

### **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 AS 14.40.400. Assets of the fund are invested on a total return basis in accordance with principles established under AS 14.25.180.

The accompanying schedules of Net Assets and Changes in Net Assets reflect the financial position of the Land-Grant Endowment and related funds as of June 30, 2004 and the changes in net assets for the year then ended. The investments of the Land-Grant Endowment and Inflation-Proofing Fund, which have fair values at June 30, 2004 of \$84.4 and \$6.8 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 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  
Schedule of Net Assets  
June 30, 2004**

	Land-Grant Trust <u>Fund</u>	Inflation- Proofing <u>Fund</u>	Revenue <u>Fund</u>	Natural Resources <u>Fund</u>
Assets:				
Cash	\$ 4,155,217	\$ 1,407,149	\$ --	\$7,758,306
Receivables	5,172,517	45,993	--	--
Investments	84,448,080	6,789,960	--	--
Real property	<u>31,739,037</u>	<u>7,508,973</u>	--	--
Total assets	125,514,851	15,752,075	--	7,758,306
Liabilities:				
Security deposits and other payables	4,713,691	65,683	--	--
Long-term debt	--	<u>2,390,000</u>	--	--
Total liabilities	<u>4,713,691</u>	<u>2,455,683</u>	--	--
Net assets	<u>\$120,801,160</u>	<u>\$13,296,392</u>	<u>\$ --</u>	<u>\$7,758,306</u>

**Schedule of Changes in Net Assets  
For the Year Ended June 30, 2004**

Revenue and other additions:				
Sale, lease, or transfer of real property, materials and mineral interests	\$ 4,715,415	\$ 644,597	\$ --	\$ --
Cost basis of property sold	<u>(719,047)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net sales	3,996,368	644,597	--	--
Net realized and unrealized gains from investments	8,197,457	689,436	--	--
Investment income	<u>--</u>	<u>--</u>	<u>2,623,897</u>	<u>--</u>
	<u>12,193,825</u>	<u>1,334,033</u>	<u>2,623,897</u>	<u>--</u>
Expenditures and other deductions:				
Development project costs	(1,156,300)	(458,961)	--	--
Designated project costs	--	(111,174)	--	--
Natural Resources Fund projects	<u>--</u>	<u>--</u>	<u>--</u>	<u>(2,059,100)</u>
	<u>(1,156,300)</u>	<u>(570,135)</u>	<u>--</u>	<u>(2,059,100)</u>
Transfers:				
Provision for land management operations	--	--	(516,189)	--
Transfer for spending allowance	(1,373,225)	(132,898)	1,506,123	--
Natural Resource Fund allocation	<u>--</u>	<u>--</u>	<u>(3,613,831)</u>	<u>3,613,831</u>
	<u>(1,373,225)</u>	<u>(132,898)</u>	<u>(2,623,897)</u>	<u>3,613,831</u>
Net increase (decrease) in net assets	9,664,300	631,000	--	1,554,731
Net assets at beginning of year	<u>111,136,860</u>	<u>12,665,392</u>	<u>--</u>	<u>6,203,575</u>
Net assets at end of year	<u>\$120,801,160</u>	<u>\$13,296,392</u>	<u>\$ --</u>	<u>\$7,758,306</u>

See accompanying notes to these schedules.

Land-Grant Endowment Funds  
Notes to the Financial Schedules  
June 30, 2004

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 84,000 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 \$5.2 million are primarily from sales of trust land, timber and mineral interests. Investments of approximately \$84.4 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 of The Commonfund. Security deposits totaling \$4.6 million are held for security or performance on contracts and other leases. Net assets include \$10.7 million of accumulated net earnings.

The annual spending allowance is based on five 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 2004 was \$4,130,020. To meet the spending allowance, \$1,373,225 and \$132,898, were transferred from the Land-Grant and Inflation-Proofing funds, respectively. The spending allowance distributions include a provision of \$516,189 for land management operating costs and \$3,613,831 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 \$7.5 million in improved and unimproved real property held for investment and the long-term benefit of the institution's educational activities. The cash balances of the Inflation-Proofing Fund are invested in pooled investment funds of The Commonfund. The other investments are held in the consolidated endowment fund under the direction of the University of Alaska Foundation. In fiscal year 2004, the note payable was refinanced by university issued general revenue bonds at an estimated \$125,000 net present value savings. The long-term debt is approximately \$2.4 million for real estate located near the University of Alaska Anchorage. Total net assets of \$13.3 million are considered accumulated net earnings, of which \$0.6 million is designated for future renewal and replacement of investment property and \$0.5 million is designated for other projects approved by the Board of Regents. Designated projects expenditures of \$111,174 previously authorized by the Board of Regents were made from dedicated receipts of the Inflation-Proofing Fund.

In fiscal year 2001, the Inflation-Proofing Fund financed construction costs of \$527,947 for certain leased facilities at the Poker Flat Research Range near Fairbanks. The Inflation-Proofing Fund will receive monthly rent of \$6,482 for use of the facilities through fiscal year 2011. The rent is recorded as income in the period received. The leased facilities are included in university's Investment in Plant fund group.

In fiscal year 2002, the Inflation-Proofing Fund advanced \$226,000 to partially fund the purchase of property adjacent to the Juneau Campus. Terms of the advance included a ten year repayment schedule at 6 percent interest. In fiscal year 2004, the Juneau Campus paid \$111,119, the remaining balance of the advance. The property is included in university's Investment in Plant fund group.

### **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.

In fiscal year 2004, the Revenue Fund transferred \$516,189 to the land management operating budget reserve. The reserve balance of \$958,700 at June 30, 2004 is not reflected in these financial schedules.

### **Natural Resources Fund**

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

**Land Grant Endowment Funds**  
**Schedule of Allocated Natural Resources Fund Balances**  
**For the Year Ended June 30, 2004**

<b>Project</b>	<b>Available June 30, 2003</b>	<b>New Awards &amp; Transfers</b>	<b>Expen- ditures</b>	<b>Available June 30, 2004</b>
<b>NATURAL RESOURCES PROJECTS</b>				
<b>Agriculture</b>				
UAA/Wetlands Mercury	\$ 4,650	\$ -	\$ 4,650	\$ -
UAF/Forage Management	55,903	-	31,776	24,127
UAS/Rainfall Factors	2,362	-	2,362	-
<b>Animals</b>				
UAA/Moose Habitat	1,307	-	-	1,307
UAF/Walrus Stock Analysis	3,400	-	-	3,400
UAS/Ring Seal Survey	29,000	-	-	29,000
<b>Fisheries</b>				
UAA/Aquatic Macroinvertebrate Tolerance	3,762	-	523	3,239
UAA/Marketing Internships	3,625	-	-	3,625
UAF/Characteristics of Luminous Salmon Bacteria	7,625	-	2,300	5,325
UAF/Develop Sensor-Monitor Low Vapor Pressure	931	-	-	931
UAF/NOAA Facility	312,185	-	67,243	244,942
UAF/Prince of Wales Island Aquaculture	7,594	-	-	7,594
UAF/Sea-Air-Land Modeling & Observing	60	(60)	-	-
UAS/Aquatic Invertebrates Catalog	1,019	-	-	1,019
UAS/Crab Nurseries	1,196	-	1,093	103
UAS/Develop Remote Biomass Technology for Kelp	10,000	-	10,000	-
UAS/Fisheries Technology Program	326	-	326	-
<b>Forestry</b>				
UAA/Spruce Bark Beetle Research Coord. Committee	5,500	-	3,714	1,786
UAF/Boreal Forest Management	1,298	-	(248)	1,546
UAF/Factors Influence Spruce Bark Beetle	29,372	-	974	28,398
UAF/Forest Mapping	6,039	-	6,039	-
UAF/Forest Regrowth Model	5,155	(5,155)	-	-
UAF/Forest/Habitat Inventory	1,019	-	1,019	-
UAF/Global Forest Mapping - 4th Science Meeting	1,545	-	1,545	-
UAF/Management Plan - UA Experimental Forest	11,576	-	1,281	10,295
UAF/NEON Program Planning Meeting	8,199	-	8,199	-
UAF/Nitrogen Cycling	115	-	-	115
UAF/Plant-Microbe Interactions	38	-	-	38
UAF/Testing of Alaska Trusses	9,075	-	8,814	261
UAF/What is Forestry?	1,006	-	710	296
<b>Minerals</b>				
UAA/ASET Certification for Arsenic	12,865	-	12,865	-
UAF/Biological Recovery of Gold	1,853	-	1,853	-
UAF/Effects of Measurement Errors on Segregation Algorithm	14,000	-	13,844	156
UAF/Noninvasive Environmental Monitoring	3,369	-	-	3,369
UAF/Overcome Effect of Low Temperature on Soil	5,580	-	5,565	15
UAF/Sedimentology NE Alaska	9,195	-	831	8,364
UAF/Oil Economics/High School	18,597	-	6,744	11,853
UAS/Identifying Mineralogy of Glacially Eroded Sediment	2,663	-	-	2,663
<b>Resources Management, Marketing, Education, and Other</b>				
UAA/ANCSA Land Management	1,426	-	1,426	-
UAA/Natural Resource & Environmental Research Internship Program	16,048	-	8,288	7,760
UAA/Pollutant Assay	175	-	-	175
UAA/Resource Atlas	9,253	-	3,177	6,076

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UAF/Market Study for Natural Gas Pipeline	858	-	833	25
UAF/New SAR Mission	13,634	-	10,527	3,107
UAF/Oil Contracts	408	(408)	-	-
UAF/Online Arctic Engineering Course	7,330	-	-	7,330
UAF/Partnership in Arctic Research & Education	22,000	-	3,652	18,348
UAF/Snow & Ice Research - Teachers	7,338	-	7,338	-
UAS/Response of Mendenhall Glacier to Climate Change	6,795	-	5,164	1,631
UAS/Satellite Images	1,195	-	-	1,195
UAS/Student Field Camp	233	-	228	5
SYS/Competitive Grants	25,420	-	-	25,420
<i>sub-grants to:</i>				
UAA/Competitive Grants	118,798	-	30,500	88,298
UAF/Competitive Grants	124,416	-	4,339	120,077
UAF/Multi-modal Corridor Study	24,411	-	24,411	-
UAF/Research Assistantship - Natural Gas Pipeline	8	(8)	-	-
UAF/Toolik Water System Upgrade	4,513	-	1,910	2,603
UAF/UAA EPA EPSCOR	49,840	-	7,996	41,844
UAS/Competitive Grants	26,445	-	23,876	2,569
<b>Water</b>				
UAA/Statewide Water Quality Clearinghouse	28,375	-	1,770	26,605
UAA/Community Based Water Quality Assessment	7,517	-	7,517	-
UAA/Harbor Seal Use of Marine Habitat	4,970	-	4,961	9
UAF/Statewide Needs Assessment	5,807	-	5,790	17
UAS/Sediment in Mendenhall Lake	289	-	-	289
UAS/Undergraduate Research	5,288	-	1,455	3,833
<b>OTHER PROJECTS</b>				
<b>Distance Delivery, Technologically Enhanced Instruction</b>				
SYS/UA Learning Cooperative	6,472	-	4,655	1,817
<b>Faculty Development</b>				
UAF/Promoting Teacher Retention & Renewal	24,584	-	13,497	11,087
<b>Outreach/Public Service</b>				
PWSCC/4th, 5th Annual Theater Conference	15,779	-	15,163	616
UAF/University of Alaska Press	-	80,000	80,000	-
<b>Program Development/Enhancement</b>				
UAA,UAF,UAS/Engineering Collaboration	2,082	(6)	-	2,076
UAF/Circumpolar Region Database	2,411	-	-	2,411
UAS/Dual Credit English Courses	2,976	-	-	2,976
SYS/Academic Program Support	9,323	-	-	9,323
<i>sub-grants to:</i>				
UAA/Alaskool	(28,449)	-	(28,449)	-
UAF/Arctic Energy Technology Dev Lab - DOE Match	5,654	-	5,654	-
UAF/Transportation Research - FAA Match	10,935	-	6,064	4,871
SYS/Collaborative Program Development	-	-	-	-
<i>sub-grants to:</i>				
UAA/PhD Biological Science	3,632	-	-	3,632
<b>Research, Scholarship, Creative Activity</b>				
UAF/UA-ADEC MOA Administration	(235)	-	(235)	-
UAF/UA/MIT MOA	6,165	-	2,640	3,525
<b>Student Services</b>				
UAS/Undergraduate Science Research Travel	60	-	-	60

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UAF/Alaska Scholars Program	-	531,196	531,196	-
UAA/Alaska Scholars Program	-	901,038	901,038	-
UAS/Alaska Scholars Program	-	65,446	65,446	-
SYS/Alaska Scholars Program	798,200	649,024	40,430	1,406,794
SYS/Tuition Waiver Program, Coop. Scholarships	96,614	100,000	72,821	123,793
	<u>2,061,997</u>	<u>2,321,067</u>	<u>2,059,100</u>	<u>2,323,964</u>
<b>Undistributed</b>				
Closed projects	7,552	(7,129)	-	423
President discretionary awards	54,649	5,289	-	59,938
FY03 Transfer	890,150	-	-	890,150
FY04 Transfer	3,189,227	(2,319,227)	-	870,000
FY05 Transfer	-	3,613,831	-	3,613,831
	<u>\$ 6,203,575</u>	<u>\$ 3,613,831</u>	<u>\$ 2,059,100</u>	<u>\$ 7,758,306</u>