

Land-Grant Endowment Funds

The University of Alaska Land Grant Endowment has its origin in the federal land grant acts of 1915 and 1929 and subsequently the Alaska Statehood Act. Approximately 110,000 acres of land were transferred to the territory of Alaska and eventually to the Board of Regents to be held in trust for the university. The net proceeds from the sale, lease, exchange and other uses of these lands have been deposited in the University of Alaska Endowment Trust Fund as provided by Alaska Statute 14.40.400. Alaska Statute 14.40.400 gives the Board of Regents the authority to manage the endowment under the total return principles which are intended to preserve and maintain the purchasing power of the endowment fund, a unitized investment fund.

The accompanying schedules of Net Position and Changes in Net Position reflect the financial position of the Land-Grant Endowment and related funds as of June 30, 2018 and the changes in net position for the year then ended. The investments of the Land-Grant Endowment and Inflation-Proofing Fund, which have fair values at June 30, 2018 of \$126.2 and \$20.2 million, respectively, are invested in a consolidated endowment fund managed by the University of Alaska Foundation in accordance with an agreement and investment policy approved by the Board of Regents.

Expenditure of the endowment fund earnings is governed by regents' policy, which provides that a portion of the earnings be utilized to manage the university's lands, a portion be set aside in order to maintain the purchasing power of the endowment, and a portion be transferred to the Natural Resources Fund for the purpose of funding programs in support of UA Scholars, natural resource management, marketing and education, and other university programs.

The Schedule of Allocated Natural Resources Fund Balances represents a summary of awards, transfers and expenditures for Natural Resources Fund projects.

Land-Grant Endowment Funds
Notes to the Financial Schedules
June 30, 2018

By Acts of Congress in 1915 and 1929, approximately 110,000 acres of land were transferred to the territory of Alaska to be held in trust for the university. The grant lands were subsequently transferred to the state of Alaska and eventually to the Board of Regents to be held in trust for the university. Currently, approximately 81,290 acres of these lands are held at no basis because fair value at the date of transfer was not determinable. In 1982 and 1988, the university was allowed to select certain state lands including timber and other rights as replacement for lands disposed of by the territory and the state. These replacement lands and property interests were recorded at their fair value as of the date of transfer.

Land-Grant Trust Fund

The Land-Grant Trust Fund as reported in these schedules represents the original land grant, the invested proceeds from the sale and/or development of these resources and the appreciation in value of the invested funds. The endowment is managed on a total return basis. Receivables of approximately \$1.3 million are primarily from sales of trust land. Investments of approximately \$126.2 million are held in a consolidated endowment fund under the direction of the University of Alaska Foundation. The consolidated investment fund is managed by the Foundation's investment committee and treasurer in accordance with an investment policy approved by the Board of Regents. Cash balances are invested in pooled investment funds. Real property of approximately \$31.8 million is comprised primarily of replacement and property interests and does not include the value of the university's original entitlement land. Security deposits totaling \$0.7 million are held for security or performance on contracts and other leases. Net position includes \$21.7 million of accumulated net earnings.

The annual spending allowance is based on four and one half percent of a five-year moving average of the December 31 market value of the investable resources of the Land-Grant and Inflation-Proofing funds. The annual spending allowance is limited to the unexpended accumulated earnings of the endowments as of the preceding December 31. The spending allowance requirement for fiscal year 2018 was \$6,160,000. To meet the spending allowance, \$5,314,059 and \$845,941, were transferred from the Land-Grant and Inflation-Proofing funds, respectively. The spending allowance distributions include a provision of \$970,000 for land management operating costs and \$5,190,000 for program support to be distributed through the Natural Resources Fund.

Inflation-Proofing Fund

The Inflation-Proofing Fund represents reinvested earnings of the Land-Grant Trust Fund and net proceeds of non-trust real property transactions designated for preservation of the long-term purchasing strength of the endowment. Its assets include approximately \$30.2 million in improved and unimproved real property held for investment including the University Lake and Bragaw Complex. The cash balances of the Inflation-Proofing Fund are invested in pooled investment funds. The other investments are held in the consolidated endowment fund under the direction of the University of Alaska Foundation. The long-term debt is approximately \$0.7 million for real estate located near the University of Alaska. Total net position of \$51.7 million is considered accumulated net earnings, of which \$3.0 million is designated for future renewal and replacement of investment property.

Natural Resources Fund

The Natural Resources Fund represents spendable funds designated by regents' policy to provide support for UA Scholars, agriculture, forestry, fisheries, mineral, and other university programs. All unexpended funds are invested in pooled investment funds.

Land Management Operations Fund

The Land Management Operations Fund represents spendable funds designated by regents' policy to provide support for land management operations. All unexpended funds are invested in pooled investment funds.

Land Grant Endowment Funds
Schedule of Net Position
June 30, 2018

	Land Grant Trust Fund	Inflation Proofing Fund	Natural Resources Fund	Land Management Operations
Assets:				
Cash (due (to) from University)	\$ (5,018,848)	\$ 2,139,189	\$ 13,871,243	\$ 1,417,052
Receivables	1,332,823	3,001		
Investments	126,203,124	20,165,156		
Real property & subdivision inventory	31,766,841	30,193,699		
Total Assets:	154,283,940	52,501,045	13,871,243	1,417,052
Liabilities:				
Security deposits and other payables	735,982	36,110		
Long-term debt		741,738		
Total Liabilities	735,982	777,848	-	-
Net position	\$ 153,547,958	\$ 51,723,197	\$ 13,871,243	\$ 1,417,052

Schedule of Changes in Net Position
For the Year Ended June 30, 2018

Revenue and other additions:

Sale, lease, or transfer of real property,
materials, and mineral interests
Cost basis of property sold
Net sales

1,869,127 2,953,683
0 (369,824)
1,869,127 2,583,859

Net realized and unrealized gain (loss)
from investments
Total Revenue

9,194,934 1,500,962
11,064,061 4,084,821

Expenditures and other deductions:

Development project costs
Interest expense
Natural Resources Fund projects

921,272 1,065,171 4,604,752 1,011,660
495,728
921,272 1,560,899 4,604,752 1,011,660

Transfers in (out):

Debt Service
Provision for land management
operations
Transfer for spending allowance
Natural Resources Fund allocation

(959,302)
(5,314,059) (845,941)
5,190,000
(5,314,059) (1,805,243) 5,190,000 970,000

Net increase (decrease) in net position

4,828,730 718,679 585,248 (41,660)

Net position at beginning of year

148,719,228 51,004,518 13,285,995 1,458,712

Net position at end of year

\$ 153,547,958 \$ 51,723,197 \$ 13,871,243 \$ 1,417,052

See accompanying notes to these schedules.

Land Grant Endowment Funds
Schedule of Allocated Natural Resources Fund Balances
For the Year Ended June 30, 2018

	Available June 30, 2017	FY19 Spending Allowance	Expenditures & Transfers	Available June 30, 2018
NATURAL RESOURCES PROJECTS				
UAF/Factors Influence Spruce Bark Beetle	\$ 1,128			\$ 1,128
UAF/Master Land Planning, Agriculture Research Station	33,122		33,409	(287)
UAF/Videoconferencing upgrades (ANC/JUN)	19			19
UAF/University of Alaska Press	100,000	100,000	100,000	100,000
UAF/Piano-e-Competition	30,000		30,000	-
UAF/Investment in Youth Leadership	14			14
UAF/Cooperative Extension Support	390,333	400,000	402,348	387,985
Deferred Maintenance AI	156,408		55,349	101,059
Deferred Maintenance FS	351,100		66,363	284,737
Deferred Maintenance JS	28,300			28,300
Deferred Maintenance SW	9,000		9,000	-
UAF/Collaboration Classroom, College of Liberal Arts	17,203		10,747	6,456
Student Recruitment and Retention	312,000	286,000		598,000
Faculty Initiative Fund	-	334,000		334,000
UAA/Alaska Scholars Program	437,787	2,263,476	2,127,750	573,513
UAF/Alaska Scholars Program	291,097	1,391,669	1,308,000	374,766
UAS/Alaska Scholars Program	41,642	178,655	168,000	52,297
SYS/Alaska Scholars Program	8,019,985	66,200	105,372	7,980,813
SYS/Tuition Waiver Program, Coop. Scholarships	289,147	170,000	188,414	270,733
	<u>10,508,285</u>	<u>5,190,000</u>	<u>4,604,752</u>	<u>11,093,533</u>
Undistributed				
FY04 Transfer - suppressed - avail for UA Scholars	836,850	-	-	836,850
FY05 Transfer - suppressed - avail for UA Scholars	610,000	-	-	610,000
FY10 Transfer - available for UA Scholars	335,032	-	-	335,032
FY11 Transfer - available for UA Scholars	217,974	-	-	217,974
FY12 Transfer - available for UA Scholars	44,837	-	-	44,837
FY13 Transfer - available for UA Scholars	17,854	-	-	17,854
FY14 Transfer - available for UA Scholars	239,531	-	-	239,531
FY15 Transfer - available for UA Scholars	475,637	-	-	475,637
FY16 Transfer	(5)	-	-	(5)
Total Undistributed	<u>2,777,710</u>	<u>-</u>	<u>-</u>	<u>2,777,710</u>
	<u>\$ 13,285,995</u>	<u>\$ 5,190,000</u>	<u>\$ 4,604,752</u>	<u>\$ 13,871,243</u>
Land Management (Fund 189013 only)				
	<u>\$ 1,458,712</u>	<u>\$ 970,000</u>	<u>\$ 1,011,660</u>	<u>\$ 1,417,052</u>
Total Natural Resources Funds	<u>\$ 14,744,707</u>	<u>\$ 6,160,000</u>	<u>\$ 5,616,412</u>	<u>\$ 15,288,295</u>

UA Scholars Program Sub-totals:				
UAA/Alaska Scholars Program	437,787	2,263,476	2,127,750	573,513
UAF/Alaska Scholars Program	291,097	1,391,669	1,308,000	374,766
UAS/Alaska Scholars Program	41,642	178,655	168,000	52,297
SYS/Alaska Scholars Program	8,019,985	66,200	105,372	7,980,813
	<u>8,790,511</u>	<u>3,900,000</u>	<u>3,709,122</u>	<u>8,981,389</u>