

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

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
------------------------------------	---------------------------------------	------------------------	----------------------

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

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 Statute 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 developm0.0te of AlAc h0eive 98 s 98 T be(res rels will be c)r-1.2v6 {destrustn)--1.198258i/(s2(nd8lnT/TT1 1d9ide Tc8

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/UAA 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)	-	-