

**UNIVERSITY OF ALASKA FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAAconnect.com

**UNIVERSITY OF ALASKA FOUNDATION
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF NET POSITION	4
CONSOLIDATED STATEMENTS OF ACTIVITIES	5
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES	7
CONSOLIDATED STATEMENTS OF CASH FLOWS	8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	9



INDEPENDENT AUDITORS' REPORT

Board of Directors
University of Alaska Foundation
Fairbanks, Alaska

Report on the Audit of the Financial Statements

Opinion

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 statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the 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 \$440,329,328 and \$477,339,799 as of June 30, 2022 and 2021, respectively, and net change in partners' capital from operations of (\$22,940,384) and \$113,516,629, 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.

Board of Directors
University of Alaska Foundation

The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

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

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 13, 2022

UNIVERSITY OF ALASKA FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 10,269,004	\$ 8,181,055
Interest and Dividends Receivable	317,161	259,231
Contributions Receivable, Net	6,709,391	5,782,608
Other Receivables	1,338,254	929,415
Other Investments	63,048,051	64,372,616
Pooled Endowment Funds	438,926,481	476,706,111
Remainder Trusts Receivable	756,878	3,244,944
Bequests Receivable	5,275,600	5,000,000
Other Assets	282,303	311,326
Total Assets	\$ 526,923,123	\$ 564,787,306
LIABILITIES AND NET ASSETS		
LIABILITIES		
Due to University of Alaska	\$ 3,852,255	\$ 6,215,629
Payable for Unsettled Trades	190,682	4,500,000
Other Liabilities	517,002	1,371,792
Split Interest Obligations	198,655	231,766
Term Endowment Liability	1,000,000	1,000,000
Assets Held in Trust for University of Alaska	169,021,040	184,180,071
Total Liabilities	174,779,634	197,499,258
NET ASSETS		
Without Donor Restrictions	27,455,155	32,110,566
With Donor Restrictions	324,688,334	335,177,482
Total Net Assets	352,143,489	367,288,048
Total Liabilities and Net Assets	\$ 526,923,123	\$ 564,787,306

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF ALASKA FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Contributions, Net	\$ 26,061	\$ 18,689,869	\$ 18,715,930
Contributed Nonfinancial Assets	39,484	-	39,484
Investment Income	889,201	623,061	1,512,262
Net Realized and Unrealized Investment Losses	(3,935,045)	(14,024,222)	(17,959,267)
Other Revenues (Losses)	(2,960)	23,351	20,391
Actuarial Adjustment of Remainder Trust Obligations	-	(38,678)	(38,678)
Administrative Assessments	3,163,216	(2,340,639)	822,577
Support from University of Alaska	777,500	-	777,500
Net Assets Released from Restriction	13,421,890	(13,421,890)	-
Total Revenues, Gains, and Other Support	14,379,347	(10,489,148)	3,890,199
EXPENSES AND DISTRIBUTIONS			
Program Expenses	14,458,398	-	14,458,398
Management and General	1,237,723	-	1,237,723
Fundraising	3,338,637	-	3,338,637
Total Expenses and Distributions	19,034,758	-	19,034,758
CHANGE IN NET ASSETS	(4,655,411)	(10,489,148)	(15,144,559)
Net Assets - Beginning of Year	32,110,566	335,177,482	367,288,048
NET ASSETS - END OF YEAR	\$ 27,455,155	\$ 324,688,334	\$ 352,143,489

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF ALASKA FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Contributions, Net	\$ 32,261	\$ 32,804,206	\$ 32,836,467
Contributed Nonfinancial Assets	61,968	-	61,968
Investment Income	1,016,765	608,254	1,625,019
Net Realized and Unrealized Investment Gains	4,995,576	62,207,795	67,203,371
Other Revenues	-	25,030	25,030
Actuarial Adjustment of Remainder Trust Obligations	-	713,914	713,914
Administrative Assessments	3,059,230	(2,294,271)	764,959
Support from University of Alaska	922,064	-	922,064
Net Assets Released from Restriction	12,455,903	(12,455,903)	-
Total Revenues, Gains, and Other Support	<u>22,543,767</u>	<u>81,609,025</u>	<u>104,152,792</u>
EXPENSES AND DISTRIBUTIONS			
Program Expenses	13,833,038	-	13,833,038
Management and General	1,363,979	-	1,363,979
Fundraising	3,236,976	-	3,236,976
Total Expenses and Distributions	<u>18,433,993</u>	<u>-</u>	<u>18,433,993</u>
CHANGE IN NET ASSETS	4,109,774	81,609,025	85,718,799
Net Assets - Beginning of Year	<u>28,000,792</u>	<u>253,568,457</u>	<u>281,569,249</u>
NET ASSETS - END OF YEAR	<u>\$ 32,110,566</u>	<u>\$ 335,177,482</u>	<u>\$ 367,288,048</u>

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF ALASKA FOUNDATION
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022			
Program	Management and General	Fundraising	Total	
Grants to University of Alaska	\$ 14,458,398	\$ -	\$ -	\$ 14,458,398
Salaries and Benefits	-	835,545	2,366,671	3,202,216
Services and Professional Fees	-	120,656	490,428	611,084
Office and Occupancy	-	147,479	21,155	168,634
Information Technology	-	31,749	438,215	469,964
Conferences and Meetings	-	76,866	4,993	81,859
Travel	-	25,428	17,175	42,603
	\$ 14,458,398	\$ 1,237,723	\$ 3,338,637	\$ 19,034,758

	2021			
Program	Management and General	Fundraising	Total	
Grants to University of Alaska	\$ 13,691,869	\$ -	\$ 42,505	\$ 13,734,374
Salaries and Benefits	92,422	945,669	2,215,835	3,253,926
Services and Professional Fees	-	239,370	703,656	943,026
Office and Occupancy	-	137,833	17,660	155,493
Information Technology	48,747	24,997	256,404	330,148
Conferences and Meetings	-	10,034	167	10,201
Travel	-	6,076	749	6,825
	\$ 13,833,038	\$ 1,363,979	\$ 3,236,976	\$ 18,433,993

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF ALASKA FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (15,144,559)	\$ 85,718,799
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Contributions of Operating Noncash Assets	-	(171,726)
Contributions Restricted for Permanent Investment	(8,654,747)	(15,462,190)
Net Realized and Unrealized Investment Gains on Operating Investments	3,090,837	269,995
Endowment Net Investment (Gain) Loss	13,446,262	(67,473,366)
Loss on Uncollectable Promises to Give	16,357	-
Noncash Operating Expenses	-	61,330
Change in Value of Split-Interest Agreements Held	33,022	(713,914)
Changes in Assets and Liabilities:		
Interest and Dividends Receivable	3,111	46,348
Contributions Receivable, Net	528,337	1,061,766
Bequests Receivable	(275,600)	(4,825,000)
Remainder Trust Receivable	2,450,775	-
Other Receivable	294,996	18,587
Other Assets	33,306	(57,783)
Due to University of Alaska	(2,363,374)	31,012
Other Liabilities	(755,050)	619,679
Net Cash Used by Operating Activities	<u>(7,296,327)</u>	<u>(876,463)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(122,314,736)	(129,762,849)
Proceeds from Sales of Investments	120,548,554	109,254,634
Addition to (Withdrawal From) Endowment	3,996,031	7,211,780
Net Cash Provided (Used) by Investing Activities	<u>2,229,849</u>	<u>(13,296,435)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Permanent Investment	7,183,269	15,462,190
Payment Of Split Interest Obligations	(28,842)	(31,541)
Net Cash Provided by Financing Activities	<u>7,154,427</u>	<u>15,430,649</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,087,949	1,257,751
Cash and Cash Equivalents - Beginning of Year	<u>8,181,055</u>	<u>6,923,304</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 10,269,004</u>	<u>\$ 8,181,055</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Contributions of Noncash Investment Assets	<u>\$ 1,173,166</u>	<u>\$ 10,496,505</u>
Cash Paid for Interest	<u>\$ 1,425</u>	<u>\$ 2,550</u>
Cash Paid for Unrelated Business Income Taxes	<u>\$ 829</u>	<u>\$ 871</u>

See accompanying Notes to Consolidated Financial Statements.

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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 directors.

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 directors 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:

Net Assets Without Donor Restrictions – Assets, net of related liabilities, which are not subject to donor-imposed or other external restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions 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 net assets without donor restrictions, unless subject to donor-imposed or other external restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Expenses and distributions are reported as decreases in net assets without donor restrictions.

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 net assets with donor restrictions account. The accumulated contributions are transferred to with donor restrictions account 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 net realizable value.

Use of Estimates

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), 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.

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates (Continued)

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 an installment contract receivable, a receivable from the University of Alaska, and receivables from underlying investments.

An installment contract receivable of \$11,831 at June 30, 2022 and 2021 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%.

At June 30, 2022, the Foundation had a receivable from the University of Alaska of \$5,364, due to overpayments on reimbursable expenses. At June 30, 2021, the Foundation had a receivable from the University of Alaska of \$300,360.

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.

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

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 net assets with donor restrictions if the terms of the gift impose restrictions on the use of the income; or as increases in net assets without donor restrictions in all other cases. Losses on the investments of a donor-restricted endowment fund reduce net assets with donor restrictions 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 net assets with donor restrictions. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level are classified as increases in net assets with donor restrictions.

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.

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the rate of 7.82% which reflects 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 net assets with donor restrictions or net assets without donor restrictions, depending on donor-imposed purpose and time restrictions, if any.

Other Assets

Other assets include prepaid expenses of \$139,227 and \$171,887 at June 30, 2022 and 2021, respectively. Other assets also include net inventory of \$133,383 and donated illiquid investments carried at cost of \$2 at June 30, 2022 and 2021. In addition, other assets includes unused donated Alaska Airline vouchers valued at \$4,809 and \$5,456 as of June 30, 2022 and 2021, respectively.

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, 2030 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, 2022 and 2021.

**UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 five-year average of market values measured 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.

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 unconditional promises to give without restrictions, 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 no federal and state income tax liabilities for the years ended June 30, 2022 and 2021. The income tax expense is reported on the consolidated statements of activities as a reduction in investment income.

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs are allocated based on estimates of time spent and departments in the functional categories.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to agree with the current year presentation. The reclassification had no effect on the change in net assets or total net assets as previously reported.

Change in Accounting Principle

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The FASB issued this ASU to improve the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. Nonfinancial assets are defined within the ASU as including fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The amendments do not change the recognition and measurement of nonfinancial assets. The Foundation's consolidated financial statements reflect the application of ASU 2020-07 guidance retrospectively.

Subsequent Events

Subsequent events have been evaluated through October 13, 2022, the date the consolidated financial statements were available to be issued.

**UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 CONTRIBUTIONS RECEIVABLE

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

	<u>2022</u>	<u>2021</u>
In One Year or Less	\$ 1,491,810	\$ 2,089,691
Between Two and Five Years	3,180,006	2,702,230
More than Five Years	4,013,284	1,923,447
Subtotal	<u>8,685,100</u>	<u>6,715,368</u>
Discount	(1,840,650)	(906,952)
Allowance for Uncollectible Pledges	<u>(135,059)</u>	<u>(25,808)</u>
Total	<u>\$ 6,709,391</u>	<u>\$ 5,782,608</u>

Unconditional promises to give are recorded at the discounted present value of the future cash flows using a discount rate ranging from 3.19% to 6.04%. 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.

As of June 30, 2022 and 2021, approximately 82% and 85% of contributions receivable is due from three donors and two donors, respectively.

NOTE 3 INVESTMENTS

Operating Funds

Operating funds consist of investable resources without donor restrictions and with donor restrictions 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 directors 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, 2022 AND 2021

NOTE 3 INVESTMENTS (CONTINUED)

Remainder Trusts and Other

The Foundation is a trustee for a net income charitable remainder unitrust valued at \$52,524 and \$59,304 at June 30, 2022 and 2021, respectively. Other investments include securities valued at \$2,653,494 and \$2,012,332 at June 30, 2022 and 2021, respectively, restricted by donors to be managed by university students as part of course curriculums. Other investments also include charitable gift annuity contract reserves valued at \$200,692 and \$248,149 on June 30, 2022 and 2021, respectively..

Fees

Direct investment management, custodial, and consulting fees totaled \$2,107,683 and \$2,032,013 for the years ended June 30, 2022 and 2021, respectively. These fees have been included as a reduction to investment income.

The following table summarizes the Foundation's investments as of June 30, 2022:

	Operating Funds	Pooled Endowment Funds	Remainder Trusts and Other	Total
Cash Held for Long-Term Investment	\$ -	\$ 365,857	\$ 213,859	\$ 579,716
Money Market Mutual Funds	4,126,276	16,716,115	35,388	20,877,779
Mutual Funds	-	52,573,499	-	52,573,499
Exchanged Traded Funds	-	10,097,586	831,347	10,928,933
Common Stock	-	19,852,588	1,826,116	21,678,704
Depository Receipts	-	656,743	-	656,743
Futures Contracts	-	(3,260)	-	(3,260)
Debt Securities	56,015,065	-	-	56,015,065
Commingled Funds	-	112,381,438	-	112,381,438
Hedge Funds	-	101,762,002	-	101,762,002
Private Capital Funds	-	124,523,913	-	124,523,913
Total Investments	<u>\$ 60,141,341</u>	<u>\$ 438,926,481</u>	<u>\$ 2,906,710</u>	<u>\$ 501,974,532</u>

The following table summarizes the Foundation's investments as of June 30, 2021:

	Operating Funds	Pooled Endowment Funds	Remainder Trusts and Other	Total
Cash Held for Long-Term Investment	\$ -	\$ 706,604	\$ 168,471	\$ 875,075
Money Market Mutual Funds	286,441	28,366,451	32,303	28,685,195
Mutual Funds	-	101,766,646	-	101,766,646
Exchanged Traded Funds	-	12,993,353	-	12,993,353
Common Stock	-	28,127,628	1,927,867	30,055,495
Depository Receipts	-	1,034,090	-	1,034,090
Futures Contracts	-	280,546	-	280,546
Debt Securities	61,766,390	-	191,144	61,957,534
Commingled Funds	-	83,521,426	-	83,521,426
Hedge Funds	-	107,929,917	-	107,929,917
Private Capital Funds	-	111,979,450	-	111,979,450
Total Investments	<u>\$ 62,052,831</u>	<u>\$ 476,706,111</u>	<u>\$ 2,319,785</u>	<u>\$ 541,078,727</u>

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 FAIR VALUE

The Foundation follows the 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.

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 FAIR VALUE (CONTINUED)

Portfolio Securities (Continued)

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.

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, 2022 AND 2021

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.

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, 2022 and 2021 of (\$3,260) and \$280,546, 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, 2022 and 2021 were (\$1,074,241) and (\$40,599), respectively.

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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, 2022:

	Level 1	Level 2	Level 3	Total
Pooled Endowment Funds:				
Money Market Mutual Funds	\$ 16,716,115	\$ -	\$ -	\$ 16,716,115
Mutual Funds	52,573,499	-	-	52,573,499
Exchanged Traded Funds	10,097,586	-	-	10,097,586
Common Stock	19,852,588	-	-	19,852,588
Depository Receipts	656,743	-	-	656,743
Futures Contracts	(3,260)	-	-	(3,260)
Commingled Funds (a)	-	-	-	112,381,438
Hedge Funds (a)	-	-	-	101,762,002
Private Equity Funds (a)	-	-	-	124,523,913
Cash held for Long-Term Investment	-	-	-	365,857
Total Pooled Endowment Funds	<u>99,893,271</u>	<u>-</u>	<u>-</u>	<u>438,926,481</u>
Other Investments:				
Money Market Mutual Funds	4,161,664	-	-	4,161,664
Mutual Funds	831,347	-	-	831,347
Common Stock	1,826,116	-	-	1,826,116
Treasury and Agency Bonds	-	37,217,690	-	37,217,690
Corporate Bonds	-	16,678,085	-	16,678,085
Mortgage-Backed Securities	-	2,119,290	-	2,119,290
Cash Held for Long-Term Investment	-	-	-	213,859
Total Other Investments	<u>6,819,127</u>	<u>56,015,065</u>	<u>-</u>	<u>63,048,051</u>
Total Investments	<u>\$ 106,712,398</u>	<u>\$ 56,015,065</u>	<u>\$ -</u>	<u>\$ 501,974,532</u>
Remainder Trusts Receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 756,878</u>	<u>\$ 756,878</u>

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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, 2021:

	Level 1	Level 2	Level 3	Total
Pooled Endowment Funds:				
Money Market Mutual Funds	\$ 28,366,451	\$ -	\$ -	\$ 28,366,451
Mutual Funds	101,766,646	-	-	101,766,646
Exchanged Traded Funds	12,993,353	-	-	12,993,353
Common Stock	28,127,628	-	-	28,127,628
Depository Receipts	1,034,090	-	-	1,034,090
Futures Contracts	280,546	-	-	280,546
Commingled Funds (a)	-	-	-	83,521,426
Hedge Funds (a)	-	-	-	107,929,917
Private Equity Funds (a)	-	-	-	111,979,450
Cash Held for Long-Term Investment	-	-	-	706,604
Total Pooled Endowment Funds	172,568,714	-	-	476,706,111
Other Investments:				
Money Market Mutual Funds	318,744	-	-	318,744
Common Stock	1,927,867	-	-	1,927,867
Treasury and Agency Bonds	-	39,067,832	-	39,067,832
Corporate Bonds	-	18,312,547	-	18,312,547
Mortgage-Backed Securities	-	4,269,298	-	4,269,298
Other Fixed Income Securities	-	307,857	-	307,857
Cash Held for Long-Term Investment	-	-	-	212,873
Total Other Investments	2,246,611	61,957,534	-	64,109,161
Total Investments	\$ 174,815,325	\$ 61,957,534	\$ -	\$ 540,815,272
Remainder Trusts Receivable	\$ -	\$ -	\$ 3,244,944	\$ 3,244,944

(a) Management has used NAV as a practical expedient 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 consolidated statement of financial position.

The following is a summarization of the Level 3 significant unobservable inputs:

<u>Instrument</u>	<u>Fair Value</u>		<u>Valuation Technique</u>	<u>Unobservable Inputs</u>
	<u>2022</u>	<u>2021</u>		
Remainder Trust Receivable	\$ 756,878	\$ 3,244,944	Discounted Cash Flows	Discount Rates Duration

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 FAIR VALUE (CONTINUED)

The following table presents the activities for the years ended June 30, 2022 and 2021 for financial assets classified in Level 3:

Balance - July 1, 2020	\$ 2,796,941
Payments	(372,205)
Net Realized and Unrealized Losses	<u>820,208</u>
Balance - June 30, 2021	3,244,944
Additions	264,382
Payments	(2,715,157)
Net Realized and Unrealized Gains	<u>(37,291)</u>
Balance - June 30, 2022	<u><u>\$ 756,878</u></u>

Investments in certain entities that calculate net asset value (NAV) per share are summarized by category as of June 30, 2022 as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Commingled Funds:				
Capital Appreciation	\$ 68,221,420	\$ -	Daily-Monthly	1-33 Days
Deflation Sensitive	37,331,204	-	Daily	1-10 Days
Diversifying Strategies	6,828,814	-	Monthly	1-10 Days
Hedge Funds:				
Capital Appreciation	25,956,024	-	Monthly-Annual	30-60 Days
Deflation Sensitive	20,280,515	-	Quarterly	60 Days
Diversifying Strategies	55,525,463	-	Monthly-Annual	60-90 Days
Private Capital Funds:				
Capital Appreciation	103,846,611	54,763,522	-	-
Diversifying Strategies	4,448,230	495,050	-	-
Inflation Sensitive	<u>16,229,072</u>	<u>3,729,413</u>	-	-
Total	<u><u>\$ 338,667,353</u></u>	<u><u>\$ 58,987,985</u></u>		

Investments in certain entities that calculate net asset value (NAV) per share are summarized by category as of June 30, 2021 as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Commingled Funds:				
Capital Appreciation	\$ 39,755,055	\$ -	Daily-Semi Monthly	1-33 Days
Deflation Sensitive	36,647,516	-	Daily	1-10 Days
Diversifying Strategies	7,118,855	-		
Hedge Funds:				
Capital Appreciation	27,646,663	-	Monthly-Annual	30-60 Days
Deflation Sensitive	20,681,163	-	Quarterly	60 Days
Diversifying Strategies	59,602,091	-	Monthly-Annual	60-90 Days
Private Capital Funds:				
Capital Appreciation	92,308,537	49,361,183	-	-
Diversifying Strategies	4,691,049	695,050	-	-
Inflation Sensitive	<u>14,979,864</u>	<u>-</u>	-	-
Total	<u><u>\$ 303,430,793</u></u>	<u><u>\$ 50,056,233</u></u>		

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5 ENDOWMENTS

The Foundation's endowment consists of nearly 900 individual endowments established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the board of directors 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 without donor restrictions or with donor restrictions depending on the existence of donor-imposed purpose restrictions.

The Foundation's board of directors 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, we retain in perpetuity (a) the original value of initial and subsequent gift amounts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 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%.

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5 ENDOWMENTS (CONTINUED)

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. At June 30, 2022, 32 funds were underwater with an original gift value of \$2,613,968, fair value of \$2,456,638 and deficiencies of \$157,331, which are reported in net assets with donor restrictions. At June 30, 2021, there were no underwater funds. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of donor-restricted contributions and continued appropriation from certain funds as deemed prudent.

Endowment net assets as of June 30, 2022 included the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Endowment Funds:			
Original Gift Value to be Maintained into Perpetuity	\$ -	\$ 159,503,614	\$ 159,503,614
Accumulated Investment Gains	-	54,490,672	54,490,672
Total Donor Restricted Endowment Funds	-	213,994,286	213,994,286
Board Designated Endowment Funds:			
Original Gift Value to be Maintained into Perpetuity	\$ 15,430,594	\$ 31,291,190	46,721,784
Accumulated Investment Gains	5,685,937	10,194,353	15,880,290
Total Board Designated Endowment Funds	21,116,531	41,485,543	62,602,074
Total	\$ 21,116,531	\$ 255,479,829	\$ 276,596,360

Endowment net assets as of June 30, 2021 included the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Endowment Funds:			
Original Gift Value to be Maintained into Perpetuity	\$ -	\$ 152,555,329	\$ 152,555,329
Accumulated Investment Gains	-	72,531,602	72,531,602
Total Donor Restricted Endowment Funds	-	225,086,931	\$ 225,086,931
Board Designated Endowment Funds:			
Original Gift Value to be Maintained into Perpetuity	15,413,521	31,036,140	46,449,661
Accumulated Investment Gains	7,093,953	14,001,599	21,095,552
Total Board Designated Endowment Funds	22,507,474	45,037,739	67,545,213
Total	\$ 22,507,474	\$ 270,124,670	\$ 292,632,144

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5 ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the years ended June 30, 2022 and 2021 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance - July 1, 2020	\$ 17,429,414	\$ 193,843,850	\$ 211,273,264
Investment Income	50,831	567,192	618,023
Net Realized and Unrealized			
Investment Gains	<u>5,440,187</u>	<u>62,033,172</u>	<u>67,473,359</u>
Investment Return	5,491,018	62,600,364	68,091,382
Contributions	2,264	20,346,606	20,348,870
Administrative Assessments	(150,096)	(1,620,090)	(1,770,186)
Distributions for Endowment	(428,411)	(5,695,415)	(6,123,826)
Transfers to Increase (Decrease)			
Board-Designated Endowment Funds	163,285	(81,216)	82,069
Transfers to Increase			
Donor-Restricted Endowment Funds	<u>-</u>	<u>730,571</u>	<u>730,571</u>
Balance - June 30, 2021	22,507,474	270,124,670	292,632,144
Investment Income	50,242	584,521	634,763
Net Realized and Unrealized			
Investment Losses	<u>(1,194,206)</u>	<u>(13,676,268)</u>	<u>(14,870,474)</u>
Investment Loss	(1,143,964)	(13,091,747)	(14,235,711)
Contributions	2,210	7,041,988	7,044,198
Administrative Assessments	(174,957)	(1,785,873)	(1,960,830)
Distributions for Endowment Spending	(648,706)	(6,925,691)	(7,574,397)
Transfers to Increase			
Board-Designated Endowment Funds	<u>574,474</u>	<u>116,482</u>	<u>690,956</u>
Balance - June 30, 2022	<u>\$ 21,116,531</u>	<u>\$ 255,479,829</u>	<u>\$ 276,596,360</u>

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 6 NET ASSETS

Net assets had the following donor-imposed purpose restrictions or board-imposed designations as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Athletics	\$ -	\$ 4,634,131	\$ 4,634,131
Business and Management	4,942,550	28,768,447	33,710,997
Campus Support	8,232,645	35,518,986	43,751,631
Community and Technical College	-	3,542,909	3,542,909
Education	-	670,570	670,570
Foundation ⁽¹⁾	9,890,078	2,832,857	12,722,935
Health	-	5,124,031	5,124,031
Liberal Arts and Social Science	-	16,224,289	16,224,289
Science and Engineering	2,965,189	74,246,448	77,211,637
Student and Public Support	778,803	34,719,078	35,497,881
Student Aid	644,097	118,406,588	119,050,685
Noncontrolling Interest in Pooled Endowment Funds	1,793	-	1,793
Total	<u>\$ 27,455,155</u>	<u>\$ 324,688,334</u>	<u>\$ 352,143,489</u>

⁽¹⁾ The Foundation's Board of Directors has designated, from net assets without donor restrictions of \$9,618,136 net assets for the following purposes as of June 30, 2022:

Operating Reserve	\$ 1,525,453
Strategic Investment Reserve	2,288,180
Sustainability Reserve	<u>4,576,360</u>
Total	<u>\$ 8,389,993</u>

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 6 NET ASSETS (CONTINUED)

Net assets had the following donor-imposed purpose restrictions or board-imposed designations as of June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Athletics	\$ -	\$ 2,852,956	\$ 2,852,956
Business and Management	5,139,160	30,158,037	35,297,197
Campus Support	8,996,088	40,341,154	49,337,242
Community and Technical College	-	3,742,519	3,742,519
Education	-	480,333	480,333
Foundation ⁽¹⁾	12,901,961	119,683	13,021,644
Health	-	5,716,709	5,716,709
Liberal Arts and Social Science	17,235	15,279,261	15,296,496
Science and Engineering	3,283,494	76,672,067	79,955,561
Student and Public Support	1,050,885	36,112,995	37,163,880
Student Aid	719,860	123,701,768	124,421,628
Noncontrolling Interest in Pooled Endowment Funds	1,883	-	1,883
Total	<u>\$ 32,110,566</u>	<u>\$ 335,177,482</u>	<u>\$ 367,288,048</u>

⁽¹⁾ The Foundation's Board of Directors has designated, from net assets without donor restrictions of \$12,613,035, net assets for the following purposes as of June 30, 2021:

Operating Reserve	\$ 1,566,540
Strategic Investment Reserve	2,349,809
Sustainability Reserve	4,699,619
Total	<u>\$ 8,615,968</u>

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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, 2022 and 2021 were as follows:

	Controlling Interest	Noncontrolling Interest	Total
Balance - July 1, 2020	\$ 356,261,221	\$ 1,420	\$ 356,262,641
Capital Contributions	17,327,479	-	17,327,479
Capital Withdrawals	<u>(14,862,699)</u>	<u>-</u>	<u>(14,862,699)</u>
Net Increase in Capital Activity	2,464,780	-	2,464,780
Investment Income	1,054,065	9	1,054,074
Net Realized and Unrealized Investment Gains	<u>112,462,100</u>	<u>454</u>	<u>112,462,554</u>
Investment Return	<u>113,516,165</u>	<u>463</u>	<u>113,516,628</u>
Balance - June 30, 2021	472,242,166	1,883	472,244,049
Capital Contributions	7,183,269		7,183,269
Capital Withdrawals	<u>(16,844,300)</u>		<u>(16,844,300)</u>
Net Decrease in Capital Activity	(9,661,031)	-	(9,661,031)
Investment Income	1,007,435	9	1,007,444
Net Realized and Unrealized Investment Losses	<u>(23,947,729)</u>	<u>(99)</u>	<u>(23,947,828)</u>
Investment Return	<u>(22,940,294)</u>	<u>(90)</u>	<u>(22,940,384)</u>
Balance - June 30, 2022	<u>\$ 439,640,841</u>	<u>\$ 1,793</u>	<u>\$ 439,642,634</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, 2022 were as follows:

	Univ. of Alaska	Univ. of Alaska Anchorage	Univ. of Alaska Fairbanks	Univ. of Alaska Southeast	Total
Athletics	\$ -	\$ 535,153	\$ 66,648	\$ -	\$ 601,801
Business and Management	93,515	334,508	331,316	18,674	778,013
Campus Support	50,676	249,484	1,075,939	49,798	1,425,897
Community and Technical College	-	164,045	111,219	23,064	298,328
Education	-	6,172	2,605	15,404	24,181
General Support	32,652	-	-	-	32,652
Health	-	574,189	6,606	-	580,795
Liberal Arts and Social Science	-	166,820	514,224	17,268	698,312
Science and Engineering	2,301	849,379	1,496,238	25,748	2,373,666
Students and Public Support	82,449	281,737	2,346,321	114,305	2,824,812
Student Aid	649,908	1,349,740	2,522,688	297,605	4,819,941
Total	<u>\$ 911,501</u>	<u>\$ 4,511,227</u>	<u>\$ 8,473,804</u>	<u>\$ 561,866</u>	<u>\$ 14,458,398</u>

**UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

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, 2021 were as follows:

	Univ. of Alaska	Univ. of Alaska	Univ. of Alaska	Univ. of Alaska	Total
	Univ. of Alaska	Anchorage	Fairbanks	Southeast	
Athletics	\$ -	\$ 9,869	\$ 93,806	\$ -	\$ 103,675
Business and Management	187,829	588,079	365,786	32,526	1,174,220
Campus Support	18,766	282,797	745,899	27,786	1,075,248
Community and Technical					
College	-	38,768	55,188	45,186	139,142
Education	-	37,895	561	-	38,456
General Support	86,940	-	-	-	86,940
Health	-	485,522	2,282	-	487,804
Liberal Arts and Social					
Science	-	252,350	364,671	32,020	649,041
Science and Engineering	4,437	1,733,893	1,362,452	44,615	3,145,397
Students and Public Support	72,488	234,426	2,168,320	86,188	2,561,422
Student Aid	581,711	1,239,814	2,191,667	259,837	4,273,029
Total	<u>\$ 952,171</u>	<u>\$ 4,903,413</u>	<u>\$ 7,350,632</u>	<u>\$ 528,158</u>	<u>\$ 13,734,374</u>

NOTE 8 RELATED PARTY TRANSACTIONS

The University provided payment to the Foundation in the amount of \$777,500 and \$922,064 for institutional support during the years ended June 30, 2022 and 2021, respectively. The University's Land Grant Trust Endowment also paid an investment management fee to the Foundation in the amount of \$822,577 and \$765,009 during the years ended June 30, 2022 and 2021, respectively. The Foundation reimbursed the University \$4,411,801 and \$4,214,721 for personnel services and on-behalf payments for the years ended June 30, 2022 and 2021, respectively. This reimbursement is included in the consolidated statement of activities as operating expenses.

NOTE 9 LIQUIDITY AND AVAILABILITY

The Foundation monitors liquidity required to meet its operating needs and funding commitments to the University of Alaska, while also striving to maximize the investment of available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and investments in marketable debt and securities. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its annual operating budget as well as all without donor restrictions and with donor restrictions contributions held for the benefit of the University of Alaska.

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 9 LIQUIDITY AND AVAILABILITY (CONTINUED)

At June 30, the following table shows the total financial assets held by the Foundation and the amounts available to meet general expenditures over the next 12 months:

	<u>2022</u>	<u>2021</u>
Total Assets	\$ 526,923,123	\$ 564,787,306
Less: Prepaid Expense	(139,227)	(171,887)
Less: Other Assets	<u>(143,076)</u>	<u>(139,440)</u>
Total Financial Assets	526,640,820	564,475,979
Less: Amounts Not Available to Be Used Within One Year:		
Receivables with Time Horizons Greater than One Year		
Contributions Receivable	(3,644,487)	(3,540,148)
Remainder Trust Receivables	<u>(756,878)</u>	<u>(3,244,944)</u>
Subtotal	(4,401,365)	(6,785,092)
Financial Assets Not Available for General Expenditures		
Investments and Other Assets held for Endowments:		
Cash and Cash Equivalents	(22,763)	-
Contributions Receivable	(1,573,094)	(152,769)
Bequests Receivable	(5,275,600)	(5,000,000)
Other Receivables	(11,831)	(10,808)
Investments	<u>(414,439,281)</u>	<u>(472,006,492)</u>
Subtotal	(421,322,569)	(477,170,069)
Other Encumbrances and Obligations		
Held for Student Investment Fund	(2,628,494)	(2,012,332)
Internal Designations:		
Reserved for Long-Term Portion of Charitable		
Gift Annuities Liability	(224,216)	(200,225)
Cash Held for Board Designated Net Assets:		
Operating Reserve	(1,525,453)	(1,566,540)
Strategic Investment Reserve	(2,288,180)	(2,349,809)
Sustainability Reserve	<u>(4,576,360)</u>	<u>(4,699,619)</u>
Subtotal	<u>(8,614,209)</u>	<u>(8,816,193)</u>
Financial Assets Not Available to Be Used		
Within One Year	<u>(436,966,637)</u>	<u>(494,783,686)</u>
Financial Assets Available to Meet General		
Expenditures Within One Year	<u>\$ 89,674,183</u>	<u>\$ 69,692,293</u>

UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 9 LIQUIDITY AND AVAILABILITY (CONTINUED)

The Foundation's board of directors has designated a portion of net assets without donor restrictions for financial reserves to be drawn upon for the following purposes:

- Operating Reserve – to provide an internal source of funds and financial stability for the Foundation's ongoing operating expenses. Amounts held in the reserve shall be sufficient to pay four months of operating expenses, based on the prior year audited financial statements.
- Strategic Investment Reserve – to provide supplemental funds for strategic initiatives, capacity building, and development projects that advance the mission and sustainability of the Foundation. Amounts held in the Strategic Investment Reserve shall be sufficient to pay at least six months of operating expenses, based on the prior year audited financial statements.
- Sustainability Reserve – to provide a long-term source of operating income for the Foundation. Amounts held in the Sustainability Reserve shall be sufficient to pay at least one year of operating expenses, based on the prior year audited financial statements.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.