

UNIVERSITY OF ALASKA FOUNDATION

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015

(With Independent Auditors' Report Thereon)

UNIVERSITY OF ALASKA FOUNDATION
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REPORT OF INDEPENDENT AUDITORS

The Board of Trustees
University of Alaska Foundation

Report on the Financial Statements

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 statement of financial position as of June 30, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the 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.

Auditor's Responsibility

UNIVERSITY OF ALASKA FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2015

Assets	
Cash and cash equivalents	\$ 29,548,307
Interest and dividends receivable	414,722
Contributions receivable, net	6,367,452
Other receivables	9,278,586
Other investments	25,521,463
Pooled endowment funds	300,846,915
Remainder trusts receivable	1,968,573
Other assets	669,712
Total assets	\$ 374,615,730
Liabilities	
Due to University of Alaska	\$ 2,751,481
Other liabilities	363,545
Split interest obligations	418,028
Term endowment liability	1,000,000
Assets held in trust for University of Alaska	140,571,691
Total liabilities	145,104,745
Net Assets	
Unrestricted	25,950,882
Temporarily restricted	101,324,088
Permanently restricted	102,236,015
Total net assets	229,510,985
Total liabilities and net assets	\$ 374,615,730

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

UNIVERSITY OF ALASKA FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support				
Contributions	\$ 212,723	\$ 13,704,901	\$ 2,695,735	\$ 16,613,359
Investment income	403,343	485,270	-	888,613
Net realized and unrealized investment gains (losses)	(513,608)	(2,572,443)	-	(3,086,051)
Other revenues	161	442,695	-	442,856
Actuarial adjustment of remainder trust obligations	-	25,329	(6,134)	19,195
Gains (losses) on disposition of other assets	(643)	(149,547)	(707)	(150,897)
Administrative assessments	2,376,168	(1,630,911)	(37,583)	707,674
Support from University of Alaska	600,000	-	-	600,000
Donor directed reclassifications	(44,524)	(206,869)	251,393	-
Net assets released from restriction	15,463,445	(15,463,445)	-	-
Total revenues, gains and other support	18,497,065	(5,365,020)	2,902,704	16,034,749
Expenses and distributions				
Operating expenses	2,894,988	-	-	2,894,988
Distributions for the benefit of University of Alaska	16,450,637	-	-	16,450,637
Total expenses and distributions	19,345,625	-	-	19,345,625
Increase (decrease) in net assets	(848,560)	(5,365,020)	2,902,704	(3,310,876)
Net assets, beginning of year	26,799,442	106,689,108	99,333,311	232,821,861
Net assets, end of year	\$ 25,950,882	\$ 101,324,088	\$ 102,236,015	\$ 229,510,985

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

UNIVERSITY OF ALASKA FOUNDATION
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended June 30, 2015

Cash flows from operating activities:		
Change in net assets	\$	(3,310,876)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions of operating noncash assets		(353,611)
Contributions restricted for permanent investment		(2,695,735)
Net realized and unrealized investment (gains) losses		3,086,051
Loss on disposition of other assets		150,897
Non-cash operating expenses		9,065
Non-cash distributions to University of Alaska		123,001
Actuarial adjustment of remainder trust obligations		(19,195)
Changes in assets and liabilities:		
Interest and dividends receivable		(161,656)
Contributions receivable		1,044,787
Due to University of Alaska		1,379,659
Other liabilities		(72,228)
Split interest obligations		65,761
Net cash provided by operating activities		(754,080)
Cash flows from investing activities:		
Purchases of investments		(90,537,378)
Proceeds from sales of investments		91,691,269
Proceeds from disposition of assets		31,226
Net cash used by investing activities		1,185,117
Cash flows from financing activities:		
Contributions restricted for permanent investment		3,598,736
Investment income on charitable remainder trusts		2,196
Payment of split interest obligations		(49,650)
Net cash provided by financing activities		3,551,282
Net decrease in cash and cash equivalents		3,982,319
Cash and cash equivalents, beginning of year		25,523,988
Cash and cash equivalents, end of year	\$	29,506,307
Supplemental disclosures:		
Contributions of noncash investment assets	\$	138,515
Cash paid for interest	\$	13,856

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

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1. Organization

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UNIVERSITY OF ALASKA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2015

the endowment fund to the required level are classified as increases in unrestricted net assets.

Pooled Endowment Funds

Effective July 1, 1997, management of the university's Land Grant Endowment Trust Fund was transferred from the State

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 unrestricted unconditional promises to give 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 Internal Revenue Code 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

The following table summarizes the foundation's investments as of June 30, 2015:

5. 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

Portfolio Securities

The foundation and the partnership

There are no net unrealized losses related to Level 3 assets that are still held at June 30, 2015.

Investments in certain entities that calculate net asset value (NAV) per share are summarized by category as of June 30, 2015 as follows:

6. Endowments

The foundation's endowment consists of more than 700 individual endowments established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Trustees 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 unrestricted or temporarily restricted depending on the existence of donor-imposed purpose restrictions.

The foundation's Board of Trustees 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, the foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net

assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with

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