

Education Trust of Alaska

Financial Statements

June 30, 2010

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Report of Independent Auditors

To the Board of Regents of the University of Alaska,
Trustee for the Education Trust of Alaska:

In our opinion, the accompanying statement of net assets and the related statement of operations and changes in net assets present fairly, in all material respects, the financial position of the Education Trust of Alaska (the "Trust") at June 30, 2010, the results of its operations and the changes in its net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

November 19, 2010

Education Trust of Alaska
Statement of Net Assets
June 30, 2010

	Operating Fund	Participant Accounts	Total
Assets			
Receivables for securities and units sold	\$ -	\$ 1,680,517	\$ 1,680,517
Due from (to) Participant Accounts (Note 2)	134,869	(134,869)	-
Interest receivable	18,525	-	18,525
Due from the Trustee	9,305	-	9,305
Receivables, other	678	-	678
Investments (Note 4)	9,338,878	3,401,552,809	3,410,891,687
Total assets	9,502,255	3,403,098,457	3,412,600,712
Liabilities			
Payables for securities sold and units repurchased	-	1,665,082	1,665,082
Payables, other and accrued expenses	189,360	1,905,669	2,095,029
Tuition-Value Guarantee (Note 7)	5,340,000	-	5,340,000
Total liabilities	5,529,360	3,570,751	9,100,111
Net assets	\$ 3,972,895	\$3,399,527,706	\$3,403,500,601

The accompanying notes are an integral part of these financial statements.

Education Trust of Alaska
Statement of Operations and Changes in Net Assets
Year Ended June 30, 2010

	Operating Fund	Participant Accounts	Total
Revenues and other additions			
Participant contributions	\$ -	\$ 604,692,525	\$ 604,692,525
Net investment income	255,606	68,913,091	69,168,697
Net realized and unrealized gains and (losses)	734,018	321,713,070	322,447,088
Program fees retained	1,541,037	-	1,541,037
	<u>2,530,661</u>	<u>995,318,686</u>	<u>997,849,347</u>
Expenses and other deductions			
Distributions to participants	178,899	410,760,210	410,939,109
Program and administrative fees (Note 5)	-	23,674,782	23,674,782
Administrative expenses of the Trust (Note 6)	992,980	-	992,980
Provision for Tuition-Value Guarantee (Note 7)	130,000	-	130,000
	<u>1,301,879</u>	<u>434,434,992</u>	<u>435,736,871</u>
Net increase in net assets	1,228,782	560,883,694	562,112,476
Net assets			
Beginning of year	2,744,113	2,838,644,012	2,841,388,125
End of year	<u>\$ 3,972,895</u>	<u>\$3,399,527,706</u>	<u>\$3,403,500,601</u>

The accompanying notes are an integral part of these financial statements.

Education Trust of Alaska

Notes to Financial Statements

June 30, 2010

1. Organization and Summary of Significant Accounting Policies

The Education Trust of Alaska (the "Trust"), formerly the University of Alaska Savings Trust, was established on April 20, 2001 to help participants provide for the increasing cost of higher education through tax-advantaged savings and investments in accordance with the provisions of Section 529 of the Internal Revenue Code. The University of Alaska (the "University"), serves as Trustee and T. Rowe Price Associates, Inc. (the "Program Manager") serves as program manager. For financial reporting purposes the Trust consists of two funds: the Operating Fund and Participant Accounts.

Operating Fund: The Operating Fund represents net assets retained as a reserve for payment of the University of Alaska tuition-value guarantees, program administrative costs, and participant benefits and other purposes of the Trust. The Operating Fund invests in a blend of equities, fixed income and money market funds.

Participant Accounts: The Participant Accounts consist of accounts established by participants in the University of Alaska College Savings Plan (the "Alaska Plan"), the T. Rowe Price College Savings Plan (the "Price Plan") and John Hancock Freedom 529 (the "Hancock Plan"), (collectively "the Plans"). The Alaska Plan is primarily distributed in Alaska, and the Price Plan is distributed nationally by T. Rowe Price. The Hancock Plan is distributed nationally by John Hancock Distributors LLC through brokers and other financial intermediaries. The plans offer enrollment-based and static portfolios, each of which invests in predetermined underlying equity, fixed-income, and/or money market mutual funds. In addition to other investment options, the Alaska Plan offers the ACT Portfolio that carries a University of Alaska tuition-value guarantee.

Basis of Presentation

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of estimates by the Program Manager and the Trustee. Actual amounts could differ from those estimates and the differences could have a material impact on the financial statements. Further, management believes no events have occurred between June 30, 2010 and November 19, 2010, the date the financial statements were available to be issued, that require adjustment of, or disclosure in, the financial statements.

Federal Income Taxes

The Trust is designed to operate as a qualified tuition program under Section 529 of the Internal Revenue Code of 1986, as amended. Accordingly, the Trust is exempt from general income tax and has no unrelated business income; therefore, it makes no provision for federal income taxes.

Investment Income and Transactions

Income and capital gain distributions from the underlying mutual fund investments are recorded on the ex-dividend date. Expenses are recorded on the accrual basis. Realized gains and losses from investment transactions are reported on the identified cost basis. Investment transactions in shares of the underlying mutual fund investments are accounted for based on the trade date.

Sales Charges

The Alaska Plan and the Price Plan are offered with one class of units and have no sales charges or load. The portfolios of the Hancock Plan currently are offered in up to three classes of units. Class A units pay a 5.25% front-end sales load, except that: 1) contributions are subject to reduced sales charges at defined asset levels, based on an account holder's total plan assets and 2) additions to certain accounts established prior to June 3, 2002, are generally charged the original 3.5% sales load. Class B units are subject to a Contingent Deferred Sales Charge (CDSC) of up to 5.00%, declining annually, on withdrawals made within six years of the contribution. Class B units automatically convert to Class A units in the seventh year. Class C and Class C2 units incur no front-end sales loads and are not subject to any CDSC. Class C units are available only in certain

Education Trust of Alaska
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June 30, 2010

portfolios and only to Class C accounts established prior to October 1, 2002. Transactions in the JH Money Market Portfolio incur no sales loads. In all other respects, each class has the same rights and obligations as the other classes.

Program Fees Retained by the Trust

For the Hancock Plan, the Trust retains a portion of the program fee equal to 5 basis points (0.05% annualized) of the average daily net assets of the Hancock Plan excluding the Money Market Portfolio. Effective December 1, 2007, the Trust agreed to forego the retention of any portion of the Program Fee for the Money Market Portfolio and to reimburse the Program Manager for program costs at 1 basis point (annualized 0.01%) of the average daily net assets, exclusive of the Money Market Portfolio.

For the Alaska and Price Plans, the Trust retains 4 basis points (0.04% annualized) of the program fee when the combined assets exceed \$750 million. The Trust also retains an additional 6 basis points (0.06%) when the combined assets of the two plans exceed \$1 billion. The portion retained by the Trust is determined monthly based upon the combined average daily net assets of the Alaska and Price plans excluding the ACT Portfolio. Effective January 1, 2010, the Trust commenced retaining its 4 basis point (0.04% annualized) portion of the program fee without regard to any minimum asset requirement.

The program fees retained by the Trust are used exclusively for expenses of the program and other purposes of the Trust.

See Note 11 Subsequent Events for changes in the fee structure and retention effective July 1, 2010.

Seed Money

As new portfolios are established, the Operating Fund provides "seed money" to open the portfolios for administrative purposes, such as initial net asset value calculations. The seed money is subsequently returned to the Operating Fund with earnings. During the year ended June 30, 2010, \$100,000 of seed money was returned to the Operating Fund. Earnings on the seed money advance to the Participant Accounts were \$32,350 for the year ended June 30, 2010.

2. Due from (to) Participant Accounts

Due from (to) Participant Accounts represents program fees due to the Operating Fund for administration of the program. As of June 30, 2010, program fees of \$134,869 were due to the Operating Fund from Participants Accounts.

3. Investment Valuation

Investments of the Trust are reported at fair value as defined under ASC 820. Investments in underlying mutual funds are valued at the underlying mutual fund's closing net asset value (NAV) per share on the date of valuation. Each day that the New York Stock Exchange is open for business the assets of each portfolio are valued and totaled, liabilities are subtracted, and each class's proportionate share of the balance, called net assets, is divided by the number of units outstanding of that class.

Investments for which such valuation procedures are inappropriate or are deemed not to reflect fair value are stated at fair value as determined in good faith by or under the supervision of the program manager, as authorized by the Trustee. Additional information on the valuation policy of the underlying mutual funds can be found in the financial statements of each fund.

Various inputs are used to determine the value of investments. These inputs are summarized in the three broad levels listed below:

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- Level 1 – quoted prices in active markets for identical securities
- Level 2 – observable inputs other than Level 1 quoted prices (including, but not limited to, quoted prices for similar securities, interest rates, prepayment speeds, and credit risk)
- Level 3 – unobservable inputs

Observable inputs are those based on market data obtained from sources independent of the Trust, and unobservable inputs reflect the Trust's own assumptions based on the best information available. The input levels are not necessarily an indication of the risk or liquidity associated with investments at that level. Investments are summarized by level, based on the inputs used to determine their values. Because the underlying mutual funds in which the Trust invests are actively traded at publicly available NAVs, all investments are classified as Level 1 on June 30, 2010.

4. Investments

Operating Fund

At June 30, 2010, the Trust's Operating Fund included the following investments in T. Rowe Price Mutual funds:

T. Rowe Price Equity Index 500 Fund	\$ 2,857,058
T. Rowe Price Extended Equity Market Index	721,351
T. Rowe Price Prime Reserve Fund	69,451
T. Rowe Price Summit Cash Reserves Fund	75,844
T. Rowe Price U.S. Bond Index Fund	5,615,174
	\$ 9,338,878

Participant Accounts

The Alaska Plan and Price Plan are distributed and managed by T. Rowe Price Associates, Inc. with investments in portfolios composed of T. Rowe Price mutual funds. Participant contributions are recorded and invested in the Alaska Plan or the Price Plan according to instructions provided by the participants on the trade date. Total investments in the plans were \$1,136,192,277 at June 30, 2010 and were invested in the following mutual funds:

T. Rowe Price Blue Chip Growth Fund	\$ 65,660,246
T. Rowe Price Emerging Markets Stock Fund	18,362,020
T. Rowe Price Equity Index 500 Fund	314,034,440
T. Rowe Price Extended Equity Market Index Fund	4,186,797
T. Rowe Price International Growth & Income Fund	30,244,043
T. Rowe Price International Stock Fund	32,424,060
T. Rowe Price Mid-Cap Growth Fund	27,060,320
T. Rowe Price Mid-Cap Value Fund	27,593,301
T. Rowe Price Overseas Stock Fund	31,472,399
T. Rowe Price Short-Term Income Fund	74,486,013
T. Rowe Price Small-Cap Stock Fund	39,442,437
T. Rowe Price Spectrum Income Fund	291,159,609
T. Rowe Price Summit Cash Reserves Fund	31,112,214
T. Rowe Price Total Equity Market Index Portfolio	10,537,712
T. Rowe Price U.S. Bond Index Fund	31,057,378
T. Rowe Price Value Fund	74,408,401
T. Rowe Price New Income Fund	32,950,887
	\$ 1,136,192,277

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The Hancock Plan is distributed by John Hancock Distributors LLC and managed by T. Rowe Price Associates, Inc. The Hancock Plan is invested in portfolios with underlying T. Rowe Price and other mutual funds. Total investments in the plan were \$2,265,360,532 at June 30, 2010 and were invested in the following mutual funds:

American Mutual Fund	\$ 61,782,884
American Mutual Fund, Class F	12,861,416
John Hancock Disciplined Value Fund I	56,692,905
John Hancock Funds II International Value	92,303,832
John Hancock Funds II - Lifestyle Growth Portfolio, Class 5	73,312,651
John Hancock Funds II - Lifestyle Balanced Portfolio, Class 5	37,025,747
John Hancock Funds II - Lifestyle Moderate Portfolio, Class 5	17,080,676
John Hancock Funds II Capital Appreciation	151,624,714
John Hancock Funds II Emerging Markets Value	26,144,442
John Hancock Funds II Fundamental Value	59,862,642
John Hancock Funds II Total Return	340,586,213
Oppenheimer International Growth Fund	77,929,154
T. Rowe Price Blue Chip Growth Fund	222,891,245
T. Rowe Price Equity Income Fund	196,023,520
T. Rowe Price Financial Services Fund	11,409,167
T. Rowe Price Health Sciences Fund	11,939,800
T. Rowe Price Mid-Cap Value Fund	103,041,230
T. Rowe Price New Horizons Fund	90,755,137
T. Rowe Price Science & Technology Fund	11,947,315
T. Rowe Price Short-Term Bond Fund	21,310,758
T. Rowe Price Short-Term Income Fund	180,260,510
T. Rowe Price Small-Cap Stock Fund	8,138,622
T. Rowe Price Spectrum Income Fund	335,220,205
T. Rowe Price Summit Cash Reserves Fund	65,215,747
	\$ 2,265,360,532
Total Investments, all portfolios	\$ 3,401,552,809

5. Program and Administrative Fees

Program and administrative fees deducted from the Participant Accounts represent fees charged to participants for the administration, promotion and distribution of the plans. For the Alaska and Price plans, the Trust charges accounts an annual account fee of \$25 per account and a program management fee of 28 basis points (0.28% annualized) of the average daily net assets of an account. Accounts of the ACT Portfolio are not subject to any account fee or program management fee.

For the Hancock Plan accounts, the Trust charges an annual account fee of \$25 and a basic program fee of 35 basis points (0.35% annualized) except for the Money Market Portfolio for which a program fee of 30 basis points (0.30% annualized) is charged. A Trust fee of 5 basis points (0.05% annualized) included in the program fee is charged on all accounts except for the Money Market Portfolio, which is not subject to the Trust fee. Distribution fees, which range from 25 to 100 basis points (0.25% to 1.00% annualized), depending upon the unit class, are also charged to all accounts.

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Certain program and administrative fees are waived or reduced for accounts and account holders that achieve specified account balance levels, invest in the ACT Portfolio, or participate in authorized automatic payment, payroll deduction, or employer programs. All fees, except for the portions retained by the Trust as described in Note 1, are transferred to the Program Manager for program management services.

During the year ended June 30, 2010, the Trustee authorized the Program Manager to waive all or a portion of the applicable program management fee and distribution and service fees for the Money Market Portfolios in the Alaska, Price and Hancock Plans to the extent necessary to maintain a net yield of at least 0.00% for any specific day. Pursuant to this arrangement, fees of \$78,000 were waived for the Money Market Portfolio in the Alaska and Price Plans, collectively, and \$179,000 for the Money Market Portfolio in the Hancock Plan. In addition, the Program Manager voluntarily agreed to limit the ratios of direct and indirect expenses for the Hancock Plan Fixed Income Portfolio to 1.34% for Class A, 2.09% for Classes B and C2, and 1.59% for Class C. Expenses in excess of the expense limit totaling \$15,000 were reimbursed by the Program Manager and will not be subject to future repayment.

See Note 11 Subsequent Events for changes in the fee structure effective July 1, 2010.

6. Administrative Expenses of the Trust

Program and administrative expenses charged to the Operating Fund represent payments to the University of Alaska, as Trustee, for administration of the Trust including reimbursement of marketing, compensation and benefits and other expenses incurred by the University of Alaska on behalf of the Trust. The Trust has assumed responsibility for funding its direct costs including compensation and benefits of its staff, promotion and advertising, and the cost of audit services for the Alaska, Price and Hancock plans. In addition, effective December 1, 2007, the Trust commenced reimbursing the Program Manager monthly for costs incurred by the Program Manager in connection with the Hancock Plan at a rate of 1 basis point (0.01% annualized) times the average daily assets of the Hancock Plan excluding the Money Market Portfolio. For the fiscal year ended June 30, 2010 the Trust incurred direct costs of \$777,877 for administration of its College Savings Program. The Trust also incurred charges of \$215,103 for the fiscal year ended June 30, 2010 in connection with its cost sharing agreement with the Program Manager. At June 30, 2010, the Trust had payables and accrued expenses in the amount of \$189,360 of which \$18,532 is payable to the Program Manager as cost sharing.

7. Tuition-Value Guarantee

The University of Alaska tuition-value guarantee represents a guarantee by the Trust that the long-term earnings applicable to investments in the ACT Portfolio, which are redeemed for payment of regular tuition at the University of Alaska, will keep pace with tuition inflation at the University of Alaska. As of June 30, 2010, the Trustee estimates the liability for the tuition-value guarantee to be approximately \$5,340,000. The Trustee utilized a methodology to estimate the liability, which is based in part on the number of ACT credits assigned to each account, at June 30, 2010. An ACT credit is a unit of education equal to one upper-division credit hour charge at the University of Alaska's largest campus in Anchorage. The actuarial analysis is based on several significant assumptions including: 1) that distribution and tuition utilization patterns for the most recent 5-year period will continue, 2) that the average annual tuition inflation for the University of Alaska will be similar to its average tuition inflation for the previous 29 years of approximately 8.00%, except that tuition increases for the next two years are expected to be approximately 10.00%, and 3) that average portfolio earnings will be approximately 6.00% based on target asset allocations and management's long-term capital market return estimate. The estimated Tuition-Value Guarantee increased by \$130,000 to \$5,340,000 primarily due to higher than average near-term tuition inflation.

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8. Related Party Transactions

As described in Note 1, the University serves as Trustee for the Trust. Certain University employees serve as management and staff for the Trust and the College Savings Plans. The direct costs incurred by the University for these positions and other costs of the College Savings Program are reimbursed by the Trust. Other University departments provide accounting and legal services without charge. Additional information regarding cost reimbursements to the University is provided in Note 6.

9. Portfolio Changes

The Alaska and Price Plans

Beginning in December 2009, the Portfolio for College and Portfolio 2012 have been gradually transitioning the Spectrum Income Fund allocations to the New Income Fund. Similar transitions will occur for all enrollment based portfolios during the five-year period preceding their maturity.

The Hancock Plan

Effective July 1, 2009, the John Hancock Classic Value I was replaced with the John Hancock Disciplined Value I (subadvised by Robeco) as an underlying equity fund option for certain portfolios.

10. Market Conditions

For the Alaska and Price plans, with the exception of the Money Market Portfolio, all of the portfolios had returns of 10.3% to 15.7% for the year. For the Hancock Plan, with the exception of the Money Market and Short-Term Bond portfolios, all of the portfolios had returns of 8.2% to 25.6% for the year.

11. Subsequent Events

Program Fee Changes

For the Alaska and Price plans, effective July 1, 2010, program management fees charged to each Portfolio have been reduced from 0.28% to 0.20% of each portfolio's average daily net assets, except for the ACT Portfolio for which no program management fee is charged.

Portfolio Changes

Effective July 7, 2010, the T. Rowe Price Short-Term Income Fund, which currently serves as an underlying fund of the Alaska, Price and Hancock Plans, has been renamed the T. Rowe Price Inflation Focused Bond Fund. Consistent with the name change, the T. Rowe Price Inflation Focused Bond Fund will focus more of its investment on securities that are indexed to inflation. The Trust has been gradually introducing the T. Rowe Price Short-Term Income Fund into the enrollment-based portfolios during the five years prior to maturity. The T. Rowe Price Inflation Focused Bond Fund will now fill that role within the Plans.