

**UNIVERSITY OF ALASKA FOUNDATION  
CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2021 AND 2020**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
University of Alaska Foundation  
Fairbanks, Alaska

We have audited the accompanying consolidated financial statements of the University of Alaska Foundation and the University of Alaska Foundation Consolidated Endowment Fund, LP (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of the University of Alaska Foundation Consolidated Endowment Fund, LP, an affiliated entity, whose statements reflect total assets of \$477,339,799 and \$356,722,498 as of June 30, 2021 and 2020, respectively, and net increase in partners' capital from operations of \$113,516,629 and \$4,690,918, respectively, for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of Alaska Foundation Consolidated Endowment Fund, LP, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Board of Directors  
University of Alaska Foundation

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2021 and 2020, and the changes in their net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
October 7, 2021

**UNIVERSITY OF ALASKA FOUNDATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2021 AND 2020**

	2021	2020
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 8,181,055	\$ 6,923,304
Interest and Dividends Receivable	259,231	289,114
Contributions Receivable, Net	5,782,608	6,981,712
Other Receivables	929,415	32,418
Other Investments	64,372,616	59,705,494
Pooled Endowment Funds	476,706,111	356,262,641
Remainder Trusts Receivable	3,244,944	2,796,941
Bequests Receivable	5,000,000	175,000
Other Assets	311,326	253,544
Total Assets	\$ 564,787,306	\$ 433,420,168
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Due to University of Alaska	\$ 6,215,629	\$ 6,315,517
Payable for Unsettled Trades	4,500,000	-
Other Liabilities	1,371,792	25,462
Split Interest Obligations	231,766	226,143
Term Endowment Liability	1,000,000	1,000,000
Assets Held in Trust for University of Alaska	184,180,071	144,283,797
Total Liabilities	197,499,258	151,850,919
<b>NET ASSETS</b>		
Without Donor Restrictions	32,110,566	28,000,792
With Donor Restrictions	335,177,482	253,568,457
Total Net Assets	367,288,048	281,569,249
Total Liabilities and Net Assets	\$ 564,787,306	\$ 433,420,168

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF ALASKA FOUNDATION  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>			
Contributions, Net	\$ 94,229	\$ 32,804,206	\$ 32,898,435
Investment Income	1,016,765	608,254	1,625,019
Net Realized and Unrealized Investment Gains	4,995,576	62,207,795	67,203,371
Other Revenues	-	25,030	25,030
Actuarial Adjustment of Remainder Trust Obligations	-	713,914	713,914
Administrative Assessments	3,059,230	(2,294,271)	764,959
Support from University of Alaska	922,064	-	922,064
Net Assets Released from Restriction	12,455,903	(12,455,903)	-
Total Revenues, Gains, and Other Support	22,543,767	81,609,025	104,152,792
<b>EXPENSES AND DISTRIBUTIONS</b>			
Program Expenses	13,833,038	-	13,833,038
Management and General	1,363,979	-	1,363,979
Fundraising	3,236,976	-	3,236,976
Total Expenses and Distributions	18,433,993	-	18,433,993
<b>CHANGE IN NET ASSETS</b>	4,109,774	81,609,025	85,718,799
Net Assets - Beginning of Year	28,000,792	253,568,457	281,569,249
<b>NET ASSETS - END OF YEAR</b>	\$ 32,110,566	\$ 335,177,482	\$ 367,288,048

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF ALASKA FOUNDATION  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>			
Contributions	\$ 53,601	\$ 18,084,825	\$ 18,138,426
Investment Income	1,202,374	921,894	2,124,268
Net Realized and Unrealized Investment Gains	1,163,732	1,780,191	2,943,923
Other Revenues	-	89,078	89,078
Actuarial Adjustment of Remainder Trust Obligations	-	(84,405)	(84,405)
Administrative Assessments	2,795,950	(2,109,733)	686,217
Support from University Of Alaska	934,325	-	934,325
Net Assets Released from Restriction	12,049,998	(12,049,998)	-
Total Revenues, Gains, and Other Support	<u>18,199,980</u>	<u>6,631,852</u>	<u>24,831,832</u>
<b>EXPENSES AND DISTRIBUTIONS</b>			
Program Expenses	12,692,309	-	12,692,309
Management and General	2,368,417	-	2,368,417
Fundraising	2,060,575	-	2,060,575
Total Expenses and Distributions	<u>17,121,301</u>	<u>-</u>	<u>17,121,301</u>
<b>CHANGE IN NET ASSETS</b>	1,078,679	6,631,852	7,710,531
Net Assets - Beginning of Year	<u>26,922,113</u>	<u>246,936,605</u>	<u>273,858,718</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 28,000,792</u>	<u>\$ 253,568,457</u>	<u>\$ 281,569,249</u>

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF ALASKA FOUNDATION  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021			
Program	Management and General	Fundraising	Total	
Grants to University of Alaska	\$ 13,691,869	\$ -	\$ 42,505	\$ 13,734,374
Salaries and Benefits	92,422	945,669	2,215,835	3,253,926
Services and Professional Fees	-	239,370	703,656	943,026
Office and Occupancy	-	137,833	17,660	155,493
Information Technology	48,747	24,997	256,404	330,148
Conferences and Meetings	-	10,034	167	10,201
Travel	-	6,076	749	6,825
Total Expenses	<u>\$ 13,833,038</u>	<u>\$ 1,363,979</u>	<u>\$ 3,236,976</u>	<u>\$ 18,433,993</u>

	2020			
Program	Management and General	Fundraising	Total	
Grants to University of Alaska	\$ 12,604,489	\$ -	\$ -	\$ 12,604,489
Salaries and Benefits	32,551	1,777,403	1,046,793	2,856,747
Services and Professional Fees	-	244,992	784,586	1,029,578
Office and Occupancy	-	139,021	12,072	151,093
Information Technology	55,269	137,729	166,441	359,439
Conferences and Meetings	-	13,128	32,574	45,702
Travel	-	14,266	18,109	32,375
Uncollectable Pledge Expense	-	41,878	-	41,878
Total Expenses	<u>\$ 12,692,309</u>	<u>\$ 2,368,417</u>	<u>\$ 2,060,575</u>	<u>\$ 17,121,301</u>

See accompanying Notes to Consolidated Financial Statements.



**UNIVERSITY OF ALASKA FOUNDATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 85,718,799	\$ 7,710,531
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Contributions of Operating Noncash Assets	(171,726)	(147,752)
Contributions Restricted for Permanent Investment	(15,462,190)	(5,527,435)
Net Realized and Unrealized Investment Gains	(67,203,371)	(2,943,923)
Noncash Operating Expenses	61,330	-
Noncash Distributions to University of Alaska	-	36,384
Actuarial Adjustment of Remainder Trust Obligations	(713,914)	84,405
Pledge Discounts and Allowances	(137,339)	30,003
Changes in Assets and Liabilities:		
Interest and Dividends Receivable	46,348	(38,923)
Contributions Receivable	1,199,105	(1,407,968)
Bequests Receivable	(4,825,000)	675,000
Other Receivable	18,587	32,639
Other Assets	(57,783)	(30,929)
Due to University of Alaska	31,012	2,202,721
Other Liabilities	619,679	7,909
Net Cash Provided (Used) by Operating Activities	<u>(876,463)</u>	<u>682,662</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(113,888,370)	(104,219,961)
Proceeds from Sales of Investments	<u>100,591,935</u>	<u>99,659,936</u>
Net Cash Used by Investing Activities	<u>(13,296,435)</u>	<u>(4,560,025)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions Restricted for Permanent Investment	15,462,190	5,527,435
Payment Of Split Interest Obligations	<u>(31,541)</u>	<u>(30,538)</u>
Net Cash Provided by Financing Activities	<u>15,430,649</u>	<u>5,496,897</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,257,751	1,619,534
Cash and Cash Equivalents - Beginning of Year	<u>6,923,304</u>	<u>5,303,770</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 8,181,055</u>	<u>\$ 6,923,304</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Contributions of Noncash Investment Assets	<u>\$ 10,496,505</u>	<u>\$ 57,553</u>
Cash Paid for Interest	<u>\$ 2,550</u>	<u>\$ 22,901</u>

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF ALASKA FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The University of Alaska Foundation (the Foundation) was established May 30, 1974, to solicit donations and to hold and manage such assets for the exclusive benefit of the University of Alaska (the University). The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) organized in accordance with the laws of the state of Alaska and governed by a volunteer board of directors.

Although the University is the exclusive beneficiary of the Foundation, the Foundation is independent of the University. The net assets of the Foundation are the exclusive property of the Foundation. The board of directors of the Foundation is entitled to make all decisions regarding the business and affairs of the Foundation, including, without limitation, distributions made to the University.

The consolidated financial statements include the accounts of the Foundation and an affiliated entity, the University of Alaska Foundation Consolidated Endowment Fund, LP. The affiliated entity is included in these consolidated financial statements because the Foundation has an economic interest in the organization and, although the Foundation is the limited partner, it has authority to remove the general partner. All inter-entity transactions and balances have been eliminated.

**Basis of Presentation**

These consolidated financial statements are prepared on the accrual basis of accounting as promulgated by the Financial Accounting Standards Board. Net assets, revenues, expenses, distributions, gains, and losses are classified based on the existence or absence of donor-imposed or other external restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Assets, net of related liabilities, which are not subject to donor-imposed or other external restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions, unless use of the earnings is subject to donor-imposed or other external restrictions. Gains and losses on investments and other assets and changes in liabilities are reported as increases or decreases in net assets without donor restrictions, unless subject to donor-imposed or other external restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Expenses and distributions are reported as decreases in net assets without donor restrictions.

**UNIVERSITY OF ALASKA FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting**

The Foundation maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is a procedure by which resources are classified for accounting purposes in accordance with activities or objectives as specified by donors, with restrictions or limitations imposed by sources outside the institution, or with directions issued by the governing board.

All investments, not held for long-term investment, with original maturities of three months or less are reported as cash and cash equivalents. These are highly liquid short-term investments including an overnight repurchase agreement and money market mutual funds.

Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Unconditional promises to give expected to be collected in one year or more are valued at fair value. The valuation technique used, which is consistent with the income approach, is expected present value (EPV). EPV is a probability-weighted average of all possible cash flows discounted by the risk-adjusted rate, which is based on treasury note rates. The cash flows are further discounted to adjust for systematic risk by adding a risk premium of 3%. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions received for memorials or prospective endowments that have not yet met the minimum requirements for acceptance as an endowment are accumulated in net assets with donor restrictions account. The accumulated contributions are transferred to with donor restrictions account when the minimum requirements are fulfilled. If the requirements are not fulfilled, consistent with the conditions of acceptance, the contributions are expended for the purpose received.

Nonfinancial assets are stated at cost basis. The carrying value of donated assets other than marketable securities represents the fair value of the asset as determined by independent appraisal or management's estimate at the time of receipt or contribution. Inventories of artworks and books for sale are stated at the lower of cost (first-in, first-out method) or net realizable value.

**Use of Estimates**

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), 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 statement of financial position and revenue and expenses for the period. Actual results could differ from those estimates.

**UNIVERSITY OF ALASKA FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates (Continued)**

The most significant accounting estimates applied in the preparation of the accompanying consolidated financial statements include those in the areas of contributions receivable discounts and allowances, fair value of investments, and obligations to beneficiaries of split interest agreements. Management periodically evaluates estimates used in the preparation of consolidated financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates are made prospectively based on such periodic evaluations.

**Other Receivables**

Other receivables include an installment contract receivable, a receivable from the University of Alaska, and receivables from underlying investments.

An installment contract receivable of \$11,831 and \$30,418 at June 30, 2021 and 2020, respectively, resulted from the sale of capital stock in a closely held corporation. The contract is secured by the shares of capital stock sold, and payable in annual installments of \$20,000 including interest at 4.75%.

At June 30, 2021, the Foundation had a receivable from the University of Alaska of \$300,360, including \$184,064 for FY21 institutional support, \$116,278 for investment in the Land Grant Trust Fund endowment, and \$18 for due to/from reconciliation. At June 30, 2020, the Foundation had a receivable from the University of Alaska of \$2,000.

**Investments**

Purchases and sales of securities, mutual funds, exchange traded funds, and commingled funds are accounted for on a trade date basis. Realized gains and losses are determined using the specific identification method.

Purchases and sales of hedge fund investments are accounted for on a trade date basis. For hedge funds that are reported on a unitized basis, realized gains and losses are determined based on the specific identification method. For hedge funds that are not reported on a unitized basis, realized gains and losses are based on percentage of capital redeemed from the hedge fund.

Contributions to and distributions from private capital funds are accounted for on an effective date basis. Distributions, when identified as realized gain or loss or investment income, are recorded as such. Returns of capital reduce the private capital fund's cost basis.

**UNIVERSITY OF ALASKA FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments (Continued)**

Futures contracts are generally valued at the settlement price established at the close of each business day by the board of trade or exchange on which they are traded. The value of each futures contract is marked to market daily and an appropriate payable or receivable for the change in value (variation margin) is recorded. The payable or receivable is settled the following business day. Gains or losses are recognized but not accounted for as realized until the contracts expire or are closed.

The net realized and unrealized appreciation (depreciation) in fair value of investments is reflected in the consolidated statement of activities. Income and net gains on investments of endowment and similar funds are generally reported as increases in net assets with donor restrictions if the terms of the gift impose restrictions on the use of the income; or as increases in net assets without donor restrictions in all other cases. Losses on the investments of a donor-restricted endowment fund reduce net assets with donor restrictions to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining losses are classified as underwater endowment losses and reduce net assets with donor restrictions. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level are classified as increases in net assets with donor restrictions.

**Pooled Endowment Funds**

Effective July 1, 1997, management of the University's Land Grant Endowment Trust Fund was transferred from the State of Alaska Department of Revenue to the University Board of Regents. The Foundation and the University Board of Regents agreed to consolidate the Foundation's pooled endowment funds and the University's land grant endowments into a Consolidated Endowment Fund (Fund) for investment purposes. 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. Investment income, fees, and realized and unrealized gains and losses are distributed 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.

The Foundation entered into a partnership agreement with Cambridge Associates Resources, LLC to form the University of Alaska Foundation Consolidated Endowment Fund, L.P. (the Partnership) and assume management of the fund effective July 1, 2013. The Partnership is a single investor fund with Cambridge Associates Resources, LLC serving as general partner, and the Foundation, with more than 99.99% ownership, serving as the sole limited partner. The investment manager of the Partnership is Cambridge Associates, LLC. This relationship does not affect the ownership of units in the Consolidated Endowment Fund by the University or the Foundation.

**UNIVERSITY OF ALASKA FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Remainder Trusts Receivable**

A charitable remainder trust administered by a third party is an arrangement in which a donor establishes and funds a trust in which the assets are invested and administered by a third-party trustee and distributions are made to the income beneficiaries during the term of the agreement. Upon death of the donor the assets, or a portion of the assets remaining in the trust, are distributed to a nonprofit entity. The Foundation, as remainder beneficiary, records its interest in these irrevocable trusts, upon discovery of their existence, at fair value as determined using the present value of the estimated future cash receipts to be received from the trust, discounted at rates between 4% and 6.42% which reflect the expected rate of return as adjusted for various risk factors. Initial recognition and subsequent adjustments to the assets' carrying value are recognized as contribution revenue and actuarial adjustment of the remainder trust obligations, respectively, and are classified as net assets with donor restrictions or net assets without donor restrictions, depending on donor-imposed purpose and time restrictions, if any.

**Other Assets**

Other assets include prepaid expenses of \$171,887 and \$117,654, net inventory of \$133,982 and \$133,983, and donated illiquid investments carried at cost of \$2 at June 30, 2021 and 2020, respectively. In addition, other assets includes unused donated Alaska Airline vouchers valued at \$5,456 and \$1,905 as of June 30, 2021 and 2020, respectively.

**Split Interest Obligations**

The Foundation has established charitable remainder trust and charitable gift annuity plans for which the Foundation serves as trustee. These plans specify that donors may contribute assets to the Foundation in exchange for the right to receive a fixed dollar or fixed percentage annual return.

The Foundation records the assets held at fair value and the corresponding liability at the actuarially determined present value of payments to be made to the income beneficiaries. The difference between the amount of the gift and the present value of the liability for future payments, determined on an actuarial basis, is recognized as a contribution at the date of the gift. The present value of payments to income beneficiaries is calculated using discount rates which represent the Charitable Federal Midterm Rate (CFMR) in existence at the date of the gift. The split interest obligations are revalued annually and any resulting actuarial gain or loss is recorded as a change in net assets.

**Term Endowment Liability**

In July 1997, the Foundation accepted a term endowment. Earnings from the endowment are restricted for the maintenance of a student housing facility. The agreement with the donor requires the original principal of the endowment to remain inviolate until April 30, 2030 at which time the original principal and the unexpended earnings, if any, will be returned to the donor. The original principal of \$1,000,000 is recorded as a liability at June 30, 2021 and 2020.

**UNIVERSITY OF ALASKA FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets Held in Trust for University of Alaska**

The liability represents the University's participation in the Consolidated Endowment Fund. The related assets are available for distribution to the University upon 60 days written notice, subject to availability of liquid resources of the fund and considerations of the potential adverse impacts on other endowments participating in the fund.

**Administrative Assessments**

The Foundation charges assessments to cover administrative and fundraising expenses as follows:

*Gifts* – All endowment cash gifts are assessed 1% and nonendowed gifts are assessed 5% of the gift value at the time of the gift. Noncash gifts are assessed at the time of conversion to cash by the Foundation, based on the proceeds received.

*Endowments* – 1% is assessed by the Foundation each fiscal year based on the five year average of market values measured at the end of the previous calendar year.

*Land Grant Trust Fund Assets* – 0.5% is assessed by the Foundation each fiscal year based on the asset valuation of the University's land grant trust fund assets invested by the Foundation as of the end of the previous calendar year.

**Reclassification of Net Assets**

The Foundation reclassifies net assets from one category to another in the following situations:

*Donor Directed Reclassifications* – Net asset reclassifications which occur when a donor withdraws or increases their previously imposed restrictions, when prospective endowments meet the minimum requirements for acceptance as an endowment, and when net proceeds from appropriately advertised events are transferred to an endowment fund.

*Net Assets Released from Restriction* – Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose, collecting payment on unconditional promises to give without restrictions, or by occurrence of other events specified by donors.

**Income Taxes**

The Foundation is an organization exempt from income tax under Section 501(c)(3) of the IRC and is generally not subject to federal income taxes. Contributions to the Foundation are deductible for tax purposes by the donor, subject to the normal limitations imposed by the taxing authorities. However, the Foundation is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. Accordingly, the Foundation recorded no federal and state income tax liabilities for the years ended June 30, 2021 and 2020. The income tax expense is reported on the consolidated statements of activities as a reduction in investment income.

**UNIVERSITY OF ALASKA FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes (Continued)**

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs are allocated based on estimates of time spent and departments in the functional categories.

**Change in Accounting Principle**

Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2018-13 *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU removes and modifies disclosure requirements retrospectively for nonpublic entities. The ASU is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Foundation's financial statements reflect the application of ASU 2018-13 guidance beginning in fiscal year 2021. The adoption of ASU 2018-13 did not impact the Foundation's reported net assets.

**Subsequent Events**

Subsequent events have been evaluated through October 7, 2021, the date the consolidated financial statements were available to be issued.

**NOTE 2 CONTRIBUTIONS RECEIVABLE**

Unconditional promises to make contributions are included in the consolidated financial statements as contributions receivable and restricted revenue. Contributions receivable are expected to be realized in the following periods:

	<u>2021</u>	<u>2020</u>
In One Year or Less	\$ 2,089,691	\$ 2,668,083
Between Two and Five Years	2,702,230	2,931,089
More than Five Years	<u>1,923,447</u>	<u>2,457,639</u>
Subtotal	6,715,368	8,056,811
Discount	(906,952)	(1,038,686)
Allowance for Uncollectible Pledges	<u>(25,808)</u>	<u>(36,413)</u>
Total	<u>\$ 5,782,608</u>	<u>\$ 6,981,712</u>



**UNIVERSITY OF ALASKA FOUNDATION**  
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**NOTE 2 CONTRIBUTIONS RECEIVABLE (CONTINUED)**

Unconditional promises to give are recorded at the discounted present value of the future cash flows using a discount rate ranging from 3.07% to 4.73%. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fundraising activity.

**NOTE 3 INVESTMENTS**

**Operating Funds**

Operating funds consist of investable resources without donor restrictions and with donor restrictions funds, expendable gifts, and endowment distributions prior to disbursement. The investment objective of these funds is to provide 1) for the liquidity necessary to meet operational needs and 2) for the preservation of the principal necessary to meet program commitments.

**Pooled Endowment Funds**

The pooled endowment funds consist of general foundation endowments and funds designated by the board of directors to function as endowments, as well as the University's land grant endowments. The primary investment goal of these funds is to provide a real rate of return, net of investment expenses sufficient to cover the endowment administrative fee and the annual spending allowances, in support of the purposes of the various endowments, in perpetuity.

**Remainder Trusts and Other**

The Foundation is a trustee for a net income charitable remainder unitrust valued at \$59,304 and \$57,402 at June 30, 2021 and 2020, respectively. Other investments include securities valued at \$2,012,332 and \$1,518,820 at June 30, 2021 and 2020, respectively, restricted by donors to be managed by university students as part of course curriculums. Other investments also include charitable gift annuity contract reserves valued at \$248,149 and \$250,651 on June 30, 2021 and 2020, respectively.

**Fees**

Direct investment management, custodial, and consulting fees totaled \$2,032,013 and \$1,767,349 for the years ended June 30, 2021 and 2020, respectively. These fees have been included as a reduction to investment income.

**UNIVERSITY OF ALASKA FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 3 INVESTMENTS (CONTINUED)**

The following table summarizes the Foundation's investments as of June 30, 2021:

	Operating Funds	Pooled Endowment Funds	Remainder Trusts and Other	Total
Cash Held for Long-Term Investment	\$ -	\$ 706,604	\$ 168,471	\$ 875,075
Money Market Mutual Funds	286,441	28,366,451	32,303	28,685,195
Mutual Funds	-	101,766,646	-	101,766,646
Exchanged Traded Funds	-	12,993,353	-	12,993,353
Common Stock	-	28,127,628	1,927,867	30,055,495
Depository Receipts	-	1,034,090	-	1,034,090
Futures Contracts	-	280,546	-	280,546
Debt Securities	61,766,390	-	191,144	61,957,534
Commingled Funds	-	83,521,426	-	83,521,426
Hedge Funds	-	107,929,917	-	107,929,917
Private Capital Funds	-	111,979,450	-	111,979,450
Total Investments	<u>\$ 62,052,831</u>	<u>\$ 476,706,111</u>	<u>\$ 2,319,785</u>	<u>\$ 541,078,727</u>

The following table summarizes the Foundation's investments as of June 30, 2020:

	Operating Funds	Pooled Endowment Funds	Remainder Trusts and Other	Total
Cash Held for Long-Term Investment	\$ -	\$ 243,397	\$ 212,873	\$ 456,270
Money Market Mutual Funds	691,997	9,926,345	21,893	10,640,235
Mutual Funds	-	85,205,385	163,321	85,368,706
Exchanged Traded Funds	-	11,365,137	-	11,365,137
Common Stock	-	17,517,036	1,383,043	18,900,079
Depository Receipts	-	1,568,295	-	1,568,295
Futures Contracts	-	107,261	-	107,261
Debt Securities	57,186,624	849,985	45,743	58,082,352
Commingled Funds	-	61,045,866	-	61,045,866
Hedge Funds	-	93,588,778	-	93,588,778
Private Capital Funds	-	74,845,156	-	74,845,156
Total Investments	<u>\$ 57,878,621</u>	<u>\$ 356,262,641</u>	<u>\$ 1,826,873</u>	<u>\$ 415,968,135</u>

**NOTE 4 FAIR VALUE**

The Foundation follows the Financial Accounting Standards Board (FASB) guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. The three levels of the fair value hierarchy are described below:

*Level 1* – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date.

*Level 2* – Quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly, in markets that are either active or inactive.

*Level 3* – Pricing inputs are unobservable and include situations where there is little, if any, market activity. The inputs into the determination of fair value require significant management judgment or estimation.

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**NOTE 4 FAIR VALUE (CONTINUED)**

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. These classifications (Level 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of quality, risk, or liquidity.

In accordance with authoritative guidance on fair value measurements, as a practical expedient, an entity holding investments in certain entities that calculate net asset value per share or its equivalent (NAV) for which the fair value is not readily determinable, is permitted to measure fair value of such investments on the basis of that net asset value per share or its equivalent without adjustment.

**Money Market Mutual Funds**

Money market mutual funds are valued at net asset value per share. These investments are categorized as Level 1.

**Mutual Funds and Exchange Traded Funds**

The Foundation and the partnership may invest directly in mutual funds and exchange traded funds. Investments in mutual funds are valued at the net asset value of each fund determined as of the close of the New York Stock Exchange on the valuation date. These investments are typically considered Level 1 investments due to readily available, quoted prices.

**Portfolio Securities**

The Foundation and the partnership may invest directly in securities, such as common stock, depository receipts, and real estate investment trusts that are listed on a securities exchange. Equity securities that are listed on the National Association of Securities Dealers Automated Quotations will be valued at the NASDAQ Official Closing Price (NOCP) which may not necessarily represent the last price. If there has been no sale on such exchange or on the NASDAQ on such day, the security is valued at the closing bid price on such day. Listed equity investments valued using observable inputs that reflect quoted prices in active markets are categorized as Level 1. Foreign securities are valued at the closing market price in the foreign market.

**Debt Securities**

Debt securities, other than short-term obligations purchased with an original or remaining maturity of 60 days or less, are generally valued on the basis of pricing models that evaluate the mean between the most recent quoted bid and ask prices from an independent pricing service which determines valuations for normal institutional-size trading units of such securities using market information, transactions for comparable securities, and various relationships between securities which are generally recognized by institutional traders. To the extent that these inputs are observable, the value of such debt securities is categorized as Level 2.

Short-term obligations purchased with an original or remaining maturity of 60 days or less are valued at amortized cost, which approximates market value. These securities are categorized within Level 2 of the fair value hierarchy.

**UNIVERSITY OF ALASKA FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 4 FAIR VALUE (CONTINUED)**

**Commingled Funds and Hedge Funds**

Commingled funds consist of assets from multiple accounts that are pooled together to create economies of scale.

Hedge funds are generally open-end funds as they typically offer subscription and redemption options to investors. The frequency of such subscriptions or redemptions is dictated by such fund's governing documents. The amount of liquidity provided to investors in a particular fund is generally consistent with the liquidity and risk associated with the underlying portfolio. Liquidity of individual hedge funds vary based on various factors and may include gates, holdbacks and side pockets imposed by the manager of the hedge fund, as well as redemption fees which may also apply.

Depending on the redemption options available, it may be possible that the reported NAV represents fair value based on observable data such as ongoing redemption and/or subscription activity. However, certain hedge funds may provide the manager with the ability to suspend or postpone redemption (a gate) or holdback from the payment of redemption proceeds a portion of the redemption until the annual audited consolidated financial statements are distributed. In the case of a holdback, management considers the significance of the holdback, its impact on the overall valuation and the associated risk that the holdback amount will not be fully realized based on a prior history of adjustments to the initially reported NAV. Management generally uses the capital balance reported by the investment manager as the primary input to its valuation; however, adjustments to the reported capital balance may be made based on various factors, including, but not limited to, the attributes of the interest held, including the rights and obligations, and any restrictions or illiquidity on such interests, and the fair value of such fund's investment portfolio or other assets and liabilities.

**Private Capital Funds**

Private capital funds are closed-end, commitment-based investment funds where the investor commits a specified amount of capital upon inception of the fund which is then drawn down over a specified period of the fund's life. Such funds do not provide redemption options for investors and, subsequent to final closing, do not permit commitments by new or existing investors.

Capital balances reported by the fund's manager are the primary input to its valuation; however, adjustments to the reported capital balance may be made based on various factors, including, but not limited to, the attributes of the interest held, including rights and obligations, and any restrictions or illiquidity on such interests, and the fair value of such fund's investment portfolio or other assets and liabilities. These interests, in the absence of recent and relevant market transactions, including secondary markets, are generally classified using the NAV practical expedient.

**UNIVERSITY OF ALASKA FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 4 FAIR VALUE (CONTINUED)**

**Derivative Instruments**

Derivative instruments can be exchange traded or privately negotiated over-the-counter (OTC). Exchange traded derivatives, such as futures contracts are typically classified within Level 1 or Level 2 of the fair value hierarchy depending on whether or not they are deemed to be actively traded.

The Foundation follows the provisions of FASB Accounting Standards Codification (ASC) 815-10-50 (ASC 815). ASC 815 amends and expands the disclosure requirements related to derivative instruments, to provide users of financial statements with an enhanced understanding of the use of derivative instruments and how these derivatives affect financial position, financial performance, and cash flows. It requires qualitative disclosures about the objectives and strategies for using derivative instruments, as well as disclosures about credit-risk-related contingent features in derivative agreements. The Foundation does not designate any derivative instruments as hedging instruments under ASC 815. Futures are transacted primarily for trading purposes with each instrument's primary risk exposure being interest rate, foreign exchange, equity, commodity, liquidity, or counterparty risk. The fair value of these derivative instruments at June 30, 2021 and 2020 of \$280,546 and \$107,261, respectively, is included in pooled endowment funds in the consolidated statement of financial position. Changes in fair value related to futures contracts reflected as net realized and unrealized investment gains (losses) within the consolidated statement of activities for the years ended June 30, 2021 and 2020 were (\$40,599) and \$934,489, respectively.

The following table summarizes the Foundation's financial assets measured at fair value on a recurring basis as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
<b>Pooled Endowment Funds:</b>				
Money Market Mutual Funds	\$ 28,366,451	\$ -	\$ -	\$ 28,366,451
Mutual Funds	101,766,646	-	-	101,766,646
Exchanged Traded Funds	12,993,353	-	-	12,993,353
Common Stock	28,127,628	-	-	28,127,628
Depository Receipts	1,034,090	-	-	1,034,090
Futures Contracts	280,546	-	-	280,546
Commingled Funds (a)	-	-	-	83,521,426
Hedge Funds (a)	-	-	-	107,929,917
Private Equity Funds (a)	-	-	-	111,979,450
Cash held for Long-Term Investment	-	-	-	706,604
<b>Total Pooled Endowment Funds</b>	<b>172,568,714</b>	<b>-</b>	<b>-</b>	<b>476,706,111</b>
<b>Other Investments:</b>				
Money Market Mutual Funds	318,744	-	-	318,744
Common Stock	1,927,867	-	-	1,927,867
Treasury and Agency Bonds	-	39,067,832	-	39,067,832
Corporate Bonds	-	18,312,547	-	18,312,547
Mortgage-Backed Securities	-	4,269,298	-	4,269,298
Other Fixed Income Securities	-	307,857	-	307,857
Cash Held for Long-Term Investment	-	-	-	168,471
<b>Total Other Investments</b>	<b>2,246,611</b>	<b>61,957,534</b>	<b>-</b>	<b>64,372,616</b>
<b>Total Investments</b>	<b>\$ 174,815,325</b>	<b>\$ 61,957,534</b>	<b>\$ -</b>	<b>\$ 541,078,727</b>
Remainder Trusts Receivable	\$ -	\$ -	\$ 3,244,944	\$ 3,244,944

**UNIVERSITY OF ALASKA FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 4 FAIR VALUE (CONTINUED)**

The following table summarizes the Foundation's financial assets measured at fair value on a recurring basis as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
<b>Pooled Endowment Funds:</b>				
Money Market Mutual Funds	\$ 9,926,345	\$ -	\$ -	\$ 9,926,345
Mutual Funds	85,205,385	-	-	85,205,385
Exchanged Traded Funds	11,365,137	-	-	11,365,137
Common Stock	17,517,036	-	-	17,517,036
Depository Receipts	1,568,295	-	-	1,568,295
Futures Contracts	107,261	-	-	107,261
Treasury and Agency Bonds	-	849,985	-	849,985
Commingled Funds (a)	-	-	-	61,045,866
Hedge Funds (a)	-	-	-	93,588,778
Private Equity Funds (a)	-	-	-	74,845,156
Cash Held for Long-Term Investment	-	-	-	243,397
<b>Total Pooled Endowment Funds</b>	<b>125,689,459</b>	<b>849,985</b>	<b>-</b>	<b>356,262,641</b>
<b>Other Investments:</b>				
Money Market Mutual Funds	713,890	-	-	713,890
Mutual Funds	163,321	-	-	163,321
Common Stock	1,383,043	-	-	1,383,043
Treasury and Agency Bonds	-	35,531,545	-	35,531,545
Corporate Bonds	-	15,366,915	-	15,366,915
Mortgage-Backed Securities	-	6,333,907	-	6,333,907
Cash Held for Long-Term Investment	-	-	-	212,873
<b>Total Other Investments</b>	<b>2,260,254</b>	<b>57,232,367</b>	<b>-</b>	<b>59,705,494</b>
<b>Total Investments</b>	<b>\$ 127,949,713</b>	<b>\$ 58,082,352</b>	<b>\$ -</b>	<b>\$ 415,968,135</b>
Remainder Trusts Receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,796,941</u>	<u>\$ 2,796,941</u>

(a) Management has used NAV as a practical expedient to measure the fair value of the underlying hedge funds, and private equity funds not classified in the fair value hierarchy listed above. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

The following is a summarization of the Level 3 significant unobservable inputs:

Instrument	Fair Value		Principal Valuation Technique	Unobservable Inputs
	2021	2020		
Remainder Trust Receivable	\$ 3,244,944	\$ 2,796,941	Discounted Cash Flows	Discount Rates Duration

**UNIVERSITY OF ALASKA FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 4 FAIR VALUE (CONTINUED)**

The following table presents the activities for the years ended June 30, 2021 and 2020 for financial assets classified in Level 3:

Balance - July 1, 2019	\$ 2,850,682
Additions	-
Payments	-
Net Realized and Unrealized Losses	<u>(53,741)</u>
Balance - June 30, 2020	2,796,941
Additions	
Payments	(372,205)
Net Realized and Unrealized Gains	<u>820,208</u>
Balance - June 30, 2021	<u><u>\$ 3,244,944</u></u>

Investments in certain entities that calculate net asset value (NAV) per share are summarized by category as of June 30, 2021 as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Commingled Funds:				
Capital Appreciation	\$ 39,755,055	\$ -	Daily-Semi Monthly	1-33 Days
Deflation Sensitive	36,647,516	-	Daily	1-10 Days
Diversifying Strategies	7,118,855	-	Monthly	1-10 Days
Hedge Funds:				
Capital Appreciation	27,646,663	-	Monthly-Annual	30-60 Days
Deflation Sensitive	20,681,163	-	Quarterly	60 Days
Diversifying Strategies	59,602,091	-	Monthly-Annual	60-90 Days
Private Capital Funds:				
Capital Appreciation	92,308,537	49,361,183	-	-
Diversifying Strategies	4,691,049	695,050	-	-
Inflation Sensitive	14,979,864	-	-	-
Total	<u>\$ 303,430,793</u>	<u>\$ 50,056,233</u>		

Investments in certain entities that calculate net asset value (NAV) per share are summarized by category as of June 30, 2020 as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Commingled Funds:				
Capital Appreciation	\$ 42,689,056	\$ -	Daily-Semi Monthly	1-33 Days
Deflation Sensitive	18,356,810	-	Daily	1-10 Days
Hedge Funds:				
Capital Appreciation	21,514,700	-	Monthly-Annual	30-60 Days
Deflation Sensitive	16,877,799	-	Quarterly	60 Days
Diversifying Strategies	55,196,279	-	Monthly-Annual	60-90 Days
Private Capital Funds:				
Capital Appreciation	58,076,810	44,197,572	-	-
Diversifying Strategies	5,478,179	2,132,300	-	-
Inflation Sensitive	11,290,167	-	-	-
Total	<u>\$ 229,479,800</u>	<u>\$ 46,329,872</u>		

**UNIVERSITY OF ALASKA FOUNDATION**  
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**NOTE 5 ENDOWMENTS**

The Foundation's endowment consists of nearly 900 individual endowments established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Board-designated endowment funds are classified as either without donor restrictions or with donor restrictions depending on the existence of donor-imposed purpose restrictions.

The Foundation's board of directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted in the state of Alaska as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gift amounts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

The endowment spending allowance policy is structured to help maintain the endowments in perpetuity, preserve their purchasing power and stabilize the flow of support for the purposes of the respective endowments.

A Viability Ratio (accumulated earnings divided by the total endowment value) is calculated for each endowment. The Viability Ratio provides a measure of the financial health of each endowment and gives an indication of the endowment's ability to continue making distributions to the beneficiary during market down cycles and for the life of the fund. The maximum spending rate is 4% of the average of the market values of the endowment at December 31 for the immediately preceding five years. The spending rate is limited to 2% for endowments with negative Viability Ratios. No spending allowance is provided for endowments with a Viability Ratio lower than negative 20%.



**UNIVERSITY OF ALASKA FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 5 ENDOWMENTS (CONTINUED)**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions and totaled \$-0- and \$14,555 at June 30, 2021 and 2020, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of donor-restricted contributions and continued appropriation from certain funds as deemed prudent.

Endowment net assets as of June 30, 2021 included the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Endowment Funds:			
Original Gift Value to be Maintained into Perpetuity	\$ -	\$ 152,555,329	\$ 152,555,329
Accumulated Investment Gains	-	72,531,602	72,531,602
Total Donor Restricted Endowment Funds	-	225,086,931	225,086,931
Board Designated Endowment Funds:			
Original Gift Value to be Maintained into Perpetuity	15,413,521	31,036,140	46,449,661
Accumulated Investment Gains	7,093,953	14,001,599	21,095,552
Total Board Designated Endowment Funds	22,507,474	45,037,739	67,545,213
Total	<u>\$ 22,507,474</u>	<u>\$ 270,124,670</u>	<u>\$ 292,632,144</u>

Endowment net assets as of June 30, 2020 included the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted Endowment Funds:			
Original Gift Value to be Maintained into Perpetuity	\$ -	\$ 131,170,991	\$ 131,170,991
Accumulated Investment Gains	-	26,664,730	26,664,730
Total Donor Restricted Endowment Funds	-	157,835,721	157,835,721
Board Designated Endowment Funds:			
Original Gift Value to be Maintained into Perpetuity	15,158,036	31,752,698	46,910,734
Accumulated Investment Gains	2,271,378	4,255,431	6,526,809
Total Board Designated Endowment Funds	17,429,414	36,008,129	53,437,543
Total	<u>\$ 17,429,414</u>	<u>\$ 193,843,850</u>	<u>\$ 211,273,264</u>

**UNIVERSITY OF ALASKA FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 5 ENDOWMENTS (CONTINUED)**

Changes in endowment net assets for the years ended June 30, 2021 and 2020 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance - July 1, 2019	\$ 17,093,747	\$ 193,048,996	\$ 210,142,743
Investment Income	88,910	900,018	988,928
Net Realized and Unrealized			
Investment Gains (Losses)	145,106	1,748,027	1,893,133
Investment Return	234,016	2,648,045	2,882,061
Contributions	322	5,527,113	5,527,435
Administrative Assessments	(145,837)	(1,546,962)	(1,692,799)
Distributions for Endowment	(530,320)	(6,248,442)	(6,778,762)
Transfers to Increase (Decrease)			
Board-Designated Endowment Funds	777,486	49,322	826,808
Transfers to Increase (Decrease)			
Donor-Restricted Endowment Funds	-	365,778	365,778
Balance - June 30, 2020	17,429,414	193,843,850	211,273,264
Investment Income	50,831	567,192	618,023
Net Realized and Unrealized			
Investment Gains (Losses)	5,440,187	62,033,172	67,473,359
Investment Return	5,491,018	62,600,364	68,091,382
Contributions	2,264	20,346,606	20,348,870
Administrative Assessments	(150,096)	(1,620,090)	(1,770,186)
Distributions for Endowment Spending	(428,411)	(5,695,415)	(6,123,826)
Transfers to Increase (Decrease)			
Board-Designated Endowment Funds	163,285	(81,216)	82,069
Transfers to Increase (Decrease)			
Donor-Restricted Endowment Funds	-	730,571	730,571
Balance - June 30, 2021	<u>\$ 22,507,474</u>	<u>\$ 270,124,670</u>	<u>\$ 292,632,144</u>

**UNIVERSITY OF ALASKA FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 6 NET ASSETS**

Net assets had the following donor-imposed purpose restrictions or board-imposed designations as of June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Athletics	\$ -	\$ 2,852,956	\$ 2,852,956
Business and Management	5,139,160	30,158,037	35,297,197
Campus Support	8,996,088	40,341,154	49,337,242
Community and Technical College	-	3,742,519	3,742,519
Education	-	480,333	480,333
Foundation <sup>(1)</sup>	12,901,961	119,683	13,021,644
Health	-	5,716,709	5,716,709
Liberal Arts and Social Science	17,235	15,279,261	15,296,496
Science and Engineering	3,283,494	76,672,067	79,955,561
Student and Public Support	1,050,885	36,112,995	37,163,880
Student Aid	719,860	123,701,768	124,421,628
Noncontrolling Interest in Pooled Endowment Funds	1,883	-	1,883
Total	<u>\$ 32,110,566</u>	<u>\$ 335,177,482</u>	<u>\$ 367,288,048</u>

<sup>(1)</sup> The Foundation's Board of Directors has designated, from net assets without donor restrictions of \$12,613,035 net assets for the following purposes as of June 30, 2021:

Operating Reserve	\$1,566,540
Strategic Investment Reserve	2,349,809
Sustainability Reserve	4,699,619
Total	<u>\$ 8,615,968</u>

Net assets had the following donor-imposed purpose restrictions or board-imposed designations as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Athletics	\$ 1,900	\$ 1,948,904	\$ 1,950,804
Business and Management	4,232,138	23,790,652	28,022,790
Campus Support	7,049,025	26,273,182	33,322,207
Community and Technical College	-	2,947,688	2,947,688
Education	-	391,701	391,701
Foundation <sup>(1)</sup>	12,248,861	341,717	12,590,578
Health	-	5,682,310	5,682,310
Liberal Arts and Social Science	10,088	12,547,380	12,557,468
Science and Engineering	2,647,989	62,414,319	65,062,308
Student and Public Support	851,240	29,266,042	30,117,282
Student Aid	958,131	87,964,562	88,922,693
Noncontrolling Interest in Pooled Endowment Funds	1,420	-	1,420
Total	<u>\$ 28,000,792</u>	<u>\$ 253,568,457</u>	<u>\$ 281,569,249</u>

<sup>(1)</sup> The Foundation's Board of Directors has designated, from net assets without donor restrictions of \$12,248,861, net assets for the following purposes as of June 30, 2020:

Operating Reserve	\$ 1,491,645
Strategic Investment Reserve	2,237,468
Sustainability Reserve	4,474,935
Total	<u>\$ 8,204,048</u>

**UNIVERSITY OF ALASKA FOUNDATION**  
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**NOTE 6 NET ASSETS (CONTINUED)**

Changes in consolidated net assets attributable to the controlling interest of the Foundation and the noncontrolling interest of Cambridge Associates Resources, LLC in the pooled endowment funds for the years ended June 30, 2021 and 2020 were as follows:

	Controlling Interest	Noncontrolling Interest	Total
Balance - July 1, 2019	\$ 362,476,461	\$ 1,397	\$ 362,477,858
Capital Contributions	9,000,333	-	9,000,333
Capital Withdrawals	<u>(19,906,468)</u>	<u>-</u>	<u>(19,906,468)</u>
Net Increase (Decrease) in Capital Activity	(10,906,135)	-	(10,906,135)
Investment Income	1,688,314	11	1,688,325
Net Realized and Unrealized Investment Gains (Losses)	<u>3,002,581</u>	<u>12</u>	<u>3,002,593</u>
Investment Return	<u>4,690,895</u>	<u>23</u>	<u>4,690,918</u>
Balance - June 30, 2020	356,261,221	1,420	356,262,641
Capital Contributions	17,327,479		17,327,479
Capital Withdrawals	<u>(14,862,699)</u>		<u>(14,862,699)</u>
Net Increase (Decrease) in Capital Activity	2,464,780	-	2,464,780
Investment Income	1,054,065	9	1,054,074
Net Realized and Unrealized Investment Gains (Losses)	<u>112,462,100</u>	<u>454</u>	<u>112,462,554</u>
Investment Return	<u>113,516,165</u>	<u>463</u>	<u>113,516,628</u>
Balance - June 30, 2021	<u>\$ 472,242,166</u>	<u>\$ 1,883</u>	<u>\$ 472,244,049</u>

**NOTE 7 DISTRIBUTIONS FOR THE BENEFIT OF UNIVERSITY OF ALASKA**

Distributions for the benefit of the University of Alaska, by functional classification, for year ended June 30, 2021 were as follows:

	Univ. of Alaska	Univ. of Alaska Anchorage	Univ. of Alaska Fairbanks	Univ. of Alaska Southeast	Total
Athletics	\$ -	\$ 9,869	\$ 93,806	\$ -	\$ 103,675
Business and Management	187,829	588,079	365,786	32,526	1,174,220
Campus Support	18,766	282,797	745,899	27,786	1,075,248
Community and Technical College	-	38,768	55,188	45,186	139,142
Education	-	37,895	561	-	38,456
General Support	86,940	-	-	-	86,940
Health	-	485,522	2,282	-	487,804
Liberal Arts and Social Science	-	252,350	364,671	32,020	649,041
Science and Engineering	4,437	1,733,893	1,362,452	44,615	3,145,397
Students and Public Support	72,488	234,426	2,168,320	86,188	2,561,422
Student Aid	581,711	1,239,814	2,191,667	259,837	4,273,029
Total	<u>\$ 952,171</u>	<u>\$ 4,903,413</u>	<u>\$ 7,350,632</u>	<u>\$ 528,158</u>	<u>\$ 13,734,374</u>

**UNIVERSITY OF ALASKA FOUNDATION  
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**NOTE 7 DISTRIBUTIONS FOR THE BENEFIT OF UNIVERSITY OF ALASKA (CONTINUED)**

Distributions for the benefit of the University of Alaska, by functional classification, for year ended June 30, 2020 were as follows:

	Univ. of Alaska	Univ. of Alaska Anchorage	Univ. of Alaska Fairbanks	Univ. of Alaska Southeast	Total
Athletics	\$ -	\$ 125,365	\$ 109,369	\$ -	\$ 234,734
Business and Management	22,613	919,572	324,012	42,963	1,309,160
Campus Support	42,515	280,177	592,194	64,269	979,155
Community and Technical College	-	38,836	79,920	86,583	205,339
Education	-	863	-	-	863
General Support	50,647	-	-	-	50,647
Health	1,226	331,167	3,213	-	335,606
Liberal Arts and Social Science	-	166,385	155,064	9,848	331,297
Science and Engineering	17,404	1,414,609	1,715,406	44,884	3,192,303
Students and Public Support	109,310	239,405	1,889,250	72,088	2,310,053
Student Aid	527,026	1,222,686	1,746,784	158,836	3,655,332
Total	<u>\$ 770,741</u>	<u>\$ 4,739,065</u>	<u>\$ 6,615,212</u>	<u>\$ 479,471</u>	<u>\$ 12,604,489</u>

**NOTE 8 RELATED PARTY TRANSACTIONS**

The University provided payment to the Foundation in the amount of \$922,064 and \$934,325 for institutional support during the years ended June 30, 2021 and 2020, respectively. The University's Land Grant Trust Endowment also paid an investment management fee to the Foundation in the amount of \$765,009 and \$686,218 during the years ended June 30, 2021 and 2020, respectively. The Foundation reimbursed the University \$4,214,721 and \$3,947,539 for personnel services and on-behalf payments for the years ended June 30, 2021 and 2020, respectively. This reimbursement is included in the consolidated statement of activities as operating expenses.

**NOTE 9 LIQUIDITY AND AVAILABILITY**

The Foundation monitors liquidity required to meet its operating needs and funding commitments to the University of Alaska, while also striving to maximize the investment of available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and investments in marketable debt and securities. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its annual operating budget as well as all without donor restrictions and with donor restrictions contributions held for the benefit of the University of Alaska.

**UNIVERSITY OF ALASKA FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 9 LIQUIDITY AND AVAILABILITY (CONTINUED)**

At June 30, 2020, the following table shows the total financial assets held by the Foundation and the amounts available to meet general expenditures over the next 12 months:

	<u>2021</u>	<u>2020</u>
Total Assets	\$ 564,787,306	\$ 433,420,168
Less: Prepaid Expense	(171,887)	(117,654)
Less: Other Assets	<u>(139,440)</u>	<u>(1,907)</u>
Total Financial Assets	564,475,979	433,300,607
Less: Amounts Not Available to Be Used Within One Year:		
Receivables with Time Horizons Greater than One Year		
Contributions Receivable	(3,540,148)	(4,222,551)
Remainder Trust Receivables	<u>(3,244,944)</u>	<u>(2,498,534)</u>
Subtotal	<u>(6,785,092)</u>	<u>(6,721,085)</u>
Financial Assets Not Available for General Expenditures		
Investments and Other Assets held for Endowments:		
Contributions Receivable	(152,769)	(91,079)
Bequests Receivable	(5,000,000)	(175,000)
Other Receivables	(10,808)	(30,418)
Investments	<u>(472,006,492)</u>	<u>(351,786,287)</u>
Subtotal	<u>(477,170,069)</u>	<u>(352,082,784)</u>
Other Encumbrances and Obligations		
Held for Student Investment Fund	<u>(2,012,332)</u>	<u>(1,518,821)</u>
Internal Designations:		
Reserved for Long-Term Portion of Charitable		
Gift Annuities Liability	(200,225)	(198,424)
Cash Held for Board Designated Net Assets:		
Operating Reserve	(1,566,540)	(1,491,645)
Strategic Investment Reserve	(2,349,809)	(2,237,468)
Sustainability Reserve	<u>(4,699,619)</u>	<u>(4,474,935)</u>
Subtotal	<u>(8,816,193)</u>	<u>(8,402,472)</u>
Financial Assets Not Available to Be Used		
Within One Year	<u>(494,783,686)</u>	<u>(368,725,162)</u>
Financial Assets Available to Meet General		
Expenditures Within One Year	<u>\$ 69,692,293</u>	<u>\$ 64,575,445</u>

**UNIVERSITY OF ALASKA FOUNDATION**  
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**NOTE 9 LIQUIDITY AND AVAILABILITY (CONTINUED)**

The Foundation's board of directors has designated a portion of net assets without donor restrictions for financial reserves to be drawn upon for the following purposes:

- Operating Reserve – to provide an internal source of funds and financial stability for the Foundation's ongoing operating expenses. Amounts held in the reserve shall be sufficient to pay four months of operating expenses, based on the prior year audited financial statements.
- Strategic Investment Reserve – to provide supplemental funds for strategic initiatives, capacity building, and development projects that advance the mission and sustainability of the Foundation. Amounts held in the Strategic Investment Reserve shall be sufficient to pay at least six months of operating expenses, based on the prior year audited financial statements.
- Sustainability Reserve – to provide a long- term source of operating income for the Foundation. Amounts held in the Sustainability Reserve shall be sufficient to pay at least one year of operating expenses, based on the prior year audited financial statements.

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