

# Message from the Board of Directors



## On The Hunt...

The Eyak Corporation

Anchorage P: 907-334-6971 F: 907-334-6973

Cordova P: 907-424-7161 F: 907-424-5161

Dear Shareholders,

We are cautiously optimistic that the nation has reached a turning point in the battle against COVID-19 and are hopeful that you are well. Our offices are reopening to the public and we are moving forward in our efforts to hold an in-person Annual Meeting of Shareholders this fall.

The Board has held three meetings since we mailed out our last quarterly Shareholder newsletter. During those meetings, the Board:

- Discussed subsidiaries, current investments, and 2021 year-to-date financials;
- Received updates and acted on recommendations from the following committees: Communications; Governance; and Land;
- Discussed the CEO transition, including process, timeline, and rollout;
- Discussed the re-opening of our corporate offices;
- Appointed Eli Johnson to the Shareholder Advisory Committee;
- Met with Native Village of Eyak's Tribal Council and Executive Director on matters related to Shepard Point;
- Received ethics and compliance updates;
- Approved the Governance Committee's recommended revisions to the Board Code of Conduct;
- After discussion, rescheduled the date of the Annual Meeting to October 2, 2021;
- Approved resuming the annual Nirvana Park Cemetery cleanup in Cordova; and
- Received an update on The Eyak Foundation.

We hope you find this newsletter informative and worthy of the time you spend reading it. If you have any questions, or see room for improvement, please let us know.

**June 2021**  
**Inside This Issue:**

- Message from Board of Directors
- Management Report by Rod Worl
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- Bill Hansen Jr. 10th Annual Pioneer Cemetery Cleanup
- Director Spotlight: Rikki Addy
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## Management Report, by Rod Worl



Greetings Shareholders, Descendants, and Friends!

I am pleased to share that, after the first quarter of 2021, TEC is well on our way to another profitable year. Our government contracting operations and investment income account for most of the profitability through the first quarter of the year.

As you may remember, in January 2017, after extensive internal and third-party due diligence, TEC's Board of Directors authorized a \$500,000 investment into Baxter Senior Living, LLC, in return for 5 percent of the membership interests in the company. We believed \$500,000 was the right investment amount to further diversify TEC

from relying too heavily on government contracting. We expected the investment to provide financial returns to Eyak and job opportunities for our Shareholders, while addressing the under-served market for Elder housing in Alaska.

I am pleased to share that the investment in Baxter Senior Living has been a success on all fronts. The project was developed by a consortium of local Alaskan investors and has provided a first-class assisted living option for Alaskan seniors. In addition, both a TEC Shareholder and a Shareholder spouse secured employment at Baxter Senior Living. In May 2021, Baxter Senior Living was sold to Sabra Health Care REIT. The facility will continue to be operated by Paradigm Senior Living. The project was sold for a purchase price of \$32.5 million, with additional potential earnings for TEC and the other investors if certain performance metrics are achieved after 18 months.

TEC has already received \$558,440 from the sale, which more than recoups our initial investment. We anticipate receiving approximately \$475,000 through the 18 month earnout period. That amount could be higher (if Baxter Senior Living is more profitable than anticipated) or lower (if Baxter Senior Living is less profitable than anticipated). There are several assets and contingencies that, once sold or resolved, will yield additional cash back to TEC.

The March Shareholder letter announced two six-month internship opportunities, funded by TEC, for two positions at Alaska Glacier Products' facility in Chugiak, Alaska. The positions (Mechanic Apprentice I and Machine Operator 1) have not yet been filled. More recently, TEC has announced similar six-month internship opportunities, funded by TEC, for two Food Production Assistant positions at the Heather's Choice facility in Anchorage, Alaska.

For more information on these job opportunities (and others) with TEC, please visit our website: [www.eyakcorporation.com](http://www.eyakcorporation.com) or give us a call at (907) 334-6971.

Lastly, as an appendix to this newsletter, we have included the fiscal year 2020 audited financial statements for the Eyak Permanent Fund Settlement Trust (EPFST). We applaud the dedicated efforts of our volunteer EPFST Trustees.

## CEO Search

The application period for TEC's next Chief Executive Officer (CEO) opened May 3. Please direct any interested applicants to contact Keja Whiteman at [keja@kwconsultantsllc.com](mailto:keja@kwconsultantsllc.com) or 307-851-2274 for the job description or more details. Candidate reviews will begin on June 30, 2021.

Current CEO, Rod Worl continues to support the Board, staff and our businesses through the transition process, ensuring stability and a seamless transition. Rod has graciously agreed to continue his service and remains flexible with his separation date, based on the needs of the Board and incoming CEO.

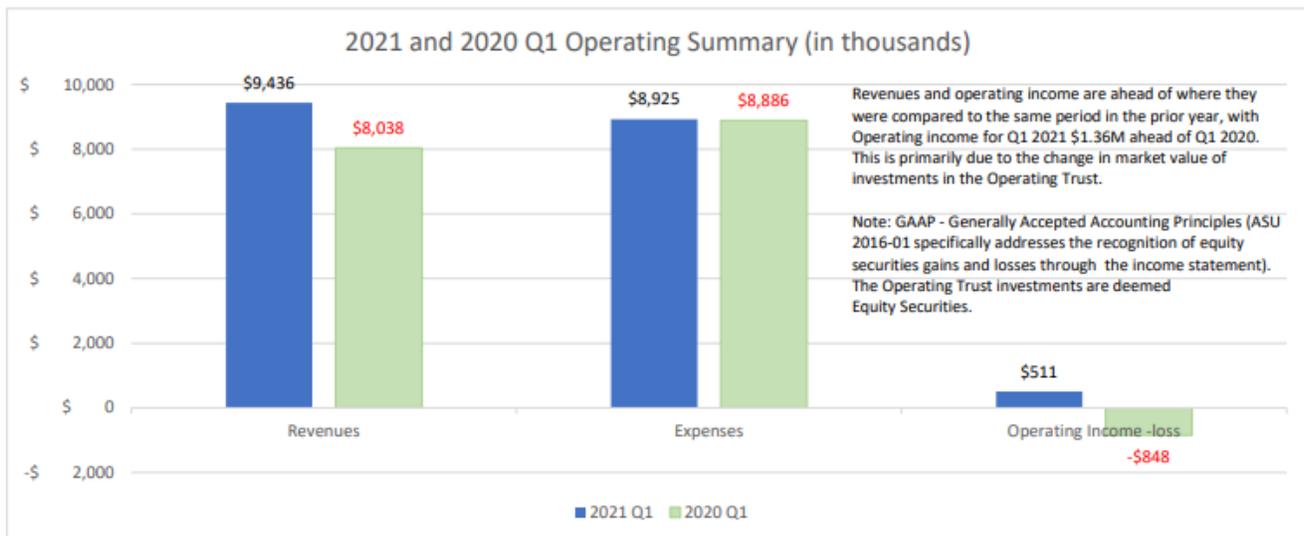
TEC is committed to following a guided process and selecting an exceptional leader. For more information on the process or the position itself, please visit our website:

<http://www.eyakcorporation.com/jobs/ceo-hiring-process>.

## 2021 Operating Income Summary

### 2021 Operating Income Summary For the Quarter Ended March 31, 2021 with Comparative Totals for the Prior Year (unaudited)

(in thousands)	<u>2021 Q1</u>	<u>2021 Q2</u>	<u>2021 Q3</u>	<u>2021 YTD</u>	<u>2020 Q1</u>	<u>2020 Q2</u>	<u>2020 Q3</u>	<u>2020 YTD</u>
Revenues	\$ 9,436			\$ 9,436	\$ 8,038			\$ 8,038
Expenses	8,925			8,925	8,886			8,886
Operating Income -loss	\$ 511			\$ 511	-\$ 848			-\$ 848



#### Definitions:

Q1 - First Quarter, which runs from January 1st to March 31st.

Q2 - Second Quarter, which runs from April 1st to June 30th.

Q3 - Third Quarter, which runs from July 1st to September 30th.

YTD - Year to Date adds all activity for each quarter of the year.

Revenues, Expenses, Operating Income (Income From Operations)

Note: amounts are reported in thousands, to convert to millions or thousands multiply the number shown by 1,000; e.g., \$2,583 is \$2,583,000.

## Throwback

Roberta Parsons, Cy Barnes, John Anderson (at the piano), John Borodkin, Marie Lange, Pat Barnes Sr., and Mary Gordaoff (L-R).

Thanks to Shareholder Pauline Lange for sharing this photo!



If you have any throwback photos you'd like to share, please send them to [shareholder@eyakcorp.com](mailto:shareholder@eyakcorp.com).

### Welcoming New Shareholders

- Emma Andersen
- Erika Andersen
- Gunnar Davis
- Nadia Hoffhines
- Mason Ladd

### Remembrance

- Arvella Olsen
- Pastor Gary Barnes



## Bill Hansen Jr. 10th Annual Pioneer Cemetery Cleanup

After a one-year break, the 10th Annual Bill Hansen Jr. Pioneer Cemetery Cleanup will be held in Cordova on **June 22**. The cleanup will take place from **10:00 a.m. to Noon** followed by a socially distanced picnic lunch. If you are interested in volunteering or have questions please contact Tiffany Beedle at 907-424-7161.

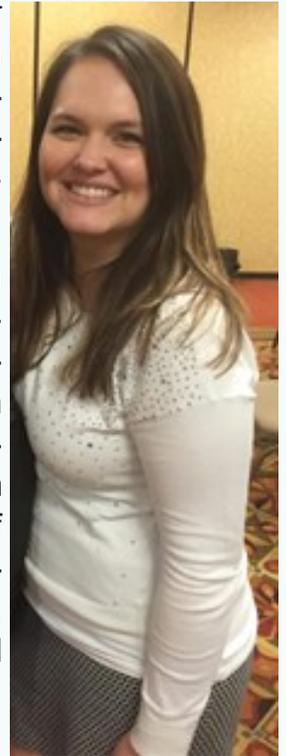


## Director Spotlight on Rikki Addy, by Nancy Barnes

It is my great pleasure to shine light onto Rikki Addy, who serves as Treasurer on TEC's Board of Directors. TEC Shareholders elected Rikki to the Board in 2015 and re-elected her to the Board in 2018. In addition to serving as Treasurer, Rikki serves as chair of the Communications, Descendant Issues and Finance/Investment Committees. She is also a member of the Audit and Governance committees.

Rikki holds a Bachelor of Science in Business Administration with a major in Marketing and minor in Communications Studies from the University of Nevada Las Vegas. While in college, she interned with Chugach Alaska Corporation (CAC), first in the Communications Department, then at a contract site in North Las Vegas, NV. After college, she completed an apprenticeship in Business Development at CAC. She has over 13 years' combined experience in federal government service and working for federal contractors, with many of those years spent working for Alaska Native Corporations. She resides in Bettendorf, Iowa with her husband, Jacob, their two sons, Cameron and Colin, and their dog, Juneau. She enjoys cheering on her kids' soccer and baseball teams and trying to grow things in her garden.

Read on to learn more about Rikki:



Rikki Addy

### **Q: What inspired you to run for the Board?**

**A:** When I was first accepted by the University of Nevada Las Vegas, I had no idea how I would pay for school. My mom, TEC original Shareholder Sheryl (Hansen) Hartman, suggested that I check with our village and regional corporations to see if they had any scholarship opportunities. They did! That led to me participating in an internship and then apprenticeship with our regional corporation, Chugach Alaska Corporation. After being the recipient of those benefits and gaining valuable work experience, I was carrying around this feeling of "Well, what can I do now to return the favor? How can I give back? How can I make sure these types of opportunities remain and expand for future generations?" I carried that sense of obligation with me when I married my husband and we moved around the country for years during his Army service. Once again, my mom came in with a great suggestion. She asked me to consider running for TEC's board, and it clicked: that was a way I could literally sit at the table to help shape the direction of our corporation. Thank you, mom, for all of the great suggestions!

### **Q: What do you envision for TEC's future?**

**A:** I see TEC continuing to grow and expand business both inside and outside of government contracting. Government contracting has been life-changing for so many Alaska Native Corporations, including TEC. We've had great success and continue to see profits from that line of business. With that said, it can be very competitive, which can lead to lower margins. While I don't want to see the corporation take huge financial risks to the detriment of our Shareholders, if a great investment opportunity comes along, we should always seriously consider those opportunities. I am grateful to CEO Rod Worl for...(continue on page 6)

## Director Spotlight on Rikki Addy, Continued

bringing these types of opportunities to the Board, including investments such as Baxter Senior Living, Heather's Choice, and Alaska Glacier Products. I look forward to seeing what opportunities our future CEO will bring.

I also want to see expanded employment opportunities for Shareholders and Descendants as we continue to grow. Our team is small and extremely efficient – I am really thankful for them and all they are able to do for our corporation. We have a smart, motivated, and dedicated team. As we continue to grow, there will be room to bring in more highly motivated team members to help manage and grow our success further, and I want to see our qualified Shareholders and Descendants be part of that. I am thankful that we've been able to provide educational assistance to our Shareholders and Descendants through The Eyak Foundation and I would love to see scholarship recipients come back and help our company continue to grow and operate successfully.

### **Q: Do you have a favorite memory from your time on the Board?**

**A:** I have so many fond memories from my Board service. Like many people, I get nervous getting up in front of a crowd of people to speak, but I think some of the most rewarding experiences have been from those moments where I present a report and take questions or get to know our Shareholders and Descendants at the Annual Meeting, Informational Meetings, and other Shareholder events. I sincerely value hearing other people's ideas and opinions, whether we agree or disagree. This kind of deep discussion can only improve our decision-making in the long run, since we all have unique experiences and knowledge to share. There is something extremely satisfying about taking an idea heard in one of these meetings back to the board room and figuring out how we can use that to make improvements big and small for TEC. If you see me at these meetings, you'll probably notice me taking notes so I can remember to bring something up back in the board room later.

### **Q: What would you tell other Shareholders who are considering Board service?**

**A:** Delve in and get involved now, whether it be actively reading Shareholder newsletters, attending TEC Shareholder events, volunteering to serve on the Shareholder Advisory Committee or The Eyak Foundation Board of Trustees, or just calling or emailing us if there is something you want to comment on or want to understand better. Educate yourself as much as possible, not only about TEC, but about ANCs and ANCSA history, government contracting, understanding corporate financials, and corporate investing. Know that you will be putting in hours not only preparing for our regular board meetings by reading the board packet and getting questions/comments prepared, but also in serving on our various committees. Have high ethical standards for yourself and others. Keep an open mind when preparing to discuss agenda items and be prepared to share and defend your opinion. The more robust the discussion, the better! Don't be afraid to ask questions or ask for information so you can be brought up to speed on an issue/topic. It's also helpful to read up on Robert's Rules of Order. I'm far from an expert, but it is helpful to have a general understanding before your first meeting.



Rikki Addy and Irene Hansen

## Update on The Eyak Foundation, by Jim Ujioka



It is my pleasure to provide this update on The Eyak Foundation. The Eyak Foundation is overseen by a volunteer Board of Shareholder and Descendant Trustees, whose current members include: John Johnson, Rockele Jones, Todd Lilleness, Martin Dean Parsons, Nick Tiedeman, and myself, Jim Ujioka.

The Foundation's Trustees met virtually on April 28. During that meeting, the Trustees:

- Received a Management report from Heidi Johnson;
- Reviewed the financials with Sue Jolin;
- Discussed the Foundation's tax returns;
- Discussed short-term and long-term staffing options;
- Analyzed and approved the 2021 budget; and
- Discussed efforts to date in furtherance of the Foundation's 2021 strategic plan.

The Foundation continues to make steady progress on its goal of \$5M to endow the Foundation, with total assets of \$2.84M as of March 31, 2021. We think the endowment, much like the Eyak Permanent Fund Settlement Trust established by our Shareholders in 1998, will provide significant long-term benefits for our Shareholders and Descendants.

The Trustees also discussed the importance of outreach to past and present TEF scholarship recipients for testimonials to add to the Foundation's refreshed website. We are immensely proud of our scholarship recipients and want to celebrate each and every success story. We also want to provide inspiration for those who may be thinking about going back to school. Testimonials serve both purposes and can be sent to Heidi Johnson, at [hjohnson@eyakfoundation.org](mailto:hjohnson@eyakfoundation.org).

The Trustees are strong believers in succession planning, including for future open seats on the Board of Trustees. We welcome letters of interest from any Shareholders and Descendants who may wish to serve as a Trustee. This is an excellent opportunity for former scholarship recipients to give back.

For more information on the Eyak Foundation, please visit our website at: [www.eyakfoundation.org](http://www.eyakfoundation.org) and/or contact Heidi Johnson at (907) 334-6971 ext. 1, [hjohnson@eyakfoundation.org](mailto:hjohnson@eyakfoundation.org).

On behalf of the Trustees, thanks for your continued support.



## Frequently Asked Questions

### **Q. Does TEC plan to hire a Shareholder or Descendant for the CEO position?**

A. TEC is looking for an experienced business executive who demonstrates integrity and values stability, collaboration, and a professional corporate culture to oversee the next phase of TEC's strategic and financial growth. We encourage all qualified applicants, especially TEC Shareholders or Descendants, to apply. Preference will be given to TEC Shareholders and Descendants and shareholders and descendants of other Alaska Native corporations in accordance with federal law and the corporation's policy.

### **Q. When will the new CEO be hired?**

A. Candidate reviews will begin on June 30, 2021. Our top priority through this process is a transparent, seamless transition period to ensure stability for our Shareholders and Descendants, our staff, and our business activities. As such, in the interest of ensuring we find the right candidate for the position, we do not have a firm closing date. We will update Shareholders and Descendants with new information on the process as it becomes available.

### **Q. Does the U.S. Department of Veteran Affairs' Native American Direct Loan program for Native American Trust lands extend to TEC Shareholder homesite leased lands?**

A. No, because the Alaska Native Claims Settlement Act provided for the conveyance of fee simple lands to Alaska Native Corporations, the Shareholder homesite leased lands do not satisfy the Veteran Affairs' requirement that the lands be held in trust by the federal government.

### **Q. Does TEC plan to host the old cemetery cleanup this summer?**

A. Yes, we intend to host a cleanup of the Nirvana Park Cemetery on June 22, from 10 a.m.-noon, to be followed by a socially distanced picnic.

### **Q. Does the Transition Team (search committee) for TEC's next CEO have 1-2 people that are neither TEC employees nor directors?**

A. The Transition Team members are TEC directors and employees. After an extensive due diligence process, TEC has also retained KW Consultants to assist us based on their knowledge and skill in this realm and their experience with well-respected regional and village Alaska Native Corporations. Though Keja Whiteman is not a TEC employee, she is a valued partner in this process and has interviewed several key members of TEC and subsidiaries, including current and former directors and key employees at the parent and subsidiary level.

### **Q. How much experience does the Transition Team have in hiring a CEO?**

A. We are confident in the Transition Team's ability to lead this process based on the skills each member brings to the table, including direct experience hiring TEC's current CEO and knowledge of TEC's corporate culture, Shareholders, and business practices. One of the reasons we hired KW Consultants was to complement our Transition Team's experience.

### **Q. Who has the ultimate hiring decision for the next CEO?**

A. TEC's Board of Directors will make the hiring decision.

## Dates to Remember

- June 22nd, 10:00am-12:00pm  
10th annual Bill Hansen Jr. Pioneer Cemetery Cleanup
- October 2, Time TBD  
Annual Meeting of Shareholders

### On The Hunt for Culturally-Relevant Articles

Several shareholders have requested we include more culturally-relevant articles in these newsletters. Do you have a favorite salmon recipe, a historical photo, or other culturally significant information you'd like to share with your Eyak Corporation family?

Please submit ideas to [info@eyakcorp.com](mailto:info@eyakcorp.com) for possible inclusion in future newsletters.

## Board of Directors



- Brooke Mallory, Chair
- Nancy Barnes, President
- Jim Ujioka, Vice Chair
- Jerry O'Brien Jr., Vice President
- Rikki Addy, Treasurer
- Roxanne Dolfi, Secretary
- Jason Barnes, Director
- Todd Lilleness, Director
- Nick Tiedeman, Director

## Alaska Staff



Rod Worl  
Chief Executive Officer

Ext. 1



Brennan Cain  
VP & General Counsel

Ext. 5



Sue Jolin  
VP of Finance

Ext. 7



Peggy Fisher  
Senior Accountant

Ext. 3



Heidi Johnson  
Office & Shareholder Relations Manager

Ext. 1



Tiffany Beedle  
Project Manager & Operations Assistant

## INDEPENDENT AUDITOR'S REPORT

The Trust Committee  
The Eyak Permanent Fund Settlement Trust  
Anchorage, Alaska

We have audited the accompanying financial statements of Eyak Permanent Fund Settlement Trust which comprise the balance sheet as of December 31, 2020 and 2019, and the related statements of income, changes in shareholder's equity and comprehensive income and cash flows for the years 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility** - 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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, the financial statements referred to above present fairly, in all material respects, the financial position of Eyak Permanent Fund Settlement Trust, as of December 31, 2020 and 2019, and the results of its operations and its cash flow for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Foster and Company, LLC*

Foster and Company, LLC  
Wasilla, Alaska  
April 14, 2021

**EYAK PERMANENT FUND  
SETTLEMENT TRUST**  
Balance Sheets  
December 31, 2020 and 2019

<b>Assets</b>	<u>2020</u>	<u>2019</u>
Cash equivalents:		
Wells Fargo Checking	\$ 101,852	\$ 33,495
Wells Fargo Money Market	<u>374,221</u>	<u>80,231</u>
	476,073	113,726
Equity mutual funds:		
Vanguard 500 Index	7,859,708	6,974,539
Vanguard FTSE All-World except US	4,618,359	4,147,567
Fidelity Extended Market	<u>5,998,328</u>	<u>4,903,684</u>
	18,476,395	16,025,790
Fixed income mutual funds:		
Fidelity US Bond Index	<u>6,104,887</u>	<u>5,660,005</u>
	6,104,887	5,660,005
	<u>\$ 25,057,355</u>	<u>\$ 21,799,521</u>
<b>Liabilities and Shareholders' Equity</b>		
Liabilities:		
Accounts Payable	\$ 66,497	\$ 40,095
Income taxes payable	75,934	77,974
Deferred tax liability	<u>872,793</u>	<u>598,865</u>
	1,015,224	716,934
Shareholders' equity:		
Contributed capital	10,000,000	10,000,000
Retained earnings	6,187,000	5,692,797
Accumulated other comprehensive income:		
Net unrealized gain on securities	<u>7,855,131</u>	<u>5,389,790</u>
Total shareholders' equity	<u>24,042,131</u>	<u>21,082,587</u>
	<u>\$ 25,057,355</u>	<u>\$ 21,799,521</u>

See Notes to the Financial Statements and Independent Auditor's Report

**EYAK PERMANENT FUND  
SETTLEMENT TRUST**  
Statements of Income  
December 31, 2020 and 2019

	2020	2019
Investment income:		
Contributions from The Eyak Corporation	\$ 712,508	\$ 712,885
Dividends	394,702	471,482
Interest	249	2,426
Capital gain distributions	134,206	136,405
Net realized gains/losses from security transactions	402,312	141,342
Total investment income	1,643,977	1,464,540
Investment fees and expenses:		
Management and custodian fees	10,342	9,980
General and administrative fees	8,945	9,956
Total investment expense	19,287	19,936
Net income before income taxes	1,624,690	1,444,604
Income tax expense	86,961	91,337
Net income	\$ 1,537,729	\$ 1,353,267

See Notes to the Financial Statements and Independent Auditor's Report

**EYAK PERMANENT FUND  
SETTLEMENT TRUST**

Statements of Changes in Shareholder's Equity and Comprehensive Income  
December 31, 2020 and 2019

	<b>Contributed Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Total Shareholder's Equity</b>
Balance at December 31, 2018	\$ 10,000,000	5,488,666	2,506,987	17,995,653
Distribution of \$35.33 per unit on 32,600 shares outstanding	-	(1,151,672)	-	(1,151,672)
Adjustments for distributions	-	2,536	-	2,536
Comprehensive Income:				
Net income	-	1,353,267	-	1,353,267
Unrealized gain on securities available-for-sale, net of taxes of \$320,311 (note 6)	-	-	2,882,803	2,882,803
Total comprehensive income			5,389,790	4,236,070
Balance at December 31, 2019	\$ 10,000,000	5,692,797	5,389,790	21,082,587
Distribution of \$32.01 per unit on 32,600 shares outstanding	-	(1,043,526)	-	(1,043,526)
Adjustments for distributions	-	-	-	-
Comprehensive Income:				
Net income	-	1,537,729	-	1,537,729
Unrealized gain on securities available-for-sale, net of taxes of \$273,928 (note 6)	-	-	2,465,341	2,465,341
Total comprehensive income			4,003,070	4,003,070
Balance at December 31, 2020	\$ 10,000,000	6,187,000	7,855,131	24,042,131

See Notes to the Financial Statements and Independent Auditor's Report

**EYAK PERMANENT FUND  
SETTLEMENT TRUST**  
Statements of Cash Flows  
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating activities:		
Net income	\$ 1,537,729	\$ 1,353,267
Reconciliation of net income to net cash provided by operating activities		
Increase (Decrease) in accounts payable	26,402	15,143
Increase (Decrease) in income taxes payable	<u>(2,040)</u>	<u>8,912</u>
Net cash provided by operating activities	<u>1,562,091</u>	<u>1,377,322</u>
Investing activities:		
Proceeds from sale of investments	909,206	586,405
Purchase of investments	<u>(1,065,424)</u>	<u>(885,635)</u>
Net cash provided by (used in) investing activities	<u>(156,218)</u>	<u>(299,230)</u>
Financing activities:		
Distributions from trust	<u>(1,043,526)</u>	<u>(1,149,136)</u>
Net cash provided by (used in) financing activities	<u>(1,043,526)</u>	<u>(1,149,136)</u>
Net increase (decrease) in cash and cash equivalents	<u>362,347</u>	<u>(71,044)</u>
Cash and cash equivalents, beginning of year	<u>113,726</u>	<u>184,770</u>
Cash and cash equivalents, end of year	<u>\$ 476,073</u>	<u>\$ 113,726</u>
Supplementary disclosure of cash activities:		
Income taxes paid	<u>\$ 77,974</u>	<u>\$ 82,425</u>

See Notes to the Financial Statements and Independent Auditor's Report

# EYAK PERMANENT FUND SETTLEMENT TRUST

## Notes to the Financial Statements

### **NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***(a) Organization***

The Eyak Permanent Fund Settlement Trust (Trust) was established on October 10, 1998. The Trust was established to preserve a portion of the proceeds from the sale and easement of the Eyak Corporation (Corporation) land to the Exxon Valdez Oil Spill Trustee Council and provide future income to the shareholders of the Corporation. Under the terms of the agreement, the Corporation received payments totaling \$45,000,000 over four years, of which \$10,000,000 was restricted by the Corporation's shareholders for the establishment of the Trust. Shareholders of the Corporation own units in the Trust equal to the shares they hold in the Corporation. The Trust has 32,600 units outstanding as of December 31, 2020, and 2019.

#### ***(b) Accounting Method***

The accompanying financial statements are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

#### ***(c) Management Estimates***

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and revenues and expenses for the reporting period. Actual results could differ from those estimates.

#### ***(d) Cash Equivalents***

Cash equivalents consist of cash and money market instruments with original maturities of less than 90 days. Cash equivalents are stated at cost, which approximates fair value.

#### ***(e) Marketable Securities***

Securities are classified as available-for-sale as it is management's intent to hold the securities for an indefinite period of time for appreciation and income or utilize them for liquidity purposes. Investments are stated at fair value with unrealized holding gains and losses, net of related tax effect, excluded from earnings and reported as a separate component of other comprehensive income. Gains and losses on sales of securities are computed using the specific identification method of determining the cost of securities sold. A professional custodian holds all Trust investments. The Trust funds are invested as directed by the Trustees of the Trust as set forth in the Trust documents.

#### ***(f) Comprehensive Income***

Comprehensive income consists of net income and unrealized gains and losses on securities, net of taxes, and is presented in the statement of changes in shareholders' equity and comprehensive income.

# EYAK PERMANENT FUND SETTLEMENT TRUST

## Notes to the Financial Statements

### **NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,** **continued**

#### ***(g) Expenses***

Custodian and related professional expenses are deducted directly from Trust funds.

#### ***(h) Income Taxes***

Under settlement trust tax regulations effective January 1, 2001, settlement trusts are taxed at the presumed rate of their beneficiaries, which is 10%. Settlement trusts do not take a deduction for distributions to beneficiaries and the beneficiaries are not subject to tax on their settlement trust distributions.

Income taxes are accounted for using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of change in tax rates is recognized in income in the period that includes enactment date.

### **NOTE 2 – FAIR VALUE**

The Trust values certain investments at fair value in accordance with a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;

Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The fair value of investments as of December 31, 2020 and 2019 is as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
2020				
Domestic equity mutual funds	\$ 18,476,395	-	-	18,476,395
Fixed income mutual funds	6,104,887	-	-	6,104,887
	<u>\$ 24,581,282</u>	<u>-</u>	<u>-</u>	<u>24,581,282</u>

See Independent Auditor's Report

## EYAK PERMANENT FUND SETTLEMENT TRUST

### Notes to the Financial Statements

#### **NOTE 2 – FAIR VALUE, continued**

2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Domestic equity mutual funds	\$ 16,025,790	-	-	16,025,790
Fixed income mutual funds	5,660,005	-	-	5,660,005
	<u>\$ 21,685,795</u>	<u>-</u>	<u>-</u>	<u>21,685,795</u>

#### **NOTE 3 – INVESTMENTS**

Investments are classified as available-for-sale as of December 31, 2020 and 2019 and consist of the following:

2020	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Domestic equity mutual funds:				
Vanguard 500 Index	\$ 3,253,667	4,604,041	-	7,859,708
Vanguard FTSE All-World ex-US	3,644,839	973,520	-	4,618,359
Fidelity Extended Market Index	3,184,616	2,813,712	-	5,998,328
	<u>10,083,122</u>	<u>8,391,273</u>	<u>-</u>	<u>18,474,395</u>
Fixed income mutual funds:				
Fidelity US Bond Index	5,770,237	334,650	-	6,104,887
	<u>\$ 15,853,359</u>	<u>8,725,923</u>	<u>-</u>	<u>24,579,282</u>
2019	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Domestic equity mutual funds:				
Vanguard 500 Index	\$ 3,281,138	3,693,401	-	6,974,539
Vanguard FTSE All-World ex-US	3,555,278	592,289	-	4,147,567
Fidelity Extended Market Index	3,277,719	1,625,965	-	4,903,684
	<u>10,114,135</u>	<u>5,911,655</u>	<u>-</u>	<u>16,025,790</u>
Fixed income mutual funds:				
Fidelity US Bond Index	5,583,005	77,000	-	5,660,005
	<u>\$ 15,697,140</u>	<u>5,988,655</u>	<u>-</u>	<u>21,685,795</u>

There were gross realized gains in the amount of \$536,518 during 2020 and there were gross realized gains in the amount of \$277,747 during 2019.

## EYAK PERMANENT FUND SETTLEMENT TRUST

### Notes to the Financial Statements

#### NOTE 4 – INCOME TAXES

Income tax expense for the years ended December 31, 2020 and 2019 consisted of the following:

	2020	2019
Federal expense (benefit):		
Current	\$ 86,961	91,337
Deferred	-	-
	\$ 86,961	91,337

Legislation effective January 1, 2001, changed the tax rate for the Trust from 37% to 10%. Actual tax expense differs from the “expected” tax expense, calculated at the federal statutory rate applicable to trusts of 10%, as follows:

	2020	2019
Calculated expected tax expense	\$ 162,469	144,460
Effect of preferential rate on qualified dividends And long-term capital gains	(75,508)	(53,123)
	\$ 86,961	91,337

The tax effect of temporary differences that gave rise to deferred tax assets as of and for the years ended December 31, are as follows:

	December 31, 2018	Deferred expense	December 31, 2019	Deferred expense	December 31, 2020
Deferred tax asset (liability):					
Unrealized (gain) loss on available-for-sale securities	\$ (278,554)	320,311	(598,865)	273,928	(872,793)
	(278,554)		(598,865)		(872,793)
Amounts attributable to gain on available-for-sale securities shown as part of accumulated other comprehensive income		(320,311)		(273,928)	
Deferred tax expense		-		-	

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. Management considers projected future taxable income and tax planning strategies in making this assessment. Management believes it is more likely than not that the Trust will realize the benefits of these deferred tax assets. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income are reduced.

# EYAK PERMANENT FUND SETTLEMENT TRUST

## Notes to the Financial Statements

### **NOTE 5 – DISTRIBUTIONS**

The Trust agreement calls for distributions to be paid equal to 55% of annual net income before income taxes of the Trust. A distribution was paid to shareholders in 2020 based on 55% of 2019 net income before income taxes of \$1,444,604, or \$794,532. An additional Corporation distribution was paid equal to 90% of contributions from The Eyak Corporation of \$276,660, or \$248,994. There was also \$0 in adjustments for distributions. As there were 32,600 shares outstanding, the combined dividend amounted to \$32.01 per share.

### **NOTE 6 – COMPREHENSIVE INCOME**

During the years ended December 31, 2020 and 2019, the related tax effects allocated to other comprehensive income are as follows:

	<b>Before Tax Amount</b>	<b>Tax (Expense) Benefit</b>	<b>Net Change</b>
2020 Net unrealized holding gains Arising during the year	<u>2,739,268</u>	<u>(273,928)</u>	<u>2,465,340</u>
2019 Net unrealized holding gains Arising during the year	<u>3,203,114</u>	<u>(320,311)</u>	<u>2,882,803</u>

### **NOTE 7 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 14, 2020, that date which the financial statements were available for issue. No events were identified that would require disclosure according to generally acceptable accounting principles.



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### The Eyak Corporation Mission

*The Eyak Corporation will return financial benefits to present and future shareholders through the development of economic opportunities and growth of our assets while protecting the ownership of our ANCSA lands and Native cultural heritage.*