

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 Assets and Changes in Net Assets reflect the financial position of the Land-Grant Endowment and related funds as of June 30, 2005 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, 2005 of \$98.7 and \$13.8 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 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
Schedule of Net Assets
June 30, 2005

	Land-Grant Trust <u>Fund</u>	Inflation- Proofing <u>Fund</u>	Revenue <u>Fund</u>	Natural Resources <u>Fund</u>
Assets:				
Cash (due (to) from University)	\$ 2,921,258	\$ 1,354,481	\$ --	\$8,411,646
Receivables	6,316,809	32,534	--	--
Investments	98,702,537	13,844,805	--	--
Real property held for investment		7,508,973	--	--
Real property	<u>31,017,913</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total assets	138,958,517	22,740,793	--	8,411,646
Liabilities:				
Security deposits and other payables	4,505,465	66,814	--	--
Long-term debt	<u>--</u>	<u>2,295,000</u>	<u>--</u>	<u>--</u>
Total liabilities	<u>4,505,465</u>	<u>2,361,814</u>	<u>--</u>	<u>--</u>
Net assets	<u>\$134,453,052</u>	<u>\$20,378,979</u>	<u>\$ --</u>	<u>\$8,411,646</u>

Schedule of Changes in Net Assets
For the Year Ended June 30, 2005

Revenue and other additions:				
Sale, lease, or transfer of real property, materials and mineral interests	\$ 9,337,273	\$ 6,827,031	\$ --	\$ --
Cost basis of property sold	<u>(842,656)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net sales	8,494,617	6,827,031	--	--
Net realized and unrealized gains from investments	7,127,681	636,845	--	--
Investment income	<u>--</u>	<u>--</u>	<u>3,243,905</u>	<u>--</u>
	<u>15,622,298</u>	<u>7,463,876</u>	<u>3,243,905</u>	<u>--</u>
Expenditures and other deductions:				
Development project costs	(1,048,016)	(295,417)	--	--
Natural Resources Fund projects	<u>--</u>	<u>--</u>	<u>--</u>	<u>(2,320,939)</u>
	<u>(1,048,016)</u>	<u>(295,417)</u>	<u>--</u>	<u>(2,320,939)</u>
Transfers:				
Provision for land management operations	--	--	(711,077)	(566,811)
Transfer for spending allowance	(922,390)	(85,872)	1,008,262	--
Natural Resource Fund allocation	<u>--</u>	<u>--</u>	<u>(3,541,090)</u>	<u>3,541,090</u>
	<u>(922,390)</u>	<u>(85,872)</u>	<u>(3,243,905)</u>	<u>2,974,279</u>
Net increase (decrease) in net assets	13,651,892	7,082,587	--	653,340
Net assets at beginning of year	<u>120,801,160</u>	<u>13,296,392</u>	<u>--</u>	<u>7,758,306</u>
Net assets at end of year	<u>\$134,453,052</u>	<u>\$20,378,979</u>	<u>\$ --</u>	<u>\$8,411,646</u>

See accompanying notes to these schedules.

Land-Grant Endowment Funds
Notes to the Financial Schedules
June 30, 2005

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 83,600 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 \$6.3 million are primarily from sales of trust land. Investments of approximately \$98.7 million are held in a consolidated endowment fund under the direction of the University of Alaska Foundation. The consolidated investment fund is managed by the Foundation's investment committee and treasurer in accordance with an investment policy approved by the Board of Regents. Cash balances are invested in pooled investment funds of The Commonfund. Real property of approximately \$31.0 is comprised of primarily of replacement and property interests and does not include the value of the university's original entitlement land. Security deposits totaling \$4.5 million are held for security or performance on contracts and other leases. Net assets include \$16.9 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 2005 was \$4,252,167. To meet the spending allowance, \$922,390 and \$85,872, were transferred from the Land-Grant and Inflation-Proofing funds, respectively. The spending allowance distributions include a provision of \$711,077 for land management operating costs and \$3,541,090 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 including the University Lake and Diplomacy Buildings. 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. The long-term debt is approximately \$2.3 million for real estate located near the University of Alaska Anchorage. Total net assets of \$20.4 million are considered accumulated net earnings, of which \$0.7 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.

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 the 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 2005, the Revenue Fund transferred \$711,077 to the land management operating budget reserve. Not reflected in these financial schedules is the reserve with a balance of \$1,096,900 at June 30, 2005. The reserve is included in the university financial statements.

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 of The Common fund.

In fiscal year 2005, the Board of Regents allocated an additional \$566,811 from the Natural Resource Fund to Land Management to fund expenditures related to the selection and transfer of land from the State of Alaska. The remaining balance of \$369,689 is not reflected in these schedules but is included in the university financial statements.

Subsequent to year end, on July 25, 2005, Alaska's governor approved a transfer of approximately 250,000 acres of State of Alaska land to the university under Alaska Statue 14.40.365. The lands will be conveyed to the university over the next three years with the exception of one 70,000 acre forestry research parcel being transferred in 50 years. The intent of the Legislature is to provide the university with an equitable land grant as originally envisioned in the federal land grant of 1915 and to provide the university ownership of a significant portfolio of income producing land to help fund public higher education in the State of Alaska. Proceeds and royalties received from property development will be deposited into the land grant trust endowment fund. The lands will be recorded at zero basis as no determinable fair value is available at the time of transfer.

Land Grant Endowment Funds
Schedule of Allocated Natural Resources Fund Balances
For the Year Ended June 30, 2005

Project	Available June 30, 2004	New Awards & Transfers	Expen- ditures	Available June 30, 2005
NATURAL RESOURCES PROJECTS				
Agriculture				
UAF/Forage Management	24,127	-	18,551	5,576
Animals				
UAA/Moose Habitat	1,307	(1,307)	-	-
UAF/Walrus Stock Analysis	3,400	-	-	3,400
UAS/Ring Seal Survey	29,000	-	-	29,000
Fisheries				
UAA/Aquatic Macroinvertebrate Tolerance	3,239	-	2,450	789
UAA/Marketing Internships	3,625	-	922	2,703
UAF/Characteristics of Luminous Salmon Bacteria	5,325	-	5,588	(263)
UAF/Develop Sensor-Monitor Low Vapor Pressure	931	-	-	931
UAF/NOAA Facility	244,942	300,000	121,558	423,384
UAF/Prince of Wales Island Aquaculture	7,594	-	2,630	4,964
UAS/Aquatic Invertebrates Catalog	1,019	-	-	1,019
UAS/Crab Nurseries	103	(103)	-	-
Forestry				
UAA/Spruce Bark Beetle Research Coord. Committee	1,786	-	1,317	469
UAF/Boreal Forest Management	1,546	(1,546)	-	-
UAF/Factors Influence Spruce Bark Beetle	28,398	-	3,282	25,116
UAF/Management Plan - UA Experimental Forest	10,295	-	-	10,295
UAF/Nitrogen Cycling	115	(115)	-	-
UAF/Plant-Microbe Interactions	38	(38)	-	-
UAF/Testing of Alaska Trusses	261	-	-	261
UAF/What is Forestry?	296	(296)	-	-
Minerals				
UAF/Effects of Measurement Errors on Segregation Algorithm	156	-	156	-
UAF/Noninvasive Environmental Monitoring	3,369	-	-	3,369
UAF/Overcome Effect of Low Temperature on Soil	15	(15)	-	-
UAF/Sedimentology NE Alaska	8,364	-	2,982	5,382
UAF/Oil Economics/High School	11,853	-	-	11,853
UAS/Identifying Mineralogy of Glacially Eroded Sediment	2,663	-	-	2,663
Resources Management, Marketing, Education, and Other				
UAA/Natural Resource & Environmental Research Internship Program	7,760	-	4,333	3,427
UAA/Pollutant Assay	175	(175)	-	-
UAA/Resource Atlas	6,076	-	1,951	4,125
UAF/Market Study for Natural Gas Pipeline	25	(25)	-	-
UAF/Master Land Planning, agriculture research station	-	160,000	-	160,000
UAF/New SAR Mission	3,107	-	3,107	-
UAF/Online Arctic Engineering Course	7,330	-	-	7,330
UAF/Partnership in Arctic Research & Education	18,348	-	17,619	729
UAS/Response of Mendenhall Glacier to Climate Change	1,631	-	1,475	156
UAS/Satellite Images	1,195	-	-	1,195
UAS/Student Field Camp	5	(5)	-	-
SYS/Competitive Grants	25,420	-	-	25,420
<i>sub-grants to:</i>				
UAA/Competitive Grants	88,298	-	5,372	82,926
UAF/Competitive Grants	120,077	-	663	119,414
UAF/Toolik Water System Upgrade	2,603	-	-	2,603

Land Grant Endowment Funds
Schedule of Allocated Natural Resources Fund Balances
For the Year Ended June 30, 2005

Project	Available June 30, 2004	New Awards & Transfers	Expen- ditures	Available June 30, 2005
UAF/UA A EPA EPSCOR	41,844	-	35,878	5,966
UAS/Competitive Grants	2,569	-	1,977	592
Water				
UAA/Statewide Water Quality Clearinghouse	26,605	-	26,657	(52)
UAA/Harbor Seal Use of Marine Habitat	9	(9)	-	-
UAF/Statewide Needs Assessment	17	(17)	-	-
UAS/Sediment in Mendenhall Lake	289	-	-	289
UAS/Undergraduate Research	3,833	-	3,539	294
OTHER PROJECTS				
Distance Delivery, Technologically Enhanced Instruction				
SYS/UA Learning Cooperative	1,817	-	16	1,801
Faculty Development				
UAF/Promoting Teacher Retention & Renewal	11,087	-	384	10,703
Outreach/Public Service				
PWSCC/4th, 5th Annual Theater Conference	616	-	(1,457)	2,073
UAF/University of Alaska Press	-	80,000	80,000	-
Program Development/Enhancement				
UAA,UAF,UAS/Engineering Collaboration	2,076	-	-	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>				
UAF/Transportation Research - FAA Match	4,871	-	4,708	163
SYS/Collaborative Program Development				
<i>sub-grants to:</i>				
UAA/PhD Biological Science	3,632	(3,632)	-	-
Research, Scholarship, Creative Activity				
UAF/UA/MIT MOA	3,525	-	-	3,525
Student Services				
UAS/Undergraduate Science Research Travel	60	(60)	-	-
UAF/Alaska Scholars Program	-	621,006	621,006	-
UAA/Alaska Scholars Program	-	1,056,927	1,056,927	-
UAS/Alaska Scholars Program	-	88,715	88,715	-
SYS/Alaska Scholars Program	1,406,794	(69,206)	13,840	1,323,748
SYS/Early Childhood Development Scholarship	-	100,000	100,000	-
SYS/Tuition Waiver Program, Coop. Scholarships	123,793	100,000	94,793	129,000
	<u>2,323,964</u>	<u>2,427,123</u>	<u>2,320,939</u>	<u>2,430,148</u>
Transfer to Land Management	-	566,811	566,811	-
Undistributed				
Closed projects	423	10,320	-	10,743
President discretionary awards	59,938	(423)	-	59,515
FY03 Transfer	890,150	-	-	890,150
FY04 Transfer	870,000	-	-	870,000
FY05 Transfer	3,613,831	(3,003,831)	-	610,000
FY06 Transfer	-	3,541,090	-	3,541,090
	<u>\$ 7,758,306</u>	<u>\$ 3,541,090</u>	<u>\$ 2,887,750</u>	<u>\$ 8,411,646</u>