

**UNIVERSITY OF ALASKA
and
UNIVERSITY OF ALASKA FOUNDATION
CONSOLIDATED ENDOWMENT FUND**

Financial Statements

June 30, 2007 and 2006

(With Independent Auditor's Report Thereon)

**UNIVERSITY OF ALASKA
and
UNIVERSITY OF ALASKA FOUNDATION
CONSOLIDATED ENDOWMENT FUND**

TABLE OF CONTENTS

	<u>Page</u>
Statements of Assets and Liabilities	1
Statements of Operations and Changes in Net Assets	2
Statements of Cash Flows	3
Notes to Financial Statements	4



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Independent Auditors' Report

The Board of Trustees
University of Alaska and University of Alaska
Foundation Consolidated Endowment Fund:

We have audited the accompanying statements of assets and liabilities of the University of Alaska and University of Alaska Foundation Consolidated Endowment Fund as of June 30, 2007 and 2006, and the related statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the University of Alaska and University of Alaska Foundation Consolidated Endowment Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Alaska and University of Alaska Foundation Consolidated Endowment Fund at June 30, 2007 and 2006, and the changes in its net assets and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The 2007 financial statements include investments valued at \$85.2 million, (32 % of net assets) whose carrying values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners.

KPMG LLP

October 26, 2007

**UNIVERSITY OF ALASKA
and
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CONSOLIDATED ENDOWMENT FUND**

STATEMENTS OF ASSETS AND LIABILITIES
June 30, 2007 and 2006

Assets	2007	2006
Cash and cash equivalents	\$ 8,363,462	\$ 7,920,880
Fixed income securities	46,635,976	41,994,634
Equity securities	130,682,689	108,790,597
Alternative investments	64,679,787	50,863,337
Real estate partnerships and investment trusts	12,521,293	10,382,193
Other investments	3,556,498	4,000,000
Interest and dividends receivable	104,245	199,684
Total assets	266,543,950	224,151,325
 Liabilities	 -	 -
 Net Assets		
University of Alaska	147,015,826	125,053,368
University of Alaska Foundation	119,528,124	99,097,957
Total net assets	\$ 266,543,950	\$ 224,151,325
 Net Asset Value Per Unit	 \$264.78	 \$229.01

The accompanying notes are an integral part of the financial statements

**UNIVERSITY OF ALASKA
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NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

1. Organization and Summary of Significant Accounting Policies

Organization

The Consolidated Endowment Fund (fund) was established July 1, 1997 to combine, for investment purposes, certain assets of the University of Alaska (university) Endowment Trust Fund and the University of Alaska Foundation (foundation) Pooled Endowment Fund. The fund is managed by the foundation through its investment committee and treasurer.

The University Endowment Trust Fund, codified in Alaska Statute 14.40.400, is an endowment trust fund. The source of the funding consists of income from the sale or lease of land granted to the university by an Act of Congress approved January 21, 1929 and other gifts and bequests.

The Foundation Pooled Endowment Fund includes endowment and similar funds contributed to the foundation that do not have specific investment restrictions. Earnings from the Pooled Endowment Fund are for the support of the university, subject to donor imposed restrictions.

Investments of the fund may be held in the name of the foundation, the university, the fund, or any fund or nominee as may be authorized by the foundation's treasurer.

In preparing the financial statements, management is required to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the statements of assets and liabilities and operations for the period. Actual results could differ from those estimates. The more significant accounting and reporting policies and estimates applied in the preparation of the accompanying financial statements are discussed below.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting.

Due to the endowment nature of the fund, all assets, including cash and cash equivalents, are considered non-current assets held for long-term investment.

Investments in fixed income and equity marketable securities are stated at fair value based on quoted market prices. Investments in private partnership interests are valued using the most current information provided by the general partner. General partners typically value privately held companies at cost as adjusted based on recent arms' length transactions. Public companies are valued using quoted market prices and exchange rates, if applicable. Real estate partnerships and funds are valued based on appraisals of properties held and conducted by third-party appraisers retained by the general partner or investment manager. General partners of marketable alternatives provide values based on quoted market prices and exchange rates for publicly held securities and valuation estimates of derivative instruments. General partners of oil and gas partnerships use third-party appraisers to value properties. Valuations provided by the general partners and investment managers are evaluated by management and management believes such values are reasonable at June 30, 2007. The net realized and unrealized appreciation (depreciation) in fair value of investments is reflected in the statement of operations.

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NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

1. Organization and Summary of Significant Accounting Policies, continued

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of net assets.

At June 30, 2007, the fund had approximately \$85.2 million in investments which were not readily marketable. These investments represent 32% of total investments and 32% of net assets at June 30, 2007. These investment instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence upon key individuals, and nondisclosure of portfolio composition. Because these investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material.

Other investments, which consist of equity collateralized debt obligations, are stated at cost. When, in the opinion of management, there has been a permanent impairment in the asset value, the asset is written down to its fair value. Income from other investments is recognized when received.

The fund is managed under the “total return” concept of investment management intended to preserve and maintain the purchasing power of the principal. This approach emphasizes total investment return - traditional yield or investment income, and net realized and unrealized gains and losses.

The fund uses a unitized system to account for each participant’s interest. Contributions to and withdrawals from the fund result in an increase or decrease in the number of units owned and are based on the unit value at the beginning of the month in which the contribution or withdrawal is made. Large additions to the fund are initially invested in cash and cash equivalents and dollar – cost-averaged into the investment pool over a ten month period. Investment income, fees and realized and unrealized gains and losses are allocated monthly to participating funds on a per unit basis. Investment income net of fees increases the number of units outstanding, while realized and unrealized gains and losses affect the per unit value.

2. Asset Allocation

The asset allocation of the fund’s investments was as follows:

	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	3.2%	3.6%
Fixed income, domestic	17.5%	18.8%
Equities, domestic	29.7%	33.8%
Equities, foreign	19.4%	14.8%
Alternative investments	24.1%	22.6%
Real estate partnerships and investment trusts	4.7%	4.6%
Other investments	<u>1.4%</u>	<u>1.8%</u>
	<u>100%</u>	<u>100%</u>

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3. Commitments

The fund had commitments to make capital contributions to various alternative investments and real estate investment trusts totaling \$23 million and \$27 million at June 30, 2007 and 2006.

4. Changes in Net Asset Balances

Changes in net asset balances by participant were as follows:

	<u>Foundation</u>	<u>University</u>	<u>Total</u>
Balance, July 1, 2005	\$ 76,278,744	\$ 113,261,216	\$ 189,539,960
Net increase from operations	10,507,832	13,965,625	24,473,457
Distributions for endowment spending	(2,812,200)	(4,759,344)	(7,571,544)
Additional net investments	<u>15,123,581</u>	<u>2,585,871</u>	<u>17,709,452</u>
Balance, June 30, 2006	99,097,957	125,053,368	224,151,325
Net increase from operations	17,889,962	22,446,289	40,336,251
Distributions for endowment spending	(3,432,139)	(4,691,807)	(8,123,946)
Distributions for endowment assessments	(226,560)	(192,024)	(418,584)
Additional net investments	<u>6,198,904</u>	<u>4,400,000</u>	<u>10,598,904</u>
Balance, June 30, 2007	<u><u>\$ 119,528,124</u></u>	<u><u>\$ 147,015,826</u></u>	<u><u>\$ 266,543,950</u></u>

5. Distributions

Distributions from the fund are based on spending policies established by each participant and assessments charged by the foundation to cover administrative and fundraising expenses.