

### **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, 2008 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, 2008 of \$126.2 and \$16.5 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, 2008**

	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)	\$ 200,657	\$ 2,442,314	\$ --	\$10,897,113
Receivables	4,580,213	210,732	--	--
Investments	126,152,806	16,483,232	--	--
Real property held for investment	--	13,947,015	--	--
Real property	<u>32,220,679</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total assets	163,154,355	33,083,293	--	10,897,113
Liabilities:				
Security deposits and other payables	3,872,812	86,650	--	--
Long-term debt	<u>--</u>	<u>5,847,460</u>	<u>--</u>	<u>--</u>
Total liabilities	<u>3,872,812</u>	<u>5,934,110</u>	<u>--</u>	<u>--</u>
Net assets	<u>\$159,281,543</u>	<u>\$27,149,183</u>	<u>\$ --</u>	<u>\$10,897,113</u>

**Schedule of Changes in Net Assets**  
**For the Year Ended June 30, 2008**

Revenue and other additions:				
Sale, lease, or transfer of real property, materials and mineral interests	\$ 6,253,547	\$ 1,600,495	\$ --	\$ --
Cost basis of property sold	<u>(1,659,829)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net sales	4,593,718	1,600,495	--	--
Net realized and unrealized losses from investments	(6,365,352)	(841,751)	--	--
Investment income	<u>--</u>	<u>47,138</u>	<u>2,784,186</u>	<u>--</u>
	<u>(1,771,634)</u>	<u>805,882</u>	<u>2,784,186</u>	<u>--</u>
Expenditures and other deductions:				
Development project costs	(1,829,511)	(666,416)	--	--
Natural Resources Fund projects	<u>--</u>	<u>--</u>	<u>--</u>	<u>(3,920,365)</u>
	<u>(1,829,511)</u>	<u>(666,416)</u>	<u>--</u>	<u>(3,920,365)</u>
Transfers:				
Provision for land management operations	--	--	(990,000)	--
Transfer for spending allowance	(2,802,232)	(348,036)	3,150,268	--
Natural Resource Fund allocation	<u>--</u>	<u>--</u>	<u>(4,944,454)</u>	<u>4,944,454</u>
	<u>(2,802,232)</u>	<u>(348,036)</u>	<u>(2,784,186)</u>	<u>4,944,454</u>
Net increase (decrease) in net assets	(6,403,377)	(208,570)	--	1,024,089
Net assets at beginning of year	<u>165,684,920</u>	<u>27,357,753</u>	<u>--</u>	<u>9,873,024</u>
Net assets at end of year	<u>\$159,281,543</u>	<u>\$27,149,183</u>	<u>\$ --</u>	<u>\$10,897,113</u>

See accompanying notes to these schedules.

Land-Grant Endowment Funds  
Notes to the Financial Schedules  
June 30, 2008

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 82,700 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 \$4.6 million are primarily from sales of trust land. Investments of approximately \$126.2 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 \$32.2 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 \$3.9 million are held for security or performance on contracts and other leases. Net assets include \$33.4 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 2008 was \$5,934,454. To meet the spending allowance, \$2,802,232 and \$348,036, were transferred from the Land-Grant and Inflation-Proofing funds, respectively. The spending allowance distributions include a provision of \$990,000 for land management operating costs and \$4,944,454 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 \$13.9 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 \$2.0 million for real estate located near the University of Alaska Anchorage and \$3.9 million for real estate located near the University of Alaska Fairbanks. Total net assets of \$27.1 million are considered accumulated net earnings, of which \$1.0 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 2008, the Revenue Fund transferred \$990,000 to the land management operating budget reserve. Not reflected in these financial schedules is the reserve with a balance of \$1,449,391 at June 30, 2008. 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 Commonfund.

On October 23, 2005 House Bill 130, granting to the University of Alaska approximately 250,000 acres of state land, passed into law. 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. Because of restrictions in the legislation related to native allotments, municipal entitlements and the University Research Forest, and delays in the conveyance of two parcels from the federal government to the state of Alaska, only 49 parcels, totaling approximately 198,900 acres, are eligible for immediate conveyance to the university. As of June 30, 2008, the state of Alaska has conveyed 25,902 acres of the state grant lands to the university. Net proceeds and royalties received from property development will be deposited into the land grant endowment trust fund. The lands will be recorded at zero basis when no determinable fair value is available at the time of transfer. The legislation has been challenged and management does not believe the outcome will have a material effect on the financial statements.

**Land Grant Endowment Funds**  
**Schedule of Allocated Natural Resources Fund Balances**  
**For the Year Ended June 30, 2008**

<b>Project</b>	<b>Available June 30, 2007</b>	<b>New Awards &amp; Transfers</b>	<b>Expen- ditures</b>	<b>Available June 30, 2008</b>
<b>NATURAL RESOURCES PROJECTS</b>				
<b>Animals</b>				
UAF/Walrus Stock Analysis	3,400	(3,400)	-	-
UAS/Ring Seal Survey	1,041	-	-	1,041
<b>Fisheries</b>				
UAA/Marketing Internships	1,350	(1,350)	-	-
UAF/NOAA Facility	268,355	-	268,355	-
UAF/Prince of Wales Island Aquaculture	3,817	-	-	3,817
UAS/Aquatic Invertebrates Catalog	50	(50)	-	-
<b>Forestry</b>				
UAF/Factors Influence Spruce Bark Beetle	12,603	-	1,232	11,371
<b>Minerals</b>				
UAF/Noninvasive Environmental Monitoring	219	(219)	-	-
UAF/Sedimentology NE Alaska	5,002	-	5,002	-
<b>Resources Management, Marketing, Education, and Other</b>				
UAF/Master Land Planning, Agriculture Research Station	53,999	-	11,701	42,298
SYS/Competitive Grants				
<i>sub-grants to:</i>				
UAA/Competitive Grants	13,959	-	13,171	788
UAF/Competitive Grants	118,548	-	47,264	71,284
UAF/Toolik Water System Upgrade	2,603	(2,603)	-	-
UAS/Competitive Grants	592	(592)	-	-
<b>OTHER PROJECTS</b>				
<b>Distance Delivery, Technologically Enhanced Instruction</b>				
SYS/UA Learning Cooperative	1,801	(1,801)	-	-
<b>Faculty Development</b>				
UAF/Promoting Teacher Retention & Renewal	9,009	-	893	8,116
<b>Outreach/Public Service</b>				
UAF/University of Alaska Press	-	160,000	80,000	80,000
<b>Program Development/Enhancement</b>				
UAA,UAF,UAS/Engineering Collaboration	824	(824)	-	-
UAF/Cooperative Extension Support		800,000		800,000
SYS/Academic Program Support	9,323	(9,323)	-	-
<b>Student Services</b>				
UAA/Alaska Scholars Program	-	1,944,250	1,944,250	-
UAF/Alaska Scholars Program	-	1,314,500	1,314,500	-
UAS/Alaska Scholars Program	-	81,235	81,235	-
SYS/Alaska Scholars Program	2,289,100	5,006,048	48,302	7,246,846
SYS/Tuition Waiver Program, Coop. Scholarships	165,862	200,000	104,460	261,402
	<u>2,961,457</u>	<u>9,485,871</u>	<u>3,920,365</u>	<u>8,526,963</u>
<b>Undistributed</b>				
Closed Projects	7,753	(7,753)	-	-
FY03 Transfer	890,150	-	-	890,150
FY04 Transfer	870,000	-	-	870,000
FY05 Transfer	610,000	-	-	610,000
FY08 Transfer	4,533,664	(4,533,664)	-	-
	<u>\$ 9,873,024</u>	<u>\$ 4,944,454</u>	<u>\$ 3,920,365</u>	<u>\$ 10,897,113</u>