested as management believes will best meet the objectives of each trust. Other investments include securities valued at \$1,442,791 and \$1,330,594 at June 30, 2018 and 2017, respectively, restricted by donors to be managed by university students as part of course curriculums. Other investments also include donated marketable securities valued at \$935 and \$5,931 at June 30, 2018 and 2017, respectively. Unless otherwise required by the donor, donated securities are sold as soon as practicable and the proceeds are reinvested in one of the other investment pools.

Fees

Direct investment management, custodial, and consulting fees totaled \$1,149,779 and \$1,004,334 for the years ended June 30, 2018 and 2017, respectively. These fees have been included as a reduction to investment income.

The following table summarizes the Foundation's investments as of June 30, 2018:

	Operating Funds	Pooled Endowment Funds	Remainder Trusts and Other	Total
Cash Held for Long-Term Investment	\$ -	\$ 10,463,617	\$ 49,123	\$ 10,512,740
Money Market Mutual Funds	158,037	7,465,428	-	7,623,465
Mutual Funds	-	48,291,670	-	48,291,670
Exchanged Traded Funds	-	21,945,470	-	21,945,470
Common Stock	-	15,819,097	1,181,850	17,000,947
Real Estate Investment Trusts	-	-	213,659	213,659
Futures Contracts	-	105,618	-	105,618
Debt Securities	24,432,156	816,630	54,871	25,303,657
Commingled Funds	-	89,530,947	-	89,530,947
Hedge Funds	-	79,562,063	-	79,562,063
Private Capital Funds	-	57,189,978	-	57,189,978
Total Investments	<u>\$ 24,590,193</u>	<u>\$ 331,190,518</u>	<u>\$ 1,499,503</u>	<u>\$ 357,280,214</u>

The following table summarizes the Foundation's investments as of June 30, 2017:

	Operating Funds	Pooled Endowment Funds	Remainder Trusts and Other	Total
Cash Held for Long-Term Investment	\$ -	\$ 544,560	\$ -	\$ 544,560
Money Market Mutual Funds	-	9,992,655	1,005	9,993,660
Mutual Funds	-	59,908,171	-	59,908,171
Exchanged Traded Funds	-	21,626,809	-	21,626,809
Common Stock	-	17,541,859	1,101,047	18,642,906
Depository Receipts	-	329,071	-	329,071
Real Estate Investment Trusts	-	-	235,477	235,477
Futures Contracts	-	(529)	-	(529)
Debt Securities	24,604,186	29,011,810	57,831	53,673,827
Commingled Funds	-	45,230,758	-	45,230,758
Hedge Funds	-	89,617,470	-	89,617,470
Private Capital Funds	-	44,789,517	-	44,789,517
Total Investments	<u>\$ 24,604,186</u>	<u>\$ 318,592,151</u>	<u>\$ 1,395,360</u>	<u>\$ 344,591,697</u>

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 FAIR VALUE

The Foundation follows the Financial Accounting Standards Board (FASB) guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. The three levels of the fair value hierarchy are described below:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date.

Level 2 – Quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly, in markets that are either active or inactive.

Level 3 – Pricing inputs are unobservable and include situations where there is little, if any, market activity. The inputs into the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. These classifications (Level 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of quality, risk, or liquidity.

In accordance with authoritative guidance on fair value measurements, as a practical expedient, an entity holding investments in certain entities that calculate net asset value per share or its equivalent (NAV) for which the fair value is not readily determinable, is permitted to measure fair value of such investments on the basis of that net asset value per share or its equivalent without adjustment.

Money Market Mutual Funds

Money market mutual funds are valued at net asset value per share. These investments are categorized as Level 1.

Mutual Funds and Exchange Traded Funds

The Foundation and the partnership may invest directly in mutual funds and exchange traded funds. Investments in mutual funds are valued at the net asset value of each fund determined as of the close of the New York Stock Exchange on the valuation date. These investments are typically considered Level 1 investments due to readily available, quoted prices.

Portfolio Securities

The Foundation and the partnership may invest directly in securities, such as common stock, depository receipts, and real estate investment trusts that are listed on a securities exchange. Equity securities that are listed on the National Association of Securities Dealers Automated Quotations will be valued at the NASDAQ Official Closing Price (NOCP) which may not necessarily represent the last price. If there has been no sale on such exchange or on the NASDAQ on such day, the security is valued at the closing bid price on such day. Listed equity investments valued using observable inputs that reflect quoted prices in active markets are categorized as Level 1. Foreign securities are valued at the closing market price in the foreign market.

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 FAIR VALUE (CONTINUED)

Debt Securities

Debt securities, other than short-term obligations purchased with an original or remaining maturity of 60 days or less, are generally valued on the basis of pricing models that evaluate the mean between the most recent quoted bid and ask prices from an independent pricing service which determines valuations for normal institutional-size trading units of such securities using market information, transactions for comparable securities, and various relationships between securities which are generally recognized by institutional traders. To the extent that these inputs are observable, the value of such debt securities is categorized as Level 2.

Short-term obligations purchased with an original or remaining maturity of 60 days or less are valued at amortized cost, which approximates market value. These securities are categorized within Level 2 of the fair value hierarchy.

Commingled Funds and Hedge Funds

Commingled funds consist of assets from multiple accounts that are pooled together to create economies of scale.

Hedge funds are generally open-end funds as they typically offer subscription and redemption options to investors. The frequency of such subscriptions or redemptions is dictated by such fund's governing documents. The amount of liquidity provided to investors in a particular fund is generally consistent with the liquidity and risk associated with the underlying portfolio. Liquidity of individual hedge funds vary based on various factors and may include gates, holdbacks and side pockets imposed by the manager of the hedge fund, as well as redemption fees which may also apply.

Depending on the redemption options available, it may be possible that the reported NAV represents fair value based on observable data such as ongoing redemption and/or subscription activity. However, certain hedge funds may provide the manager with the ability to suspend or postpone redemption (a gate) or holdback from the payment of redemption proceeds a portion of the redemption until the annual audited consolidated financial statements are distributed. In the case of a holdback, management considers the significance of the holdback, its impact on the overall valuation and the associated risk that the holdback amount will not be fully realized based on a prior history of adjustments to the initially reported NAV. Management generally uses the capital balance reported by the investment manager as the primary input to its valuation; however, adjustments to the reported capital balance may be made based on various factors, including, but not limited to, the attributes of the interest held, including the rights and obligations, and any restrictions or illiquidity on such interests, and the fair value of such fund's investment portfolio or other assets and liabilities.

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 FAIR VALUE (CONTINUED)

Private Capital Funds

Private capital funds are closed-end, commitment-based investment funds where the investor commits a specified amount of capital upon inception of the fund which is then drawn down over a specified period of the fund's life. Such funds do not provide redemption options for investors and, subsequent to final closing, do not permit commitments by new or existing investors.

As of June 30, 2017, the estimated remaining life of private capital funds ranges from 1 to 9 years. These funds may be terminated earlier or extended longer as permitted in the underlying fund's partnership agreement.

Capital balances reported by the fund's manager are the primary input to its valuation; however, adjustments to the reported capital balance may be made based on various factors, including, but not limited to, the attributes of the interest held, including rights and obligations, and any restrictions or illiquidity on such interests, and the fair value of such fund's investment portfolio or other assets and liabilities. These interests, in the absence of recent and relevant market transactions, including secondary markets, are generally classified using the NAV practical expedient.

Derivative Instruments

Derivative instruments can be exchange traded or privately negotiated over-the-counter (OTC). Exchange traded derivatives, such as futures contracts are typically classified within Level 1 or Level 2 of the fair value hierarchy depending on whether or not they are deemed to be actively traded.

The Foundation follows the provisions of FASB Accounting Standards Codification ASC 815-10-50 (ASC 815). ASC 815 amends and expands the disclosure requirements related to derivative instruments, to provide users of financial statements with an enhanced understanding of the use of derivative instruments and how these derivatives affect financial position, financial performance, and cash flows. It requires qualitative disclosures about the objectives and strategies for using derivative instruments, as well as disclosures about credit-risk-related contingent features in derivative agreements. The Foundation does not designate any derivative instruments as hedging instruments under ASC 815. Futures are transacted primarily for trading purposes with each instrument's primary risk exposure being interest rate, foreign exchange, equity, commodity, liquidity, or counterparty risk. The fair value of these derivative instruments at June 30, 2018 and 2017 of \$(105,618) and \$(529), respectively, is included in pooled endowment funds in the consolidated statement of financial position. Changes in fair value related to futures contracts reflected as net realized and unrealized investment gains (losses) within the consolidated statement of activities for the years ended June 30, 2018 and 2017 were \$573,792 and \$459,525, respectively.

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 FAIR VALUE (CONTINUED)

The following table summarizes the Foundation's financial assets measured at fair value on a recurring basis as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Pooled Endowment Funds:				
Money Market Mutual Funds	\$ 7,465,428	\$ -	\$ -	\$ 7,465,428
Mutual Funds	48,291,670	-	-	48,291,670
Exchanged Traded Funds	21,945,470	-	-	21,945,470
Common Stock	15,819,097	-	-	15,819,097
Depository Receipts	-	-	-	-
Futures Contracts	105,618	-	-	105,618
Treasury and Agency Bonds	-	816,630	-	816,630
Commingled Funds (a)	-	-	-	89,530,947
Hedge Funds (a)	-	-	-	79,562,063
Private Equity Funds (a)	-	-	-	57,189,978
Cash held for Long-Term Investment (a)	-	-	-	10,463,617
Total Pooled Endowment Funds	<u>93,627,283</u>	<u>816,630</u>	<u>-</u>	<u>331,190,518</u>
Other Investments:				
Money Market Mutual Funds	158,037	-	-	158,037
Common Stock	1,181,850	-	-	1,181,850
Real Estate Investment Trusts	213,659	-	-	213,659
Treasury and Agency Bonds	-	-	-	-
Corporate Bonds	-	24,487,027	-	24,487,027
Mortgage-Backed Securities	-	-	-	-
Cash Held for Long-Term Investment (a)	-	-	-	49,123
Total Other Investments	<u>1,553,546</u>	<u>24,487,027</u>	<u>-</u>	<u>26,089,696</u>
Total Investments	<u>\$ 95,180,829</u>	<u>\$ 25,303,657</u>	<u>\$ -</u>	<u>\$ 357,280,214</u>
Remainder Trusts Receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,166,218</u>	<u>\$ 2,166,218</u>

(a) Management has used NAV as a practical expedient under ASU 2015-07 to measure the fair value of the underlying hedge funds, and private equity funds not classified in the fair value hierarchy listed above. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statement of Financial Position.

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 FAIR VALUE (CONTINUED)

The following table summarizes the Foundation's financial assets measured at fair value on a recurring basis as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
Pooled Endowment Funds:				
Money Market Mutual Funds	\$ 9,992,655	\$ -	\$ -	\$ 9,992,655
Mutual Funds	59,908,171	-	-	59,908,171
Exchanged Traded Funds	21,626,809	-	-	21,626,809
Common Stock	17,541,859	-	-	17,541,859
Depository Receipts	329,071	-	-	329,071
Futures Contracts	(529)	-	-	(529)
Treasury and Agency Bonds	-	9,333,068	-	9,333,068
Asset-Backed Obligations	-	3,972,151	-	3,972,151
Corporate Bonds	-	12,816,035	-	12,816,035
Mortgage-Backed Securities	-	1,884,475	-	1,884,475
Municipal Bonds	-	575,367	-	575,367
Student Loans	-	430,714	-	430,714
Commingled Funds (a)	-	-	-	45,230,758
Hedge Funds (a)	-	-	-	89,617,470
Private Equity Funds (a)	-	-	-	44,789,517
Cash Held for Long-Term Investment (a)	-	-	-	544,560
Total Pooled Endowment Funds	<u>109,398,036</u>	<u>29,011,810</u>	<u>-</u>	<u>318,592,151</u>
Other Investments:				
Money Market Mutual Funds	1,005	-	-	1,005
Common Stock	1,101,047	-	-	1,101,047
Real Estate Investment Trusts	235,477	-	-	235,477
Treasury and Agency Bonds	14,280,174	57,815	-	14,337,989
Corporate Bonds	-	9,061,441	-	9,061,441
Mortgage-Backed Securities	-	1,262,587	-	1,262,587
Total Other Investments	<u>15,617,703</u>	<u>10,381,843</u>	<u>-</u>	<u>25,999,546</u>
Total Investments	<u>\$ 125,015,739</u>	<u>\$ 39,393,653</u>	<u>\$ -</u>	<u>\$ 344,591,697</u>
Remainder Trusts Receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,964,040</u>	<u>\$ 1,964,040</u>

(a) Management has used NAV as a practical expedient under ASU 2015-07 to measure the fair value of the underlying hedge funds, and private equity funds not classified in the fair value hierarchy listed above. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 FAIR VALUE (CONTINUED)

There were no transfers between levels during the years ended June 30, 2018 and 2017. The following table presents the activities for the years ended June 30, 2018 and 2017 for financial assets classified in Level 3:

	Remainder Trusts Receivable
Balance - July 1, 2016	\$ 1,844,184
Additions	-
Payments	-
Net Realized and Unrealized Gains (Losses)	119,856
Balance - June 30, 2017	1,964,040
Additions	-
Payments	-
Net Realized and Unrealized Gains (Losses)	202,178
Balance - June 30, 2018	\$ 2,166,218

There are no net unrealized losses related to Level 3 assets that are still held at June 30, 2018.

Investments in certain entities that calculate net asset value (NAV) per share are summarized by category as of June 30, 2018 as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled Funds:				
Capital Appreciation	\$ 58,111,150	\$ -	Monthly-Semi Monthly	1-30 Days
Deflation Sensitive	31,419,797	-	Daily	1-10 Days
Hedge Funds:				
Capital Appreciation	7,963,903	-	Monthly	30 Days
Deflation Sensitive	8,843,301	-	Quarterly	60 Days
Deflation Sensitive	-	-	-	-
Diversifying Strategies	61,108,839	-	Quarterly-Biennial	44-90 Days
Diversifying Strategies	1,646,020	-	-	-
Private Capital Funds:				
Capital Appreciation	40,395,200	31,854,607	-	-
Diversifying Strategies	3,166,540	560,000	-	-
Inflation Sensitive	13,628,238	9,769,585	-	-
Total	\$ 226,282,988	\$ 42,184,192		

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 4 FAIR VALUE (CONTINUED)

Investments in certain entities that calculate net asset value (NAV) per share are summarized by category as of June 30, 2017 as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled Funds:				
Capital Appreciation	\$ 45,230,758	\$ -	Monthly-Semi Monthly	3-10 Days
Hedge Funds:				
Capital Appreciation	8,288,230	-	Monthly	30 Days
Deflation Sensitive	14,893,405	-	Monthly-Quarterly	30-60 Days
Deflation Sensitive	430,473	-	-	-
Diversifying Strategies	65,770,046	-	Quarterly-Biennial	44-90 Days
Diversifying Strategies	235,316	-	-	-
Private Capital Funds:				
Capital Appreciation	32,824,861	22,910,318	-	-
Diversifying Strategies	2,642,575	1,440,000	-	-
Inflation Sensitive	9,322,081	10,085,815	-	-
Total	<u>\$ 179,637,745</u>	<u>\$ 34,436,133</u>		

NOTE 5 ENDOWMENTS

The Foundation's endowment consists of more than 850 individual endowments established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Board-designated endowment funds are classified as either unrestricted or temporarily restricted depending on the existence of donor-imposed purpose restrictions.

The Foundation's board of trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted in the state of Alaska as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 5 ENDOWMENTS (CONTINUED)

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

The endowment spending allowance policy is structured to help maintain the endowments in perpetuity, preserve their purchasing power and stabilize the flow of support for the purposes of the respective endowments.

A Viability Ratio (accumulated earnings divided by the total endowment value) is calculated for each endowment. The Viability Ratio provides a measure of the financial health of each endowment and gives an indication of the endowment's ability to continue making distributions to the beneficiary during market down cycles and for the life of the fund. The maximum spending rate is 4% of the average of the market values of the endowment at December 31 for the immediately preceding five years. The spending rate is limited to 2% for endowments with negative Viability Ratios. No spending allowance is provided for endowments with a Viability Ratio lower than negative 20%.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and totaled \$(490) and \$(2,127) at June 30, 2018 and 2017, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation from certain funds as deemed prudent.

Endowment net assets as of June 30, 2018 included the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ (490)	\$ 35,017,851	\$ 121,225,040	\$ 156,242,401
Board-Designated Endowment Funds	15,519,682	25,902,128	-	41,421,810
Total	<u>\$ 15,519,192</u>	<u>\$ 60,919,979</u>	<u>\$ 121,225,040</u>	<u>\$ 197,664,211</u>

Endowment net assets as of June 30, 2017 included the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ (2,127)	\$ 29,740,923	\$ 117,404,455	\$ 147,143,251
Board-Designated Endowment Funds	14,978,709	24,790,081	-	39,768,790
Total	<u>\$ 14,976,582</u>	<u>\$ 54,531,004</u>	<u>\$ 117,404,455</u>	<u>\$ 186,912,041</u>

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 5 ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the years ended June 30, 2018 and 2017 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance - July 1, 2016	\$ 12,880,784	\$ 40,636,905	\$ 103,647,162	\$ 157,164,851
Investment Income	54,300	514,413	-	568,713
Net Realized and Unrealized				
Investment Gains (Losses)	<u>2,643,614</u>	<u>19,530,452</u>	<u>-</u>	<u>22,174,066</u>
Investment Return	2,697,914	20,044,865	-	22,742,779
Contributions	14,768	262,306	12,768,061	13,045,135
Uncollectible Pledges	-	(600)	(7,950)	(8,550)
Gains (Losses) on Disposition of Other Assets	-	52,364	8,051	60,415
Administrative Assessments	(146,424)	(1,411,531)	(48,549)	(1,606,504)
Distributions for Endowment Spending	(477,416)	(5,136,533)	-	(5,613,949)
Transfers to Increase (Decrease)				
Board-Designated Endowment Funds	6,956	(10,053)	-	(3,097)
Transfers to Increase (Decrease) Donor-Restricted Endowment Funds	<u>-</u>	<u>93,281</u>	<u>1,037,680</u>	<u>1,130,961</u>
Balance - June 30, 2017	14,976,582	54,531,004	117,404,455	186,912,041
Investment Income	44,759	447,815	-	492,574
Net Realized and Unrealized				
Investment Gains (Losses)	<u>1,225,276</u>	<u>12,833,645</u>	<u>-</u>	<u>14,058,921</u>
Investment Return	1,270,035	13,281,460	-	14,551,495
Contributions	14,543	176,147	2,399,792	2,590,482
Uncollectible Pledges	-	-	(50)	(50)
Administrative Assessments	(149,546)	(1,480,887)	(55,287)	(1,685,720)
Actuarial Adjustment of Bequest Receivable	-	-	891,751	891,751
Distributions for Endowment Spending	(592,422)	(5,723,006)	-	(6,315,428)
Transfers to Increase (Decrease)				
Board-Designated Endowment Funds	-	39,228	-	39,228
Transfers to Increase (Decrease) Donor-Restricted Endowment Funds	<u>-</u>	<u>96,033</u>	<u>584,379</u>	<u>680,412</u>
Balance - June 30, 2018	<u>\$ 15,519,192</u>	<u>\$ 60,919,979</u>	<u>\$ 121,225,040</u>	<u>\$ 197,664,211</u>

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 6 NET ASSETS

Net assets had the following donor-imposed purpose restrictions or board-imposed designations as of June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Athletics	\$ -	\$ 1,214,744	\$ 74,844	\$ 1,289,588
Business and Management	4,320,584	10,046,010	7,850,606	22,217,200
Campus Support	7,670,684	14,748,758	13,547,400	35,966,842
Community and Technical College	-	1,892,172	1,365,083	3,257,255
Education	-	195,495	-	195,495
Foundation	8,484,605	297,560	1	8,782,166
Health	-	3,458,549	529,404	3,987,953
Liberal Arts and Social Science	1,630	4,095,165	8,214,482	12,311,277
Science and Engineering	2,766,850	24,384,599	32,239,410	59,390,859
Student and Public Support	1,402,093	8,274,633	18,605,175	28,281,901
Student Aid	939,706	43,672,663	38,840,168	83,452,537
Noncontrolling Interest in Pooled Endowment Funds	1,322	-	-	1,322
Total	<u>\$ 25,587,474</u>	<u>\$ 112,280,348</u>	<u>\$ 121,266,573</u>	<u>\$ 259,134,395</u>

Net assets had the following donor-imposed purpose restrictions or board-imposed designations as of June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Athletics	\$ -	\$ 1,237,546	\$ 74,844	\$ 1,312,390
Business and Management	4,182,255	10,137,961	7,784,829	22,105,045
Campus Support	8,662,713	11,327,243	13,029,260	33,019,216
Community and Technical College	-	1,885,036	1,335,453	3,220,489
Education	-	227,756	-	227,756
Foundation	8,086,854	266,934	1	8,353,789
Health	-	2,159,144	523,840	2,682,984
Liberal Arts and Social Science	1,207	3,624,178	8,141,676	11,767,061
Science and Engineering	2,620,262	23,637,563	32,089,224	58,347,049
Student and Public Support	485,582	8,058,141	17,919,584	26,463,307
Student Aid	901,142	40,662,518	36,546,506	78,110,166
Noncontrolling Interest in Pooled Endowment Funds	1,219	-	-	1,219
Total	<u>\$ 24,941,234</u>	<u>\$ 103,224,020</u>	<u>\$ 117,445,217</u>	<u>\$ 245,610,471</u>

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 6 NET ASSETS (CONTINUED)

Changes in consolidated net assets attributable to the controlling interest of the Foundation and the noncontrolling interest of Cambridge Associates Resources, LLC in the pooled endowment funds for the years ended June 30, 2018 and 2017 were as follows:

	Controlling Interest	Noncontrolling Interest	Total
Balance - July 1, 2016	\$ 284,852,416	\$ 1,062	\$ 284,853,478
Capital Contributions	8,597,500	-	8,597,500
Capital Withdrawals	(13,483,962)	-	(13,483,962)
Net Increase (Decrease) in Capital Activity	(4,886,462)	-	(4,886,462)
Investment Income	1,005,509	7	1,005,516
Net Realized and Unrealized Investment Gains (Losses)	39,730,440	150	39,730,590
Investment Return	40,735,949	157	40,736,106
Balance - June 30, 2017	320,701,903	1,219	320,703,122
Capital Contributions	7,330,478	-	7,330,478
Capital Withdrawals	(16,307,701)	-	(16,307,701)
Net Increase (Decrease) in Capital Activity	(8,977,223)	-	(8,977,223)
Investment Income	853,157	7	853,164
Net Realized and Unrealized Investment Gains (Losses)	24,920,629	96	24,920,725
Investment Return	25,773,786	103	25,773,889
Balance - June 30, 2018	<u>\$ 337,498,466</u>	<u>\$ 1,322</u>	<u>\$ 337,499,788</u>

NOTE 7 DISTRIBUTIONS FOR THE BENEFIT OF UNIVERSITY OF ALASKA

Distributions for the benefit of the University of Alaska, by functional classification, for year ended June 30, 2018 were as follows:

	Univ. of Alaska	Anchorage	Fairbanks	Southeast	Total
Athletics	\$ -	\$ 118,621	\$ 133,923	\$ -	\$ 252,544
Business and Management	-	1,866,593	216,388	29,805	2,112,786
Campus Support	9,339	659,916	846,890	241,723	1,757,868
Community and Technical College	-	292,371	177,654	90,532	560,557
Education	-	38,400	7,753	-	46,153
Foundation	1,603	22,955	121,177	15,730	161,465
Health	-	511,971	11,779	-	523,750
Liberal Arts and Social Science	-	162,450	384,289	40,962	587,701
Science and Engineering	-	1,721,410	2,926,598	83,917	4,731,925
Students and Public Support	476,538	110,896	2,338,204	42,553	2,968,191
Student Aid	10,000	1,190,284	1,712,112	241,875	3,154,271
Total	<u>\$ 497,480</u>	<u>\$ 6,695,867</u>	<u>\$ 8,876,767</u>	<u>\$ 787,097</u>	<u>\$ 16,857,211</u>

**UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 7 DISTRIBUTIONS FOR THE BENEFIT OF UNIVERSITY OF ALASKA (CONTINUED)

Distributions for the benefit of the University of Alaska, by functional classification, for year ended June 30, 2017 were as follows:

	Univ. of Alaska	Univ. of Alaska Anchorage	Univ. of Alaska Fairbanks	Univ. of Alaska Southeast	Total
Athletics	\$ -	\$ 436,608	\$ 257,526	\$ -	\$ 694,134
Business and Management	-	1,810,124	272,944	19,417	2,102,485
Campus Support	7,476	530,318	1,304,595	48,044	1,890,433
Community and Technical College	-	203,640	131,875	30,947	366,462
Education	-	11,326	1,644	-	12,970
Foundation	6,503	18,248	324,745	10,478	359,974
Health	-	333,631	95,344	-	428,975
Liberal Arts and Social Science	-	245,562	319,215	33,987	598,764
Science and Engineering	-	2,859,396	2,867,481	20,165	5,747,042
Students and Public Support	157,639	189,297	1,928,816	50,146	2,325,898
Student Aid	-	1,070,076	1,951,879	408,691	3,430,646
Total	<u>\$ 171,618</u>	<u>\$ 7,708,226</u>	<u>\$ 9,456,064</u>	<u>\$ 621,875</u>	<u>\$ 17,957,783</u>

NOTE 8 RELATED PARTY TRANSACTIONS

The University provided payment to the Foundation in the amount of \$960,000 and \$764,810 for institutional support during the years ended June 30, 2018 and 2017, respectively. The University also provides administrative and personnel support for the Foundation. The Foundation reimbursed the University \$3,727,624 and \$3,225,630 for these services for the years ended June 30, 2018 and 2017, respectively. This reimbursement is included in the consolidated statement of activities as operating expenses.