

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

Land-Grant Endowment Funds
Schedule of Net Assets
June 30, 2009

	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)	\$ (3,408,435)	\$ (323,295)	\$ --	\$10,402,760
Receivables	4,432,591	201,455	--	--
Investments	92,731,846	15,812,137	--	--
Real property held for investment	--	13,947,015	--	--
Real property	<u>32,011,783</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total assets	125,767,785	29,637,312	--	10,402,760
Liabilities:				
Security deposits and other payables	650,907	115,607	--	--
Long-term debt	<u>--</u>	<u>1,890,000</u>	<u>--</u>	<u>--</u>
Total liabilities	<u>650,907</u>	<u>2,005,607</u>	<u>--</u>	<u>--</u>
Net assets	<u>\$125,116,878</u>	<u>\$27,631,705</u>	<u>\$ --</u>	<u>\$10,402,760</u>

Schedule of Changes in Net Assets
For the Year Ended June 30, 2009

Revenue and other additions:				
Sale, lease, or transfer of real property, materials and mineral interests	\$ 2,469,359	\$ 6,908,407	\$ --	\$ --
Cost basis of property sold	<u>(431,506)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net sales	2,037,853	6,908,407	--	--
Net realized and unrealized losses from investments				

Land-Grant Endowment Funds
Notes to the Financial Schedules
June 30, 2009

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 82,500 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 \$4.4 million are primarily from sales of trust land. Investments of approximately \$92.7 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 \$32.0 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 \$0.6 million are held for security or performance on contracts and other leases. Net assets include \$(1.4) 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 2009 was \$5,490,445. To meet c 0.004 Tw10.002 Tc 0.267 Tw 25.03 |

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 2009, the Revenue Fund transferred \$916,821 to the land management operating budget reserve. Not reflected in these financial schedules is the reserve with a balance of \$1,513,200 at June 30, 2009. 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. 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.

Two conservation groups filed a lawsuit against the state and university claiming the legislation was unconstitutional because it dedicated funds. The plaintiffs prevailed with the Alaska Supreme Court and the result was that the 2005 legislation was nearly all invalidated except for that portion which relates to a research forest to be conveyed to the university in 2055. The university will have to return approximately 33,700 acres of land that it has received through June 30, 2009 unless new legislation is passed reauthorizing the land conveyances. However, such properties have been recorded at zero basis, so there is no anticipated impact on the results of operations.

Land Grant Endowment Funds
Schedule of Allocated Natural Resources Fund Balances
For the Year Ended June 30, 2009

Project	Available June 30, 2008	New Awards & Transfers	Expen- ditures	Available June 30, 2009
NATURAL RESOURCES PROJECTS				
Animals				
UAS/Ring Seal Survey	1,041	-	-	1,041
Fisheries				