

# **Education Trust of Alaska**

**Combined Financial Statements**

**June 30, 2023**



# **Education Trust of Alaska**

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**June 30, 2023**

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## **Report of Independent Auditors**

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

### ***Opinion***

We have audited the accompanying combined financial statements of the Education Trust of Alaska (the "Trust"), which comprise the combined statement of net assets, as of June 30, 2023 and the related combined statements of operations and changes in net assets including the related notes, for the year then ended (collectively referred to as the "combined financial statements").

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Trust as of June 30, 2023, and the results of its operations, and changes in its net assets for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Combined Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Combined Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*PricewaterhouseCoopers LLP*

Baltimore, Maryland  
October 16, 2023

**Education Trust of Alaska**  
**Combined Statements of Net Assets**  
**June 30, 2023**

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	<b>Operating Fund</b>	<b>Participant Accounts</b>	<b>Total</b>
<b>Assets</b>			
Receivables for securities and units sold	\$ -	\$ 17,121,991	\$ 17,121,991
Due from Participant Accounts (Note 3)	299,228	-	299,228
Dividends receivable	84,637	-	84,637
Due from the Trustee		-	-
Receivables, other		-	-
Seed money (Note 4)	513,200	-	513,200
Investments (Note 2 and 5)	44,216,154	9,770,220,294	9,814,436,448
	45,113,219	9,787,342,285	9,832,455,504
<b>Liabilities</b>			
Payables for securities and units purchased	-	9,317,959	9,317,959
Payables, other and accrued expenses	329,653	2,336,202	2,665,855
Due to the Trustee	2,788,718	-	2,788,718
Due- to Operating Fund (Note 3)	-	299,228	299,228
Tuition-Value Guarantee (Note 8)	1,380,000	-	1,380,000
	4,498,371	11,953,389	16,451,760
<b>Net assets</b>	<b>\$ 40,614,848</b>	<b>\$ 9,775,388,896</b>	<b>\$ 9,816,003,744</b>

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

**Education Trust of Alaska**  
**Combined Statements of Operations and Changes in Net Assets**  
**Year Ended June 30, 2023**

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	<b>Operating Fund</b>	<b>Participant Accounts</b>	<b>Total</b>
<b>Revenues and other additions</b>			
Dividend income	\$ 1,159,977	\$ 250,394,388	\$ 251,554,365
Trust fees retained	3,648,225	-	3,648,225
Total income	<u>4,808,202</u>	<u>250,394,388</u>	<u>255,202,590</u>
<b>Expenses and other deductions</b>			
Guarantees paid to participant accounts	3,037	-	3,037
Program and administrative fees (Note 6)	-	33,741,268	33,741,268
Program and administrative expenses (Note 7)	<u>6,844,212</u>	<u>-</u>	<u>6,844,212</u>
Total expenses	<u>6,847,249</u>	<u>33,741,268</u>	<u>40,588,517</u>
Provision for Tuition-Value Guarantee (Note 8)	<u>(1,200,000)</u>	<u>-</u>	<u>(1,200,000)</u>
Total net expenses	<u>5,647,249</u>	<u>33,741,268</u>	<u>39,388,517</u>
Net investment income	<u>(839,047)</u>	<u>216,653,120</u>	<u>215,814,073</u>
<b>Net realized and unrealized gain</b>			
Net realized gain	216,393	(94,211,898)	(93,995,505)
Capital gain distributions	-	240,149,827	240,149,827
Change in unrealized gain (loss)	<u>1,396,340</u>	<u>395,305,468</u>	<u>396,701,808</u>
Net realized and unrealized gain	<u>1,612,733</u>	<u>541,243,397</u>	<u>542,856,130</u>
Increase in net assets from operations	<u>773,686</u>	<u>757,896,517</u>	<u>758,670,203</u>
<b>Capital unit transactions</b>			
Units sold	-	2,339,010,255	2,339,010,255
Units redeemed	-	<u>(2,654,208,763)</u>	<u>(2,654,208,763)</u>
Decrease in net assets from capital unit transactions	-	(315,198,508)	(315,198,508)
Net increase in net assets	<u>773,686</u>	<u>442,698,009</u>	<u>443,471,695</u>
<b>Net assets</b>			
Beginning of year	<u>39,841,162</u>	<u>9,332,690,887</u>	<u>9,372,532,049</u>
End of year	<u>\$ 40,614,848</u>	<u>\$ 9,775,388,896</u>	<u>\$ 9,816,003,744</u>

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

**Education Trust of Alaska**  
**Notes to Combined Financial Statements**  
**June 30, 2023**

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**1. Organization**

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

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

**Participant Accounts:** The Participant Accounts consist of accounts established by participants in the three plans offered by the Education Trust of Alaska. Alaska 529 (the "Alaska Plan"), the T. Rowe Price College Savings Plan (the "Price Plan"), and John Hancock Freedom 529 (the "Hancock Plan"), (collectively "the Plans"). The Alaska Plan and the Price Plan (collectively the "Direct Plans") are marketed directly to investors, with the Alaska Plan primarily distributed in Alaska and the Price Plan distributed nationally by T. Rowe Price. The Hancock Plan is distributed nationally by John Hancock Distributors LLC through brokers and other financial intermediaries. The plans offer enrollment-based and static portfolios, each of which invests in predetermined underlying equity, fixed-income, and/or money market mutual funds. In addition to other investment options, the Alaska Plan offers the University of Alaska Portfolio, which carries a University of Alaska tuition-value guarantee. Participant Accounts also include scholarship accounts awarded primarily in connection with marketing efforts. On June 30, 2023, Participant Accounts included 255 scholarship accounts totaling \$1,204,486 held in the name of the Trust and one account totaling \$1,872 held in the name of the Trustee, the University of Alaska. Most of the scholarships are subject to forfeiture if not used for education expenses.

**2. Significant Accounting Policies**

**Basis of Presentation**

The accompanying combined financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of estimates by the Program Manager and the Trustee. Actual amounts could differ from those estimates and the differences could have a material impact on the financial statements.

**Federal Income Taxes**

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

**Investment Income and Transactions**

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

**Education Trust of Alaska**  
**Notes to Combined Financial Statements**  
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**Fair Value of Assets and Liabilities**

Each portfolio's financial instruments are valued and its net asset value (NAV) per unit is computed at the close of the New York Stock Exchange (NYSE), normally 4 p.m. ET, each day the NYSE is open for business. Each portfolio's financial instruments are reported at fair value, which GAAP defines as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To calculate the NAV, each portfolio's assets are valued and totaled, liabilities are subtracted, and each class's proportionate share of the balance, called net assets, is divided by the number of portfolio units outstanding. Investments in underlying mutual funds are valued at the underlying mutual fund's closing NAV per share on the date of valuation. Investments for which such valuation procedures are inappropriate or are deemed not to reflect fair value are stated at fair value as determined in good faith by or under the supervision of the program manager, as authorized by the Trustee.

Various valuation techniques and inputs are used to determine the fair value of financial instruments. GAAP establishes the following fair value hierarchy that categorizes the inputs used to measure fair value:

- Level 1 – quoted prices (unadjusted) in active markets for identical financial instruments that each portfolio can access at the reporting date;
- Level 2 – inputs other than Level 1 quoted prices that are observable, either directly or indirectly (including, but not limited to, quoted prices for similar financial instruments in active markets, quoted prices for identical or similar financial instruments in inactive markets, interest rates and yield curves, implied volatilities, and credit spreads);
- Level 3 – unobservable inputs (including the portfolio's own assumptions in determining fair value)

Observable inputs are developed using market data, such as publicly available information about actual events or transactions, and reflect the assumptions that market participants would use to price the financial instrument. Unobservable inputs are those for which market data is not available and are developed using the best information available about the assumptions that market participants would use to price the financial instrument. GAAP requires valuation techniques to maximize the use of relevant observable inputs and minimize the use of unobservable inputs. When multiple inputs are used to derive fair value, the financial instrument is assigned to the level within the fair value hierarchy based on the lowest level input that is significant to the fair value of the financial instrument. Input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level but rather the degree of judgment used in determining those values. As of June 30, 2023, all investments in the underlying mutual funds were classified as Level 1 and the investment in separately managed account contract was classified as Level 2, based on the inputs used to determine their fair values. The tuition-value guarantee liability, discussed in Note 8, is classified as Level 3 as of June 30, 2023.

**Sales Charges**

The Direct Plans offer one class of units and have no sales charges or loads. The portfolios of the Hancock Plan currently offers up to three classes of units. Class A units for all portfolios, except Fixed Income Portfolio, Enrollment Portfolio, and Stable Value Portfolio, pay a 4.00% front-end sales load. Class A units for Fixed Income Portfolio and Enrollment Portfolio pay a 3.00% front-end sales load. Class A units for Stable Value Portfolio does not incur a sales load. Class A units are subject to a front-end sales load except that: (1) contributions are subject to reduced sales charges at defined asset levels based on an investor's total plan assets and (2) additions to certain accounts established prior to June 3, 2002, are generally charged the original 3.50% sales load. Class C2, and Class F units incur no sales loads.

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**Trust Fees Retained**

Effective on or around April 1, 2022, for each of the plans, the Trust agreed to retain a trust fee at 4 basis points (0.04% annualized) of each portfolio's average net daily assets, excluding the University of Alaska Portfolio in the Alaska Plan. Prior to April 1, 2022, each portfolio paid a trust fee equal to 0.05% of the portfolio's average daily net assets. The trust passes 0.01% of the total trust fee to the program manager. All such fees are accrued daily and paid monthly.

**3. Due from Participant Accounts**

Due from Participant Accounts represents trust fees due to the Operating Fund for administration of the program. As of June 30, 2023, trust fees of \$299,228 were due to the Operating Fund from Participants Accounts, including \$42,243 which are due to the Program Manager as reimbursement for program costs.

**4. Seed Money**

As new portfolios are established, the Operating Fund provides "seed money" to open the portfolios for administrative purposes, such as initial net asset value calculations. The seed money is subsequently returned to the Operating Fund with earnings. On April 28, 2017, May 31, 2018, May 31, 2019, May 26, 2021, November 29, 2022 and May 23, 2023, the Trust advanced \$220,000, \$20,000, \$125,000 and \$200,000, \$120,000 and \$300,000 respectively to seed new portfolios. On May 13, 2019, September 28, 2020, March 18, 2021, December 7, 2021, October 25, 2022 and February 10, 2023, \$170,000, \$90,000, \$95,000, \$100,000, \$10,000 and \$20,000 was returned to the Operating Fund. The market value of the remaining seed accounts at June 30, 2023, was \$513,200.

**5. Investments**

**Operating Fund**

At June 30, 2023, the Trust's Operating Fund included the following investments in T. Rowe Price mutual funds:

T. Rowe Price Equity Index 500 Fund	\$ 13,671,929
T. Rowe Price Extended Equity Market Index Fund	3,873,510
T. Rowe Price Government Money Fund	239,925
T. Rowe Price U.S. Bond Enhanced Index Fund	25,814,840
T. Rowe Price U.S. Treasury Money Fund	615,950
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	\$ 44,216,154

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**Notes to Combined Financial Statements**  
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**Participant Accounts**

The Direct Plans are distributed and managed by T. Rowe Price Associates, Inc. with investments in portfolios composed of T. Rowe Price mutual funds. Participant contributions are recorded and invested in the Alaska Plan or the Price Plan according to instructions provided by the participants on the trade date. Total investments in the plans were \$4,167,920,450 at June 30, 2023, and were invested in the following mutual funds:

T. Rowe Price Blue Chip Growth Fund	\$ 297,734,954
T. Rowe Price Emerging Markets Discovery Stock Fund	55,113,241
T. Rowe Price Emerging Markets Stock Fund	45,280,758
T. Rowe Price Equity Index 500 Fund	552,961,840
T. Rowe Price Equity Research Fund	64,900,601
T. Rowe Price Global Impact Equity Fund	1,991,000
T. Rowe Price International Growth Fund	124,207,062
T. Rowe Price International Stock Fund	121,704,168
T. Rowe Price International Value Equity Fund	
T. Rowe Price Mid-Cap Growth Fund	69,626,648
T. Rowe Price Mid-Cap Value Fund	63,020,020
T. Rowe Price Mid-Cap Index Fund	47,845,732
T. Rowe Price New Income Fund	560,114,576
T. Rowe Price Overseas Stock Fund	144,451,948
T. Rowe Price QM U. S. Bond Index Fund	95,848,403
T. Rowe Price Real Assets Fund	83,468,714
T. Rowe Price Small-Cap Index Fund	46,085,017
T. Rowe Price Small-Cap Stock Fund	115,304,562
T. Rowe Price Spectrum Income Fund	599,879,597
T. Rowe Price Large-Cap Core Fund	66,171,542
T. Rowe Price Duration Tips Index Fund	489,772,356
T. Rowe Price U.S. Treasury Money Fund	238,794,464
T. Rowe Price Value Fund	289,718,265
US Dollar	-6,075,018
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	\$ 4,167,920,450

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The Hancock Plan is distributed by John Hancock Distributors LLC and managed by T. Rowe Price Associates, Inc. The Hancock Plan is invested in portfolios with underlying T. Rowe Price and other designated mutual funds. Total investments in the plan were \$5,602,299,844 at June 30, 2023, and were invested in the following mutual funds:

American Mutual Fund	\$ 142,723,759
John Hancock Capital Appreciation Fund	291,700,870
John Hancock Core Bond Fund	542,180,601
John Hancock Disciplined Value Fund	151,654,711
John Hancock Disciplined Value International Fund	231,755,331
John Hancock Emerging Markets Fund	58,559,896
John Hancock Emerging Markets Stock Fund	6,800,802
John Hancock International Growth Fund	188,369,862
John Hancock Multimanager Lifestyle Balanced Portfolio	155,805,092
John Hancock Multimanager Lifestyle Growth Portfolio	362,117,076
John Hancock Multimanager Lifestyle Moderate Portfolio	56,256,792
John Hancock Strategic Income Opportunities Fund	180,308,339
T. Rowe Price Blue Chip Growth Fund	519,512,808
T. Rowe Price Equity Income Fund	342,007,020
T. Rowe Price Financial Services Fund	62,318,091
T. Rowe Price Health Sciences Fund	59,834,346
T. Rowe Price Limited Duration Inflation Focused Bond Fund	724,778,674
T. Rowe Price Mid-Cap Growth Fund	62,326,537
T. Rowe Price Mid-Cap Value Fund	125,543,397
T. Rowe Price New Horizons Fund	102,243,788
T. Rowe Price Real Assets Fund	87,556,396
T. Rowe Price Science & Technology Fund	63,535,624
T. Rowe Price 529 Stable Value Fund	178,545,831
T. Rowe Price Small-Cap Stock Fund	151,079,415
T. Rowe Price Spectrum Income Fund	730,943,219
T. Rowe Price U.S. Treasury Money Fund	24,941,463
US Dollar	-1,099,896
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	\$ 5,602,299,844

**6. Program and Administrative Fees**

Program and administrative fees deducted from the Participant Accounts represent fees charged to participants for the administration, promotion and distribution of the plans. For the Direct Plans, static portfolios and the University of Alaska Portfolio, each pays an annual program fee for administration and management to the program manager equal to 0.05% of its average daily net assets. Each enrollment-based portfolio pays an annual program fee equal to 0.02% of its average net assets. For

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the Hancock Plan accounts, the Trust charged an annual account maintenance fee of \$15, a program management fee of 25 basis points (0.25% annualized).

Prior to its closure on December 2, 2022, the Trustee has authorized the Program Manager to waive all or a portion of the annual program management fee otherwise payable by the Money Market Portfolios to the extent necessary to maintain a net yield of at least 0.00% for the Money Market Portfolio. Pursuit to this arrangement, no program management fees were waived for the Money Market Portfolio during the period ended December 2, 2022 in the Hancock Plan; no program fees were waived for Portfolio 2042, Portfolio 2039, Portfolio 2036, Portfolio 2033 and Equity Portfolio in Alaska and Price Plans, for the year ended June 30, 2023. In addition, prior to July 22, 2021, the Program Manager voluntarily agreed to limit the ratios of direct and indirect expenses for the Hancock Plan Fixed Income Portfolio to 1.34% for Class A and 2.09% for Class C2 (each, an expense limit). Expenses in excess of the expense limit are reimbursed by the Program Manager and are not subject to future repayment. Through July 22, 2021, the Fixed Income Portfolio operated below its expense limit.

**7. Administrative Expenses of the Trust**

Administrative expenses charged to the Operating Fund represent payments to the University of Alaska, as Trustee, for administration of the Trust including reimbursement of marketing, compensation and benefits and other expenses incurred by the University of Alaska on behalf of the Trust. The Trust has assumed responsibility for funding its direct costs including compensation and benefits of its staff, promotion and advertising, the cost of audit services for the Plans, and certain indirect costs such as facilities and administrative support. Effective January 1, 2015, the Trust assumed responsibility for funding (reimbursing T. Rowe Price) for all direct marketing costs of the Alaska Plan. In addition, the Trust reimburses the Program Manager monthly for costs incurred by the Program Manager in connection with the Hancock Plan at a rate of 1 basis point (0.01% annualized) times the average net daily assets of the Hancock Plan excluding the Money Market Portfolio. In April 2022, the Trust announced two incentive programs for the Alaska Plan. The Dash to Save incentive program is designed to encourage new account holder/beneficiary relationships within the Alaska Plan and the Dash to Save More incentive program rewards systematic savings for new and existing participants. Eligibility for the incentive programs runs throughout the calendar year. For the fiscal year ended June 30, 2023 the Trust paid \$723,850 to eligible participants on February 16, 2023 and accrued \$1,165,750 based on eligibility as of June 30, 2023. For the fiscal year ended June 30, 2023, the Trust incurred direct costs of \$6,844,212 for administration of its Section 529 plans. The Trust also incurred charges of \$530,701 for the fiscal year ended June 30, 2023 in connection with its cost sharing agreement with the Program Manager. At June 30, 2023, the Trust had reimbursements due to its Trustee of \$2,788,718 for expenses incurred on behalf of the Trust and payables and accrued expenses in the amount of \$329,653 including \$42,243 due to T. Rowe Price as cost sharing expense.

**8. Tuition-Value Guarantee**

The University of Alaska (UA) tuition-value guarantee represents a guarantee by the Trust that the long-term earnings of the University of Alaska Portfolio will keep pace with tuition inflation at the University of Alaska for funds redeemed for payment of regular tuition at the University of Alaska. An actuarial analysis of the liability conducted by Milliman utilizing a Monte Carlo methodology (a projection of one thousand randomly selected scenarios) estimated the potential liability based on management's assumptions as between \$0.01 million at the 5 percent confidence level and \$4.56 million at the 95 percent confidence level. As of June 30, 2023, management estimates the liability for the tuition-value guarantee to be approximately \$1,380,000, the mean of the Monte Carlo scenario results.

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The analysis is based in part on the number of UA credits assigned to each account at June 30, 2023. A UA credit is a unit of education equal to one upper-division credit hour charge at the University of Alaska at the highest regular tuition rate charged. UA credits are assigned to accounts invested in the University of Alaska Portfolio whenever a contribution is made to an account. The analysis is also based on several significant assumptions including: 1) that distribution and tuition utilization patterns for the most recent 5-year period will continue, 2) that tuition inflation at the University of Alaska will be slightly higher than its average annual increase for the previous 40 years of approximately 7% , 3) that the average portfolio earnings will be approximately 5.4% based on target asset allocations and management's long-term estimate of capital market returns. The actuarial analysis assumes tuition increases of 3% for the next year, and 7% per year thereafter. The prior year analysis assumed 0% for the next year, and 3% for the following year and 7% per year thereafter. Management believes that the use of lower earnings and tuition increase assumptions for the purpose of estimating the Trust's potential liability provides a more reasonable estimate of the liability.

The actuarial assumptions and methodology are generally consistent with those of the prior year other than as explained above. These assumptions resulted in decreasing the estimated Tuition-Value Guarantee from \$2,580,000 to \$1,380,000 as of June 30, 2023. The expected payments needed from the Trust to provide the guarantee were discounted to June 30, 2023, present value using the risk-free spot rates of interest implied by the U.S. Treasury yield curve as of that date. The single risk-free rate used is a weighted average using spot rates from the full yield curve depending on the projected redemption of units.

**9. Related Party Transactions**

As described in Note 1, the University serves as Trustee for the Trust. Certain University employees serve as management and staff for the Trust and the 529 Plans. The direct costs incurred by the University for these positions and other costs of the Plans are fully reimbursed by the Trust. Additional information regarding cost reimbursements to the University is provided in Note 7.

**10. Market Conditions**

For the Direct Plans, the portfolios had returns that ranged from 1.4 % to 21.13% for the year, net of all fees. For the Hancock Plan, the portfolios (Class A, C2 and F) had returns that ranged from 0.76% to 32.58%, net of all fees except the \$15 annual account maintenance fee.

Unpredictable events such as environmental or natural disasters, war, terrorism, pandemics, outbreaks of infectious diseases, and similar public health threats may significantly affect the economy and the markets and underlying mutual funds in which the portfolios invest. Certain events may cause instability across global markets, including reduced liquidity and disruptions in trading markets, while some events may affect certain geographic regions, countries, sectors, and industries more significantly than others, and exacerbate other pre-existing political, social, and economic risks. Since 2020, a novel strain of coronavirus (COVID-19) has resulted in disruptions to global business activity and continues to have an impact on volatility in global financial markets.

In February 2022, Russian forces entered Ukraine and commenced an armed conflict leading to economic sanctions being imposed on Russia and certain of its citizens, creating impacts on Russian-related stocks and debt and greater volatility in global markets.

In March 2023, the collapse of some US regional and global banks as well as overall concerns around the soundness and stability of the global banking sector has sparked concerns of a broader financial crisis impacting the overall global banking sector. In certain cases, government agencies have

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assumed control or otherwise intervened in the operations of certain banks due to liquidity and solvency concerns. The extent of impact of these events on the US and global markets is highly uncertain.

These are recent examples of global events which may have an impact on a portfolio's performance, which could be negatively impacted if the value of an underlying mutual fund were harmed by these and such other events. The program manager is actively monitoring the risks and financial impacts arising for these events.

## **11. Portfolio Changes**

For the John Hancock Plans,

- On September 28, 2022, the share class of American Mutual Fund, and underlying mutual fund in each enrollment-based portfolio and the Equity Portfolio was changed from Class F-1 to Class F-3.
- On October 4, 2022, the share class of each T. Rowe underlying mutual fund was converted from Investor Class to I Class.
- On November 29, 2022, a new static portfolio, Stable Value Portfolio, was seeded with a \$10,000 investment per unit class for A class and C2 Class and a \$100,000 investment for F Class by the Education Trust of Alaska. The Portfolio was available for investment by the public on December 1, 2022.
- On December 2, 2022, all assets in Money Market Portfolio and Short-Term Portfolio automatically converted to the corresponding unit class in Stable Value Portfolio, permanently closing both Money Portfolio and Short-Term Bond Portfolio.
- Beginning in May 2023, the following investment changes were made:
  - T. Rowe Price Emerging Markets Stock Fund was added as an underlying fund in the Equity Portfolio and enrolment-based portfolios. In each portfolio, up to 50% of the emerging markets equity allocation will be gradually moved from the existing underlying fund John Hancock Emerging Market Fund (subadvised by Dimensional Fund Advisors) to T. Rowe Price Emerging Markets Stock Fund.
  - The enrollment-based portfolios began transitioning to a more diversified domestic and international equity investment approach. T. Rowe Price Mid-Cap Growth Fund, T. Rowe Price Mid-Cap Value Fund, T. Rowe Price Small-Cap Stock Fund, and John Hancock Emerging Markets Fund were added as underlying funds to Enrollment Portfolio and Portfolio 2021-2024.
  - T. Rowe Price U.S. Treasury Money Fund and T. Rowe Price Limited Duration Inflation Focused Bond Fund became available in each enrollment-based portfolio to employ opportunistic tactical decisions.
- On May 23, 2023, Portfolio 2041-2044, a new enrollment-based portfolio, was seeded with a \$100,000 investment per unit class by the Education Trust of Alaska. The portfolio was available for investment by the public on May 25, 2023.

As scheduled, at the close of business on June 9, 2023, Portfolio 2021-2024 matured, all assets automatically converted to Enrollment Portfolio, permanently closing Portfolio 2021-2024.

**Education Trust of Alaska**  
**Notes to Combined Financial Statements**  
**June 30, 2023**

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**12. Subsequent Events**

Management believes no events have occurred between June 30, 2023, and October 16, 2023, the date the financial statements were available to be issued, which require adjustment of, or additional disclosure in, the financial statements.