BBNChronicles

ANNUAL REPORT
FY2021

COVER: Pedro Bay, AK.

BBNChronicles Annual Report FY2021

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BBNChronicles:

REFLECTING ON A YEAR UNLIKE ANY OTHER

Sometime around 1919, after losing both of his parents to the Spanish Flu, Walter Metrokin, incidentally the grandfather to one of the authors of this letter, was sent to Chemawa Indian School in Salem, Oregon, per a policy of the Bureau of Indian Affairs that took Native children from households with one or no parents and placed them in boarding school. At that time, it was a similar story for children throughout Alaska. Walter was in a strange new place, speaking only a bit of broken English, and likely feeling quite alone. He stayed at the school for several years before finding himself unable to resist the tug of home. So, at the age of 17, Walter ran away, hopped on a steamship, and returned to Kodiak, Alaska.

It's one of countless stories of resiliency, survival, and the lengths many of us will go to connect with the people and the places we cherish most, particularly after dark days of trauma or isolation. Yet, when the world first began to learn about COVID-19 last year, there was dread among many in Alaska because of the former deadly flu pandemic and the personal loss so many experienced. It called upon all of us to tap into the resiliency and sources of strength that allow us to persevere through challenging days.

This year's report features three intimate, one-on-one conversations between pairs of BBNC shareholders. Each of them talks about how they powered through the past year, navigated its challenges, and sought out opportunity through a time unlike many of us have ever experienced. Where did they find strength and inspiration? Where did they struggle? What did they discover about themselves? The conversations illuminate some of the ways we, as Alaska Natives, found new ways to innovate, to tap into culture and community, and to stay connected.

We recognize that this year has been hard and our thoughts are with anyone who lost a loved one, got sick, or experienced unemployment or economic hardship. At BBNC, we worked hard to persevere so we can continue to support our communities and our people. As it happens, we ended up having a near-record year. In part, we credit this to being a well-diversified company that is always moving, growing, and adapting. We also focus on retaining a healthy cash flow. These two principles allow BBNC to move through challenging and uncertain times—like a global pandemic—and continue to perform well and deliver for our shareholders and descendants. When our businesses are generating cash flow and contributing to our bottom line, we can help with distributing items like personal protective equipment (PPE), cleaning supplies, and food. We can continue to offer employment training and to keep shareholders connected with job opportunities. We can continue to offer support to young people in the region and ensure future distribution payments. Our investment strategies allow us to do the things we've always done—and then some—for our shareholders and descendants.

Looking ahead, we're taking the long view. We recently closed the final year of our five-year strategic plan. Our board has made the decision that, rather than swiftly launching forward with a new set of strategic priorities this year, we're extending the current plan by another year so that we can be very deliberate as we think about BBNC's future. This will be a very important year for BBNC. On the heels of a pandemic, a successful fiscal year, and reflecting upon everything we've learned this year about perseverance, innovation, being nimble, and staying connected, we're looking forward and realizing we need to think differently about the future of the corporation so we can navigate the next unknown even more successfully than this one. Let's take the lessons we've learned over the past year and apply them to a new way of thinking and doing business.

As we turn the corner on COVID-19, we hope you're able to reflect on the past year and know that, as tough as it's been, we've all learned things that will make us stronger, more resilient, and more appreciative.

Thanks as always for your support.

JOSEPH L. CHYTHLOOK
CHAIRMAN OF THE BOARD

JASON METROKIN
PRESIDENT & CHIEF EXECUTIVE OFFICER

About

MISSION

Enriching our Native way of life.

VISION

To protect the land in the Bristol Bay region, celebrate the legacy of its people, and enhance the lives of BBNC shareholders.

EXECUTIVE TEAM

Jason Metrokin,
President &
Chief Executive Officer

Nancy Schierhorn,
Executive Vice President &
Chief Development Officer

Ethan Schutt,
Executive Vice President &
General Counsel

Scott Torrison,
Executive Vice President &
Chief Operating Officer

Ryan York,
Executive Vice President &
Chief Financial Officer

VALUES

- Respect the people, land, and natural resources that are the basis for our culture and the Native way of life.
- Responsibly manage natural resources, prioritizing the cultural and economic value of the Bristol Bay fishery.
- Responsibly manage financial resources, leading to a continuous source of dividends and benefits for our shareholders.
- Maintain integrity and fairness in our dealings with all stakeholders.

GOALS

- Build the financial strength of BBNC.
- Pay predictable and increasing shareholder dividends.
- Balance responsible development and protection of our lands, fisheries, and resources.
- Increase shareholder employment and development opportunities.
- Support educational, cultural, and social initiatives that positively affect shareholders and descendants.
- Help to develop economic opportunities in the Bristol Bay region.

BOARD OF DIRECTORS

BACK ROW: Diedre S. Hill, Peter Andrew Jr., Kimberly Williams, Shawn Aspelund, L. Tiel Smith, Greta L. Goto, Russell S. Nelson, Wassiliisia R. Bennis, and Hazel Nelson. **FRONT ROW:** Marie Paul, Joseph L. Chythlook, and H. Robin Samuelsen Jr.

I. Momentum

Joshua Gumlickpuk and George Anderson joined each other via Zoom to share how they adjusted to the changes over the past year and what they feel most proud of coming out of the pandemic.

Originally from New Stuyahok, Joshua Gumlickpuk moved to Dillingham when he was in high school and currently lives in Anchorage, where he is an elementary school teacher. Joshua is a BBNC Education Foundation (BBNCEF) scholarship recipient and a former BBNC intern.

George Anderson is a lifelong commercial fisherman who grew up spending the summers in Chignik Lagoon and the winters in Kodiak. He currently works for the Ivanof Bay Tribe in Anchorage and, during the pandemic, volunteered to help distribute fish to Chignik-area shareholders in the Chignik region, in addition to Anchorage and its surrounding areas.

What were some of the biggest adjustments you had to make over the past year?

JOSHUA:

For me, it was the transition to online teaching. There were definitely a lot of hiccups in the beginning. Because of staffing concerns, I moved around a lot at the start of the year. I was supposed to start in person as a kindergarten teacher, then I got switched into a virtual fourth grade classroom, and then they had to move me again to sixth grade math. I had anywhere from 60 to 90 students on my roster every quarter. The students, parents, counselors, and teachers all stepped up and I was very proud of them for that.

Was that a source of inspiration for you?

JOSHUA:

Definitely. Students and parents were so flexible and understanding—they were some of the biggest heroes in my book. As educators, we were trying new things and sometimes failing. There were lessons that just, technology-wise, didn't work well. There are some things that work well face-to-face in the classroom, but virtually, it didn't pan out as I wanted it to.

George Anderson

Joshua Gumlickpuk

What about you, George? What were your sources of inspiration?

GEORGE:

Well, we didn't have commercial fishing in Chignik this past year, and there was very little in terms of subsistence fish. We heard that Alaska's Own and Northline Seafoods in Dillingham were working on donations for the people that needed fish to sustain them. We had a lot of folks that had completely empty smokehouses, freezers, salt buckets, you name it. Nothing. And I tell you what…Northline Seafoods found an anonymous donor within 24 hours and had 45,000 lbs. of Bristol Bay Sockeye for our communities. Then, we had to figure out how to get that fish into all the communities. Northline and BBNC took it upon themselves to ship it from Dillingham to Anchorage on a barge. It was a true collaboration between volunteers and community members: Northline Seafoods, BBNC, Lake Clark Air, Katmai Air, and so many others, including Jennie Grunert of Chignik Lagoon who took the lead in distribution out of the newly formed Chignik Lagoon Food Bank. And everyone who wanted or needed fish, got fish. That was inspiring.

Dillingham, AK.

What worried you the most?

GEORGE:

I was never really scared because I treated the pandemic like the sea or the ocean—if you respect it, understand what it is, and don't let your guard down, you tend not to get into situations that are out of your control. Believe what you're hearing from the trusted scientists, and do your part.

Speaking of the ocean—every chance I got, I got out on the water. That became a source of inspiration, too. Like I said, we didn't partake in commercial fishing, so I missed that presence of the water. It's really hard to explain. We rely on water so much—for our economy, for food, and for connectivity. It's how we get around. I tell you, it's really good to get out there. It's like home.

"…we came together as a state to show our resilience and how it's possible to adapt to change."

—GEORGE ANDERSON

What do you feel most proud of from the past year?

JOSHUA:

My parents own and operate a netting business called Nick's Legacy, named after my late grandfather who passed away about four years ago. So, I'm proud that during the pandemic, we kept working hard, and we figured out how to keep the business running and thriving. And—this is exciting—we won third place in Bristol Bay Development Fund's Path to Prosperity business competition. So, we got a bit of money, $10,000, to use for the business. One of the first things we did was buy coffee sleeves so we could advertise that we're open for business. My mom called me afterwards and said that they brought the sleeves to Tide Table, the coffee shop in Dillingham. My parents are really excited that their advertising is out there, and hopefully, they'll be getting new customers.

GEORGE:

I'm proud of Alaskans, the people of our region in particular, and how we came together as a state to show our resilience and how it's possible to adapt to change, to the mandates that were put in front of us, to learn from the science, to use technology, and to adapt to new ways of doing business so we could continue to strive and succeed. I'm really proud of us as a state. We met the moment.

Momentum

It wasn't exactly business as usual, yet we adapted, innovated, and continued to focus on diversification in our business lines. As a result, BBNC had a near-record year despite a global pandemic. Here are some highlights:

NEW SUBSIDIARIES

BBNC is always looking for opportunities to grow and diversify our portfolio so we can remain viable, even during tougher times. This year, we welcomed six new companies to the BBNC family.

ANNUAL EVENTS WENT VIRTUAL

We weren't able to gather in person this past year, but that didn't stop us from connecting, sharing great ideas, collaborating, and moving business forward. Our annual meeting, career fair, and youth leadership forum were all successfully held virtually.

PATH TO PROSPERITY

Path to Prosperity is an innovative business competition led by Bristol Bay Development Fund. The competition rewards local innovators with a chance to meld their experience and education with their unique entrepreneurial spirit. The program aims to have positive impacts on Bristol Bay's economy and the lives of our shareholders. This year's winners—Sugar and Spice Express, a multi-location convenience store; Little Alaskan Fish Co., a boutique fish processor; and Nick's Legacy, a traditional net repair business—are all BBNC shareholder-owned businesses.

BBNC IS ONE OF ALASKA'S TOP BUSINESSES

Every year, Alaska Business Magazine ranks the "Top 49ers"—Alaska's largest Alaskan-owned businesses ranked by gross revenue. This year, BBNC was near the top, ranking at #2 on the list.

II. Communities

At home in Twin Hills, Jessica Mark and Martha Foster sat down to talk about community and what most inspired them through the pandemic.

Angalkuruk (Jessica Mark) lives in Ingricuar (Twin Hills), where she has worked at the school as a teacher's aide for 18 years. During the pandemic, she and her students participated in BBNC's virtual language and dance sessions from Twin Hills.

Martha Foster is on the board of directors of Twin Hills Native Corporation. She has worked as a Yup'ik Studies Program teacher, teaching the language, cultural activities, and stories of the Yup'ik people. She spends seasonal time with her grandchildren so she can pass along family and cultural traditions and Native values.

Angalkuruk is pictured on the left. Martha Foster is pictured on the right.

Twin Hills, AK.

How did you most enjoy keeping yourself busy and inspired during the past year?

ANGALKURUK:

I started sewing. I learned how to use a sewing machine, and started making masks for my loved ones. Then, I learned how to make qaspeqs, a traditional dress. I put all my energy into sewing those dresses and masks, and I tried to make that a positive experience—putting positive thoughts and prayer into making those. I feel like the energy you put into anything you create, like sewing or cooking food, is passed along to other people.

MARTHA:

Well, if it happened to be a nice day, then we went out to hunt. I was so happy every time I was out there. Sometimes, we'd head about 20 miles northeast of here, ice fishing. Other times, we'd head south—so we were finding new places to fish. We even went upriver a couple of times and tried our luck with trout. I don't know about anybody else who gets the chance to spend time out in the wild, but I'm the happiest out there. It's like you and your travelling partner are the only ones on this Earth.

Angalkuruk, you also spent time with your students joining BBNC's virtual dance and language sessions, right?

ANGALKURUK:

I did. I first joined a Yup'ik dance group when I was in high school, and I really, really enjoyed it. When our school principal told us that BBNC was offering this Native dance experience through Zoom, I thought it would be a great activity to do with my students. They loved it. They were requesting songs, and it was something that they looked forward to every week. I even had to set an alarm on my phone so we wouldn't miss it.

"I'm the happiest out [in the wild]. It's like you and your travelling partner are the only ones on this Earth."

—MARTHA FOSTER

How did you connect with Native culture through the pandemic?

MARTHA:

Well, in our Native culture, we always share what we can with people in need, or we share just because we want to share. I shared a lot of dried goods with people in case they were running low. We had a lot of dried pike that we always share with family, so, we kept doing our ice fishing, split them to dry, and shared them as we always do. It wasn't just because there was this illness going on.

With the food we would share, we'd deliver it to their door, drop the box, and then call them on the phone. We'd watch until they came out to pick it up, because we didn't want dogs to come and grab the food we were giving away. Besides dried goods, we also shared fish, moose meat, and some seal oil because we didn't want anyone going hungry.

ANGALKURUK:

I mean, we're so isolated. Our community has a little less than 100 people. I don't have a four-wheeler, but my sister and I would go walk to go out and pick berries. I like that just because I find I have a lot of anxiety. Thinking about COVID-19 and things like that didn't help. So being out where things grow from the ground, that really grounds me and helps take the anxiety away.

"If COVID-19 has taught us something, I hope it's that we need to connect, and to treat each other with empathy and respect."

—MARTHA FOSTER

What are you most looking forward to as we, hopefully, return to a new normal soon?

MARTHA:

My grandma, and then my mom after her, were both survivors. My grandma was a survivor of Tuberculosis, and my mom survived having to learn the English language without sacrificing our traditional way of life. And now, at my age, we're surviving COVID-19. The world has become so fast, it's like we've become these thoughtless, passive existers. I see a lot of anger. It seems like we're taking things for granted and might not value what we have. I've always valued what my grandma taught me and what my mom reiterated from her. If COVID-19 has taught us something, I hope it's that we need to connect, and to treat each other with empathy and respect.

COMMUNITIES

This was a year when the notion of community was especially important. BBNC continued our investment in shareholders and communities—through education, business and economic initiatives, youth leadership and development, and through COVID-19 response efforts. Here are some highlights:

SUPPORT FOR SHAREHOLDERS AND THEIR FAMILIES

In 2020, BBNC's Memorial Donation Fund provided 125 shareholder families with more than $183,000 to assist with funeral expenses of their loved ones.

BBNC EDUCATION FOUNDATION (BBNCEF)

Since 1986, BBNCEF has encouraged and provided support to shareholders so they can pursue educational opportunities and celebrate our cultural heritage. This year, BBNCEF launched a new, Career Focused Vocational Education program and formed a partnership with the Aleknagik Natives Limited scholarship program. BBNCEF also awarded 189 scholarships—the most to date—and provided an additional $500 to each student to address COVID-19 hardships. Finally, BBNCEF continued to award cultural heritage and place name award grants.

COVID-19 RESPONSE EFFORTS

BBNC launched a COVID-19 response website and Facebook group to provide reliable resources for shareholders and communities in Alaska and beyond, related to the pandemic.

III. Culture

Jessica Towns-Camara and Ruth Wolfe connected in the Pacific Northwest to talk about the importance of culture and ancestry, especially during tough times.

Jessica Towns-Camara grew up in Issaquah, Washington and currently lives in Renton, Washington. She is the owner of Bougie Alutiiq, a producer and seller of Native Alaskan jewelry that uses ancestral inspiration to create connections for modern Indigenous people. She was a participant of #BBNCulture bingo, BBNC's fish skin sewing class, and the BBNCEF-funded dance and regalia-making programs put on by the Pacific Northwest (PNW) Alutiiq Culture Camp.

Ruth Wolfe, originally from Nightmute, Alaska, currently lives and works in Portland, Oregon. She is a Nutrition Assistant for Multnomah County's Women, Infant and Children's (WIC) Program with a specific cultural representation for Alaska Native and American Indian communities. Ruth is also a BBNCEF scholarship recipient and former BBNC intern.

Talk about how you stayed connected to culture and ancestry through the pandemic, and why that was important to you.

JESSICA:

One of the things I did to keep myself connected and grounded in community is make jewelry. It's actually part of how I make my living. I make jewelry that has connections to our ancestors: my Ugashik style earrings, Russian Scarves, Alutiiq Lilies, fur puff earings, and even more—and sell them through my business, Bougie Alutiiq. I started the business as a way to connect today's Indigenous people with our ancestors.

I also learned how to tan salmon skin. I took a class with Jim Pardue through BBNC and another class through Fine Arts with Hanna Sholl. Both classes were inspiring and fulfilling.

I was also privileged to help plan and participate in several Sugpiaq dance and regalia making classes. They were taught by Hanna Sholl, hosted by PNW Alutiiq Culture Camp, and were funded by BBNCEF through their Cultural Heritage Grant program. It is powerful to reawaken ceremony and traditions with other Sugpiaq people.

We're never disconnected from our ancestors. I have a privilege to learn my language. I have a privilege to speak it and to learn about and connect with my ancestors through art and culture.

Ruth Wolfe is pictured on the left. Jessica Towns-Camara is pictured on the right.

Ruth, you did some sewing through the pandemic. Why do you think art and culture is so important in helping get people through tough times?

RUTH:

I was just thinking about this not too long ago. Our brains create neurons, and whenever you're doing something new or trying something that brings excitement into your life—that's when those neurons start to light up. When you do something enough to create a habit, you're creating new pathways in your brain.

And then, that's when all of your senses are being brought to life. Sight. Sound. Smell. Those are all things that help build memories and help you remember things into the future. I think that's what practicing art and being immersed in your culture does—lights up those neurons and helps create memories. It helps make you feel alive.

What was a bright spot for you, despite the pandemic?

JESSICA:

Obviously, a pandemic is never going to be a blessing; that goes without saying. But it forces us to say, "Well, alright then. We've got to adapt and keep going." One really bright spot was that I applied for a scholarship through BBNCEF to help me get my master's degree—and I got it! My first thought was, "Neither of my kids are doing in-person school right now, how am I going to start grad school?" Fortunately, I had chosen an online university—Western Governors University (WGU)—with ongoing enrollment and was able to push it back a bit. I'm enrolled now, and I decided to pursue my Master of Science in Management and Leadership. I chose WGU because it was flexible and my scholarship from BBNCEF would almost entirely cover the cost of the tuition. I'm so grateful for my scholarship and the dedicated folks at BBNCEF.

What was your biggest challenge and how did you work through it?

RUTH:

For me, what affected me the most was my mental health and just being so secluded and not being able to see family and friends in person. I have two little brothers, and I also have a sister. All four of us rely on each other, since both of our parents passed away. We really miss each other, since I'm here in Portland, and they're in Alaska.

I have a family history of alcoholism. I really try to encourage my family who are going through mental health problems to abstain from alcohol and drugs and try to encourage them saying, you don't have to rely on that, and there are much better coping mechanisms. So, one of the things that really helped me through this last year was abstaining from alcohol. Instead, my husband and I frequently went on hikes and tried to get out into nature. I learned a little bit more about myself this year and motivated myself to cope in a healthy way.

Ruth, how did you stay connected to community through the pandemic?

RUTH:

We have NAYA here in Portland, which is the Native American Youth and Family Center. They had a couple of virtual powwows that I was able to attend, and they have a week-long event for Missing and Murdered Indigenous Women that I was able to take part in. As part of my work, I have monthly meetings with NAYA. It's so incredible to be able to connect with other women who are Native American and Alaska Native, and to be in a diverse setting and see and interact with people of all different backgrounds in your work. That's something that is really powerful to me.

Jessica, what are your expectations for life as we return to our "new normal?"

JESSICA:

Well, we can never go forward without carrying with us this experience that has touched us all. So, it's never going to be the same as it was, and some of the changes might be positive. If you look back at the 1920's, after coming out of the last major pandemic, it was really a celebratory era for the world, and I can imagine that something similar might happen. Maybe we'll realize the things we may have taken for granted. Hopefully, we'll all be living with a bit more intention.

Culture

Many of us turned to our ancestry, heritage, culture, and traditions as a way to ease the isolation and anxiety of the pandemic and quarantining. BBNC remained committed to connecting our shareholders with our traditions and with each other. Here are some highlights:

VIRTUAL LANGUAGE AND DANCE LESSONS

Because BBNC's inaugural culture camp wasn't able to take place as originally planned, BBNC held virtual language and dance lessons online via Zoom. We also created a group on Facebook—Bristol Bay-am Qasgia/Na qenq'a—to promote culture and stay connected.

#BBNCULTURE BINGO CAMPAIGN

This was a fun activity that we launched through Bristol Bay-am Qasgia/Na qenq'a on Facebook. Every week, there was a new and different activity to complete and share with the group to be entered to win prizes. Over 120 people participated in activites from posting a photo of a subsistence activity to sharing a video of speaking a heritage language of Bristol Bay.

FAMILY PORTRAIT

Last December, BBNC launched our Shareholder Family Portrait as part of our ongoing goal to connect BBNC shareholders, whether they live in Bristol Bay or across the globe. The portrait has been a fun and inspiring way to share joy and connect with each other, especially during the COVID-19 pandemic, when most people weren't able to see each other in person.

Management Discussion and Analysis

The Management Discussion and Analysis (MD&A) section is a narrative of the financial condition of Bristol Bay Native Corporation (BBNC or the Corporation) from management's perspective.The MD&A is intended to provide readers of BBNC financial statements with a clear understanding of how BBNC has done over the past fiscal year and should be read together with the Consolidated Financial Statements and accompanying Notes that are included in the Annual Report. The MD&A may contain projections and forward-looking statements that are based on current information and management's expectations of future events. Readers should note that all projections are subject to change, risk, and uncertainties. Any projections included in the MD&A are based on reasoned assumptions as of the date of this MD&A and could materially change at any time.

Corporate Profile

	FISCAL YEAR		
	2021	2020	2019
BBNC revenues	$ 1,690,619,000	$ 1,766,967,000	$ 1,689,014,000
Net earning attributable to BBNC	$ 126,558,000	$ 74,511,000	$ 53,148,000
Earnings before interest, taxes, depreciation and amortization (EBITDA)	$ 145,576,000	$ 94,602,000	$ 89,390,000
Cash provided by operating activities	$ 134,265,000	$ 212,336,000	$ 69,097,000
Contributions to settlement trusts	$ 29,643,000	$ 27,044,000	$ 12,847,000
Regular shares outstanding	540,100	540,100	540,100
Average shareholder hire	179	229	227

BBNC is an Alaska Native Regional Corporation created pursuant to the Alaska Native Claims Settlement Act (ANCSA) of 1971. Congress enacted ANCSA to resolve longstanding conflicts surrounding aboriginal land claims in Alaska and to open oilfield development. The Corporation was incorporated as a for-profit corporation to benefit Alaska Natives with ties to the Bristol Bay region and as of March 31, 2021, the Corporation had 11,081 shareholders. ANCSA provided the Corporation with a monetary settlement from the federal government of $32.7 million and the right to select title to 3,079,553 acres of land. At March 31, 2021, stockholder's equity retained by the Corporation has grown to $643.8 million, and cash distributions to shareholders have exceeded $301.3 million since inception.

BBNC is primarily a holding company and derives substantially all its cash flow from its subsidiaries and its portfolio of passive investments, which are the Corporation's primary two asset allocations. BBNC relies on profits from both to repay our creditors, to fund shareholder benefits and shareholder education opportunities, and to pay for corporate general and administrative costs. BBNC's ability to fund each of these cash uses and to simultaneously grow the Corporation's assets is subject to the profitability of its subsidiary businesses and the portfolio.

The BBNC Board of Directors approved a five-year strategic plan for FY2017 through FY2021. The plan and the Corporation's efforts focus on the pursuit of the following six strategic goals:

- Build the financial strength of BBNC.
- Pay predictable and increasing shareholder dividends.
- Balance responsible development and protection of our lands, fisheries, and resources.
- Increase shareholder employment and development opportunities.
- Support educational, cultural, and social initiatives that positively affect shareholders and descendants.
- Help to develop economic opportunities in the Bristol Bay region.

In order to meet these strategic goals, the Corporation must generate sufficient earnings. To that end, BBNC's assets have been allocated to a variety of businesses that operate throughout Alaska and across the United States. As noted above, the Corporation's assets are primarily allocated in two key areas: to a passive portfolio of investments (the Portfolio) and to the operating subsidiary companies. There is also a small allocation to corporate assets which includes the Corporation's headquarters building in Anchorage, Alaska.

The Portfolio is comprised of a variety of assets including marketable securities and liquid and non-liquid alternative investments. Management classifies the operating subsidiaries into five distinct business lines which are:

- Construction
- Government Services
- Industrial Services
- Seafood
- Tourism

The Corporation also has earnings from natural resource activities that are primarily comprised of certain revenue sharing payments received from other Alaska Native corporations as required under ANCSA.

The following pages are management's outlook for FY2022 and view of the Corporation's FY2021 results in total, for the Portfolio and the business lines. In order to improve readability, in some cases these results are presented in a different format than the Consolidated Financial Statements.

FY2022 Outlook

Management expects FY2022 to bring both challenges and opportunities across the broad landscape of BBNC's business activities. Our overall expectation for consolidated EBITDA is to be strong historically speaking but lower than the record levels we experienced in FY2021.

The Industrial Services business line begins FY2022 with very broad diversification within its portfolio of companies which management expects will continue to yield durable earnings and cashflows. Further, the Corporation's acquisition activity in this business line will continue to be in market segments and geographies outside of Alaska that are less dependent on oil and gas exploration activity.

The Seafood business line is expected to see increases in the total allowable catch for the species that we harvest in addition to increased prices as restaurant demand returns to pre-COVID-19 levels.

The federal government is the primary customer for both the Construction and Government Services business lines. Both are expected to generate earnings consistent with FY2021 with robust federal spending.

Investment earnings from the Portfolio are expected to lag those of FY2021 due to the exceptional performance of publicly traded markets in the latter portion of FY2021. Further, management's ongoing strategy to de-risk the Portfolio for the purpose of capital preservation for acquisitions of operating businesses will reduce returns. For FY2022, management expects underweight exposure to equity securities and overweight exposure to certain alternative investments including private equity holdings.

BBNC continues to seek out attractive investments in the form of new acquisitions and "bolt-on" acquisitions to our existing business lines. We anticipate financing acquisitions through a mix of equity and debt capital. The Corporation's debt load remains modest, and we continue to enjoy access to abundant, low-cost debt financing. Both factors enable the Corporation to take on additional debt for acquisitions, when deemed appropriate by management.

BRISTOL BAY NATIVE CORPORATION

Results of Operations

CONSOLIDATED RESULTS

The following table displays consolidated net earnings attributable to BBNC for the fiscal year ended, (in thousands except earnings per share and weighted average shares outstanding):

		FISCAL YEAR 2021	2020	2019
REVENUES:				
Operating business lines	$	1,640,415	1,750,613	1,657,203
Investment earnings		19,192	(1,336)	8,659
Equity in earnings		2,560	3,454	2,756
Gain on sale of business		-	-	6,819
Natural resources and royalty income		5,583	9,708	11,753
Other		22,869	4,528	1,824
Total revenues		1,690,619	1,766,967	1,689,014
COSTS AND EXPENSES:				
Cost of operating business lines		1,552,297	1,659,156	1,598,329
Cost of investment management		220	489	1,037
Corporate general and administrative expense		34,308	33,717	17,509
Interest		4,862	3,407	1,707
Other		1,022	1,096	2,935
		1,592,709	1,697,865	1,621,517
Earnings from operations		97,910	69,102	67,497
Income tax benefit (expense)		30,804	6,304	(14,010)
Net earnings		128,714	75,406	53,487
Less income attributable to noncontrolling interest		(2,156)	(895)	(339)
Net earnings attributable to BBNC	$	126,558	74,511	53,148
Earnings per share	$	234	138	98
Weighted average shares outstanding		540,100	540,100	540,100

The following table reconciles EBITDA to net earnings attributable to BBNC for the fiscal year ended, (in thousands):

		FISCAL YEAR 2021	2020	2019
Net earnings attributable to BBNC	$	126,558	74,511	53,148
Interest expense		4,862	3,407	1,707
Income tax (benefit) expense		(30,804)	(6,304)	14,010
Depreciation		26,481	19,314	17,166
Amortization of intangibles		18,479	3,674	3,359
EBITDA		145,576	94,602	89,390

BBNC's FY2021 earnings from operations were more than those experienced in the previous fiscal year. Revenues from the operating business lines were $110.2 million less than the prior year. The decline was primarily contained within the Industrial Service's organic entities: fuel distribution ($175.4 million) and Alaska-based entities ($107.7 million). These declines were partially offset by revenue increases in the Construction, Government Services, and Seafood business lines, as well as revenues from acquisitions in the Industrial Services business line. Earnings from BBNC's Portfolio investments rebounded sharply from the prior year in tandem with broader market returns.

Costs of the operating business lines were less than the prior year by $106.9 million. Cost trends followed closely with revenue trends with particular downturns in costs from the fuel distribution businesses leading the way. The operating business lines gross margin decreased to 4.8% (as adjusted for Peak's asset sale) in FY2021 compared to 5.2% in the prior fiscal year. BBNC's net earnings were $52.0 million more than the prior year, which equates to an increase in earnings of $96 per share from the prior year.

As further described in the business line portion of this report, FY2021 earnings were affected by several large non-recurring transactions.

- BBNC recorded proceeds of $19.2 million from the Paycheck Protection Program (PPP) pursuant to Division A, Title I of the Coronavirus Aid, Relief, and Economic Security (CARES) Act as a reduction of expenses in certain segments.
- BBNC recorded $15.8 million in other revenue as the result of reductions in the estimate of contingent consideration to be paid to the sellers of GC&E Systems Group, LLC ($3.0 million) and Bristol Bay Alaska Seafoods, LLC ($12.8 million).
- Bristol Bay Industrial, LLC recorded a $13.0 million gain on the sale of certain assets of Peak Oilfield Service Company LLC (Peak).

In accordance with accounting standards, BBNC elected to begin amortizing goodwill over a ten-year period effective April 1, 2021. As a result, $10.4 million was recorded as an expense in FY2021.

The following comments are specific to each business line.

INDUSTRIAL SERVICES

The following table displays results of Industrial Services earnings, before interest and taxes for the fiscal year ended (in thousands):

		FISCAL YEAR 2021	2020	2019
REVENUES:				
Industrial Services	$	796,030	1,035,998	981,197
COSTS AND EXPENSES:				
Industrial Services		775,443	997,592	956,205
Earnings from Industrial Services	$	19,612	35,202	24,992
EBITDA	$	51,143	54,440	39,919

The Industrial Services business line consists of the holding company Bristol Bay Industrial, LLC (BBI) and its subsidiaries: BBI Holding Company, LLC, Alaska Directional, LLC (AKD), Bristol Alliance Fuels, LLC (BAF), Cal IV Tubulars, LLC (CAL4), CCI Electrical Services, LLC (CES), CCI Industrial Services, LLC (CIS), Kakivik Asset Management, LLC (KAM), Peak Oilfield Service Company LLC (Peak), and PetroCard, Inc. (PC). During FY2021, Industrial Services acquired The Cannon Group, LLC (Cannon) and affiliated entities Bud's Hauling and Leasing, LLC, Cannon Construction, LLC, and Cannon Constructors, LLC. Industrial Services also acquired PreCom Holdings LLC and affiliated entity Precision Compression, LLC (Precision).

KAM specializes in nondestructive testing and inspection using specialized radiography equipment. AKD provides project management, directional drilling, trenching, plowing, cellular towers, and communications infrastructure services. PC, a reputable fuel distributor in the Pacific Northwest, is based in Kent, Washington and distributes fuel products through cardlock sites, marine and mobile fueling operations, and wholesale sales to commercial customers through facilities located primarily in Washington and Oregon. BAF is a fuel distributor throughout Bristol Bay with terminals in Dillingham and Naknek, Alaska and a marine fueling operation. BAF helps to fulfill BBNC's strategic goals of developing economic opportunities in the Bristol Bay region, building the financial strength of BBNC, and increasing shareholder employment and development opportunities. CAL4 is a distributor of tubular products for oil field operations. CES provides electrical and telecommunication construction services in Alaska. Precision leases and monitors specialized compression units for well site operators located primarily in Texas and Oklahoma. The Cannon group of companies specialize in electrical, telecommunication, and civil infrastructure construction projects in the state of Washington. In December 2021, BBI sold the drilling support, rig moving and ice roads construction business and assets of Peak. It also transferred Peak's remaining business lines (general civil work, construction, trucking, facility operations and maintenance support, tank cleaning, and power systems) to its affiliate, CIS. As a result, CIS continues to provide a diverse array of specialty services to various industries, including the oil and gas industry, and its operations now include Anchorage, Kenai, Valdez, and Palmer, as well as Peak's former oil field services operation in North Dakota. At the end of the fiscal year, Peak continued to hold real estate on the North Slope of Alaska.

The overall decrease in revenues from FY2020 to FY2021 is due to a myriad of factors. COVID-19 negatively impacted the Industrial Services entities engaged in fuel distribution and entities engaged in the oil and gas industry. PC and BAF's revenues declined $175.4 million due to steep demand declines arising from COVID-19 shutdowns as well as the sharp decline in oil prices during the early parts of FY2021. In December, Industrial Services sold certain North Slope assets of Peak which resulted in a reduction in revenue compared to FY2020 of $63.3 million. The revenues of KAM and CIS declined $57.2 million due to COVID-19 impacts and contract losses. AKD's revenue normalized with a decline of $15.5 million as the major fiber project in Interior Alaska was completed in FY2020. The decreases were slightly offset by revenues from Precision ($13.9 million) and Cannon ($15.5 million).

COVID-19 and market factors led to Industrial Services earnings declining 44.3% in FY2021 and a 1% decline in earnings as a percentage of revenues. The business line's earnings did benefit from Paycheck Protection Program (PPP) funding totaling $12.7 million as well as the gain on the sale of the Peak assets. In addition, since acquisition, Precision and Cannon have contributed $5.5 million and $1.5 million, respectively, of earnings to the business line.

Industrial Services EBITDA remained strong compared to FY2020 with a slight decline of $3.3 million (6%).

The Industrial Services business line is the Corporation's largest source of shareholder hire. Average shareholder hire for this business line was 102 individuals with collective wages in excess of $7.9 million paid to shareholders in FY2021. The Industrial Services business line is expected to continue to play a key role in pursuit of the goals established within the Corporation's strategic plan.

CONSTRUCTION

The following table displays results of Construction operational earnings, before interest and taxes for the fiscal year ended (in thousands):

		FISCAL YEAR 2021	2020	2019
REVENUES:				
Construction	$	469,749	398,330	403,666
Equity earnings in Bristol Industries		3,023	3,454	2,698
Total		472,846	401,945	406,364
COSTS AND EXPENSES:				
Construction		441,940	376,528	397,363
Earnings from construction	$	24,142	21,616	9,001
EBITDA		29,618	25,231	7,296

The Construction business line is comprised of three separately managed company groups: Bristol Industries (jointly owned by Choggiung Limited [51%] and BBNC [49%]), CCI Alliance of Companies (excluding CIS) and the SES Group of Companies (SES). In addition, Bristol Bay Shared Services, LLC, based in Anchorage, Alaska and Huntsville, Alabama, is the administrative shared service company supporting the Construction business line. The Construction business line companies provide civil and structural engineering, civil construction and environmental remediation services, water and sewer line construction, industrial and nonresidential construction, and energy services for federal, state, and local government agencies as well as commercial clients throughout Alaska and the continental United States.

In FY2019, the Corporation sold 51% of Bristol Industries to Choggiung Limited. This sale resulted in a change in the way we report the activities of Bristol Industries. In FY2018 and for a portion of FY2019, 100% of Bristol Industries results were reported in our financial statements. After the sale, BBNC only reports our share of the earnings of Bristol Industries, excluding all the revenues and costs that were incurred. In FY2021, BBNC's share of the earnings was $3.0 million and reported as equity in earnings in the income statement. This change in reporting is reflected in the revenue and cost decreases from FY2019 to FY2021. Had we reported 100% of the Bristol Industries activities in revenues, it would have been $642.1, $543.0, and $509.0 million and costs of $607.9, $514.0, and $497.0 million for FY2021, FY2020, and FY2019, respectively. Earnings increased by $2.5 million from FY2020. EBITDA increased $4.4 million (17.4%).

On March 1, 2021, Herman Construction Group, LLC (Herman) was acquired for the Construction business line. Herman is a general contractor providing construction services primarily to the federal government. Herman mainly operates from its headquarters in Escondido, California with project offices in various locations as needed. Since acquisition, Herman has contributed revenues of $2.3 million and earnings of $0.4 million.

The Corporation's Construction business line provides services to the federal government, and in some cases participates in contracts offered by the government solely to small businesses. Some of the Corporation's construction companies have 8(a) certifications from the U.S. Small Business Administration (SBA). 8(a) certifications allow these subsidiaries to bid on contracts set aside specifically for 8(a)-certified entities as well as other small business contracts. While the Corporation may take advantage of direct contract opportunities under the 8(a) program, government contracting opportunities that are not dependent upon the sole source provision of 8(a) are also pursued.

In FY2021, the Corporation's Construction businesses generated 31.4% of its revenue from 8(a) sole source contracts, 26.4% from 8(a) competitive bid contracts, and 42.2% from non-8(a) full and open bid contracts. A majority of 8(a) revenue was generated from the U.S. Department of Defense.

In FY2021, the Construction business line continued to provide employment opportunities for BBNC shareholders with an average of 13 shareholder employees throughout the year.

GOVERNMENT SERVICES

The following table displays results of Government Services earnings, before interest and taxes for the fiscal year ended (in thousands):

		FISCAL YEAR 2021	2020	2019
REVENUES:				
Government Services	$	312,714	275,980	260,580
COSTS AND EXPENSES:				
Government Services		279,476	248,903	233,096
Earnings from Government Services	$	36,912	31,253	27,484
EBITDA		43,932	33,682	28,708

The Government Services business line is comprised of one managed company group, the Government Services Group. The Government Services Group provides a broad range of services including engineering and technical services, information technology management services, environmental services, operational testing and evaluation services, medical and applied science projects, medical staffing, and biomedical research and development primarily to the federal government. In addition, Bristol Bay Shared Services, LLC, based in Anchorage, Alaska and Huntsville, Alabama, is the administrative shared service company supporting the Government Services Group.

The Government Services business line experienced an 13.1% increase in revenue. FY2021 earnings, as a percentage of revenue, increased to 11.6% from 11.1% in FY2020. The Government Services business line experienced strong demand during FY2021 arising from increased federal government work. Much of the additional revenue arose from the federal government's response to COVID-19.

As with the Construction business line, the Corporation's Government Services business line provides services to the federal government, and in some cases, participates in contracts offered by the government solely to small businesses. Some of the Corporation's Government Services companies have 8(a) certifications from the SBA. 8(a) certifications allow these subsidiaries to bid on contracts set aside specifically for 8(a)-certified entities as well as other small business contracts. While the Corporation may take advantage of contract opportunities under the 8(a) program, government contracting opportunities that are not dependent upon the sole source provision of 8(a) are also pursued.

In FY2021, the Corporation's Government Services business line generated 63.2% of revenue from 8(a) sole source contracts, 15.3% of revenue from 8(a) competitive bid contracts, and 21.5% of revenue from non-8(a) full and open bid contracts. A majority of 8(a) revenue within the business line was generated from the U.S. Department of Defense.

In FY2021, the Government Services business line provided employment opportunities for BBNC shareholders with an average of 14 shareholder employees throughout the year.

SEAFOOD

Bristol Bay Seafood Investments, LLC (BBSI), a holding company, was formed as the parent organization for the Corporation's Seafood operations. On October 1, 2019, BBSI acquired 75% of Bristol Bay Alaska Seafoods, LLC (BBAS). BBAS operates the following wholly-owned companies, some of which hold fishing rights: Bristol Wave Seafoods, LLC (formerly New Clipper Seafoods, LLC), New Blue North Fisheries, LLC, New Blue North Trading, LLC, New Blue North Payroll, LLC, New Seldovia Fisheries, LLC (New Seldovia), New Yakutat, LLC (New Yakutat), New Blue Pioneer, LLC (New Pioneer), New Blue Ballard, LLC (New Ballard), and BNC International Sales, Inc. BBAS also holds the following vessel companies, some of which own fishing rights: Clipper Endeavor, LLC, Clipper Surprise, LLC, Ewing Street Fisheries, LLC, Frontier Explorer, LLC, Frontier Mariner, LLC, Frontier Spirit, LLC, Really New Blue North, LLC, New Blue Attu, LLC, and New Blue Gadus, LLC.

The major assets of BBAS include fishing vessels and fishing rights. Each vessel company owns a factory longline fishing vessel engaged in the freezer longline industry bottom fishing in the Bering Sea and Aleutian Islands (BSAI) and in the Gulf of Alaska (GOA). Additionally, the vessel companies (except for Really New Blue North, LLC), as well as New Seldovia, New Yakutat, New Pioneer, and New Ballard, each own fishing rights under a cooperative agreement, the Freezer Longline Conservation Cooperative (FLCC), for 100% of the licensed freezer longline vessels fishing Pacific cod in the BSAI. This agreement contractually grants the Corporation to harvest a 37.44% share of the FLCC quota annually.

The table below displays results of Seafood earnings, before interest and taxes for the year ended March 31, 2021 and for the period October 1, 2019 (Acquisition) to March 31, 2021 (in thousands):

		FISCAL YEAR 2021	2020	2019
REVENUES:				
Seafood	$	55,771	27,691	-
COSTS AND EXPENSES:				
Seafood		46,358	23,688	-
Earnings from Seafood	$	4,856	2,558	-
EBITDA		8,591	4,105	-

BBAS operations experienced negative impacts arising from the COVID-19 pandemic. Market prices decreased as global seafood consumption declined due to restaurant shutdowns. At the same time, disruptions to global shipping operations impacted BBAS' ability to deliver products to customers. These negative impacts resulted in BBAS falling short of FY2021 revenue and earnings targets ($13.4 million and $4.9 million, respectively). BBAS recorded $4.8 million of PPP funding as earnings in FY2021.

TOURISM

The following table displays results of Tourism earnings, before interest and taxes for the fiscal year ended (in thousands):

		FISCAL YEAR 2021	2020	2019
REVENUES:				
Tourism	$	6,151	12,614	11,760
COSTS AND EXPENSES:				
Tourism		9,080	12,445	11,665
(Loss) earnings from Tourism	$	(3,026)	86	95
EBITDA		(1,509)	1,308	1,107

The Tourism business line consists of the holding company Bristol Bay Alaska Tourism, LLC and its companies Katmailand, Inc., Katmai Air, LLC, Katmai Lodge, LLC (dissolved May 2019), Katmai Air Leasing, LLC (dissolved March 2019), and Bristol Bay Mission Lodge, LLC. The Katmai companies provide visitors with world renowned sport fishing, bear viewing, and lodging in Katmai National Park located in Bristol Bay. Mission Lodge is an all-inclusive seasonal fishing lodge on Lake Aleknagik near Dillingham in Bristol Bay.

Tourism was particularly hard hit by the COVID-19 pandemic and only opened for a short period of time. Included in earnings from operations is $1.8 million of PPP funding proceeds.

The Tourism business line provides opportunity for shareholder hire and development in the region. Management continues to seek opportunities to grow the Tourism business line through targeted acquisitions throughout the Bristol Bay region.

PORTFOLIO INVESTMENTS AND EQUITY IN EARNINGS

The following table displays results of the Portfolio for the fiscal year ended (in thousands):

		FISCAL YEAR 2021	2020	2019
REVENUES:				
Investment earnings (loss)	$	19,192	(1,336)	8,659
Equity (loss) in earnings		(463)	-	58
COSTS AND EXPENSES:				
Cost of investment management		220	489	1,037
Earnings (loss) from investments	$	18,509	(1,825)	7,680

The Corporation recognizes Portfolio earnings primarily from investments in public and private passive investments including marketable securities, private equity placements, and a number of commercial real estate investments located primarily in Anchorage, Alaska.

The Portfolio is managed pursuant to an investment policy which calls for an asset allocation as follows: 50% equity securities, 45% alternative investments, 3% fixed income securities, and 2% cash. Real estate and alternative investments are often private, non-publicly traded equity interests. The allocation to each of these four investment classes was developed with the help of the Corporation's external investment advisor using modern portfolio theory. The established policy allocation to different investment classes is designed to achieve a target annual return of 8.4% while exposing the Corporation to the lowest level of risk possible.

At March 31, 2021, the total market value of the Portfolio was $109.3 million, compared to $72.8 million at March 31, 2020. Portfolio holdings in private, non-publicly traded investments were $61.6 million at March 31, 2021, compared to $62.4 million at March 31, 2020.

The Corporation's Portfolio generated investment earnings of $18.7 million. Sharp rebounds in equity markets during FY2021 generated $5.2 million of unrealized gains. Similarly, the Corporation's alternative investments generated $3.1 million of unrealized gains. The Corporation also had realized gains of $9.7 million arising from the sale of certain assets within the alternative portfolio and marketable securities. The Corporation's Portfolio returns are benchmarked against a custom index that approximates our investment allocation targets.

NATURAL RESOURCE MANAGEMENT

The following table displays results of Natural Resource earnings for the fiscal year ended (in thousands):

		FISCAL YEAR 2021	2020	2019
REVENUES:				
Natural Resources				
7(i) revenue sharing, net of 7(j) distributions	$	5,237	9,564	11,319
Natural Resources		346	144	434
Earnings from Natural Resources	$	5,583	9,708	11,753

Natural Resource earnings consist primarily of 7(i) revenue sharing, net of the 50% distribution to village corporations and at-large shareholders that the Corporation receives from other regional Alaska Native Corporations. 7(i) receipts received are primarily from NANA Regional Corporation and Arctic Slope Regional Corporation. Receipts from these two Regional Corporations were significantly reduced during FY2021 with the COVID-19 pandemic impacting natural resource revenues. The Corporation distributes 50% of these receipts to village corporations and at-large shareholders as 7(j) payments.

Revenue from the sale of the Corporation's natural resources, primarily sand and gravel, is driven largely by resource development and infrastructure improvement activities in the Bristol Bay region. Revenues from the sale of natural resources tend to fluctuate from year to year. The Corporation continues to advocate for responsible development of natural resources within the Bristol Bay region. We are committed to supporting a strong business climate that encourages investment in natural resource activities throughout the entire state of Alaska.

General and Administrative Expenses

Corporate general and administrative expenses (G&A) increased from $33.7 million in FY2020 to $34.3 million in FY2021. G&A expenses are incurred by the Corporation in its efforts to provide corporate governance and oversight of its increasingly complex subsidiary operations, pursue new investments, protect the Corporation's assets, and provide shareholder services. G&A, as a percentage or revenue, was 2.0% (1.6% when acquisition costs are excluded), 2.0%, and 1.0% in FY2021, FY2020, and FY2019, respectively. While FY2021 G&A expense remained consistent to FY2020, there were several notable variances within certain expense categories. Most notable was an increase in health care costs with a variance of $5.5 million from FY2020. BBNC continued the migration from being self-insured for health care to the fully insured Federal Employees Health Benefits (FEHB) program in FY2021. However, there were several large claims incurred in the self-insured plan as well as lagging claims which contributed to the variance. As of FY2022, all the Corporation's entities are participating in FEHB. Offsetting the increase in health care costs were positive variances for the Corporations other insurance costs ($2.0 million), decrease in acquisition costs ($1.0 million) and cost decreases arising from COVID-19 impacts ($1.8 million).

Taxes

The following table displays our income tax (benefit) expense for the fiscal year ended (in thousands):

		FISCAL YEAR 2021	2020	2019
Current income tax (benefit) expense	$	(580)	(16,094)	(233)
Deferred income tax (benefit) expense		(30,224)	9,790	14,243
Total income tax (benefit) expense	$	(30,804)	(6,304)	14,010

Total tax (benefit) expense is comprised of current and deferred federal and state taxes which are primarily income based. To a significantly lesser extent, the Corporation is subject to certain foreign income tax expense. Current tax expense represents expected taxes the Corporation will pay to taxing authorities on taxable income generated within the fiscal year plus or minus any prior year tax adjustments. Current tax (benefit) expense represents estimated tax refunds the Corporation expects to receive or overpayments of estimated tax the Corporation will use to offset future tax liabilities. Deferred tax (benefit) expense represents the current year change in deferred tax assets net of changes in the Corporation's deferred tax liabilities. Deferred tax assets and liabilities arise in the normal course of business and represent future differences between taxable income and book income reported in the Corporation's annual report. These differences are expected and exist because of a lack of parity with respect to when certain items of income and expense are recognized under the tax code compared to treatment under the U.S. Generally Accepted Accounting Principles. Our average statutory blended tax rate is approximately 27.2% of earnings from operations. Our actual effective tax rate is lower than the statutory rate primarily due to contributions to the BBNC Settlement Trust, the sale of subsurface estate received under ANCSA, PPP loan proceeds not being taxable and other permanent book to tax differences.

In March, the Corporation sold additional oil and gas rights recognizing a significant tax loss generating net operating losses, resulting in a deferred tax benefit.

Balance Sheet

The following table displays key balance sheet data as of March 31 (in thousands):

		FISCAL YEAR 2021	2020	2019
Cash and cash equivalents	$	53,987	95,994	13,180
Marketable securities		53,863	15,240	150,808
Other current assets		286,045	319,275	228,659
Investment in nonmarketable securities		32,782	34,405	33,154
Other investments		28,797	27,970	41,842
Other assets		13,581	11,391	3,071
Deferred taxes		20,395	-	-
Property, plant and equipment, net		258,524	225,870	156,560
Goodwill and intangible assets		369,452	332,735	72,478
Total assets		1,117,426	1,062,880	699,752
Current liabilities		255,260	241,496	189,982
Long-term liabilities		176,122	235,165	146
Total shareholders equity		686,044	586,219	509,624

In FY2021, the Corporation continued its strategic investment in operating entities which is a major driver of changes within the balance sheet.

Property, plant and equipment, goodwill and intangibles all increased in FY2021 as a result of the acquisitions of Precision, Cannon and Herman. The Corporation also utilized cash generated from operating activities to increase its passive investment in marketable securities and decrease the Corporation's long-term debt.

Current liabilities and long-term liabilities also reflect impacts from the acquisitions. Current liabilities includes a $7.5 million contribution to the BBNC Settlement Trust approved at the March BBNC Board of Director's meeting that was distributed in June 2021 as well as $1.0 million for the BBNC Education Foundation and $0.4 million for other benefit programs and taxes.

BRISTOL BAY NATIVE CORPORATION

Liquidity and Capital Resources

The following table displays total liquidity and capital resources as of March 31, for the fiscal year ended (in thousands):

		FISCAL YEAR 2021	2020	2019
AVAILABLE FUNDS:				
Cash and cash equivalents	$	53,987	95,994	13,180
Marketable securities		53,863	15,240	150,808
Less: collateral on marketable securities		-	-	(5,000)
Total available funds	$	107,850	111,234	158,988
AVAILABLE LINE OF CREDIT:				
Total line of credit		201,254	149,861	75,000
Less: outstanding letters of credit		(3,750)	(3,750)	(3,750)
Total available line of credit		197,504	146,111	71,250
Total liquidity		305,354	257,345	230,238

To meet both BBNC's short- and long-term liquidity requirements, the Corporation looks to a variety of funding sources, both internal and external.

The Corporation's liquidity strengthened in FY2021 despite the Corporation's continued investment in operating entities. Cash flows from operating activities provided sufficient liquidity for acquisitions as well as reducing the Corporation's long-term debt balance.

The Corporation and a syndicate of banks have an accordion feature which was negotiated as part of the $250 million revolving line of credit established February 14, 2020. The accordion, which makes $75.0 million available, may provide additional liquidity if desired and agree to by both parties. The Corporation's cash flow from operations and access to the line of credit gives management confidence that the Corporation's future liquidly needs can be met in both the short- and long-term.

Significant Sources and Uses of Capital

The following table displays sources/uses of cash and capital structure for the fiscal year ended (in thousands):

		FISCAL YEAR 2021	2020	2019
SOURCES/USES OF CASH:				
Cash flows from operating activities	$	134,265	212,336	69,097
Cash flows from investing activates		(76,333)	(207,291)	(29,942)
Cash flows from financing activities		(99,939)	77,769	(50,590)
(Decrease) increase in cash and cash equivalents	$	(42,007)	82,814	(11,435)
CAPITAL STRUCTURE:				
Short- and long-term debt	$	135,838	200,569	12,662
Total shareholders' equity		686,044	586,219	509,624
Total capital		821,882	786,788	522,286
Debt-to-equity ratio	$	19.80%	34.21%	2.48%

The Corporation's cash flows are categorized in three different broad categories; cash flows from operating activities, investing activities, and financing activities. Cash flows from operating activities are the cash flows generated from the Corporation's businesses. Cash flows from investing activities are the cash flows from the purchase and sale of investments. Cash flows from financing activities are the cash flows from borrowings and payments to the BBNC Settlement Trust.

The Corporation generated additional FY2020 operating cash flows through the sale of a significant portion of the Corporation's marketable securities. The sale of the marketable securities was part of the Corporation's strategic plan to reallocate a significant portion of the Corporation's investments from passive investments to operating entities.

The following table shows the Corporation's utilization of cash and capital to accomplish its primary strategic goals in FY2021, FY2020, and FY2019.

- Distributions to shareholders
- Investment in operating entities
  - Purchase of new entities
  - Reinvestment in existing entities
- Reallocation of passive portfolio to operating entities
- Utilization of capital leverage

		FISCAL YEAR		
		2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES [1]	$	167,731	75,343	70,679
Distributions to shareholders		(29,571)	(27,044)	(23,804)
Purchase of operating entities		(85,298)	(189,169)	(11,707)
Reinvestment in property, plant and equipment		(36,400)	(27,294)	(24,517)
One-time asset sale proceeds		35,000	-	-
(Investment in) sale of passive investments		(24,265)	144,927	1,518
Utilization of leverage (debt payments and borrowings)		(66,890)	104,910	(26,282)
Other		(2,388)	(97)	2,578
Net (use) source of cash		(42,007)	82,814	(11,535)

[1] *Excludes cash flows from marketable securities.*

Our total capital structure consists of the original monies received by the Corporation under ANCSA on behalf of its shareholders, funds provided by debt financing arrangements and accumulated earnings that have not been paid out in dividends or contributions to settlement trusts. The overall increase in total capital in FY2021 is comprised of the fisal year earnings offset by contributions to the BBNC Settlement Trust.

The Corporation's debt-to-equity ratio is closely monitored in order to maintain an appropriate balance of debt and liquidity. Management expects that doing so will enable us to both meet our financial obligations and ready the Corporation to take advantage of strategic opportunites in the future.

BBNC retains ownership of approximately 3.1 million acres of subsurface and approximately 100,000 acres of surface real estate. BBNC shareholder's equity does not include the value of lands conveyed as a result of ANCSA, which cannot be readily estimated. Consistent with most Alaska Native Corporations, BBNC did not record a value for such lands due to the inability to establish the value of those lands at the time of conveyance, especially considering the time and expense of obtaining appraisals.

Shareholder Benefits

The following table displays total dividends and contributions to settlement trusts paid and payable in each of the fiscal years ended (in thousands):

	FISCAL YEAR		
	2021	2020	2019
Regular dividends paid	-	-	10,910
Contributions to BBNC Settlement Trust	31,588	34,058	11,991
Contributions to BBNC Elder Settlement Trust	-	-	856
Cumulative dividends and settlement trust contributions paid, since inception	301,316	271,673	244,629

2021 contributions to the BBNC Settlement Trust include $1,222,000 for the BBNC Education Foundation, $233,000 for the Memorial Donation Fund and a $74,000 BBNC art donation.

2021 contributions to the BBNC Settlement Trust above do not include $8,957,000 approved in March 2021, paid subsequently.

The Corporation's long-term strategy is to enhance its financial strength while increasing shareholder benefits and promoting educational and employment opportunities. The core of our success is our focus on education and protecting our cultural heritage. We are committed to training our future generations. Since 1986, the Corporation has provided educational scholarships to its shareholders pursuing both higher education degrees and vocational certifications.

In 1992, BBNC formally incorporated the BBNC Education Foundation (the Foundation) as a 501(c)(3) entity and has continued to invest in education and training through the Foundation. Scholarship recipients have graduated with bachelor's, master's, and other advanced degrees, such as a Ph.D. in Anthropology, Doctorates of Medicine, Doctors of Veterinary Medicine, Juris Doctor (Law), and degrees in engineering, business administration, education, nursing, guidance counseling, environmental science, economics, and philosophy, and associate degrees and other vocational certifications in dental therapy, culinary arts, professional piloting, health and human services, occupational safety and health training, and medical assistant training. Providing increased support for these types of programs is one of the Foundation's long-term objectives.

Recognizing the value of job skills that do not require college degrees, the Foundation also awards scholarships to help pay for vocational training programs. Specifically, the Foundation assists those that are in need of specialized certifications or training in order to enhance their employment or career opportunities. In many instances, vocational assistance recipients, who are also shareholders, have used their certifications to become eligible for employment by the Corporation and its subsidiaries. The Corporation made contributions to the BBNC Settlement Trust of $1.0 million for the benefit of the BBNC Education Foundation in FY2021.

Eligible original shareholders age 65 or older receive a benefit of $125 per quarter through the BBNC Elder Settlement Trust.

The Corporation's operations allow BBNC to provide meaningful career opportunities to our shareholders. During FY2021, BBNC had a total of 179 shareholder employees. Total shareholder wages paid in FY2021 were $14.9 million. The Corporation continues to focus on expanding opportunities for shareholder employment.

Critical Accounting Estimates

The Corporation's consolidated financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles. Significant accounting policies are discussed in note (1) Nature of Operations and Summary of Significant Accounting Policies accompanying the consolidated financial statements of this report. In connection with the preparation of the consolidated financial statements, management is required to make assumptions and estimates about future events and apply judgments that affect the reported amounts of consolidated assets, liabilities, revenues, expenses, and related disclosures. Amounts recognized in the financial statements from such estimates are based on numerous assumptions involving varying and potentially significant degrees of judgment and uncertainty. Actual results may differ from management's assumptions and estimates.

Areas in which accounting estimates could be different from the final results include accounts receivable, estimates of total contract costs for fixed price contracts, the fair value of investments, impairment of long-lived assets, intangibles and goodwill, the tax valuation of oil and gas rights, deferred tax assets, and future contingent purchase payments, among others.

Ten Year Financial Statements

BRISTOL BAY NATIVE CORPORATION

(In thousands except share data, ratios and percentages)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
REVENUES:											
Investment income	$ 19,192	$ (1,336)	$ 11,415	$ 27,959	$ 24,789	$ (63)	$ 11,442	$ 25,167	$ 14,254	$ 5,537	$ 14,935
Petroleum sales operations	-	-	-	-	592,715	579,869	811,253	1,011,443	1,097,607	1,173,249	948,873
Contract services											
Industrial Services	796,030	1,035,998	981,197	867,764	171,826	208,238	257,826	142,154	39,030	39,360	37,637
Construction	469,749	398,330	403,666	473,397	440,208	479,073	414,033	404,907	517,799	449,868	401,608
Government Services	312,714	275,980	260,580	267,250	277,541	234,740	228,720	240,823	282,821	287,186	256,247
Seafood	55,771	27,691	-	-	-	-	-	-	-	-	-
Tourism	6,151	12,614	11,760	10,751	9,114	2,040	1,861	1,890	1,493	-	-
Equity in earnings of equity method investees	2,560	3,454	2,756	-	-	-	-	-	-	-	-
Natural resources	5,583	9,708	8,659	10,677	6,904	5,954	10,186	8,396	6,524	9,877	7,648
Gain on sale of controlling interest in subsidiary	-	-	6,819	-	-	-	-	-	-	-	-
Other income (1)	22,869	4,528	1,824	1,547	2,084	2,171	763	1,114	2,252	430	252
Total operating revenue	1,690,619	1,766,967	1,689,014	1,659,345	1,525,181	1,512,022	1,736,084	1,835,894	1,961,780	1,965,507	1,667,200
Costs and expenses (1)	1,592,709	1,697,865	1,621,517	1,602,469	1,460,485	1,473,156	1,662,248	1,753,661	1,892,521	1,898,335	1,597,930
Earnings from operations	97,910	69,102	67,497	56,876	64,696	38,866	73,836	82,233	69,259	67,172	69,270
Income tax benefit (expense), net of extraordinary benefit	30,804	6,304	(14,010)	46,348	(23,564)	4,875	(28,000)	(33,047)	(27,941)	3,054	(26,253)
Earnings applicable to noncontrolling interests	(2,156)	(895)	(339)	(161)	(111)	(52)	(945)	(36)	-	-	-
NET EARNINGS	$ 126,558	$ 74,511	$53,148	$103,063	$ 41,021	$ 43,689	$ 44,891	$ 49,150	$ 41,318	$ 70,226	$ 43,017
CASH FLOW DATA:											
Net cash provided by operating activities	$ 134,265	$ 212,336	$69,097	$45,687	$94,985	$74,154	$89,618	$120,534	$ 30,489	$ 36,975	$ 17,484
Net capital expenditures	(36,400)	(27,294)	24,517	15,106	13,772	10,656	19,552	7,215	18,014	16,992	5,669
Addition (reduction) to long-term debt	(64,731)	(187,907)	(26,915)	(57,906)	(9,934)	(3,727)	(862)	62,851	18,974	(11,648)	(2,731)
Shareholder distributions/contributions to settlement trusts	29,571	27,044	23,804	20,111	18,796	17,499	27,313	14,981	13,883	12,070	7,453
SHAREHOLDER DATA:											
Earnings (loss) per share	$ 234.00	$138.00	$ 98.00	$ 191.00	$76.00	$81.00	$83.00	$91.00	$76.51	$ 130.02	$ 79.65
Shareholder distributions per share	46.80	43.44	40.40	37.40	34.80	32.40	30.00	27.00	25.00	22.00	13.80
Return on average stockholders' equity	19.9%	13.6%	10.7%	23.5%	10.6%	11.7%	12.9%	14.8%	14.6%	29.2%	22.2%
FINANCIAL POSITION:											
Cash and equivalents	$ 53,987	$ 95,994	$ 13,180	$ 24,615	$ 85,159	$ 72,327	$ 62,464	$ 49,471	$ 38,214	$ 46,135	$ 35,118
Working capital (1)	84,772	173,773	51,857	59,380	86,692	89,660	89,135	59,827	37,931	71,655	10,469
Marketable equity securities at fair value	53,863	15,240	150,808	150,763	139,563	141,427	133,445	136,807	176,781	115,202	97,830
Property, plant and equipment, at cost	258,524	367,349	156,560	148,344	155,240	161,012	170,630	174,337	70,263	56,940	46,481
Total assets	1,117,426	1,062,880	699,752	699,860	686,502	643,050	656,621	629,922	559,034	518,703	448,322
Long-term debt (including current maturities)	135,838	200,569	12,662	39,577	97,483	107,417	111,144	112,006	49,155	30,181	41,829
Stockholders' equity	686,044	586,219	509,624	480,031	397,315	374,676	349,376	330,897	296,732	269,297	211,141
RATIOS:											
Current ratio (1)	1.7	1.7	1.3	1.3	1.5	1.6	1.5	1.3	1.2	1.3	1.1
Long-term debt to equity ratio	0.20	0.34	-	0.08	0.25	0.29	0.32	0.34	0.17	0.11	0.20

NOTES:

(1) Marketable equity securities have not been included as part of current assets for this computation.

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

Independent Auditors' Report

The Board of Directors and Stockholders
Bristol Bay Native Corporation:

We have audited the accompanying consolidated financial statements of Bristol Bay Native Corporation and its subsidiaries, which comprise the consolidated balance sheets as of March 31, 2021 and 2020, and the related consolidated statements of operations, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2021, and the related notes to the consolidated 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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bristol Bay Native Corporation and its subsidiaries as of March 31, 2021 and 2020, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2021, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1(q) to the consolidated financial statements, in fiscal year 2020, Bristol Bay Native Corporation adopted new accounting guidance ASU 2014-09, *Revenue from Contracts with Customers*, as amended (Topic 606), which provides a framework for recognizing revenue from contracts with customers. Our opinion is not modified with respect to this matter.

KPMG LLP

June 30, 2021

Bristol Bay Native Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEETS

Years ended March 31, 2021 and 2020 (In thousands, except shares)

Assets		2021	2020
Current assets:			
Cash and cash equivalents	$	53,987	95,994
Marketable securities		53,863	15,240
Accounts receivable:			
Trade, net		223,747	236,820
Natural resources		—	881
Inventories		20,260	17,302
Contract assets		20,943	19,884
Prepaid expenses and refundable taxes		21,095	44,388
Total current assets		393,895	430,509
Investments in nonmarketable equity securities		32,782	34,405
Other investments		28,797	27,970
Other assets		13,581	11,391
Property, plant, and equipment, at cost		258,524	225,870
Intangible assets, net		239,905	213,129
Goodwill		129,547	119,606
Deferred taxes		20,395	—
Total assets	$	1,117,426	1,062,880
Liabilities and Stockholders' Equity			
Current liabilities:			
Notes payable	$	—	1,000
Accounts payable		86,583	69,822
Accrued liabilities		112,831	121,170
Contract liabilities		51,195	33,578
Unclaimed dividends		1,112	1,443
Current maturities of long-term debt		3,539	14,483
Total current liabilities		255,260	241,496
Other long-term liabilities		43,823	39,144
Long-term debt, less current maturities		132,299	186,086
Deferred taxes		—	9,935
Total liabilities		431,382	476,661
Stockholders' equity:			
Class A common stock, no par value. Authorized, 1,000,000 shares; issued and outstanding, 488,500 shares		29,571	29,571
Class B common stock, no par value. Authorized, 300,000 shares; issued and outstanding, 51,600 shares		3,124	3,124
Accumulated other comprehensive loss		(731)	(2,899)
Retained earnings		611,876	516,906
Total stockholders' equity attributable to Bristol Bay Native Corporation		643,840	546,702
Noncontrolling interest		42,204	39,517
Total stockholders' equity		686,044	586,219
Commitments and contingencies			
Total liabilities and stockholders' equity	$	1,117,426	1,062,880

See accompanying notes to consolidated financial statements.

Bristol Bay Native Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended March 31, 2021, 2020 and 2019 (In thousands, except shares and per share data)

		2021	2020	2019
Revenues and gains:				
Industrial services	$	796,030	1,035,998	981,197
Construction		469,749	398,330	403,666
Government services		312,714	275,980	260,580
Seafood		55,771	27,691	—
Tourism		6,151	12,614	11,760
Equity in earnings of equity method investees		2,560	3,454	2,756
Gain on sale of controlling interest in subsidiary		—	—	6,819
Investment earnings (losses)		19,192	(1,336)	8,659
Natural resources		5,583	9,708	11,753
Other		22,869	4,528	1,824
		1,690,619	1,766,967	1,689,014
Costs and expenses:				
Cost of industrial services		775,443	997,592	956,205
Cost of construction		441,940	376,528	397,363
Cost of government services		279,476	248,903	233,096
Cost of seafood		46,358	23,688	—
Cost of tourism		9,080	12,445	11,665
Cost of investment management		220	489	1,037
Corporate general and administrative expense		34,308	33,717	17,509
Interest		4,862	3,407	1,707
Other		1,022	1,096	2,935
		1,592,709	1,697,865	1,621,517
Earnings from operations		97,910	69,102	67,497
Income tax benefit (expense)		30,804	6,304	(14,010)
Net earnings		128,714	75,406	53,487
Less income attributable to noncontrolling interest		(2,156)	(895)	(339)
Net earnings attributable to Bristol Bay Native Corporation	$	126,558	74,511	53,148
Earnings per share	$	234	138	98
Weighted average shares outstanding		540,100	540,100	540,100

See accompanying notes to consolidated financial statements.

Bristol Bay Native Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended March 31, 2021, 2020 and 2019 (In thousands)

		2021	2020	2019
Net earnings	$	128,714	75,406	53,487
Other comprehensive loss:				
Change in the fair value of interest rate swap		3,084	(3,866)	—
Reclassification adjustment for gains included in net income		(385)	—	—
Comprehensive Income		131,413	71,540	53,487
Less (plus) comprehensive (income) loss attributable to noncontrolling interest		(531)	72	(339)
Net comprehensive income attributable to Bristol Bay Native Corporation	$	130,882	71,612	53,148

See accompanying notes to consolidated financial statements.

Bristol Bay Native Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended March 31, 2021, 2020 and 2019 (In thousands)

		Common stock		Accumulated other comprehensive loss	Retained earnings	Total stockholders' equity attributable to Bristol Bay Native Corporation	Noncontrolling interests	Total stockholders' equity
		Class A	Class B					
Balance, April 1, 2018	$	29,571	3,124	—	447,062	479,757	274	480,031
Dividends ($20.20 per share)		—	—	—	(10,910)	(10,910)	—	(10,910)
Contributions to BBNC Settlement Trust		—	—	—	(11,991)	(11,991)	—	(11,991)
Contributions to Elder Settlement Trust		—	—	—	(856)	(856)	—	(856)
Net earnings		—	—	—	53,148	53,148	339	53,487
Distributions to noncontrolling interest		—	—	—	—	—	(137)	(137)
Balance, March 31, 2019		29,571	3,124	—	476,453	509,148	476	509,624
Contributions to BBNC Settlement Trust		—	—	—	(34,058)	(34,058)	—	(34,058)
Net earnings		—	—	—	74,511	74,511	895	75,406
Non-controlling interests established upon acquisition		—	—	—	—	—	39,113	39,113
Other comprehensive loss		—	—	(2,899)	—	(2,899)	(967)	(3,866)
Balance, March 31, 2020		29,571	3,124	(2,899)	516,906	546,702	39,517	586,219
Contributions to BBNC Settlement Trust		—	—	—	(31,588)	(31,588)	—	(31,588)
Net earnings		—	—	—	126,558	126,558	2,156	128,714
Other comprehensive income		—	—	2,168	—	2,168	531	2,699
Balance, March 31, 2021	$	29,571	3,124	(731)	611,876	643,840	42,204	686,044

See accompanying notes to consolidated financial statements.

Bristol Bay Native Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2021, 2020 and 2019 (In thousands)

		2021	2020	2019
Cash flows from operating activities:				
Net earnings	$	128,714	75,406	53,487
Adjustments to reconcile net earnings to cash provided by operating activities:				
Equity in earnings from equity method investees		(2,560)	(3,454)	(2,756)
Unrealized depreciation (appreciation) of marketable securities and other investments		(8,720)	17,531	6,074
Depreciation and amortization		44,960	22,988	20,525
Gain on sale of controlling interest in subsidiary		—	—	(6,819)
Gain on disposal of property, plant, and equipment		(12,948)	(221)	(296)
Gain on change in value of contingent consideration		(15,873)	—	—
Realized gain on sale of marketable securities and other investments		(2,816)	(12,145)	(6,242)
(Gain) loss on interest rate swap		(385)	—	56
Deferred taxes		(30,224)	9,790	14,243
Bad debt expense		857	815	201
Changes in operating assets and liabilities that provided (used) cash, net of acquisitions and disposals:				
Accounts receivable		32,592	(25,907)	(9,659)
Contract assets		1,441	(829)	4,721
Contract liabilities		12,517	9,453	1,323
Recognition of forward losses on construction contracts		—	—	999
Net (purchase) sale of marketable securities		(33,466)	136,993	1,582
Inventories		(171)	(6,508)	(2,420)
Accounts payable		5,856	(8,992)	(7,190)
Accrued liabilities and other		14,491	(2,584)	1,268
Net cash provided by operating activities		134,265	212,336	69,097
Cash flows from investing activities:				
Acquisition of businesses, net of cash acquired		(85,298)	(189,169)	(11,707)
Proceeds from sale of controlling interest in subsidiary		867	—	2,746
Proceeds from sale of nonmarketable equity securities		6,337	—	—
Proceeds from sale of property, plant and equipment		36,164	1,238	—
Collection on notes receivable		—	—	3,500
Proceeds from sale of other investments		3,958	2,860	—
Return of capital from nonmarketable equity securities		2,963	14,344	10,237
Investment in nonmarketable equity securities		(3,308)	(7,515)	(9,259)
Purchase of other investments		(3,990)	(7,417)	(5,984)
Return of capital from other investments		2,374	5,662	5,042
Additions to property, plant, and equipment		(36,400)	(27,294)	(24,517)
Net cash used in investing activities		(76,333)	(207,291)	(29,942)
Cash flows from financing activities:				
Proceeds from long-term debt		—	—	29,341
Repayment of long-term debt		(15,497)	(2,179)	(56,256)
Line of credit draws		86,405	346,082	104,245
Line of credit repayments		(137,798)	(238,993)	(103,612)
Payment of contingent consideration		(3,147)	(185)	(367)
Distributions to noncontrolling interests		—	—	(137)
Dividends paid		(331)	88	(10,957)
Contributions to settlement trusts		(29,571)	(27,044)	(12,847)
Net cash (used in) provided by financing activities		(99,939)	77,769	(50,590)
(Decrease) increase in cash and cash equivalents		(42,007)	82,814	(11,435)
Cash and cash equivalents:				
Beginning of year		95,994	13,180	24,615
End of year	$	53,987	95,994	13,180
Supplemental disclosure of cash flow information:				
Cash paid during the year for:				
Interest	$	4,228	3,012	1,728
Income taxes paid		608	487	798
Income taxes refunded		28,733	681	227
Supplemental schedule of noncash investing and financing activities:				
Future payments based upon earnings in connection with acquisition	$	24,200	33,200	4,720
Holdback payments in connection with acquisitions		—	2,000	820
Earnout receivable from sale of controlling interest in subsidiary		867	—	2,691
Noncash mark to market adjustments to interest rate swap		1,167	3,866	—
Accrued contributions to BBNC Settlement Trust		8,957	7,014	—

See accompanying notes to consolidated financial statements.

(1) Nature of Operations and Summary of Significant Accounting Policies

(a) Nature of Operations

The operations of Bristol Bay Native Corporation (Corporation) include the following business lines:

- Industrial Services (includes petroleum distribution)
- Construction
- Government Services
- Seafood
- Tourism
- Portfolio of public and private passive investments, some of which are managed by outside investment managers
- Subsurface and other natural resource management

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Corporation and its wholly and majority owned subsidiaries:

Construction:

CCI Alliance of Companies:

1. CCI Alliance, LLC
2. CCI Construction Services, LLC
3. CCI Energy and Construction Services, LLC
4. CCI Energy Contractors, LLC
5. CCI Engineering and Construction, LLC
6. CCI Facility Contractors, LLC
7. CCI Facility Support Services, LLC
8. CCI General Contractors, LLC
9. CCI Group, LLC
10. CCI Mechanical, LLC
11. CCI Prime Contractors, LLC
12. CCI Solutions, LLC
13. CCI Utility and Construction Services, LLC

SES Group of Companies:

14. SES Group of Companies LLC
15. Aerostar Environmental and Construction LLC
16. Aerostar SES LLC
17. Herman Construction Group, Inc.
18. Panhandle Power Solutions LLC

(Continued)

Bristol Bay Native Corporation and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021 and 2020

19. Panhandle Renewable Solutions LLC
20. SES Construction and Fuel Services LLC
21. SES Constructors LLC
22. SES Civil and Environmental LLC
23. SES Electrical LLC
24. SES Energy Services LLC
25. SES Facility Support LLC
26. SES Infrastructure Services LLC
27. SES Technologies LLC
28. SpecPro Environmental Services LLC

Government Services:

29. Badger Technical Services, LLC
30. Eagle Applied Sciences LLC
31. Eagle Global Scientific, LLC
32. Eagle Health Analytics, LLC
33. Eagle Integrated Services, LLC
34. Eagle Medical Services, LLC
35. GC&E Federal, LLC
36. GC&E Systems Group, LLC
37. Glacier Support Services, LLC
38. Glacier Technical Solutions, LLC
39. Glacier Technologies, LLC
40. MedPro Technologies, LLC
41. Shield IS, LLC
42. SpecPro Management Services, LLC
43. SpecPro Professional Services, LLC
44. SpecPro Sustainment and Environmental, LLC
45. SpecPro Technical Services LLC
46. SpecPro, Inc.
47. STS Government Solutions, LLC
48. STS Solutions & Training, LLC
49. STS Systems Defense, LLC
50. STS Systems Integration, LLC
51. STS Systems Support, LLC
52. TekPro Services, LLC
53. TekPro Support Services, LLC
54. Vista Defense Technologies, LLC
55. Vista Global Solutions, LLC
56. Vista International Operations, Inc.
57. Vista Technical Services, LLC
58. Workforce Resources, LLC

(Continued)

Industrial Services:
59. Bristol Bay Industrial, LLC
60. BBI Holding Company, LLC
61. Alaska Directional, LLC
62. Bristol Alliance Fuels, LLC
63. Bud's Hauling and Leasing, LLC
64. Cannon Construction, LLC
65. Cannon Constructors, LLC
66. Cal IV Tubulars, LLC
67. CCI Electrical Services, LLC
68. CCI Industrial Services, LLC
69. Kakivik Asset Management, LLC
70. Peak Oilfield Service Company LLC
71. PetroCard, Inc.
72. PreCom Holdings LLC
73. Precision Compression, LLC
74. The Cannon Group, LLC

Investments:
75. AN-AN,C,LLC
76. Arctic Holding, LLC

Other entities:
77. Bristol Bay Corporate Services, LLC
78. Bristol Bay Development LLC
79. Bristol Bay Development Fund, LLC
80. Bristol Bay Insurance Services, LLC
81. Bristol Bay Parking, LLC
82. Bristol Bay Petroleum Properties, LLC
83. Bristol Bay Resource Investments, LLC
84. Bristol Resources, Inc.
85. Wild Side Salmon, LLC

Seafood:
86. Bristol Bay Seafood Investments, LLC
87. Bristol Bay Alaska Seafoods, LLC
88. BNC International Sales, Inc.
89. Bristol Wave Seafoods, LLC
90. Clipper Endeavor, LLC
91. Clipper Surprise, LLC
92. Ewing Street Fisheries, L.L.C.
93. Frontier Explorer, LLC
94. Frontier Mariner, LLC
95. Frontier Spirit, LLC

(Continued)

Bristol Bay Native Corporation and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021 and 2020

96. New Blue Attu, LLC
97. New Blue Ballard, LLC
98. New Blue Gadus, LLC
99. New Blue North Fisheries, LLC
100. New Blue North Payroll, LLC
101. New Blue North Trading, LLC
102. New Blue Pioneer, LLC
103. New Seldovia Fisheries, LLC
104. New Yakutat, LLC
105. Really New Blue North, LLC

Shared Services:
106. Bristol Bay Shared Services, LLC

Tourism:
107. Bristol Bay Alaska Tourism, LLC
108. Bristol Bay Mission Lodge, LLC
109. Katmai Air, LLC
110. Katmailand, Inc.

The Corporation consolidates majority owned subsidiaries that are not considered variable interest entities for which the Corporation exercises operational control. The Corporation will also consolidate any variable interest entities of which it is the primary beneficiary. The Corporation consolidates AN-AN, C, LLC as the primary beneficiary of a variable interest entity. Included in the Corporation's consolidated balance sheet as of March 31, 2021, is $17,728,000 of assets consisting primarily of a building. On May 29, 2020, the Corporation paid the long-term loan payable and issued a promissory note to AN-AN, C, LLC for $11,824,000. The Corporation contributed $6,463,000 of equity to AN-AN, C, LLC.

All significant intercompany accounts and transactions have been eliminated in consolidation.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash and investments with initial maturities, at the time of purchase, of three months or less. Money market mutual funds that are part of the investment portfolio are not considered to be cash equivalents and are included in marketable securities.

(d) Marketable Securities

Marketable securities are used to supplement cash provided by operations in order to fund corporate overhead and shareholder dividends. Marketable securities are recorded at fair value. Debt securities are categorized as trading. The Corporation includes net unrealized gains and losses as a part of investment earnings. Realized gains or losses resulting from the sale of securities are also included in investment earnings. Cost of securities is determined using the first-in, first-out method. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

(Continued)

(e) Nonmarketable Equity Securities

Investments in nonmarketable equity securities are accounted for using the estimated fair value or the equity method, depending on whether the Corporation has the ability to exercise significant influence over operating and financial policies of an investee. Under the equity method, the Corporation's share of affiliate earnings is included in income when earned, and distributions are credited to the investment when received. For flow-through entities (i.e., partnerships, limited liability companies, subchapter S corporations, etc.), the ability to exercise significant influence is presumed to exist if the percentage of ownership is equal to or greater than 3 to 5%. For other entities, significant influence is presumed to exist if the percentage of ownership is equal to or greater than 20%. The Corporation's share of earnings or losses is determined either by its respective ownership percentage or, when appropriate, by using the Hypothetical Liquidation at Book Value method (HLBV). When using the HLBV, the Corporation evaluates at each balance sheet date, the amount it would receive or be obligated to pay if the investee were liquidated. The difference between this amount at the beginning of the period compared to end of the period plus cash received from the investments during the period and less amounts contributed to the investment during the period, represents the Corporation's earnings or losses for the period from such investment. For equity securities without readily determinable fair values that are not accounted for under the equity method, the Corporation elected to record these securities at cost, less impairment, plus or minus subsequent adjustments for observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

Equity securities are analyzed for impairment on an ongoing basis. An impairment charge is recorded whenever the fair value of the investment is considered to be less than the carrying amount and the impairment is considered other than temporary.

(f) Trade Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is management's best estimate of the amount of probable credit losses in existing accounts receivable. The Corporation determines the allowance based on its historical write-off experience and current economic conditions. Past-due balances over 60 days in a specified amount are reviewed individually for collectability. All other balances are reviewed in aggregate. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Corporation does not have any off-balance-sheet credit exposure related to its customers.

(g) Derivatives

The Corporation recognizes derivative instruments as liabilities in the balance sheet at its fair value except for those derivatives that are designated as qualified cash flow hedges, which the Corporation recognizes at their settlement values. For derivatives designated in hedging relationships other than designated cash flow hedges that follow the simplified approach, changes in the fair value are either offset through earnings against the change in fair value of the hedged item attributable to the risk being hedged or recognized in Accumulated Other Comprehensive Income (Loss) (AOCI), to the extent the derivative is effective at offsetting the changes in cash flows being hedged until the hedged item affects earnings. The Corporation records all the derivatives that are designated as cash flow hedges under

(Continued)

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the simplified approach at their settlement values with changes in settlement values recorded in AOCI until the hedged item affects earnings.

The Corporation only enters into derivative contracts that it intends to designate as a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). For all hedging relationships, the Corporation formally documents the hedging relationship and its risk-management objective and strategy for undertaking the hedge, the hedging instrument, the hedged transaction, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method used to measure ineffectiveness. The Corporation also formally assesses, both at the inception of the hedging relationship and on an ongoing basis, whether the derivatives that are used in hedging relationships are highly effective in offsetting changes in cash flows of hedged transactions. For derivative instruments that are designated and qualify as part of a cash flow hedging relationship, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

The Corporation discontinues hedge accounting prospectively when it determines that the derivative is no longer effective in offsetting cash flows attributable to the hedged risk, the derivative expires or is sold, terminated, or exercised, the cash flow hedge is designated because a forecasted transaction is not probable of occurring, or management determines to remove the designation of the cash flow hedge.

(h) Inventories

Inventories, which consist primarily of petroleum products, are stated at the lower of cost (principally, first-in, first-out) or net realizable value.

(i) Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost. Depreciation of property, plant, and equipment is provided based on the estimated useful lives of the respective assets using the straight-line method. Estimated lives for buildings are 10 to 40 years, and for machinery and equipment, 3 to 10 years. Leasehold improvements are amortized straight-line over the shorter of the lease term or estimated useful life of the asset.

The cost of current repairs and maintenance is charged to expense, while the cost of betterment is capitalized.

(j) Goodwill and Intangibles

Goodwill represents the excess purchase price over the estimated fair value of net assets acquired in a business combination. As described in note 1(r), the Corporation adopted ASU 2014-02, *Accounting for Goodwill,* April 2020. The Corporation amortizes goodwill on a straight-line basis over 10 years. The Corporation tests goodwill for impairment when there is a triggering event (e.g. a deterioration in general economic conditions or in the environment in which the Corporation operates).

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When impairment indicators are identified, the Corporation compares the entity's fair value to its carrying amount, including goodwill. An impairment loss is recognized as the difference, if any, between the entity's carrying amount and its fair value, to the extent the difference does not exceed the total amount of goodwill

The Corporation performs its annual impairment review of goodwill at March 31, and when a triggering event occurs between annual impairment tests. No impairment loss was recorded in 2021, 2020, or 2019.

Intangible assets with finite lives are recorded at cost and are primarily amortized on a straight-line basis over the estimated period of economic benefit. The Corporation reviews intangible assets with finite lives for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Recoverability of these intangible assets is assessed based on the undiscounted future cash flows expected to result from the use of the asset. If the undiscounted future cash flows are less than the carrying value, the purchased intangible assets are considered to be impaired. The amounts of the impairment loss, if any, is measured as the difference between the carrying amount of these assets and the fair value based on a discounted cash flow approach, or when available and appropriate, to comparable market values.

Intangible assets with indefinite lives are tested for impairment annually or more frequently if events or circumstances indicate that it is more likely than not that the assets are impaired. The Corporation has the option to first perform a qualitative assessment of all relevant events and circumstances that could affect significant inputs used to determine the fair value of the indefinite-lived intangible assets. If the Corporation determines, after performing the qualitative assessment, that it is not more likely than not that the fair value of the indefinite-lived intangible assets are less than the carrying amount the Corporation does not have to quantitatively determine the fair value of such assets. If the Corporation concludes is more likely than not that fair value of such assets are impaired the Corporation must perform a quantitative impairment test. The quantitative impairment test compares the fair value of the indefinite-lived intangibles to their carrying value. If the fair value is less than the carrying amount an impairment loss is recognized. Future recoveries in the fair value of such assets is prohibited.

The Corporation performed a qualitative assessment of the indefinite-lived assets of Bristol Bay Alaska Seafoods, LLC as of March 31 and determined there was no impairment loss.

(k) Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Corporation first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

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(l) Natural Resource Revenues

Natural resource revenues are derived from sand and gravel quarry operations, and natural resource revenues distributable to the Corporation from other Alaska Native Regional Corporations, under Section 7(i) of the Alaska Native Claims Settlement Act. Revenues distributable under Section 7(i) are recorded when received or when the amount is determined, and receipt is assured. Natural resource revenues are recorded net of amounts distributable under Section 7(j) of the Alaska Native Claims Settlement Act.

(m) Revenue and Cost Recognition

(Policy effective April 1, 2019)

The Corporation recognizes revenue when it satisfies performance obligations under the terms of its contracts, and control of the goods or services is transferred to its customers in an amount that reflects the consideration the Corporation expects to receive from its customers in exchange for those goods or services.

(i) Contract Combination

To determine the proper revenue recognition method for contracts, management evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment and the decision to combine a group of contracts or separate a combined or single contract into multiple performance obligations could change the amount of revenue and gross profit recorded in a given year. Contracts are considered to have a single performance obligation if the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts primarily because the Corporation provides a significant service of integrating a complex set of tasks and components into a single project or capability.

For contracts with multiple performance obligations, the Corporation allocates the transaction price to each performance obligation using the best estimate of the standalone selling price of each distinct good or service in the contract. In cases where the Corporation does not provide the distinct good or service on a stand-alone basis, which is more prevalent than not, the primary method used to estimate stand-alone selling price is the expected cost plus a margin approach, under which management forecasts expected costs of satisfying a performance obligation and then add an appropriate margin for that distinct good or service.

(ii) Service Contracts

For service contracts (including maintenance contracts) where the Corporation has the right to consideration from the customer in an amount that corresponds directly with the value received by the customer based on performance to date, revenue is recognized when services are performed and contractually billable. For all other types of service contracts, revenue is recognized over time using the cost-to-cost method (e.g., costs incurred to date relative to total estimated costs at completion) to measure progress because it best depicts the transfer of value to the customer.

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Contract costs include all direct materials, labor, and subcontractor costs and an allocation of indirect costs related to contract performance.

Under the typical payment terms of services contracts, amounts are billed as work progresses in accordance with agreed upon contractual terms, either at periodic intervals (e.g., weekly, biweekly, or monthly) or upon achievement of contractual milestones.

(iii) Master Service Agreements (MSA) and Indefinite Delivery Indefinite Quantity (IDIQ) Contracts

MSA and IDIQ contracts are not considered to meet contract existence criteria until they have a related purchase order, call-off order, task order, or delivery order executed (purchase order). Under an MSA or IDIQ contract, the customer has the right to purchase additional distinct goods or services. Each purchase order or exercise of an option year is a separate purchase decision and results in the transfer of control of additional goods and services by the entity. Each individual purchase order is treated as a stand-alone contract for application of Topic 606 unless it otherwise meets criteria to be combined or treated as a modification.

(iv) Design Build Services

The Corporation recognizes revenue over time, as performance obligations are satisfied, for substantially all its engineering and construction contracts due to the continuous transfer of control to the customer. For most engineering and construction contracts, the customer contracts with us to provide a significant service of integrating a complex set of tasks and components into a single project or capability and are therefore accounted for as single performance obligations. The Corporation recognizes revenue using the cost-to-cost input method, based primarily on contract costs incurred to date compared to total estimated contract costs. This method is the most accurate measure of contract performance because it directly measures the value of the goods and services transferred to the customer.

Contract costs include all direct material, labor, and subcontractor costs and indirect costs related to contract performance.

Customer-furnished materials are included in both contract revenue and cost of revenue when management concludes that the Corporation is acting as a principal rather than as an agent. The Corporation recognizes revenue, but not gross profit, on certain uninstalled materials that are not specifically produced or fabricated for a project. Revenue for uninstalled materials is recognized when the cost is incurred, and control is transferred to the customer. Project mobilization costs are capitalized when they are incurred before the Corporation has begun satisfying the related performance obligation and they are recoverable. Pre-contract costs are expensed as incurred unless they are expected to be recovered from the customer.

The payment terms of engineering and construction contracts from time to time require the customer to make advance payments as well as interim payments as work progresses. The advance payment generally is not considered a significant financing component as the Corporation expects to recognize those amounts in revenue within a year of receipt as work progresses on the related performance obligation.

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(v) Variable Consideration

It is common for the Corporation's contracts to contain variable consideration in the form of incentive fees, performance bonuses, award fees, acts of nature such as weather delays, and liquidated damages. Other contract provisions also give rise to variable consideration such as claims and unpriced change orders that may either increase or decrease the transaction price. Management estimates the amount of variable consideration at the most likely amount it expects to be entitled. Variable consideration is included in the transaction price when it is probable that a significant reversal of cumulative revenue recognized will not occur or when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration and determination of whether to include such amounts in the transaction price are based largely on assessment of legal enforceability, anticipated performance, and any other information (historical, current, or forecasted) that is reasonably available to us.

Variable consideration associated with claims and unapproved change orders is included in the transaction price only to the extent of costs incurred. The Corporation recognizes claims against vendors, subcontractors, and others as a reduction in recognized costs when enforceability is established by the contract and the amounts are reasonably estimable and probable of recovery. Reductions in costs are recognized to the extent of the lesser of the amounts management expects to recover, or actual costs incurred.

The Corporation provides limited warranties to customers for work performed under its contracts that typically extend for a limited duration following substantial completion of work on a project. Such warranties are not sold separately and do not provide customers with a service in addition to assurance of compliance with agreed-upon specifications. Accordingly, these types of warranties are not considered separate performance obligations. Historically, warranty claims have not resulted in material costs incurred.

(vi) Contract Estimates and Modifications

Due to the nature of the work required to be performed on many of the Corporation's performance obligations, the estimation of total revenue and cost at completion is complex, subject to many variables, and requires significant judgment. As a significant change in one or more of these estimates could affect the profitability of contracts, management routinely reviews and updates contract-related estimates through a disciplined project review process in which management reviews the progress and execution of performance obligations and the estimate to complete. As part of this process, management reviews information including, but not limited to, outstanding contract matters, progress towards completion, program schedule, and the associated changes in estimates of revenues and costs. Management must make assumptions and estimates regarding the availability and productivity of labor, the complexity of the work to be performed, the availability and cost of materials, the performance of subcontractors, and the availability and timing of funding from the customer, along with other risks inherent in performing services under all contracts where the Corporation recognizes revenue over time using the cost-to-cost method.

The Corporation recognizes changes in contract estimates on a cumulative catch-up basis in the period in which the changes are identified. Such changes in contract estimates can result in the recognition of revenue in a current period for performance obligations which were satisfied or

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partially satisfied in a prior period. Changes in contract estimates may also result in the reversal of previously recognized revenue if the current estimate differs from the previous estimate. If at any time the estimate of contract profitability indicates an anticipated loss on the contract, the Corporation recognizes the total loss in the period it is identified.

(vii) Petroleum Distribution Revenues

The Corporation generates petroleum distribution revenues from fuel sales which are recognized at the time the customers obtain control of the fuel. The Corporation generally requires cash or credit card payment at the point of sale; however, credit is also granted to customers. Accounts receivable from petroleum sales represents amounts due from customers and credit card companies. Petroleum revenues and the cost of petroleum operations, generated from purchases outside the PetroCard, Inc. (PC) network, are recorded gross of state and federal fuel taxes. PC is not responsible for collecting or remitting fuel tax for petroleum revenues from fuel directly acquired by the Corporation. Included in petroleum sales operations and costs of petroleum sales operations is $96,800,000, $99,400,000, and $98,600,000 of state and federal fuel taxes for the years ended *March* 31, 2021, 2020, and 2019, respectively.

(viii) Tourism and Hospitality Revenues

The Corporation recognizes revenue from lodge stays and restaurant services as the respective performance obligations are satisfied, which results in recognizing the amount it expects to be entitled to for providing the goods or services, which is generally when the room stay occurs or meals are provided. Advance deposits for lodge stays and charter operations are considered contract liabilities and are recorded within accrued liabilities in the Corporation's consolidated financial statements.

(ix) Seafood Revenues

The Corporation recognizes revenue when a signed contract exists setting forth the prices and quantities to be delivered to the customer and control of the products has been transferred to the customer.

(x) Timing of Revenue Recognition

The Corporation recognized revenues earned over time of $1,018,042,000 and $995,924,000 for the years ended March 31, 2021 and 2020, respectively. Revenues earned at a point in time, generally petroleum revenues, recorded within the Industrial Services group of the Corporation's consolidated financial statements, as well as seafood revenues of $622,373,000 and $754,689,000 were recognized during the same time frame.

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(xi) Contract Assets and Liabilities

Billing practices are governed by the contract terms of each project based upon costs incurred, achievement of milestones, or predetermined schedules. Billings do not necessarily correlate with revenue recognized over time using the percentage-of-completion method. Contract assets include unbilled amounts typically resulting from revenue under long-term contracts when the percentage-of-completion method of revenue recognition is utilized, and revenue recognized exceeds the amount billed to the customer. Contract liabilities consist of advance payments and billings in excess of revenue recognized as well as deferred revenue.

Retainage, included in contract assets, represent the amounts withheld from billings by customers pursuant to provisions in the contracts and may not be paid to us until the completion of specific tasks or the completion of the project and, in some instances, for even longer periods. Retainage may also be subject to restrictive conditions such as performance guarantees.

Contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period. The Corporation classifies contract assets and liabilities as current or noncurrent to the extent the revenue is expected to be recognized in excess of one year from the balance sheet date.

(xii) Practical Expedients and Exemptions

Upon the adoption of ASC 606, the Corporation elected certain practical expedients and exemptions as follows:

- The Corporation applied the cumulative-effect method upon adoption of ASC Topic 606 which allowed the new accounting standard to be applied only to contracts that were not considered substantially complete as of April 1, 2019.
- The Corporation also elected to apply the practical expedient related to contract modifications, whereby for modified contracts, an entity need not separately evaluate the effects of each contract modification before the date of initial application. Instead, an entity may reflect the aggregate effect of all the modifications (on a contract-by-contract basis) that occur before the date of initial application in determining the transaction price, identifying the satisfied and unsatisfied performance obligations, and allocating the transaction price to the performance obligations. This practical expedient is applied consistently for all contracts.
- In cases where the Corporation has an unconditional right to consideration from a customer in an amount that corresponds directly with the value of performance completed to date, the Corporation recognizes revenue in the amount to which it has a right to invoice for services performed.
- The Corporation does not adjust the contract price for the effects of a significant financing component if the Corporation expects, at contract inception, that the period between when the Corporation transfers a service to a customer and when the customer pays for that service will be one year or less.

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(Policy effective prior to April 1, 2019)

Prior to the implementation of Topic 606, the Corporation recognized revenue under ASC Topic 605, *Revenue Recognition (Topic 605)*. In general, the Corporation recognized revenue when the following criteria were met: services performed, collection of the receivable was probable, persuasive evidence of an arrangement existed and the sales price was fixed or determinable.

(n) Interest Rate Swap

From time to time, the Corporation enters into interest rate swaps as a means to hedge against the uncertainty of future increases in interest rates on the Corporation's long-term debt. The Corporation applies Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) Topic 815, *Derivatives and Hedging*, which among other provisions requires that all interest rate swaps be recognized as either assets or liabilities in the consolidated balance sheet and measured at fair value. Gains and losses resulting from changes in the fair value are recorded in other comprehensive income when the swaps qualify for hedge accounting. The change in the fair value of swaps that do not qualify as a hedge must be included as part of earnings. The fair values of interest rate swaps are included in accrued liabilities with the effect on earnings included as part of interest expense.

(o) Income Taxes

The Corporation and its subsidiaries file consolidated federal and state income tax returns. The Corporation accounts for income taxes on the liability method. Income tax expense includes income taxes currently payable and those deferred because of differences between financial statement and tax basis of assets and liabilities. The Corporation records a valuation allowance to reduce the amount of the gross deferred tax assets to the amount that is more likely than not to be realized. Factors considered in determining the amount of the valuation allowance include historical levels of taxable income, projected levels of taxable income in future years, expected future Corporation trends in results from existing operations, and the scheduled reversal of deferred tax liabilities. Deferred tax liabilities are recorded as they arise. The effect on deferred tax assets and liabilities of a change in tax law or rates are recognized in earnings in the period that includes the enactment date. The tax benefit from tax-deductible contributions to settlement trusts are recognized as a reduction to income tax expense from continuing operations.

The Corporation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

The Corporation records penalties and interest related to unrecognized tax benefits as part of the interest expense.

(p) Government Grants

During 2020, the Corporation received COVID-19 pandemic related Payment Protection Plan loans pursuant to Division A, Title I of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted March 27, 2020. The Corporation accounted for the loans as government grants, to

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be recognized in income when it was probable all forgiveness requirements had been met. The Corporation concluded it had met all forgiveness requirements for the loans during the year ended March 31, 2021. The loan proceeds were recognized as an offset to certain eligible operating expenses incurred during the year. Government grants totaling $19,200,000 offset operating expenses in the following business segments:

Industrial services	$	12,700,000
Seafood		4,800,000
Tourism		1,700,000

(q) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements. These estimates are based on management's current judgment and may differ from actual results. Significant items subject to estimates and assumptions include accounts receivable, estimates of total contract costs for fixed price contracts, the fair value of investments, impairment of long-lived assets, intangibles, goodwill, the tax valuation of oil and gas rights, and deferred tax assets.

The COVID-19 pandemic caused a slowdown of certain projects due to specific state, local, municipal, and customer-mandated stay-at-home orders and new project requirements that were established to protect our employees, customers, and the general public, most of which impacted the Corporation's commercial business. Although most stay-at-home orders have been phased out, the Corporation's operations are still experiencing impacts associated with COVID-19. It is expected that project-specific requirements will remain in place which will continue to impact project awards, project schedules, and workflow going forward. However, the Corporation is unable to predict the ultimate long-term impact that COVID-19 will have on our commercial businesses. Additionally, key estimates that could potentially be impacted includes estimates of costs to complete contracts, fair value of investments, recoverability of intangibles, and allowance for doubtful accounts.

(r) Recently Adopted Accounting Standards

Effective April 2020, the Corporation adopted ASU 2014-02, *Accounting for Goodwill,* which allows an accounting alternative for the subsequent measurement of goodwill. In accordance with the standard, the Corporation amortizes goodwill on a straight-line basis over ten years, or less if another useful life is more appropriate. The Corporation also has elected to test goodwill impairment at the entity level.

In conjunction with the adoption of ASU 2014-02, the Corporation adopted ASU 2014-18, *Accounting for Identifiable Intangible Assets in a Business Combination.* ASU 2014-18 requires that the Corporation no longer recognize separately from goodwill customer-related intangible assets, unless they are capable of being sold or licensed separately from the other assets of a business being acquired, and noncompetition agreements. The provisions of this ASU were applied prospectively for business combinations subsequent to March 31, 2020.

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In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, as amended (Topic 606), which requires a company to recognize revenue when the company transfers control of promised goods and services to the customer. Revenue is recognized in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. A company also is required to disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The FASB also has issued several amendments to the standard, which are intended to promote a more consistent interpretation and application of the principles outlined in the standard.

The Corporation adopted the ASU on April 1, 2019 using the cumulative-effect method. The Corporation determined that there were no significant differences in revenues, operating expenses or cash flows due to the application of Topic 606.

(s) Recently Issued Accounting Pronouncements

The FASB issued ASU No. 2016-02, *Leases* (Topic 842), in February 2016. The primary change in GAAP addressed by ASU 2016-02 is the requirement for a lessee to recognize on the balance sheet a liability to make lease payments (lease liability) and a right of use asset representing its right to use the underlying asset for the lease term. For finance leases, a lessee is required to (i) recognize a right of use asset and a lease liability, initially measured at the present value of the lease payments; (ii) recognize interest on the lease liability separately from amortization of the right of use asset; and (iii) classify repayments of the principal portion of the lease liability within financing activities and payments of interest on the lease liability and variable lease payments within operating activities on the statement of cash flows. For operating leases, a lessee is required to (i) recognize a right of use asset and a lease liability, initially measured at the present value of the lease payments; (ii) recognize a single lease cost, calculated so that the lease is allocated over the lease term on a generally straight-line basis; and (iii) classify all cash payments within operating activities in the statement of cash flows. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The accounting applied by a lessor is largely unchanged from that applied under previous GAAP. ASU 2016-02 also requires qualitative and quantitative disclosures to enable users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. In June 2020, the FASB issued ASU 2020-05 further deferring the effective date of ASU 2016-02 until annual reporting periods beginning after December 15, 2022. The Corporation is currently planning to implement the provisions of ASU 2016-02 as of April 1, 2023. While the Corporation continues to assess the effect of adoption, it currently believes that the most significant changes related to the recognition of right to use assets and lease liabilities on the consolidated balance sheets for equipment and warehouse operating leases.

(2) Alaska Native Claims Settlement Act

The Corporation is a regional corporation organized pursuant to the Alaska Native Claims Settlement Act of 1971 (ANCSA).

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ANCSA provided for a monetary entitlement to be disbursed through the Alaska Native Fund to the regional and village corporations created under ANCSA and to certain regional corporation shareholders. The Corporation received $32,694,953 as its total proportionate share of the monetary entitlement.

The Corporation is also entitled under ANCSA to select and receive approximately three million acres of land, primarily subsurface estate. Stockholders' equity includes net cash receipts from the U.S. government and the State of Alaska under ANCSA. Land and subsurface rights conveyed under ANCSA are not recorded because it is not reasonably possible to determine the value of the assets conveyed at this time. Of the Corporation's entitlement of 3,069,391 acres, the Corporation has received patent to 2,602,277 acres and holds title to an additional 409,079 acres via interim conveyance.

The Corporation's Articles of Incorporation, in accordance with the requirements of ANCSA, provided for the issuance of 100 shares of common stock at the inception of the Corporation to each Alaska Native enrolled in the Bristol Bay region as follows:

- Class A shares to Alaska Natives enrolled in the Bristol Bay region who are also enrolled in one of the village corporations in the region.
- Class B shares to Alaska Natives enrolled in the Bristol Bay region who are not enrolled in one of the village corporations in the region. The stockholders of Class B stock are referred to as "at-large" shareholders.

This stock, stock dividends or distributions, and any other stock rights may not be sold, pledged, assigned, subjected to a lien or judgment execution, treated as an asset in a bankruptcy proceeding, or otherwise alienated except in limited circumstances by court decree, by gift to certain relatives, and by death. All holders of stock have the same economic rights.

During the period that restrictions on stock alienation are in effect, the stock carries voting rights only if the holder is an Alaska Native of a descendant of an Alaska Native, as defined in the amended ANCSA. As of March 31, 2021 and 2020, there were 10,100 and 10,016 holders of Class A stock and 981 and 964 holders of Class B stock, respectively. Among these stockholders of Class A and Class B stock, 9,910 and 914 held voting stock at March 31, 2021, and 9,842 and 896 held voting stock at March 31, 2020, respectively.

The outstanding stock of the Corporation will remain subject to restrictions on alienability unless a decision is made by shareholders pursuant to ANCSA to terminate the restrictions.

Under Section 7(i) of ANCSA, the Corporation is required to distribute annually 70% of the net resource revenues received from the Corporation's timber and subsurface estate to all 12 Alaska Native Regional Corporations organized pursuant to ANCSA. Under Section 7(j) of ANCSA, the Corporation also redistributes 50% of revenues received under Section 7(i) of ANCSA to the Corporation's village corporations and at-large shareholders. For the years ended March 31, 2021, 2020, and 2019, $5,199,000, $9,603,000, and $11,319,000 were redistributed to village corporations and at-large shareholders, respectively. Gross 7(i) revenues are presented net of these amounts.

In June 1982, an agreement was reached among the Native regional corporations settling several years of litigation concerning the meaning and application of Section 7(i). The settlement agreement sets past

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liabilities and establishes rules for the future by which distributable revenues will be determined. These consolidated financial statements comply with the settlement agreement.

(3) Acquisitions

(a) GC&E Systems Group, LLC

In November 2019, the Corporation acquired 100% of GC&E Systems Group, LLC, an information technology, security, and telecommunications solutions provider.

During the year ended March 31, 2021, the Corporation finalized the provisional accounting for the acquisition as of March 31, 2020, and adjustments were recorded to increase the value of intangible assets and reduce the value assigned to goodwill. The following table summarizes the consideration paid for GC&E Systems Group, LLC, and the amounts of estimated fair value of the assets acquired and liabilities assumed at the acquisition date (in thousands):

Consideration:		
Cash	$	27,042
Contingent consideration arrangement		3,000
Fair value of total consideration transferred	$	30,042
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Accounts and unbilled receivables	$	9,676
Prepaids and deposit		1,153
Property, plant, and equipment		1,911
Intangible assets		5,700
Other assets		602
Accounts payable		(2,125)
Accrued payroll and expenses		(1,596)
Contract liabilities		(1,463)
Notes payable		(880)
Total identifiable net assets assumed		12,978
Goodwill		17,064
Total	$	30,042

The expected outcome and assumptions used to develop the estimate of future contingent consideration payments were changed resulting in a reduction of the amount estimated to be paid to zero. As a result of these changes the Corporation has recorded $3,000,000 as other income in the March 31, 2021 consolidated statement of operations.

The contingent consideration arrangement was based on GC&E exceeding a certain EBITDA threshold for calendar years 2020 and 2021. GC&E did not exceed the threshold for calendar year 2020 and is

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not budgeted to for calendar year 2021 primarily due to COVID-19 and the resulting impacts to revenues and costs.

Goodwill consists of an assembled workforce and synergies and those cost reductions. Goodwill from this acquisition is tax deductible.

The Corporation incurred $1,113,000 of acquisition related costs that are included in the corporate general and administrative expense line of business costs on the consolidated statement of operations. GC&E Systems Group, LLC's operating results from the date of acquisition are included in the consolidated statement of operations in the Government Services line of business.

(b) MASCO Petroleum, Inc.

In March 2020, PC acquired the assets and certain liabilities of MASCO Petroleum, Inc., a fuel distribution company.

During the year ended March 31, 2021, the Corporation finalized the provisional accounting for the acquisition as of March 31, 2020, and adjustments were recorded to increase the value of intangible assets and reduce the value assigned to goodwill. The following table summarizes the consideration paid for MASCO Petroleum, Inc., and the amounts of estimated fair value of the assets acquired and liabilities assumed at the acquisition date (in thousands):

Consideration:		
Cash	$	68,699
Fair value of total consideration transferred	$	68,699
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Accounts receivable	$	5,223
Inventory		2,760
Prepaids and other assets		335
Property, plant, and equipment		12,365
Intangible assets		22,370
Accounts payable and accrued expenses		(2,080)
Environmental liability		(3,197)
Total identifiable net assets assumed		37,776
Goodwill		30,923
Total	$	68,699

(c) Precision Compression, LLC

In April 2020, Bristol Bay Industrial, LLC (BBI) acquired 100% of the membership interests of Precision Compression, LLC (Precision). Precision engineers and manufactures specialized compression units for well site operators located primarily in Texas and Oklahoma.

(Continued)

The following table summarizes the consideration paid for Precision and the amounts of estimated fair value of the assets acquired and liabilities assumed at the acquisition date (in thousands):

Consideration:		
Cash	$	51,932
Fair value of total consideration transferred	$	51,932
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Accounts receivable	$	635
Prepaids and other assets		68
Inventory		2,572
Property, plant, and equipment		39,471
Intangible assets		8,000
Accounts payable		(1,532)
Total identifiable net assets assumed		49,214
Goodwill[a]		2,718
Total	$	51,932

[a] As a result of adopting ASU 2014-18, the Corporation included certain customer-relationship intangible assets in goodwill.

Goodwill consists of synergies and future economic benefits expected to be recognized from the expansion in the industry and market. Goodwill from this acquisition is tax deductible.

The Corporation incurred $2,402,000 of acquisition related costs, $303,000 of which was recorded in 2020, that are included in the Corporate general and administrative expense line of business costs on the consolidated statement of operations.

Precision's operating results from the date of acquisition are included in the consolidated statement of operations in the Industrial Services line of business.

(d) Cannon Construction Companies

In December 2020, BBI acquired 100% of the membership interests of The Cannon Group, LLC, which owned Cannon Construction, LLC and Bud's Hauling and Leasing, LLC and 100% of the membership interest of Cannon Constructors, LLC (collectively, Cannon). Cannon is a group of utilities companies specializing in electrical, telecommunication, and civil infrastructure projects in the state of Washington.

A portion of the total consideration paid by the Corporation was negotiated with the sellers to be deferred and contingent upon future cash flows of Cannon. The contingent consideration will be calculated based upon agreed upon percentages of EBITDA, in excess of agreed-to floors. Contingent consideration calculations are performed for the four-month period from the date of acquisition until

(Continued)

March 31, 2021, and then annually for five fiscal years. Each calculation period is considered independently for purposes of calculating a payment.

The following table summarizes the consideration paid for Cannon and the amounts of estimated fair value of the assets acquired and liabilities assumed at the acquisition date (in thousands):

Consideration:		
Cash	$	18,196
Contingent consideration		8,500
Fair value of total consideration transferred	$	26,696
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Accounts receivable	$	9,118
Contact assets		1,368
Prepaids and inventory		616
Property, plant, and equipment		5,462
Accounts payable		(1,919)
Accrued liabilities		(898)
Contract liabilities		(1,742)
Total identifiable net assets assumed		12,005
Goodwill[a]		14,691
Total	$	26,696

[a] As a result of adopting ASU 2014-18, the Corporation included certain customer-relationship intangible assets in goodwill.

Goodwill consists of synergies and future economic benefits expected to be recognized from expansion in the industry and market. Goodwill from this acquisition is tax deductible.

The Corporation incurred $837,000 of acquisition related costs that are included in the corporate general and administrative expense line of business costs on the consolidated statement of operations.

The fair value of goodwill, acquired intangibles (tradename, customer relationship and contract backlog), and contingencies at March 31, 2021 of $14,691,000 was provisional pending completion of final valuations of those assets. Additionally, the fair value of the contingent consideration of $8,500,000 is provisional pending final valuation.

Cannon's operating results from the date of acquisition are included in the consolidated statement of operations in the Industrial Services line of business.

(Continued)

(e) Herman Construction Group, Inc.

In March 2021, the Corporation acquired 100% of the stock of Herman Construction Group, Inc. (Herman). Herman is a general contractor providing construction services primarily to the federal government. Herman operates from a single location in Escondido, California.

A portion of the total consideration paid by the Corporation was negotiated with the sellers to be deferred and contingent upon future cash flows of Herman. The contingent consideration will be calculated based upon agreed upon percentages of EBITDA, in excess of a minimum threshold. Contingent consideration calculations are performed for the calculation periods from the date of acquisition until March 31, 2022, and then annually for four fiscal years. The maximum aggregate contingent consideration is $15,700,000 with the maximum contingent consideration payable in calculation periods ending March 31, 2022 and 2023 being $6,000,000 and being $5,000,000 for the subsequent calculation periods. Each calculation period is considered independently for purposes of calculating a payment except for the calculation necessary to determine the aggregate contingent consideration.

The following table summarizes the consideration paid for Herman and the amounts of estimated fair value of the assets acquired and liabilities assumed at the acquisition date (in thousands):

Consideration:		
Cash	$	14,059
Contingent consideration arrangement		15,700
Fair value of total consideration transferred	$	29,759
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Accounts receivable	$	10,000
Contact assets		1,131
Prepaids and inventory		185
Escrow receivable		919
Property, plant, and equipment		482
Accounts payable		(7,009)
Accrued liabilities		(244)
Contract liabilities		(3,357)
Payment protection plan loan payable		(919)
Total identifiable net assets assumed		1,188
Goodwill[a]		28,571
Total	$	29,759

[a] As a result of adopting ASU 2014-18, the Corporation included certain customer relationship intangibles in goodwill.

(Continued)

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Goodwill consists of expansion of markets and customers, synergies leading to cost reductions, and existing leadership which complements the SES Group's existing business and leadership team. Goodwill from this acquisition is tax deductible.

The Corporation incurred $1,223,000 of acquisition related costs that are included in the corporate general and administrative expense line of business costs on the consolidated statement of operations.

The fair value of any goodwill and contingencies at March 31, 2021 of $28,571,000 was provisional pending completion of final valuations of those assets. Additionally, the fair value of the contingent consideration of $15,700,000 is provisional pending final valuation.

Herman's operating results from the date of acquisition are included in the consolidated statement of operations in the Construction line of business.

(f) Bristol Bay Alaska Seafoods, LLC

In October 2019, the Bristol Bay Seafood Investments, LLC, a wholly owned subsidiary of the Corporation, acquired 75% of Bristol Bay Alaska Seafoods, LLC. Bristol Bay Alaska Seafoods, LLC owns vessels, fishing rights and other operating assets and liabilities engaged in the freezer longline industry bottom fishing in the Bering Sea and Aleutian Islands.

(Continued)

The following table summarizes the consideration paid for Bristol Bay Alaska Seafoods, LLC and the amounts of estimated fair value of the assets acquired and liabilities assumed at the acquisition date (in thousands):

Consideration:		
Cash	$	91,639
Contingent consideration arrangement		25,700
Fair value of total consideration transferred	$	117,339
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Accounts receivable	$	4,416
Prepaids and other assets		6,122
Property, plant, and equipment		47,699
Intangible assets:		
Fishing rights – indefinite lived asset		186,195
Accounts payable		(3,681)
Accrued expenses		(4,109)
Line of credit		(15,354)
Long-term debt		(64,836)
Non-controlling interest		(39,113)
Total identifiable net assets assumed		117,339
Goodwill		—
Total	$	117,339

As of March 31, 2021, the Corporation paid the former owners of Bristol Bay Alaska Seafoods, LLC (BBAS) $1,333,000 for the contingent consideration arrangement negotiated in the acquisition. This amount was less than was estimated $5,598,000 on the date of acquisition. In addition, the range of outcomes and assumptions used to develop the estimate of future payments were changed resulting in a reduction of the amount expected to be paid over the remaining four years of the agreement. The current estimate is $11,494,000. As a result of these changes, the Corporation has recorded $12,873,000 as other income in March 31, 2021 consolidated statement of operations.

COVID-19 and resulting impacts were the direct cause of the reduction of the amount paid for the contingent consideration period ending December 31, 2020, and the proximate cause for the change in expected outcomes in the four remaining contingent consideration periods. BBAS experienced increased costs, disruption in market prices worldwide, disruption in global shipping operations, and a reduction in the Bering Sea and Aleutian Islands pacific cod quota for 2020 and 2021. The Corporation expects these matters to have diminishing impacts over the remaining term of the contingent consideration arrangement.

The Corporation incurred $4,500,000 of acquisition related costs that are included in corporate general and administrative expense line of business costs on the consolidated statement of operations.

(Continued)

BBAS operating results from the date of acquisition are included in the consolidated statement of operations in the Seafood line of business.

(4) Goodwill and Intangibles

As described in Note 1(r), the Corporation elected to amortize goodwill on a straight-line basis over ten years effective April 2020.

The change in the carrying amount of goodwill for the years ended March 31, 2021 and 2020 are as follows (in thousands):

Balance as of March 31, 2019	$	42,971
Goodwill acquired during the year		76,635
Balance as of March 31, 2020		119,606
Goodwill acquired during the year including Overlake Oil, Inc. $1,299		47,279
Provisional amounts reclassified to intangibles		(26,970)
Amortization expense		(10,368)
Balance as of March 31, 2021	$	129,547

(Continued)

The changes in the carrying amount of intangibles for the years ended March 31, 2021 and 2020 are as follows (in thousands):

	BAF	PC	ASL	Peak	Katmai	AK Dir	FSUCS	ERSI	PPS	BBAS	MASCO	GC&E	Precision	Total
Balance as of March 31, 2019	$ 4,489	2,482	1,063	371	4,003	7,797	1,472	1,240	6,590	—	—	—	—	29,507
Acquisitions:														
Customer relationships	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Non-compete agreements	—	—	—	—	—	—	—	—	—	—	1,000	—	—	1,000
Trade names	—	—	—	—	—	—	—	—	—	—	100	—	—	100
Fishing rights	—	—	—	—	—	—	—	—	—	186,195	—	—	—	186,195
Amortization:														
Customer relationships	(204)	(339)	(325)	—	(40)	(504)	(184)	(127)	(458)	—	—	—	—	(2,181)
Non-compete agreements	(151)	—	—	—	(7)	(433)	—	—	(144)	—	—	—	—	(735)
Trade names	(91)	—	—	(66)	(112)	(197)	—	—	(77)	—	—	—	—	(543)
Contractual	—	—	—	—	(214)	—	—	—	—	—	—	—	—	(214)
Balance as of March 31, 2020	4,043	2,143	738	305	3,630	6,663	1,288	1,113	5,911	186,195	1,100	—	—	213,129
Acquisitions:														
Cardlocks	—	—	—	—	—	—	—	—	—	—	12,220	—	—	12,220
Contractual	—	—	—	—	—	—	—	—	—	—	—	3,860	800	4,660
Customer relationship	—	—	—	—	—	—	—	—	—	—	—	440	—	440
Marine terminal leases	—	—	—	—	—	—	—	—	—	—	10,150	—	—	10,150
Patents	—	—	—	—	—	—	—	—	—	—	—	—	7,200	7,200
Trade names	—	—	—	—	—	—	—	—	—	—	—	1,400	—	1,400
Provisional reclassifications	—	—	—	—	—	—	—	—	—	—	(1,100)	—	—	(1,100)
Amortization:														
Cardlocks	—	—	—	—	—	—	—	—	—	—	(663)	—	—	(663)
Contractual	—	—	—	—	(209)	—	—	—	—	—	—	(1,492)	—	(1,701)
Customer relationship	(200)	(357)	(325)	—	(39)	(505)	(184)	(127)	(458)	—	—	—	(800)	(2,995)
Marine terminal leases	—	—	—	—	—	—	—	—	—	—	(867)	—	—	(867)
Non-compete agreements	(50)	—	—	—	(7)	(432)	—	—	(143)	—	—	—	—	(632)
Patents	—	—	—	—	—	—	—	—	—	—	—	—	(360)	(360)
Trade names	(90)	—	—	(50)	(109)	(197)	—	—	(77)	—	—	(198)	—	(721)
Impairment	—	—	—	(255)	—	—	—	—	—	—	—	—	—	(255)
Balance as of March 31, 2021	$ 3,703	1,786	413	—	3,266	5,529	1,104	986	5,233	186,195	20,840	4,010	6,840	239,905

There are no cumulative impairments of goodwill as of March 31, 2021 and 2020. Cumulative impairments of intangibles were $255,000 and zero as of March 31, 2021 and 2020.

Estimated amortization expense for the next five years, and years thereafter, is $6,353,000 in 2022, $5,717,000 in 2023, $5,227,000 in 2024, $4,627,000 in 2025, $4,434,000 in 2026, and $27,353,000 for years thereafter.

(Continued)

(5) Investment Securities

The cost and fair value of investment securities included in the portfolio at March 31 are as follows (in thousands):

2021		Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Money market mutual funds	$	28,884	—	—	28,884
Equities:					
Domestic		12,416	6,048	(394)	18,070
International		801	478	—	1,279
Mutual funds		2,677	409	(5)	3,081
Fixed income:					
Government sponsored		4,674	125	(75)	4,724
Corporate-domestic		1,764	4	—	1,768
	$	51,216	7,064	(474)	57,806

2020		Cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Money market mutual funds	$	393	—	—	393
Equities:					
Domestic		6,946	2,127	(1,027)	8,046
International		845	155	(288)	712
Mutual funds		503	—	(32)	471
Fixed income:					
Government sponsored		5,128	253	—	5,381
Corporate-domestic		208	4	—	212
Corporate-international		25	—	—	25
	$	14,048	2,539	(1,347)	15,240

(Continued)

Investment earnings consist of the following for the years ended March 31 (in thousands):

	2021	2020	2019
Dividends	$ 658	2,443	5,033
Interest	651	1,180	1,079
Gain on sale of marketable securities and other investments, net	9,851	12,145	6,242
Unrealized (depreciation) appreciation of marketable securities	5,550	(10,720)	(4,615)
	$ 16,710	5,048	7,739

The Corporation has certain investment securities invested in accordance with a non-qualified deferred compensation plan which are reported as other assets.

Net unrealized gain (losses), after adjustment for realized gains, recognized and included in investment earnings during the year ended March 31, 2021 and 2020 on marketable securities still held at March 31, 2021 and 2020, were $5,558,000 and $(785,000), respectively.

(Continued)

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(6) Nonmarketable Equity Securities

The Corporation has interests in various affiliates and joint ventures. The companies, the business in which they are engaged, percentage of ownership at March 31, 2021, and investment amount were as follows at March 31 (in thousands):

	Business	Percentage of ownership	2021	2020
Cost method investments	Varies	Varies	$ 10,351	8,996
Equity method investments:				
JL-BBNC, LLC	Real Estate	20.00 %	561	871
JL-Palms, LLC	Real Estate	37.67	—	(108)
JL-LFGTE, LLC	Energy	20.00	(112)	278
CenterPoint West, LLC	Real Estate	10.00	2,005	2,083
International Office Building, LLC	Real Estate	20.00	1,879	1,916
JL Office Tower, LLC	Real Estate	5.00	2,420	2,316
JL Orlando Hotel 4, LLC	Real Estate	20.00	262	305
ADESCO, LLC	Marine	19.00	468	87
Vista Chenhall Tek JV, LLC	Contracting	49.00	—	29
MECX-BTS JV, LLC	Contracting	49.00	5	6
Three Star Medpro Tech JV, LLC	Contracting	49.00	6	5
EA-SCF, JV	Contracting	49.00	1	1
Bristol Industries, LLC	Contracting	49.00	6,165	4,836
JL Assurance Mezzanine Partners, LLC	Financing	8.11	2,102	2,128
JL-Anchorage Hotels, LLC	Real Estate	33.87	4,618	4,962
JL-Pebble Creek Utah	Real Estate	38.00	—	3,661
PW/Sidecar Investors, LLC	Real Estate	9.06	2,148	1,965
JL Assurance-Turtle, LLC	Real Estate	9.05	(97)	68
			$ 32,782	34,405

The Corporation has outstanding commitments to invest an additional $6,885,000 in certain entities listed above.

(Continued)

Summarized combined unaudited financial information as of and for the years ended March 31 for the Corporation's equity method investments is as follows (in thousands):

		2021	2020
Current assets	$	68,926	141,606
Noncurrent assets		351,397	352,967
Total assets	$	420,323	494,573
Current liabilities	$	43,901	58,875
Noncurrent liabilities		225,901	285,192
Equity		150,521	150,506
Total liabilities and equity	$	420,323	494,573

		2021	2020	2019
Revenues	$	237,179	218,666	259,551
Expenses		231,456	208,281	248,116
Net income (loss)	$	5,723	10,385	11,435
Equity in earnings (losses) of affiliates allocable to the Corporation	$	2,560	3,454	2,756

In July 2018, the Corporation sold 51% of its wholly owned subsidiary Bristol Industries, LLC and recognized a gain of $6,800,000 from the sale.

Investment earnings for the years ended March 31 include the following (in thousands):

		2021	2020	2019
Earnings on investments	$	(89)	53	167
Lease revenue from Portfolio		2,411	2,264	2,212
	$	2,322	2,317	2,379

(Continued)

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(7) Fair Value Measurements

FASB ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

(a) Fair Value Measurements on a Recurring Basis

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The Corporation's assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of the assets and liabilities being measured and their level within the fair value hierarchy.

The following tables present the balances of assets and liabilities measured at fair value on a recurring basis as of March 31, 2021 and 2020 at each hierarchical level (in thousands):

		2021			
		Total	Level 1	Level 2	Level 3
Assets:					
Trading securities:					
Money market funds	$	28,884	28,884	—	—
Equities:					
Domestic		18,070	18,070	—	—
International		1,279	1,279	—	—
Mutual funds		3,081	3,081	—	—
Fixed income:					
Government sponsored		4,724	—	4,724	—
Corporate-domestic		1,768	—	1,768	—
Interest rate swaps		931	—	931	—
Total trading securities	$	58,737	51,314	7,423	—
Liabilities:					
Interest rate swaps	$	1,743	—	1,743	—

(Continued)

		2020			
		Total	Level 1	Level 2	Level 3
Assets:					
Trading securities:					
Money market funds	$	393	393	—	—
Equities:					
Domestic		8,046	8,046	—	—
International		712	712	—	—
Mutual funds		471	471	—	—
Fixed income:					
Government sponsored		5,381	—	5,381	—
Corporate-domestic		212	—	212	—
Corporate-international		25	—	25	—
Total trading securities	$	15,240	9,622	5,618	—
Liabilities:					
Interest rate swaps	$	3,866	—	3,866	—

(b) Investments at Net Asset Value

The Corporation uses Net Asset Value (NAV) to determine the fair value of all the underlying investments that (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company and have the attributes of an investment company. These investments, which are included in other investments on the consolidated balance sheets, primarily include private equity investment funds that cannot be redeemed with the investees, but the Corporation receives distributions through the liquidation of the underlying assets of the investees. The Corporation's estimate of the period of time over which the underlying assets are expected to be liquidated by the investees are noted in the following table.

The following table provides information for investments using NAV to determine fair value as of March 31, (in thousands):

	2021				
	Number of funds		Fair value	Estimated liquidation period	Redemption frequency
Finance and lending (a)	1	$	1,613	1 to 6 years	None
Global (b)	1		3,371	1 to 11 years	None
North America (c)	1		4,801	1 to 11 years	None
Distressed opportunities (d)	2		7,334	1 to 12 years	None
Real estate (e)	2		2,494	10 to 16 years	None
North America (f)	1		6,570	1 to 12 years	None
North America (g)	1		2,614	1 to 12 years	None
		$	28,797		

	2020				
	Number of funds		Fair value	Estimated liquidation period	Redemption frequency
Finance and lending (a)	1	$	1,929	1 to 6 years	None
Global (b)	1		3,614	1 to 11 years	None
Global (b)	1		3,712	—	Daily
North America (c)	1		4,262	1 to 11 years	None
Distressed opportunities (d)	2		6,144	1 to 12 years	None
Real estate (e)	1		2,005	10 to 16 years	None
North America (f)	1		3,915	1 to 12 years	None
North America (g)	1		2,389	1 to 12 years	None
		$	27,970		

(a) The funds' primary investment objective is to make investments through direct origination and through secondary market transactions in first and second lien corporate loans and securities, and to a lesser extent, preferred stock, convertible securities, participation interests, swaps, and other contractual for derivative rights or instruments.

(b) The funds' primary investment objective is to purchase and manage investments in the global markets. Investments include equity and debt securities, preferred stock, convertible securities, participation interest, swaps, and other contractual for derivative rights or instruments. These investments are invested in a broad range of industries.

(c) The funds' primary investment objective is to purchase and manage investment opportunities primarily in the United States and Canada. Investments include equity and debt securities, preferred stock, convertible securities, participation interest, swaps, and other contractual for derivative rights or instruments. These investments are invested in a broad range of industries.

(d) The fund invests in pooled investment vehicles managed by investment managers and direct investments. Portfolio investments typically involve direct or indirect securities of companies undergoing financial distress, operating difficulties, and significant restructuring.

(e) The fund was formed to acquire, renovate, finance, hold for investments, and dispose of nationally branded boutique and independent hospitality real estate opportunities throughout the United States.

(f) The fund invests in other funds that make controlling equity investments in lower middle market companies across North America.

(g) The fund makes controlling equity investments in lower middle market companies across North America.

The changes in investments using NAV, reported as other investments on the consolidated balance sheet as of March 31, are as follows (in thousands):

	2021	2020
Beginning balance	$ 27,970	41,842
Purchases	3,989	7,417
Return of capital	(2,374)	(14,344)
Proceeds from sale	(3,959)	—
Unrealized gains (losses) included in investment earnings	3,171	(6,945)
Ending balance	$ 28,797	27,970

The Corporation has an outstanding commitment to invest an additional $11,773,000 in the above funds.

(Continued)

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(8) Accounts Trade Receivable

Accounts receivable as of March 31 consist of the following (in thousands):

	2021	2020
Accounts receivable, trade:		
Billed accounts receivable	$ 204,178	214,160
Unbilled accounts receivable	21,098	24,248
Accounts receivable, trade	225,276	238,408
Less allowance for doubtful accounts	(1,529)	(1,588)
Total accounts receivable, trade, net	$ 223,747	236,820

(9) Property, Plant, and Equipment

Property, plant, and equipment, at cost as of March 31 consist of the following (in thousands):

	2021	2020
Land	$ 27,243	23,807
Buildings	70,218	70,771
Leasehold improvements	34,474	33,969
Machinery and equipment	242,888	238,802
	374,823	367,349
Less accumulated depreciation and amortization	(116,299)	(141,479)
	$ 258,524	225,870

The Corporation recorded depreciation expense of $26,481,000, $19,314,000, and $17,166,000 for the years ended March 31, 2021, 2020, and 2019, respectively.

(10) Notes Payable

Notes payable as of March 31 consist of the following (in thousands):

	2021	2020
$1,000,000 short-term notes payable by PC to village corporations, interest at 2.6%, notes due on October 31, 2020 guaranteed by the Corporation	$ —	1,000
	$ —	1,000

(Continued)

(11) Long-Term Debt

Long-term debt as of March 31 consists of the following (in thousands):

	2021	2020
$250,000,000 master credit facility, interest payable monthly, based on a base rate defined as the highest of the Federal Funds rate plus. 50% or a variable margin rate based on total leverage incurred (1.36% at March 31, 2021). Collateralized by corporate guarantees, commitment expires February 14, 2025.	$ 60,000	105,015
$65,000,000 term loan payable to bank in quarterly installments of $650,000, including interest at 30-day LIBOR plus 2.21%; the balance of unpaid principal is due and payable on September 1, 2026, secured by first preferred ship mortgages on BBAS fishing vessels, and BBAS cash accounts, accounts receivable, inventory, vessel supplies, and fishing rights.	61,100	63,548
$25,000 revolving line of credit with bank, interest based on the banks daily LIBOR rate plus 1.5% (1.625% at March 31, 2021), secured by second preferred mortgage on BBAS fishing vessels, and BBAS cash accounts, accounts receivable, inventory, vessel supplies, and fishing rights. The commitment expires September 13, 2022.	13,746	20,124
$14,700,000 term loan payable to bank, interest based upon the LIBOR in effect plus 1.70% (2.69% at March 31, 2020) interest only through April 30, 2020, with the balance due May 29, 2020, secured by a deed of trust on a building and assignment of rents. The loan was paid in full May 2020.	—	11,882
$919,200 Payment Protection Plan loan payable to bank; 1% fixed interest rate, interest only through October 20, 2020, with balance due payable in monthly amortizing payments for eighteen monthly installments. The loan is forgivable in accordance with provisions of the CARES ACT, application for forgiveness submitted and pending; unsecured	919	—
$216 term note payable to Overlake Oil, Inc.; 1.5% fixed interest rate; monthly installments of $1,944; maturing June 2030; unsecured	202	—
	135,967	200,569
Less current maturities	(3,539)	(14,483)
Unamortized debt issuance costs	(129)	—
	$ 132,299	186,086

(Continued)

Scheduled principal payments on long-term debt are as follows (in thousands):

2022	$ 3,539
2023	16,367
2024	2,621
2025	62,621
2026	2,622
Thereafter	48,197
Total	$ 135,967

(12) Benefit Plans

The Corporation maintains a 401(k) savings plan that contains a safe harbor matching contribution of up to 5% of covered wages for all contributing employees. In addition, at the discretion of the Corporation's Board of Directors, the Corporation may make a profit-sharing contribution to the plan. Employee contributions were matched up to 5% of the employees' salaries in 2021, 2020, and 2019, respectively. Amounts expensed for the plan for the years ended March 31, 2021, 2020, and 2019 were $16,039,000, $15,968,000, and $14,764,000, respectively.

The Corporation maintained a self-insured health care plan that covered a portion of employees of the Corporation and its wholly owned subsidiaries. The health care portion of the plan was terminated December 31, 2020. Subsequent to December 31, 2020, the Corporation provides health care benefits for all employees through the Federal Employee Health Benefits Program. The cost of providing the benefits for employees and dependents was limited to agreed-upon stop-loss levels of $500,000 per claim with an additional $250,000 aggregate. At March 31, 2021 and 2020, the Corporation had accrued liabilities of approximately $1,189,000 and $1,855,000, respectively. The Corporation continues to provide dental and vision care to employees through the self-insured plan.

The Corporation has a large deductible insurance plan for workers' compensation covering all employees except foreign employees and employees in the states of Washington, North Dakota, Wyoming, and Ohio. At March 31, 2021 and 2020, the Corporation had accrued liabilities recorded of approximately $3,134,000 and $3,737,000, of which $1,885,000 and $2,030,000, respectively, was for workers' compensation claims incurred but not reported. At March 31, 2021 and 2020, the Corporation had a $3,750,000 letter of credit balance held by its workers' compensation insurer pursuant to the terms of a collateral agreement with the insurer.

(Continued)

(13) Income Taxes

The components of income tax (benefit) expense for the years ended March 31, 2021, 2020, and 2019 are as follows (in thousands):

		2021	2020	2019
Current before net operating loss carryforwards:				
Federal	$	(1,506)	—	12,011
State		926	1,040	3,867
Tax benefit of net operating loss carryforwards		—	(17,134)	(16,111)
		(580)	(16,094)	(233)
Deferred:				
Federal		(23,095)	7,750	11,000
State		(7,129)	2,040	3,243
		(30,224)	9,790	14,243
	$	(30,804)	(6,304)	14,010

Income tax expense (benefit) differs from the amounts computed by applying the U.S. federal income tax rate of 21% for 2021 and 2020 and 31.5% for 2019 to pretax income as a result of the following (in thousands):

		2021	2020	2019
Computed expected tax expense	$	20,557	14,516	14,067
State income tax expense, net of federal effect		5,521	4,602	3,408
Benefit of permanent differences		(619)	(1,109)	(524)
PPP loan forgiveness		(3,921)	—	—
Tax basis of ANCSA property		(41,297)	(13,884)	(630)
Settlement trust contributions		(10,579)	(5,822)	(2,698)
Tax credits		(86)	(3,730)	—
Other, including change in tax rates		(380)	(877)	387
	$	(30,804)	(6,304)	14,010

(Continued)

The income tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2021 and 2020 are presented below (in thousands):

		2021	2020
Deferred tax assets:			
Net operating loss carryforwards – state	$	26,421	207
Net operating loss carryforwards – federal		8,685	971
Tax credit carryovers		4,092	5,472
Accounts receivable allowance		371	407
Prepaid expenses and other		(146)	513
Incurred-but-not-reported claims		578	581
Tax basis in ANCSA Lands		752	764
Settlement trust contribution carryforwards		14,869	4,290
Accrued liabilities		10,300	8,755
Total gross deferred tax assets		65,922	21,960
Deferred tax liabilities:			
Property, plant, and equipment		(17,635)	(22,209)
Intangibles		(1)	(1,905)
Unrealized holding gains on investments		(1,606)	(265)
Investment in joint ventures		(26,285)	(7,516)
Total gross deferred tax liabilities		(45,527)	(31,895)
Net deferred tax asset (liability)	$	20,395	(9,935)

In assessing its ability to realize its 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 during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the effect of available carryback and carryforward periods), projected future taxable income, and tax-planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible and the deferred tax liabilities are reversed, management believes it is more likely than not that the Corporation will realize the benefits of these deductible differences and carryforwards. However, the amount of the deferred tax asset considered realizable could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

The Corporation has net income tax receivables totaling $11,837,881 as of March 31, 2021. $10,866,380 is included in prepaid expenses and refundable taxes with the remaining balance $971,501 included in other assets.

(Continued)

During 2021, the Corporation sold additional subsurface oil and natural gas rights on 41,845 acres for $65,000 and recognized a loss of approximately $226,435,000 for tax purposes. The tax loss offset 2021 taxable income and generated federal and state net operating losses of approximately $199,578,000 and $194,832,000, respectively. A portion of the unrecognized tax benefit related to the sale of ANCSA subsurface properties has been presented in the financial statements as a reduction of the deferred tax asset for net operating losses. A tax uncertainty reserve has been established in 2021 to record potential reduction of recognized benefits reported on tax returns related to the net operating for tax year ending March 31, 2021. The Corporation estimates the range of the reasonably possible change in the reserve from zero to $16 million.

A technical correction included in the CARES Act allows for the carry back of Net Operating Losses arising from the tax year ending March 31, 2018, to fully offset taxable income for the two preceding years, which BBNC had previously been unable to file. BBNC filed Federal Form 1139 to claim tax refunds of approximately $28,700,000. As a result of the net operating loss carry back claims, the full amount of loss related to the sale of oil and gas property rights in tax year ending March 31, 2018 has been recognized and there are no future deferred tax assets associated with the tax loss from this taxable year.

During 2018, the Corporation recorded a tax benefit related to its FY15 contribution of $10,779,000 to the BBNC Elders' Trust as a result of the Tax Cuts and Jobs Act signed into law on December 22, 2017. In addition, the Corporation recorded tax benefits related to research credits for fiscal years ending March 31, 2014 through 2019 for federal and state returns. A portion of the unrecognized tax benefit related to research credits has been presented in the financial statements as a reduction of the deferred tax asset for research credits.

The Corporation extended the statute of limitations for years ended March 31, 2018, 2017, and 2016 to September 30, 2022. The Corporation continues to be under examination for years ending March 31, 2015, 2016, and 2017 related to the refund claims filed for the Elders' Trust contribution, research credits, and net operating loss carryback refund claims. There are no other extensions of the normal statute of limitations period for IRS examinations.

At March 31, 2021, the Corporation also has BBNC Settlement Trust contribution carry forwards for Federal and State of Alaska income tax purposes of $45,655,000 which are available to offset future Federal and State of Alaska taxable income through 2034.

(14) Leases

The Corporation's subsidiaries have numerous noncancelable operating leases. Generally, the leases are for administrative offices and operational facilities.

PC leases most of its fueling sites under noncancelable operating leases, which expire at various times through 2034. Peak Oilfield Service Company leases most of its operational sites and administrative office space under noncancelable operating leases which expire at various times through 2032. Bristol Alliance Fuels leases two tank farms and distribution assets under noncancelable operating leases which expire in

(Continued)

Bristol Bay Native Corporation and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2021 and 2020

2026. At March 31, 2021, the minimum rental commitments under noncancelable operating leases payable over the remaining lives of the leases are as follows (in thousands):

	Minimum future rentals
2022	$ 11,151
2023	9,705
2024	8,167
2025	6,281
2026	3,812
Thereafter	6,086
	$ 45,202

Total rental expense charged to operations in 2021, 2020, and 2019 was $12,999,000, $13,626,000, and $9,477,000, respectively.

Commencing in November 2012, the Corporation entered into a noncancelable operating lease of a building and land with a tenant expiring in 10 years. This building under lease had an aggregate cost and accumulated depreciation of $15,695,000 and $3,257,000 at March 31, 2021, and an aggregate cost and accumulated depreciation of $15,695,000 and $2,869,000 at March 31, 2020, respectively.

Commencing in July 2016, the Corporation entered into a noncancelable operating lease of land and buildings with a tenant expiring in 25 years. This land and building under lease had an aggregate cost and accumulated depreciation of $3,299,000 and $409,000 at March 31, 2021, and an aggregate cost and accumulated depreciation of $3,374,000 and $322,000 at March 31, 2020.

At March 31, 2021, the minimum future rental revenues under these noncancelable operating leases are as follows (in thousands):

	Minimum future rentals
2022	$ 2,318
2023	2,478
2024	570
2025	581
2026	593
Thereafter	9,660
	$ 16,200

(Continued)

(15) Contingencies

In the normal course of business, the Corporation may be a participant in legal proceedings related to the conduct of its businesses that will result in contingent liabilities or contingent assets that are not reflected in the accompanying consolidated financial statements. In the opinion of management, the financial position, results of operations or liquidity of the Corporation will not be materially affected by any such current legal proceeding.

The Corporation has entered into contracts to provide services to commercial and government agencies. The majority of these contracts are subject to audits and potential adjustments by the respective customer. At this time, there are no pending audits or audit adjustments on the government contracts. Management believes that any adjustments that could potentially be made under the respective contract will not have a significant impact on the Corporation's financial position, results of operation, or liquidity.

(16) Credit Risk

The Corporation maintains its cash in accounts with third-party financial institutions that, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts.

(17) Concentration of Revenue and Receivables

During FY 2021, 41% of the Corporation's revenues were derived from contracts with U.S. government agencies. A significant portion of these contracts were granted under the Small Business Administration (SBA) 8(a) program that exempts U.S. government granting agencies from certain federal procurement regulations when awarding contracts to 8(a) participants. The SBA further exempts awarding agencies from certain contract size limitations when awarding contracts to 8(a) participants owned by Alaska Native Corporations. Changes in U.S. government spending, the 8(a) program, or both, could have a significant positive or negative impact on the liquidity, results of financial operations, and financial condition of the Corporation. In addition, 32% of the Corporation's revenues were earned in the petroleum distribution line of business primarily operating in the states of Washington and Alaska. As of March 31, 2021, 50% of trade accounts receivable are due from government agencies.

(18) Subsequent Events

(a) On May 21, 2021, the board of directors of the Corporation approved resolutions for the contribution of $8,958,000 to the BBNC Settlement Trust which will be paid not later than September 1, 2021.

(b) On May 11, 2021, the Finance Committee ("Committee") of the board of directors of the Corporation, acting under the authority delegated to it by the board of directors, approved a commitment to invest up to $15,000,000 in Bay Hills Capital Partners V, LP. In addition, the Committee approved a commitment to invest up to $5,000,000 in a Special Purpose Vehicle with Bay Hills Capital Partners SPV GP, LLC and a $5,000,000 loan to Bay Hills Capital Partners SPV GP, LLC which will in turn be invested in the Special Purpose Vehicle.

(c) The Corporation has evaluated subsequent events from the consolidated balance sheet date through June 30, 2021 the date at which the consolidated financial statements were available to be issued, and determined there were no other items to disclose.

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