

Land-Grant Endowment Funds

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

The accompanying schedules of Net Position and Changes in Net Position reflect the financial position of the Land-Grant Endowment and related funds as of June 30, 2012 and the changes in net position for the year then ended. The investments of the Land-Grant Endowment and Inflation-Proofing Fund, which have fair values at June 30, 2012 of \$109.3 and \$15.4 million, respectively, are invested in a consolidated endowment fund managed by the University of Alaska Foundation in accordance with an agreement and investment policy approved by the Board of Regents.

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

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

Land-Grant Endowment Funds
Notes to the Financial Schedules
June 30, 2012

By Acts of Congress in 1915 and 1929, approximately 110,000 acres of land were transferred to the territory of Alaska to be held in trust for the university. The grant lands were subsequently transferred to the state of Alaska and eventually to the Board of Regents to be held in trust for the university. Currently, approximately 82,400 acres of these lands are held at no basis because fair value at the date of transfer was not determinable. In 1982 and 1988, the university was allowed to select certain state lands including timber and other rights as replacement for lands disposed of by the territory and the state. These replacement lands and property interests were recorded at their fair value as of the date of transfer.

Land-Grant Trust Fund

The Land-Grant Trust Fund as reported in these schedules represents the original land grant, the invested proceeds from the sale and/or development of these resources and the appreciation in value of the invested funds. The endowment is managed on a total return basis. Receivables of approximately \$2.9 million are primarily from sales of trust land. Investments of approximately \$109.3 million are held in a consolidated endowment fund under the direction of the University of Alaska Foundation. The consolidated investment fund is managed by the Foundation's investment committee and treasurer in accordance with an investment policy approved by the Board of Regents. Cash balances are invested in pooled investment funds. Real property of approximately \$31.7 million is comprised primarily of replacement and property interests and does not include the value of the university's original entitlement land. Security deposits totaling \$0.4 million are held for security or performance on contracts and other leases. Net position includes \$11.6 million of accumulated net earnings.

The annual spending allowance is based on four and one half percent of a five-year moving average of the December 31 market value of the investable resources of the Land-Grant and Inflation-Proofing funds. The annual spending allowance is limited to the unexpended accumulated earnings of the endowments as of the preceding December 31. The spending allowance requirement for fiscal year 2012 was \$5,496,545. To meet the spending allowance, \$3,873,999 and \$400,081, were transferred from the Land-Grant and Inflation-Proofing funds, respectively. The spending allowance distributions include a provision of \$1,005,185 for land management operating costs and \$4,491,360 for program support to be distributed through the Natural Resources Fund.

Inflation-Proofing Fund

The Inflation-Proofing Fund represents reinvested earnings of the Land-Grant Trust Fund and net proceeds of non-trust real property transactions designated for preservation of the long-term purchasing strength of the endowment. Its assets include approximately \$14.1 million in improved and unimproved real property held for investment including the University Lake and Diplomacy Buildings. The cash balances of the Inflation-Proofing Fund are invested in pooled investment funds. The other investments are held in the consolidated endowment fund under the direction of the University of Alaska Foundation. The long-term debt is approximately \$1.4 million for real estate located near the University of Alaska. Total net position of \$30.3 million is considered accumulated net earnings, of which \$1.4 million is designated for future renewal and replacement of investment property.

Revenue Fund

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

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

Natural Resources Fund

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

Land Management Operations Fund

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

Land Grant Endowment Funds
Schedule of Net Position
June 30, 2012

	Land Grant Trust Fund	Inflation Proofing Fund	Revenue Fund	Natural Resources Fund	Land Management Operations
Assets:					
Cash (due (to) from University)	\$ (4,104,359)	\$ 2,400,890		\$ 11,418,521	\$ 1,811,100
Receivables	2,864,857	86,722			
Investments	109,327,944	15,395,813			
Real property & subdivision inventory	31,669,233	14,147,015			
Total Assets:	139,757,675	32,030,440	-	11,418,521	1,811,100
Liabilities:					
Security deposits and other payables	379,108	258,592			
Long-term debt		1,435,000			
Total Liabilities	379,108	1,693,592	-	-	-
Net position	\$ 139,378,567	\$ 30,336,848	\$ -	\$ 11,418,521	\$ 1,811,100

Schedule of Changes in Net Position
For the Year Ended June 30, 2012

Revenue and other additions:					
Sale, lease, or transfer of real property, materials, and mineral interests	1,339,499	929,774			
Cost basis of property sold	(74,194)				
Net sales	1,265,305	929,774	-	-	-
investments	(976,499)	(27,986)	747,580		
Total Revenue	288,806	901,788	747,580		
Expenditures and other deductions:					
Development project costs	1,179,273	5,985			803,785
Natural Resources Fund projects				4,231,745	
	1,179,273	5,985	-	4,231,745	803,785
Transfers in (out):					
Earnings transfers in (out)	18,328	(650,862)	371,379		
Debt Service		(129,761)	(5,603)		
Loan repayment from UAA for land purchase		2,100,000	109,109		
Provision for land management operations			(1,005,185)		1,005,185
Transfer for spending allowance	(3,873,999)	(400,081)	4,274,080		
Natural Resources Fund allocation			(4,491,360)	4,491,360	
	(3,855,671)	919,296	(747,580)	4,491,360	1,005,185
Net increase (decrease) in net position	(4,746,138)	1,815,099	-	259,615	201,400
Net position at beginning of year	144,124,705	28,521,749	-	11,158,906	1,609,700
Net position at end of year	\$ 139,378,567	\$ 30,336,848	\$ -	\$ 11,418,521	\$ 1,811,100

See accompanying notes to these schedules.

Land Grant Endowment Funds
Schedule of Allocated Natural Resources Fund Balances
For the Year Ended June 30, 2012

Project	Available June 30, 2011	New Awards & Transfers	Expen- ditures	Available June 30, 2012
NATURAL RESOURCES PROJECTS				
Animals				
UAS/Ring Seal Survey	\$ 1,041	\$ -	\$ -	\$ 1,041
Fisheries				
UAF/Prince of Wales Island Aquaculture	3,817	-	-	3,817
Forestry				
UAF/Factors Influence Spruce Bark Beetle	11,266	-	-	11,266
Resources Management, Marketing, Education, and Other				
UAF/Master Land Planning, Agriculture Research Station	42,298	-	-	42,298
OTHER PROJECTS				
Faculty Development				
UAF/Promoting Teacher Retention & Renewal	6,430	-	-	6,430
Outreach/Public Service				
UAF/University of Alaska Press	80,000	125,000	80,000	125,000
Program Development/Enhancement				
UAF/Cooperative Extension Support	939,306	400,000	289,015	1,050,291
Student Services				
UAA/Alaska Scholars Program	-	2,070,750	2,070,750	-
UAF/Alaska Scholars Program	-	1,370,875	1,370,875	-
UAS/Alaska Scholars Program	-	198,000	198,000	-
SYS/Alaska Scholars Program	7,857,283	121,920	80,987	7,898,216
SYS/Tuition Waiver Program, Coop. Scholarships	217,609	160,000	142,118	235,491
	<u>9,159,050</u>	<u>4,446,545</u>	<u>4,231,745</u>	<u>9,373,850</u>
Undistributed				
FY04 Transfer	836,850	-	-	836,850
FY05 Transfer	610,000	-	-	610,000
FY10 Transfer	335,032	-	-	335,032
FY11 Transfer	217,974	-	-	217,974
FY12 Transfer	-	44,815	-	44,815
	<u>-</u>	<u>44,815</u>	<u>-</u>	<u>44,815</u>
	<u>\$ 11,158,906</u>	<u>\$ 4,491,360</u>	<u>\$ 4,231,745</u>	<u>\$ 11,418,521</u>