UNIVERSITY OF ALASKA
And
UNIVERSITY OF ALASKA FOUNDATION
CONSOLIDATED ENDOWMENT FUND

Financial Statements

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

UNIVERSITY OF ALASKA

KPMG LLP
Suite 600
701 West Eighth Avenue
Anchorage, AK 99501

Independent Auditors' Report

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

We have audited the accompanying statements of assets and liabilities of the University of Alaska and University of Alaska Foundation Consolidated Endowment Fund (Fund) as of June 30, 2012 and 2011, and the related statements of operations and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Alaska and University of Alaska Foundation Consolidated Endowment Fund as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

October 15, 2012

UNIVERSITY OF ALASKA
and
UNIVERSITY OF ALASKA FOUNDATION
CONSOLIDATED ENDOWMENT FUND

STATEMENTS OF ASSETS AND LIABILITIES
June 30, 2012 and 2011

Assets	2012	2011
Cash and cash equivalents	$ 13,103,620	$ 17,357,870
Fixed income securities	51,109,718	50,972,030
Equity securities	147,609,974	175,354,548
Real assets	25,772,170	8,827,879
Absolute return	25,449,183	4,762,967
Total assets	263,044,665	257,275,294
Liabilities	-	-
Net Assets		
University of Alaska	125,225,758	125,422,019
University of Alaska Foundation	137,818,907	131,853,275
Total net assets	$ 263,044,665	$ 257,275,294

The accompanying notes are an integral part of the financial statements

UNIVERSITY OF ALASKA
and
UNIVERSITY OF ALASKA FOUNDATION
CONSOLIDATED ENDOWMENT FUND

STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
For the years ended June 30, 2012 and 2011

	2012	2011
Investment Income		
Interest and dividend income	$ 2,443,066	$ 4,132,919
Operating gains (losses)	233,748	(62,584)
Net investment income before expenses	2,676,814	4,070,335
Expenses		
Management fees	300,221	154,315
Investment consulting fees	88,000	107,000
Audit fees	24,695	23,519
Other	10,769	242
Total expenses	423,685	285,076
Net investment income	2,253,129	3,785,259
Realized and Unrealized Investment Gains (Losses)		
Net realized and unrealized investment gains (losses)	(1,836,302)	36,723,293
Net Increase in Net Assets Resulting from Operations	416,827	40,508,552
Distributions for endowment spending	(9,839,646)	(8,161,231)
Distributions for endowment assessments	(1,838,290)	(1,619,574)
Additional net investments	17,030,480	10,329,979
Increase in Net Assets	5,769,371	41,057,726
Net assets, beginning of year	257,275,294	216,217,568
Net assets, end of year	$ 263,044,665	$ 257,275,294

The accompanying notes are an integral part of the financial statements

2. Summary of Significant Accounting Policies, continued

Investments

The overall investment objective of the fund is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to support, in perpetuity, the various purposes of the endowments that make up the fund. The fund diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by an Investment Committee of the foundation's Board of Trustees, which oversees the fund's investment program in accordance with established agreements.

The fund holds interests in traditional fixed income and equity securities through commingled funds, and also invests in alternative strategies, including various hedged and private capital funds. Investment funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments, and are valued accordingly. Private capital funds include private equity and venture capital, energy and natural resources, mezzanine and distressed debt, and private real estate partnerships. Private capital strategies often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by investment fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the fund's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets.

Fair Value Measurement

The fund 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 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

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. This includes alternative investments valued at net asset value or equivalent with a redemption period of 90 days or less.

Level 3 – Pricing inputs are unobservable for the asset or liability and are based on the fund's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Level 3 may include investments that are supported by little or no market activity.

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. The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments.

2. Summary of Significant Accounting Policies, continued

2. Summary of Significant Accounting Policies, continued

financial reporting purposes are not necessarily an indication of the risks associated with those investments or a reflection of the liquidity of or degree of difficulty in estimating the fair value of each investment fund's underlying assets and liabilities.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The fund evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. For the year ended June 30, 2011, the fund reported one significant transfer from Level 2 to Level 3. ASC 820, as amended by ASU 2009-12, provides that investments redeemable at net asset value in the near term may be classified as Level 2. AICPA Technical Practice Aid 2220.18-.27 defines a redemption period of 90 days or less as 'near term'. This transfer between levels was due to a redemption period of greater than 90 days. There were no transfers between levels during the year ended June 30, 2012.

The following table presents the fund's activities for the years ended June 30, 2012 and 2011 for investments classified in Level 3:

Balance, July 1, 2010	$ 28,760,694	$ 6,294,162	$ -	$ 35,054,856
Transfers in from Level 2	4,988,914	-	-	4,988,914

9628 3)(5(45)2-12(ev)-8(e8 -1.417 Td n[(Tw 1 ( )Tj [illegible]

2. Summary of Significant Accounting Policies, continued

Private capital investments are generally made through limited partnerships. Under the terms of such agreements, the fund may be required to provide additional funding when capital or liquidity calls are made by investment fund managers. These partnerships have a limited existence, and they may provide for annual extensions for the purpose of disposing of portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, or other factors, a manager may extend the terms of an investment fund beyond its originally anticipated existence or may wind it down

3. Asset Allocation