

## 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, 2006. 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, 2006 of \$110.3 million and \$4.0 million, respectively, are invested in a consolidated endowment fund managed by the University of Alaska Foundation in accordance with an agreement and

Land-Grant Endowment Funds  
Schedule of Net Assets  
June 30, 2006

|                                      | Land-Grant<br>Trust<br>Fund | Inflation-<br>Proofing<br>Fund | Revenue<br>Fund | Natural<br>Resources<br>Fund |
|--------------------------------------|-----------------------------|--------------------------------|-----------------|------------------------------|
| Assets:                              |                             |                                |                 |                              |
| Cash (due (to) from University)      | \$ 3,176,452                | \$ 1,235,998                   | \$ --           | \$8,786,406                  |
| Receivables                          | 5,903,733                   | 25,504                         | --              | --                           |
| Investments                          | 110,307,259                 | 13,977,706                     | --              | --                           |
| Real property held for investment    | --                          | 7,508,973                      | --              | --                           |
| Real property                        | <u>33,917,297</u>           | <u>--</u>                      | <u>--</u>       | <u>--</u>                    |
| Total assets                         | 153,304,741                 | 22,748,181                     | --              | 8,786,406                    |
| Liabilities:                         |                             |                                |                 |                              |
| Security deposits and other payables | 4,757,400                   | 75,929                         | --              | --                           |
| Long-term debt                       | <u>--</u>                   | <u>2,200,000</u>               | <u>--</u>       | <u>--</u>                    |
| Total liabilities                    | <u>4,757,400</u>            | <u>2,275,929</u>               | <u>--</u>       | <u>--</u>                    |
| Net assets                           | <u>\$14,854,734</u>         | <u>\$20,472,252</u>            | <u>\$ --</u>    | <u>\$8,786,406</u>           |

Schedule of Changes in Net Assets

Land-Grant Endowment Funds  
Notes to the Financial Schedules  
June 30, 2006

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 8,400 acres of these lands are held at 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 \$5.9 million are primarily from sales of trust land. Investments of approximately \$1.3 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 of The Chancellor. Real property of approximately \$33.9 million is comprised primarily of replacement and property interests and does not include the value of the university's original entitlement land.

### 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 investments and other assets of the endowment and related designated funds.

In fiscal year 2006, the Revenue Fund transferred \$660,172 to the land management operating budget reserve. Not reflected in these financial schedules is the reserve with a balance of \$1,072,200 at June 30, 2006. 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 agriculture, forestry, fisheries, mineral, and other university programs. All unexpended funds are invested in pooled investment funds of The Common

**Land Grant Endowment Funds  
Schedule of Allocated Natural Resources Fund Balances  
For the Year Ended June 30, 2006**

| <b>Project</b> | <b>Available<br/>June 30,<br/>2005</b> | <b>New Awards</b> | <b>Expen-</b> | <b>Available<br/>June 30,</b> |
|----------------|--|-------------------|---------------|-------------------------------|
|----------------|--|-------------------|---------------|-------------------------------|

**Land Grant Endowment Funds**  
**Schedule of Allocated Natural Resources Fund Balances**  
**For the Year Ended June 30, 2006**

| <b>Project</b>                                  | <b>Available<br/>June 30,<br/>2005</b> | <b>New Awards<br/>&amp; Transfers</b> | <b>Expen-<br/>ditures</b> | <b>Available<br/>June 30,<br/>2006</b> |
|---|--|---------------------------------------|---------------------------|--|
| <b>Outreach/Public Service</b>                  |  |                                       |                           |  |
| PWSCC/4th, 5th Annual Theater Conference        | 2,073                                  | -                                     | 600                       | 1,473                                  |
| UAF/University of Alaska Press                  | -                                      | 80,000                                | 80,000                    | -                                      |
| <b>Program Development/Enhancement</b>          |  |                                       |                           |  |
| UAA,UAF,UAS/Engineering Collaboration           | 2,076                                  | -                                     | -                         | 2,076                                  |
| UAF/Circumpolar Region Database                 | 2,411                                  | -                                     | 354                       | 2,057                                  |
| SYS/Academic Program Support                    | 9,323                                  | -                                     | -                         | 9,323                                  |
| <i>sub-grants to:</i>                           |  |                                       |                           |  |
| UAF/Transportation Research - FAA Match         | 163                                    | -                                     | -                         | 163                                    |
| <b>Research, Scholarship, Creative Activity</b> |  |                                       |                           |  |
| UAF/UA/MIT MOA                                  | 3,525                                  | (3,525)                               | -                         | -                                      |