



2021 ANNUAL REPORT



# NAVIGATING

## Uncharted Waters

CELEBRATING 50 YEARS OF ANCSA





## DEDICATION

# Conrad Peterson

This year's annual report is dedicated to the memory of former Koniag Board Member Conrad Peterson, who unexpectedly passed away on November 18, 2020 at the age of 46.

A lifelong resident of Old Harbor, Conrad was well-known and beloved. He was an unwavering advocate for our region and for his community, serving as president of the Alutiiq Tribe of Old Harbor and for 13 years on the Koniag Board of Directors. He served as Vice Chair of the Board for many years and most recently as Secretary. Although Conrad contributed to all of the Board committees during his time as a director, his love of our home island and his passion for protecting it for future generations drove him to be a leader of the Lands Committee, serving from the committee's inception in 2010 and as its chair for most years since.

"Conrad was measured, thoughtful, sagacious—he had a strength and an influence. When he set foot at Koniag or in one of our villages, Conrad garnered respect and love," shared Koniag Chairman and CEO Ron Unger.

While he spoke sparingly, the words he shared were powerful and often provided insightful feedback that could transform a board discussion.

"Those who knew Conrad well knew that the space between his words were as important as the words he spoke," said Koniag President Shauna Hegna. "We listened to what he said and what he didn't."

The Gathering Room at the Kodiak Brown Bear Center and Lodge will be named the "Bear's Cave" in Conrad's honor.











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## Cama'i Fellow Shareholders

When seas are smooth, getting along and staying together is like a net filled with fish after a great day on the water—resources are abundant, and you are prepared for the long winter. But when the water turns dark, the swells grow, and your net is empty—that is when you see the true characters of your crew and when you find inner strength and ingenuity.

This year, Koniag faced unprecedented uncertainty and our board's, employees' and Shareholders' characters shone like a lighthouse, leading to our best financial year on record with \$49M in pretax earnings, an 83% increase over the prior year. As Koniag approaches our 50th year, we are reminded that arriving at this moment was not easy.

When the Alaska Native Claims Settlement Act was enacted in 1971, our Elders were surrounded by the uncharted waters of a for-profit corporate model. There

were ups and downs, but our people learned from them and made improvements as a result. This year's annual report theme is about navigating these unpredictable seas as our people have done for centuries. Though we are no strangers to harsh climates, the obstacles of 2020—including a global pandemic, the sudden loss of beloved Koniag Board Member Conrad Peterson, and the risk of losing Koniag's momentum during an economic downturn—were particularly challenging.

Through this adverse climate, we relied on our Alutiiq values by collaborating with our community, strengthening our relationships, and adapting to the new environment. We mourned Conrad, our long-time friend and board member, by celebrating his commitment to our values. We talked with our villages and our Shareholders, identified their needs, and helped meet them. We provided food for



our most at-risk community members and Elders, in addition to equipment and opportunities for our students.

We reconsidered employee engagement, finding unique ways to build our employee community like virtual exercise sessions and get-togethers. We successfully transitioned to an online annual meeting and a festive week-long virtual summer picnic to connect Shareholders and Descendants around the globe. This closeness not only makes Koniag a better business, but it also deepens our pride in our Alutiiq culture.

From a business strategy standpoint, our board and employees recognized that fiscal year 2021 and the years ahead would be about changing markets. Rather than hunker down and take a defensive posture, we plowed ahead and found innovative ways to expand, acquiring additional businesses for Koniag Energy and Water and purchasing the remaining ownership in Open Systems Technologies, a commercial IT subsidiary.

That ingenuity informed how we support our customers. In a crisis, you band together with those you trust—those who deliver on their promises.

Our decades of showing up when others wouldn't, and delivering when others couldn't, prepared us for the trials of this past year. Thanks to our outstanding performance and customer relationships, the federal government turned to Koniag Government Services in their times of need.

Last, but certainly not least, the trust and support from our Shareholders is invaluable to our success. Every action we take at Koniag is to build a better, stronger company for our Shareholders and for the next generation. We are grateful for your trust as we lead Koniag through the inevitable storms and create opportunities for blue skies ahead.

*Quyanaa,*



**Ron Unger**  
Chairman and CEO



**Shauna Hegna**  
President





# Board and Management

## BOARD OF DIRECTORS



**Tyan Hayes\***  
*Vice Chair*



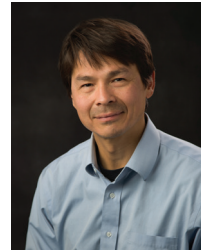
**Gordon "Matt" Olsen\***  
*Treasurer*



**Alex Cleghorn\***  
*Director*



**Anthony "Tony" Drabek\***  
*Director*



**Sven Haakanson, Jr.\***  
*Director*



**Janissa Johnson\***  
*Director*



**Christine Kaineg\***  
*Director*



**Marty Shuravloff\***  
*Director*



**Rita Stevens\***  
*Director*

## LEADERSHIP TEAM



Left to right: **Sharon Beeson**, *Chief Financial Officer*; **Peter Boskofsky\***, *General Counsel*; **Ron Unger\***, *Chairman and CEO*; **Tom Panamaroff\***, *Regional and Legislative Affairs Executive*; **Shauna Hegna\***, *President*; **Memry Dahl\*\***, *Senior Director of Human Resources and Administration*

\* Koniag Shareholder

\*\* Other Alaska Native Corporation Shareholder

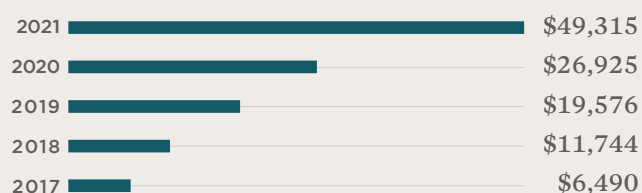


# Financial Summary

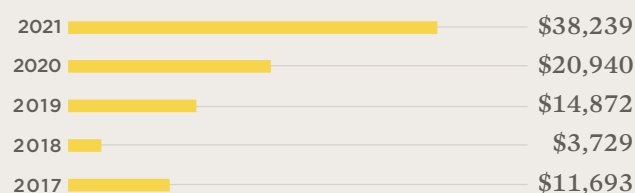
## FINANCIAL SUMMARY (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

		2017	2018	2019	2020	2021
Pretax earnings attributable to Koniag	\$	6,490	11,744	19,576	26,925	49,315
Net earnings attributable to Koniag	\$	11,693	3,729	14,872	20,940	38,239
Total assets	\$	167,937	187,284	188,221	216,065	254,905
Shareholders' equity attributable to Koniag	\$	87,311	88,464	100,344	116,711	146,158
Pretax earnings attributable to Koniag per share	\$	17.32	31.34	52.24	71.86	131.61
Shareholders' equity attributable to Koniag per share	\$	233.02	236.09	267.80	311.48	390.07
Cash dividends per share	\$	5.00	6.00	7.00	8.00	9.50

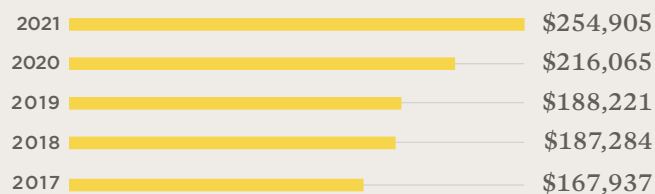
Pretax Earnings Attributable to Koniag  
(IN THOUSANDS)



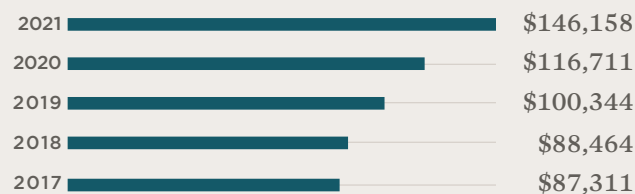
Net Earnings Attributable to Koniag  
(IN THOUSANDS)



Total Assets  
(IN THOUSANDS)



Shareholders' Equity Attributable to Koniag  
(IN THOUSANDS)







## Shareholder Benefits

### FY2021 DIVIDEND

INCREASED  
TO **\$9.50** PER SHARE

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**\$3,559,650**  
TOTAL DISTRIBUTION

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**\$81,833,516**  
DIVIDENDS PAID  
SINCE INCEPTION

### LANDS MANAGEMENT

Koniag owns and manages approximately 145,000 acres of surface estate and approximately 945,000 acres of subsurface estate in the Kodiak Archipelago and the Alaska Peninsula.



SURFACE ESTATE  
**145,000 ACRES**



SUBSURFACE ESTATE  
**945,000 ACRES**

### **\$850 DISTRIBUTED TO 705 ELDERS**

A \$850 Elder Benefit was paid to 705 original Shareholders age 65 and older in FY21 for a total distribution of \$599,250.

### **30 ADVOCACY LETTERS SUBMITTED**

Koniag submitted 30 advocacy letters and testified five times in FY21 on state and federal issues that impact Shareholders and our region.

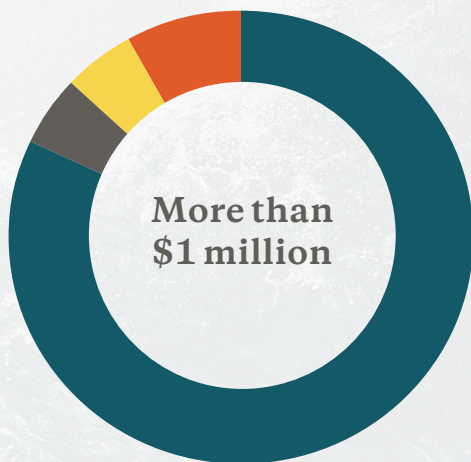
### **48 FAMILIES WERE PROVIDED BURIAL ASSISTANCE**

Koniag assisted 48 Shareholder families during the most difficult times in their lives by helping to pay for funeral and burial costs.

### **88 YOUTH SCHOLARSHIPS AWARDED**

Scholarships helped fund activities such as broadband internet costs to assist students with remote learning during the pandemic.





## 2021 NONPROFIT DONATIONS

- **\$838,870** to Koniag Education Foundation for college and vocational education scholarships
- **\$80,680** to the Alutiiq Museum to support its critical work
- **\$55,186** to support in-region nonprofits with a variety of programs and events including Alutiiq cultural activities and food security
- **\$54,170** to various Alaska nonprofits to help provide housing for the homeless, fund public broadcasting, provide legal services to low-income Alaska Natives, etc.







## Staying Connected

As we look back on this past year, we can be proud of our resilience, tenacity, and ingenuity as a people and as an organization. We've found resourceful ways to adapt, navigating the unknown to stay connected with each other despite missing our traditional picnics and gatherings. Since we couldn't gather in 2020 as we normally would, Koniag held our first-ever virtual picnic week, virtual townhall meetings, and virtual annual meeting.

Each of these events was a resounding success due to the commitment and enthusiasm of

our Shareholders. Even though we missed seeing each other in person, there was a bright side—many Shareholders were able to attend a picnic or annual meeting for the first time since the events were held online.

Our guiding Alutiiq value of staying connected as family and an extended network of kin comes from our Shareholders and reflects our people. The pandemic brought many challenges, hardships, and losses, but though we were apart, we still found ways to grow as an organization.

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### LEFT TO RIGHT:

Shannon Andersen and her grandfather, Christian Andersen; Christine Kaineg and her daughter, Zelda; Sophie Shepherd and her great-grandson Austin Blondin; 2020 Youth of the Year Bayley Rowland.





### ANNUAL MEETING

Despite the COVID-19 pandemic, we had a successful virtual annual meeting. 55% of shares of common stock were voted, and we are grateful to every Shareholder who participated by voting their proxy, and attending the townhalls or annual meeting. The Elder of the Year award went to June Pardue, an educator, artist, grandmother, and great-grandmother who was nominated in honor of her artistry, community engagement, and her role as a mentor. The Youth of the Year award was awarded to Bayley Rowland in recognition of her dedication to preserving our culture through dancing and art. A dancer since preschool, Bayley also practices the Alutiiq language and creates Alutiiq style earrings.

### TOWNHALL MEETINGS

The Koniag community is spread across the globe, and our strength as an organization lies in our ties to our Alutiiq culture and values no matter where we are. In 2020, Koniag had the unique opportunity to provide all Shareholders and Descendants the chance to attend our virtual townhall meetings, regardless of whether they live in Kenai, Kansas, or abroad.

### VIRTUAL PICNIC WEEK

Koniag was determined to keep our annual picnic tradition alive this year. Instead of a picnic lunch, we hosted a week-long picnic celebration on social media. Elders and youth alike danced with the Alutiiq Dancers, sang along with a live music performance by The Ron Wayne Band, and explored the Alutiiq Museum via a behind-the-scenes tour. Photos and videos from the scavenger hunt challenge showed Shareholders and Descendants singing songs in Alutiiq, making *alaciq* (fry bread), and *aa'icagaq* (cute little ones) having fun.



“This late in my life, I just feel it’s so important to share with our people everything that I know, and for it to be accessible to younger generations so nothing is kept secret or lost in time.”

2020 ELDER OF THE YEAR JUNE PARDUE





## SECTOR SPOTLIGHT

# Open Systems Technologies

### SERVICES

Connected Products  
Data Analytics  
Digital Experience  
Enterprise IT  
Healthcare IT

### COMPANIES

Open Systems Technologies DE, LLC  
Open Systems Technologies, LTD  
OST Recruiting Solutions, LLC

### LOCATIONS

Grand Rapids, MI (Headquarters)  
Detroit, MI  
Minneapolis, MN  
London, UK

**PURPOSE** Open Systems Technologies is comprised of problem solvers who find efficient, effective solutions.

**CORPORATE LEADERSHIP** Meredith Bronk, OST President and CEO

Founded in 1997, Open Systems Technologies DE, LLC (OST) is an integrated, cross-functional business technology firm. With offerings that include strategy and insights, digital experiences, connected products, hybrid IT, and enterprise managed services, we work side-by-side with our clients to optimize their businesses and grow their bottom lines.

At OST and OpenDigital, OST's digital consultancy, we use human behavior as our North Star to find smart, meaningful ways to bridge the distance between insights, technology, and strategy and yield transformative results.

OST has been recognized in Inc. Magazine's 5,000 Fastest Growing Private Companies, CRN's Tech Elite 250, and as a National Best and Brightest Company to Work For.

“Rooted in our culture and creative solutions, we are helping companies who are the best at what they do accelerate their digital businesses.”

**MEREDITH BRONK**  
OST PRESIDENT AND CEO





## SECTOR SPOTLIGHT

# On-Island Operations

**PURPOSE** Koniag’s On-Island Operations aim to connect our long-term business strategy to the lands the Alutiiq people have called home for centuries.

**CORPORATE LEADERSHIP** Shauna Hegna, Koniag President

The On-Island Operations sector is comprised of operations at the Kodiak Granite Quarry and the Kodiak Brown Bear Center and Lodge (KBBC).

The quarry is located at the north end of Kodiak Island at Shakmanof Cove. Since it began development in 2012, materials sourced from the quarry have been used to build the Chignik Ferry Dock, the Homer Spit, the Seward Breakwater project, and the Port Lions Breakwater and Ferry Dock projects. Those projects are just the beginning, however, as the quarry has the capacity to produce 50,000 tons of armor stone, riprap, crushed aggregate, and other granite products per year for over one hundred years.

The Kodiak Brown Bear Center and Lodge was commissioned by Koniag in 2010 to help preserve, protect, and manage our sacred lands by providing the opportunity for Shareholders and travelers from around the world to see and experience the legendary bears, landscape, and rich cultural history of this incredibly pristine and diverse natural habitat. The Kodiak Brown Bear Center and Lodge is located on the southwest side of Kodiak Island on Camp Island and provides bear viewing and fishing tours at Karluk Lake, the Karluk River, and the Thumb River.

“Koniag is responsible for caring for the lands our people have inhabited for more than 7,500 years. Through the KBBC we are able to share the unique culture and heritage of our people and the Kodiak brown bear with visitors from around the world.”

**SHAUNA HEGNA**  
KONIAG PRESIDENT

## SERVICES & PRODUCTS

Granite Armor Stone  
Bear Viewing  
Flyfishing Tours

## COMPANIES

Karluk Wilderness Adventures, LLC  
Granite Cove Quarry, LLC

## LOCATIONS

Kodiak Island, AK

- Camp Island (Karluk Lake)
- Shakmanof Cove
- City of Kodiak





## SECTOR SPOTLIGHT

# Koniag Government Services

### SERVICES

Enterprise Solutions  
Professional Services  
Operations Management

### COMPANIES

Arlluk Technology Solutions, LLC  
Digitized Schematic Solutions, LLC  
Eagle Harbor Solutions, LLC  
Kadiak, LLC  
Koniag Data Solutions, LLC  
Koniag Information  
Securities Services, LLC  
Koniag Integration Solutions, LLC  
Koniag IT Systems, LLC  
Koniag Management Solutions, LLC  
Koniag Professional Services, LLC  
Koniag Services, Inc.  
Koniag Technology Solutions, Inc.  
PacArctic, LLC  
Professional Computing Resources, Inc.  
Tuknik Government Services, LLC  
XMCO, Inc.

### LOCATIONS

Chantilly, VA (Headquarters)  
Anchorage, AK  
Kodiak, AK  
Simi Valley, CA  
Colorado Springs, CO  
Fort Collins, CO  
Baltimore, MD  
Framingham, MA  
Grand Rapids, MI  
Warren, MI  
Albuquerque, NM  
Fairfax, VA

**PURPOSE** Koniag Government Services (KGS) supports the values and traditions of our Alutiiq communities through an agile employee and corporate culture that delivers enterprise solutions, professional services, and operations management to federal government agencies.

**CORPORATE LEADERSHIP** Kevin Wideman, KGS CEO

Headquartered in the Washington, D.C. area, KGS is a solution-oriented information technology (IT) and professional services firm, solving our customers' most complex challenges through leadership and innovation.

We provide mission-critical enterprise IT solutions, professional services, and operations management support to the federal government, serving defense, civilian, health, national security, and law enforcement missions.

KGS enables successful mission outcomes for our customers through solution-oriented business partnerships and a commitment to exceptional service delivery. We ensure long-term success with a continuous improvement approach while balancing the collective interests of our customers, employees, and Alaska Native communities. Our work relies on committed focus in three areas: community mission, solution oriented, exceptional people.

“Our strength is the ability to partner with our customers by making their problems our problems and coming up with ways to solve them together.”

**KEVIN WIDEMAN**  
**KONIAG GOVERNMENT SERVICES CEO**





## SECTOR SPOTLIGHT

# Koniag Energy and Water

**PURPOSE** Koniag Energy and Water empowers our most important resource, our employees, to engineer and build.

**CORPORATE LEADERSHIP** Art Garrod, Koniag Energy and Water CEO

With more than 135 years of combined experience, the companies within Koniag Energy and Water (KEW) work together to power the world. We begin within our industry by ensuring our customers have the products, systems, and services to do and be their absolute best. We commit to finding the right answer to the problem at hand, no matter how daunting, and we never say never or turn our backs on the job. We show up with customized solutions that address the unique needs of every client.

Our work creates a ripple effect, because its value reaches far beyond our industry, deep into communities throughout the state and around the world. Every time someone travels the roadway, turns on the stove, drinks a glass of crystal-clear water, or flicks the light switch, our companies have played a part in getting energy and water there safely, efficiently, and at a low cost. When our solutions are put into action, KEW powers communities everywhere, leaving them better off than before we were on the job.

“Koniag Energy and Water’s capabilities are rapidly expanding and laying the foundation to enrich and benefit our clients, employees, and Shareholders for generations to come.”

**ART GARROD**  
KONIAG ENERGY AND WATER CEO

## SERVICES & PRODUCTS

Automation and Control Services  
Wellhead Control Panels  
Stainless Steel Fabrication and Materials  
Electrical Construction and Field Services  
Piping Engineering  
Multi-Discipline Engineering Services  
Data Analytics  
Process Safety

## COMPANIES

Dowland-Bach Corporation  
Glacier Services, Inc.  
Big G Electric & Engineering, LLC  
Great Northern Engineering, LLC

## LOCATIONS

Anchorage, AK  
Palmer, AK  
Soldotna, AK





# Key Questions

Koniag's financial health is important to everyone who shares in its success.

The annual report contains the critical and technical information companies are required to provide each year by regulatory agencies. These reports have been audited by a certified public accountant to confirm the reporting has been prepared in accordance with the Generally Accepted Accounting Principles (GAAP). It gives Shareholders information on the Corporation's financial performance during the past year. This guide will help you quickly find answers to many of the questions that help you determine for yourself how well Koniag is performing financially.

## Is Koniag making or losing money?

On page 34, included in the Consolidated Statements of Earnings, you will find *net earnings attributable to Koniag, Inc.* A positive number on this line means Koniag is making money, while a negative number means it is losing money. To spot trends in earnings, compare the current year's earnings to prior years shown. Generally, an increase means Koniag is making money, while a negative number means it is not.

## Consolidated Net Earnings

		2019	2020	2021
Pretax earnings	\$	20,900	28,234	49,496
Net earnings	\$	14,872	20,940	38,239

## What are the main sources of Koniag's earnings?

The Earnings by Business Segment report on page 19 groups *pretax earnings* (revenue minus expenses) by Koniag's various business lines. The positive or negative numbers in the first section will show which business segments are making or losing money.

## Are Koniag's operating companies profitable?

A more detailed view of profitability is provided in the Operating Company Sectors pages starting on page 20, where groupings of similar or stand-alone companies provide insight as to which businesses or sector groups made or lost money. Compare each sector's performance to prior years using the line graphs on pages 21-24 to determine which are doing better, worse, or the same over time.

## Would Koniag be profitable without 7(i) revenue?

7(i) revenue is cash shared by other regional Alaska Native Corporations without any associated costs. Koniag should never be dependent on this revenue to achieve its goals because it varies year to year. Koniag measures the health of its operations by making sure earnings from operating companies cover its costs. This can be seen in the Earnings by Business Segment report on page 19. The *earnings from operating companies* (line 1 of the report) are in excess of Koniag's *corporate general and administrative expenses* (line 9 of the report).

## Is Koniag able to pay its bills?

*Liquidity* is the financial term for being able to pay bills when due. The quickest way to know if Koniag can pay its bills is to compare *Total current assets* and *Total current liabilities* on the Consolidated Balance Sheets on page 33. Current assets can generally be converted to cash within one year and used to pay current liabilities, which are bills due within one year. If current assets are greater than current liabilities, Koniag is liquid. If current liabilities are greater than current assets, Koniag is illiquid and could have trouble paying its bills as they become due.

The *Liquidity* section on page 25 shows how well Koniag is doing compared to the minimum requirements set by its banks to ensure bills can be paid in a timely manner.



### **Where does Koniag’s cash come from and how is it spent?**

You can find this answer by looking at a few lines on the Consolidated Statements of Cash Flows on pages 36-37. The amount under the heading “*Net cash, cash equivalents, and restricted cash provided by (used in) operating activities*” is net cash received from or spent on Koniag’s core business lines. This amount should be positive. If it is negative, it is a sign Koniag’s businesses may be using more cash than they are bringing in. Negative cash outflow can also occur as businesses grow because of upfront costs incurred before operating cash is generated.

A positive amount under the heading, “*Net cash, cash equivalents, and restricted cash used in investing activities*” means Koniag received cash from a prior investment, such as the sale of property or equipment. A negative amount typically indicates an investment in the Corporation’s future.

A negative amount under the heading, “*Net cash, cash equivalents, and restricted cash provided by (used in) financing activities*” means Koniag is paying off more debt than it is borrowing. A positive number means Koniag borrowed more money than it repaid, which could be due to an investment in the Corporation’s growth. *Dividends paid*—and beginning in 2019, *Contributions to Settlement Trust*—in this section shows how much the Corporation paid out in Shareholder distributions during the year.

### **Is Koniag investing in its Shareholders?**

Our primary mission is to make a meaningful impact on our extended Koniag family by providing Shareholder benefits and monetary distributions, honoring and preserving our culture, being wise stewards of our lands, and serving as strong advocates for our communities.

Profits earned by business lines allow Koniag to invest in our Shareholders and communities. The total amount invested includes expenses incurred for serving, supporting, representing, and advocating for Shareholders and managing the Corporation’s lands and can be seen in the *Corporate general and administrative expenses* and *Shareholder Benefits* sections on pages 27-28, and highlighted on pages 7-8 in the Annual Report.

### **What risks does Koniag face?**

The Operating Company Sectors section on pages 20-24 describes the environment in which each sector operates and the key financial and operational risks inherent in each. The COVID-19 pandemic and related economic unrest, federal government spending levels, a rapidly changing IT environment, Alaska’s fiscal crisis, and a volatile oil industry are a few of the risks Koniag encounters. Understanding the nature of each business line and its impact on the Corporation as a whole is the best way to be aware of Koniag’s risks. Shareholders are encouraged to inquire about other risks and issues at Koniag’s townhall meetings and gatherings. The Koniag leadership team works diligently to mitigate these risks and values listening and responding to Shareholder questions and ideas.

### **How was Koniag impacted by the Coronavirus pandemic?**

Each operating company was impacted by the pandemic in different ways and in varying degrees. With Koniag’s diversified business operations and by living our core value of planning for the long term, Koniag companies remained resilient to the adversity brought on by the pandemic. As a precaution, Koniag and various operating companies participated in the Payroll Protection Program. The overall impact of the pandemic is addressed throughout the Management’s Discussion and Analysis beginning on page 17.





## Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) is designed to provide the reader with additional information about Koniag's financial condition and its business operations from the perspective of management. The MD&A should be read in conjunction with the Consolidated Financial Statements and accompanying notes included in this Annual Report. Statements related to the future operations and financial condition of Koniag and its subsidiaries are subject to multiple factors and risks that could cause the actual results to vary from expectations and these statements should be evaluated with the understanding of the inherent uncertainty.

Koniag, Inc. (the Corporation) is a regional Alaska Native corporation formed pursuant to the Alaska Native Claims Settlement Act (ANCSA or the Act) of 1971. Koniag has 4,270 living Shareholders, who are predominately Alaska Natives.

The Act settled the aboriginal land claims of Alaska Native people by providing for the conveyance of money, land, and other natural resources to regional corporations and village corporations within each region. Koniag received \$24 million from the Alaska Native Fund as well as both surface and subsurface acreage. The \$24 million received under the Act formed Koniag's original contributed capital.

Following the passage of ANCSA and the subsequent merger with two village corporations, Koniag became responsible for managing approximately 105,000 acres of surface estate and 500,000 acres of subsurface estate. The passage of the Alaska National Interest Lands Conservation Act (ANILCA) added approximately 490,000 acres of subsurface estate, and with the dissolution of the Afognak Joint Venture, a further 40,000 acres of surface estate were added to Koniag's land holdings. Currently Koniag's land holdings consist of 145,000 acres of surface estate and 945,000 acres of subsurface estate.

### RESULTS OF OPERATIONS

Koniag entered fiscal year 2021 with cautious optimism. The impacts of the COVID-19 global pandemic were just beginning to emerge, and no one knew exactly what to expect. Rooted in its core values and confident in its abilities, Koniag leadership and employees braced themselves for the unknown. Management is pleased to report that, against the odds, Koniag had another record-breaking year. 2021's total revenue of \$464 million is 13% higher than the prior year and 43% higher than 2019's revenue.





Operating companies generated 98% of total revenues. Most importantly, pretax earnings of \$49.5 million represented growth of 75% over the prior year and growth of 137% over two years. Koniag acquired two new companies in the Koniag Energy and Water sector and purchased the remaining 20 percent ownership interest in its long-held operating company, Open Systems Technologies DE, LLC. Koniag increased the Shareholder dividend to \$9.50 per share and the Elder benefit to \$850 each, providing a record total of \$7.6 million in benefits from operations to its Shareholders.

Although Koniag prevailed over the storm of 2020 as a whole, many aspects of the business have been impacted and the ultimate effects of the economic disruption continue. As discussed further in the Business Segments section, various parts of the Corporation experienced differing results during 2021. Koniag Government Services excelled through repeated and increased government spending, whereas halted infrastructure projects, minimal capital expenditures, and drastically reduced travel greatly impacted the remaining operating company sectors. Over 1,800 employees across the entire organization adapted to a new workplace environment, working remotely from home when possible and safely from the office when necessary while maintaining operational standards. The investment securities portfolio benefited from the market's reaction to government stimulus, whereas lower commodity prices repressed natural resources revenue.

Koniag's diversification strategy was tested during 2021, a business model that has resulted in overall

stability through choppy and uncharted waters. As the complete impact of the pandemic on Alaska, our country, and the world continues to unfold, Koniag will continue to build on the momentum gained in 2021 for the benefit of its Shareholders, employees, customers, and other stakeholders through its ongoing commitment to planning for the long term, listening to feedback that shapes the organization, and in being continuously inspired and motivated by the values that have sustained the Alutiiq people for over 7,500 years.





## BUSINESS SEGMENTS

Koniag's assets and operations are divided into four distinct business segments for reporting purposes, as outlined in Note 4 of the Consolidated Financial Statements: operating companies, real estate, natural resources, and investment securities. Note 4 contains a fifth segment called "Other" which is activity at the parent company, including interest income and expense, depreciation, and corporate general and administrative expenses. Assets in the Other segment include deferred taxes for all consolidated companies and assets held at the parent company such as cash, receivables, and property and equipment. The operating companies segment represents 72% of Koniag's assets and generates the most earnings and cash flow. The financial capital generated by the operating companies enables Koniag to provide benefits to Shareholders, to fund costs associated with the stewardship of the Corporation's assets, and to invest in long-term growth.

The table below provides more detailed information on earnings by business segment for the most recent and prior two years. The earnings performance for each of these segments is described in detail in the following sections.

**2021 Assets by Business Segment**



- Operating Companies | 72%
- Investment Securities | 12%
- Corporate Operations | 7%
- Real Estate | 5%
- Deferred Taxes | 3%
- Natural Resources | 1%

## EARNINGS BY BUSINESS SEGMENT (IN THOUSANDS)

	2019	2020	2021
Operating companies	\$ 22,288	30,902	53,585
Real estate	(778)	(1,128)	(127)
7(i) from other regional corporations	7,009	5,923	3,243
Natural resources, other	46	77	814
Investment securities, other	170	(350)	2,062
Interest income from affiliates	1,465	1,596	533
Other	71	78	130
<b>Total earnings by segment</b>	<b>30,271</b>	<b>37,098</b>	<b>60,240</b>
Corporate general and administrative	(9,609)	(9,194)	(9,820)
Interest expense	(584)	(413)	(500)
Depreciation and amortization	(503)	(552)	(605)
Other	1	(14)	-
<b>Total earnings before tax</b>	<b>19,576</b>	<b>26,925</b>	<b>49,315</b>
<b>Income tax benefit (expense)</b>	<b>(4,704)</b>	<b>(5,985)</b>	<b>(11,076)</b>
<b>Net earnings attributable to Koniag</b>	<b>\$ 14,872</b>	<b>20,940</b>	<b>38,239</b>



## Operating Company Sectors

The operating companies segment includes investments in subsidiary companies classified by the following sectors: Koniag Government Services, Open Systems Technologies, Koniag Energy and Water, and On-Island Operations. The operating company sectors provide a wide range of products and services for a variety of government and commercial customers and end users. Koniag strategically maintains a mix

of government and commercial service providers in different geographies to mitigate risks associated with economic volatility. The diversified portfolio of operating companies enables and requires Koniag to embrace diversity within and across business lines to achieve synergies and build on individual strengths. The charts below show the percentage of revenue and EBITDA contributed by each sector in 2021.

### Contracting and Sales Revenue



- Koniag Government Services | 74.29%
- Open Systems Technologies | 21.04%
- Koniag Energy and Water | 4.64%
- On-Island Operations | 0.03%

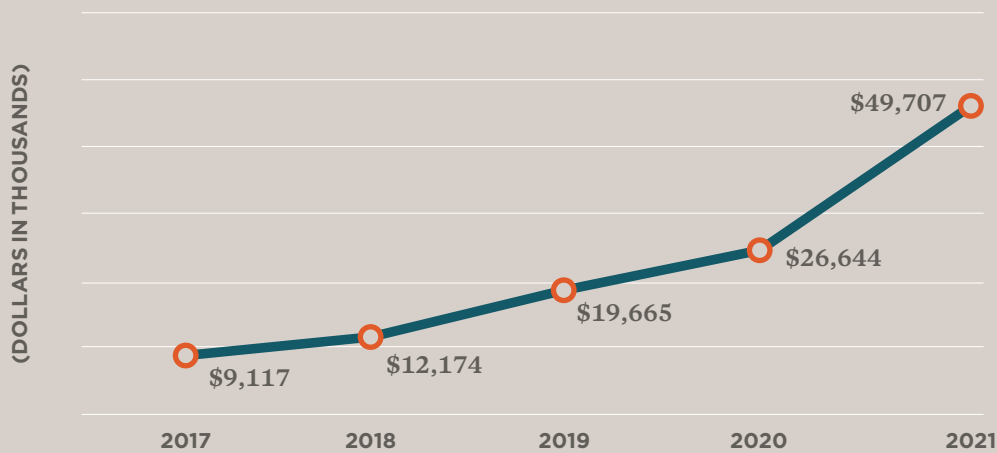
### EBITDA



- Koniag Government Services | 85.04%
- Open Systems Technologies | 12.95%
- Koniag Energy and Water | 2.37%
- On-Island Operations | -0.36%



#### EBITDA TREND ANALYSIS



#### VISION

Koniag Government Services (KGS) sector supports the values and traditions of our Alutiiq communities through an agile employee and corporate culture that delivers enterprise solutions, professional services, and operations management to federal government agencies.

#### HIGHLIGHTS

In 2021, KGS experienced revenue growth of 47%, pretax earnings growth of 90%, and employee growth of 60%.

Koniag Government Services (KGS) is the largest of the operating company sectors, comprising the most business entities and employees and contributing the most earnings to the Corporation. The sector earned a record \$339 million in contract revenue in 2021, representing an increase of \$108 million, or 47% over the prior year. KGS also reached unprecedented pretax earnings levels of \$49 million, an increase of \$23 million, or 90% over prior year. The sector achieved its remarkable growth organically through many successful new and repeat contract awards.

KGS is comprised of a strategic mix of companies, many of which are in various stages of the Small Business Administration's (SBA) 8(a) program. Most of the companies are headquartered near Washington,

D.C. and provide world-class enterprise solutions, professional services, and operations management services to federal entities such as the White House, Federal Emergency Management Agency, Department of State, Federal Bureau of Investigation, and various Department of Defense and civilian agencies.

Although KGS currently forecasts sustained growth, there remains inherent uncertainty in doing business with the federal government. Management understands the threat of volatile federal spending levels and understands that federal fiscal and monetary policy can change dramatically across administrations. Additionally, the sector's growth strategy depends on ongoing participation of Alaska Native corporations in the SBA's 8(a) business development program. Management mitigates these challenges by providing diversified types of high-value services to the government and by providing services to a diversity of federal agency customers.



# EBITDA TREND ANALYSIS



Open Systems Technologies DE, LLC and its subsidiaries (OST) are headquartered in Grand Rapids, Michigan with branch offices in Detroit, Michigan; Minneapolis, Minnesota; and London, England. OST is a technology company delivering a full line of professional services in IT strategy, operations, optimization, and innovation to commercial customers. These services include offerings in areas like digital strategy consulting, cloud and IT security solutions, data analytics, software development and migration, and mobile apps. OST is also an authorized reseller of computer hardware and software through the utilization of business alliances and provides consulting services ranging from system implementation to general information technology support. Its vertical markets include healthcare, manufacturing, retail, finance, and insurance companies.

During 2021, the sector's revenues and earnings were impacted by decreased and delayed spending on hardware products from large clients. The current year's revenues of \$96.0 million and \$5.6 million in pretax earnings were down 35% and 18%, respectively, compared to the prior year. However, OST's profitability has increased steadily over the past several years as the sector establishes a services-centric business model. The services-centric model allows for greater scalability and a lower reliance on a small number of large product

## VISION

Open Systems Technologies is comprised of problem solvers who find efficient, effective solutions

## HIGHLIGHTS

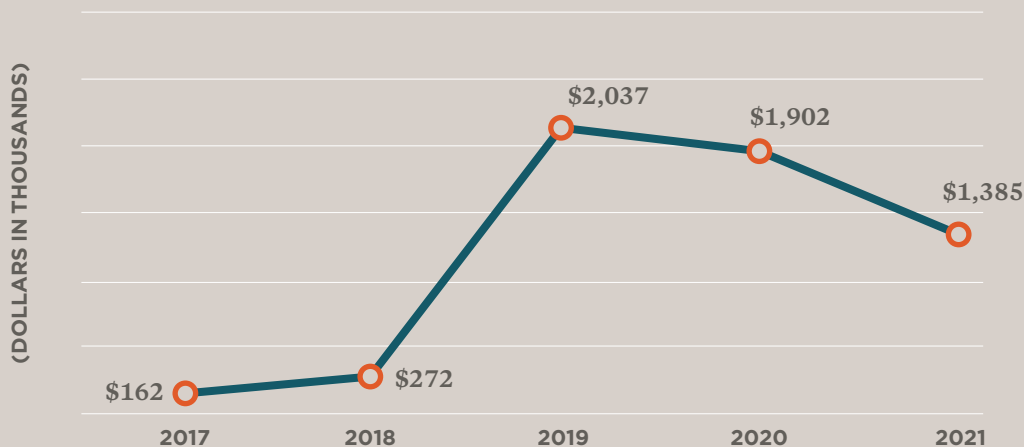
OST is now a 100% owned subsidiary of Koniag.

customers, translating to higher profit margins even in years with less revenue. In general, the variation in historical earnings above is reflective of a dynamic IT environment and the ability of the team to adapt to ever-changing technologies, consumer expectations, and evolving business environments, and in the current year, the impacts of the global pandemic.

Koniag maintained 80% ownership in OST from its initial acquisition in fiscal year 2013 through April 2020, when the remaining 20% ownership interest was purchased for \$8.8 million. The additional investment demonstrates Koniag's confidence in OST's capabilities and performance and in management's commitment to maturing and scaling the organization for long-term success. To further bolster OST's earnings and diversify its offerings and customer base to protect against economic disruption while benefiting from the industry's high growth potential, Koniag continually assesses investments in additional IT companies that align with its culture and corporate values.



#### EBITDA TREND ANALYSIS



#### VISION

Koniag Energy and Water empowers our most important resource, our employees, to engineer and build.

#### HIGHLIGHTS

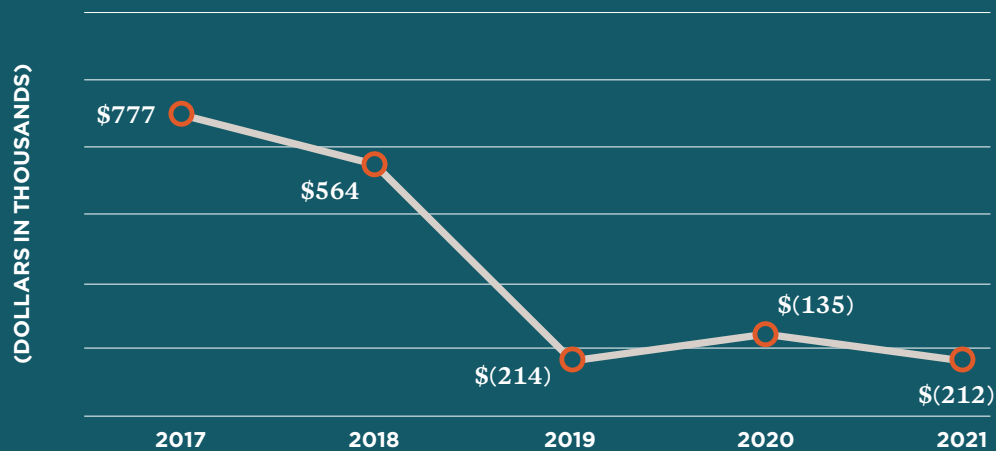
The KEW sector acquired an 80% ownership interest in Big G Electric & Engineering, LLC and 100% of Great Northern Engineering, LLC during 2021.

After starting the year with two companies, Dowland-Bach Corporation (DB) and Glacier Services, Inc. (GSI), the Koniag Energy and Water (KEW) sector acquired Big G Electric & Engineering, LLC (Big G) and Great Northern Engineering, LLC (GNE) during 2021. Each company boasts a proven history of high-quality service offerings and leadership in the industry. Through the sector's acquisition strategy, the KEW family of companies offers one of the only vertically integrated solutions of manufacturing, engineering, electrical, and automation and controls systems in Alaska. Their combined capabilities allow execution of projects from early conceptual design through decommissioning, an integrated approach that provides a distinct competitive advantage. This sector focuses on upstream, midstream, and downstream oil and gas customers in Alaska as well as other major customers of engineering products and services, such as mining, power, and utilities.

Current-year results include revenue of \$21.2 million, a decrease of \$3.8 million, or 14%, from the prior year, and pretax earnings of \$0.9 million, down \$0.6 million, or 38%, from the prior year. Results reflect the notable impact of the pandemic on the Alaska economy, namely the oil industry, as oil prices plummeted and remained low through most of the fiscal year. Several large customers delayed projects as capital expenditures were stalled and worksites were shut down. In an effort to mitigate future volatility, the sector continues to focus on diversifying revenue sources by securing customers outside of the oil industries and actively managing costs to offset any potential downturn. KEW continues to seek acquisition targets that broaden its service offerings and customer types into other industries as well as into the lower 48 states.



EBITDA TREND ANALYSIS



Koniag’s mission and core values represent the responsibility to honor and protect Alutiiq culture, lands, communities, and families. Operations on Kodiak Island consist of the Kodiak Granite Quarry at Shakmanof Cove and the Kodiak Brown Bear Center and Lodge (KBBC) located on Camp Island. These are Koniag’s only on-island businesses, unique in purpose and geography. The products and services provided are derived from Koniag’s lands and natural resources and they are near Koniag’s villages of Port Lions, Ouzinkie, and Larsen Bay.

Kodiak Granite Quarry operations remained largely idle throughout 2021. Alaska’s state fiscal crisis and redirection of much of the federal government funding to inland construction projects continues to impact capital for marine infrastructure projects. Fortunately, the quarry is a long-term investment that can be scaled up or down as dictated by demand as well as state and federal funding. The quarry is in its development phase and operational activities are supported by rock sales revenue.

KBBC revenue from operations is derived from the full-service guided bear-viewing lodge on Camp Island. During 2021, the pandemic resulted in international and interstate travel bans as well as extensive travel restrictions within Alaska. The decision to close the KBBC for the season was made to minimize losses. In August and September, the KBBC experienced

VISION

Koniag’s On-Island Operations aim to connect our long-term business strategy to the lands the Alutiiq people have called home for centuries.

HIGHLIGHTS

In 2021, KBBC piloted a steelhead fishing program. KBBC bookings are strong for the summer of fiscal year 2022 as guests who canceled their travel plans due to COVID-19 have largely rebooked.

limited openings for special, all-inclusive tours, and in October the KBBC hosted its first steelhead fishing tours. The KBBC is planning to fully resume operations at normal capacity during the summer of fiscal year 2022 as many of the customers who cancelled during the pandemic have rebooked their trips.

Factors such as Alaska’s economy, inclement weather, and competition from other lodges that offer bear viewing can impact potential sales.



## *Real Estate*

The real estate segment includes investments in commercial real estate in the Houston and Austin, Texas markets. Koniag continues to strategically hold and develop its real estate investments while evaluating future opportunities in growing markets, including owner-occupied real estate. The Corporation exited real estate holdings in commercial property in California and in a real estate fund during 2021, as well as entered into agreements to sell 17 acres of undeveloped property near Austin, Texas for a total of \$9.2 million. The earnings from these 17 acres of undeveloped property are contingent on further development and due diligence, which will occur during fiscal year 2022.

The real estate marketplace is cyclical and volatility is expected, which requires careful planning and timing of real estate ventures. Koniag remains focused on maximizing Shareholder value through diversified investments and recognizes that real estate has and will continue to play a key role in Koniag's growth and diversification strategy.

## *Natural Resources*

Earnings from natural resources have historically been generated from 7(i) payments received from other regional Alaska Native corporations (ANCs) from the sale of timber or subsurface rights and from conservation easement payments. Earnings during 2021 were predominantly generated from 7(i) revenues received from other ANCs totaling \$3.2 million, a 45% decrease from the prior year due to lower oil and other commodity prices. These revenues could continue to experience volatility in the coming years due to further impacts on commodity pricing.

During fiscal year 2021, the Koniag Board of Directors approved the sale of 44,000 acres of subsurface estate for proceeds of \$1 million and a second sale of 44,000 acres for proceeds of \$1 million, which occurred after the fiscal year ended. The subsurface property sold is primarily on Afognak Island as well as near Old Harbor and on the Northwest part of Kodiak Island. The proceeds of the sale are being held for lands-related activities.

## **FINANCIAL CONDITION**

Koniag's financial condition is measured by various standard metrics and indicators. The strength of the financial metrics offers another illustration of the

profitability of Koniag's operating companies together with sound fiscal management. The sections that follow describe metrics and indicators that depict Koniag's financial health, including liquidity, spending, and the ability to provide benefits to its Shareholders.

## *Liquidity*

The Corporation's liquidity is measured by the ability to make payments due using cash or assets that can be quickly converted into cash. The current ratio compares the amount of current assets versus current liabilities (a ratio of 1.5:1 means there are \$1.50 in assets for every \$1 in liabilities) and is commonly utilized by banks and other credit lenders to gauge a company's ability to repay its liabilities. Working capital measures the excess of current assets over current liabilities (positive working capital means current assets exceed current liabilities). The positive trend in Koniag's current ratio and working capital indicate a strong financial condition and the current ratio is significantly above minimum requirements required by typical lending arrangements.

Working capital is acquired either through business operations, from selling assets, or by borrowing from lenders. Koniag's liquidity position is primarily the result of positive cash flow from operations and is ideal as it enables the Corporation to further invest in operations, repay debt, and provide benefits to Shareholders, while maintaining ownership in assets without incurring additional interest expense.

## *Corporate General and Administrative (G&A) Expenses*

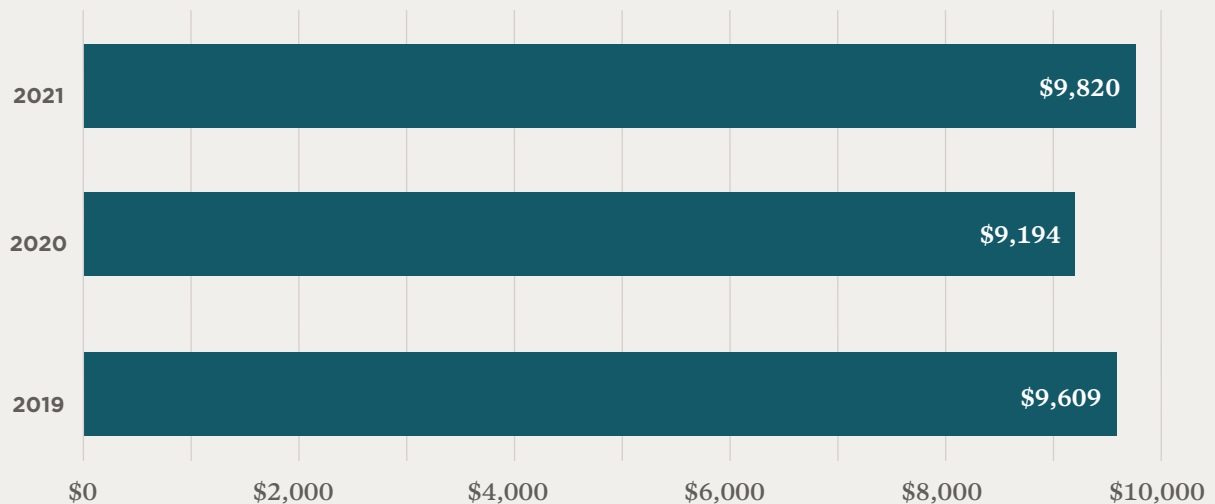
Koniag relies on profits from its subsidiary companies to fund both Shareholder services and corporate general and administrative expenses. The corporate departments work together to ensure that financial resources are invested in the most responsible and economically efficient way. Koniag's management is continuously seeking strategic opportunities to reduce these expenses to maximize benefits provided to Koniag Shareholders.

During 2021, overall G&A expenses increased by \$626,000, which was broadly due to an adjustment to the Shareholder benefits strategy, and new employees and associated costs. Shareholder Services remains the largest G&A department with an increase of nearly \$300,000 over 2020.

### CURRENT RATIO (CURRENT ASSETS/CURRENT LIABILITIES)



### CORPORATE GENERAL AND ADMINISTRATIVE EXPENSES (IN THOUSANDS)





## SHAREHOLDER BENEFITS

*Guided by our values.  
Inspired by our Shareholders.*

### HIGHLIGHTS

A total of \$7.6 million was paid towards Shareholder benefits during 2021.

Koniag is committed to enriching the lives of its Shareholders by providing sustainable benefits, furthering educational opportunities, focusing on responsible stewardship of its lands, and advocating for its communities. The Board and leadership team are intentional in offering a wide range of benefits designed to impact Shareholders in all stages of life. In addition to the annual Shareholder dividend, the types of financial support range from awarding youth scholarships for aspiring leaders to providing burial assistance to families in times of loss. Koniag is a major sponsor of in-region cultural activities by donating to various Alutiiq organizations. For political and legislative advocacy efforts, Koniag partners with in-region village and tribal organizations and statewide Native organizations to ensure its Shareholders' voices are heard in Juneau and Washington D.C. Through land improvement and enhancement projects, Koniag is managing its lands for future generations. The Corporation also hosts gatherings for Shareholders and their families to engage with community, share stories, and discuss important initiatives.

Fiscal year 2021 provided many opportunities for Koniag to live out its core value of sharing the catch. The pandemic was a serious threat to many of Kodiak's remote villages, requiring emergency medical aid, food, and household supplies. Koniag partnered with the Kodiak Area Native Association (KANA) to sponsor region-wide COVID-19 response and preparedness meetings and provided national and statewide advocacy to ensure the Kodiak area received the funding needed to fight the spread of the virus. Care packages and handwritten notes were sent to Elders. Koniag donated \$60,000 to non-profits and tribes to support in-region food security and cultural programs. In lieu of in-person gatherings, Koniag hosted its first ever virtual annual meeting as well as



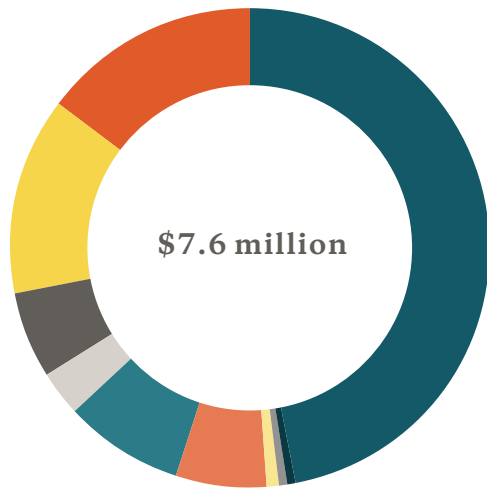
many virtual board, committee, and other Shareholder meetings. While there is no replacement for live gatherings, it was inspiring for so many generations across the globe to be together for the first time.

During fiscal year 2019, Shareholders approved the Koniag Shareholder Settlement Trust (the Settlement Trust) to promote the health, education, and welfare of its beneficiaries and to preserve the heritage and culture of Alaska Natives by means including, but not limited to, distributions and minimization of taxes from contributions made by the Corporation. During fiscal year 2021, Koniag contributed funds for dividends, Elder distributions, and investment principal funds to the Settlement Trust, as management has implemented a strategy to cultivate long-term investment earnings within the Settlement Trust itself. The graph on page 28 depicts the allocation of funds to and on behalf of Shareholders during fiscal year 2021, including \$4.3 million contributed to the Settlement Trust for distributions to Shareholders (\$9.50 per share) and Elders (\$850 each). In total, Koniag paid \$7.6 million in Shareholder benefits during fiscal year 2021, and contributed \$2.2 million to the Koniag Shareholder Settlement Trust for long-term endowment funding.

It is Koniag's mission to achieve financial growth, honor the Sugpiaq-Alutiiq culture, protect its lands, advocate for its communities, and make a meaningful impact on the Koniag family. Modeled after the endurance of the Alutiiq people, Koniag's commitment is to exist as a "forever" organization that fiercely protects its resources and endlessly reinvests in its longevity.

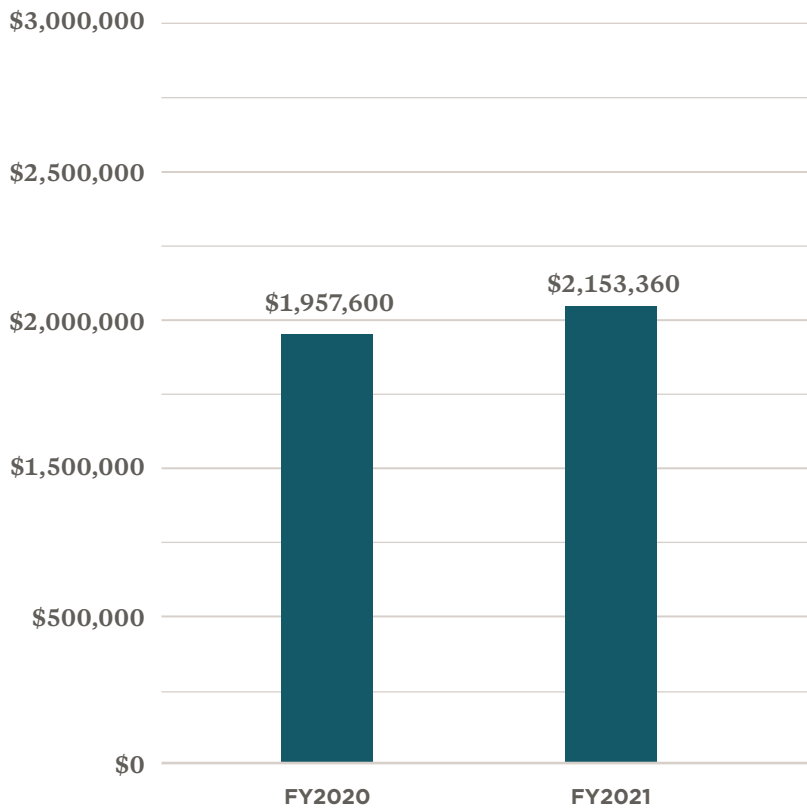
*Quyanaa*

# 2021 Shareholder Benefits



- Shareholder Dividends | 47%
- Shareholders Services Support | 14.5%
- Donations | 13.3%
- Advocacy | 5.9%
- Gatherings and Meetings | 3.1%
- Elder Distributions | 7.9%
- Lands | 6.2%
- Communications | 0.8%
- Youth Scholarships | 0.7%
- Burial Assistance | 0.6%

## CONTRIBUTIONS TO THE PRINCIPAL OF THE SHAREHOLDER SETTLEMENT TRUST





# Guide to Koniag's 2021 Financial Statements

## CONSOLIDATED BALANCE SHEETS

This financial statement shows the assets, liabilities, and equity of Koniag at a specific point in time, e.g., as of the end of the fiscal year.

**ASSETS:** What Koniag owns. Current assets include items such as receivables and inventories that are expected to be converted to cash within one year as Koniag operates its businesses. The rest of the assets are items such as land, buildings, and equipment that will be used over a longer period of time.

**LIABILITIES:** What Koniag owes. Current liabilities are items such as vendor payables, accrued wages, 7(j) payables, and income tax payables that are expected to be paid within one year. The rest of the liabilities are items due over a longer period of time, such as bank debt.

**SHAREHOLDERS' EQUITY:** The remaining value of the Corporation after deducting liabilities from assets. The line called noncontrolling interests represents the portion of equity that belongs to co-owners of Koniag's majority-owned subsidiaries. Equity has its own statement showing the changes from year to year.

	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 63,278	15,727
Restricted cash and certificate of deposit	1,815	197
Receivables, net	83,089	83,153
Contract assets	714	2,124
Investment securities	25,728	23,036
Current installments of notes receivable, net	756	—
Inventories	1,401	1,524
Prepaid expenses	2,057	1,770
Other assets	645	1,650
Total current assets	179,003	129,591
Notes receivable, net	81	—
Investment in affiliates	—	534
Property and equipment, net	26,236	33,443
Property held-for-sale	3,484	4,904
Goodwill, net	12,254	11,858
Intangible assets, net	1,146	1,583
Quarry development assets, net	18,858	18,879
Deferred taxes	8,777	9,591
Investment securities	2,305	3,438
Restricted certificate of deposit	1,145	1,349
Other assets	1,113	868
Total assets	\$ 254,905	216,065
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 32,952	31,174
Accrued payroll and related costs	21,025	14,623
Contract liabilities	5,334	1,466
Deferred revenue	154	177
Due to village corporations and at-large shareholders	3,477	6,127
Dividends payable	88	185
Lines of credit	1,809	8,951
Current portion of long-term debt	14,199	3,131
Income taxes payable	1,060	2,135
Other current liabilities	710	3,959
Total current liabilities	80,758	72,938
Long-term debt, less current installments	25,385	17,234
Other liabilities	2,229	2,723
Total liabilities	108,372	92,895
<b>Shareholders' equity:</b>		
Class A, Class B and Class C common stock of \$0.01 par value. Authorized 5,000,000 shares; issued and outstanding:		
Class A common stock - 224,300 shares	2	2
Class B common stock - 147,300 shares	1	1
Class C common stock - 3,100 shares	—	—
Retained earnings	146,155	116,708
Total shareholders' equity attributable to Koniag, Inc.	146,158	116,711
Noncontrolling interests	375	848
Total shareholders' equity	146,533	123,160
Commitments and contingencies	—	—
Total liabilities and shareholders' equity	\$ 254,905	216,065

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF EARNINGS

This financial statement shows the combined revenues, expenses, and net income of Koniag earned over a specific period of time, i.e., during the fiscal year.

**REVENUE AND GAINS:** Amounts earned for services provided, products sold, and other types of income such as amounts from other regional Native corporations (ANCSA Section 7(i)).

**EXPENSES:** Costs incurred to generate revenue and run the business.

**INCOME TAX:** The amount of federal and state tax Koniag estimates it will have to pay currently and in future years based on the current year's operations.

**NONCONTROLLING INTERESTS:** The portion of net income that belongs to co-owners of Koniag's majority-owned subsidiaries.

**EARNINGS PER SHARE:** Divides net income by the number of Koniag shares outstanding (374,700), to report the amount of income earned per share.

	2021	2020	2019
<b>Revenue and gains (losses):</b>			
Contracting and sales revenue	\$ 456,230	403,100	311,202
Natural resources income	4,291	6,031	7,094
Lease income	801	1,060	1,030
Investment income (loss)	2,062	(350)	170
Equity in earnings (loss) of affiliates	49	(20)	4,298
Gain on investments in affiliates and disposal of assets	216	635	26
Interest income	168	172	50
Other	251	102	8
Total revenue and gains (losses)	464,068	410,730	323,878
<b>Expenses:</b>			
Cost of contracting and sales and natural resources	360,372	325,911	246,893
Selling, general and administrative	49,326	51,005	46,033
Change in fair value of contingent consideration	(542)	(725)	45
Impairment of property and equipment and investments in affiliates	—	796	4,370
Gain on extinguishment of debt	(800)	—	—
Interest expense	1,009	368	350
Depreciation and amortization	2,578	2,524	2,428
Amortization of goodwill and intangible assets	2,719	2,517	2,859
Total expenses	414,572	382,496	302,978
Earnings before income taxes	49,496	28,234	20,900
Income tax expense	(11,076)	(5,985)	(4,704)
Net earnings	38,420	22,249	16,196
Less net earnings attributable to noncontrolling interests	181	1,309	1,324
Net earnings attributable to Koniag, Inc.	\$ 38,239	20,940	14,872
Earnings per share	\$ 102.05	55.88	39.69

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

This financial statement shows the activity in each of the components of Shareholders' equity for the current year and the last two years, including net earnings and amounts distributed back to Shareholders. In a healthy company, the Shareholder equity is growing.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

This financial statement shows where Koniag's cash comes from and how it is spent.

**CASH FLOWS FROM OPERATING ACTIVITIES:** Cash from operating activities is generated from and spent on the primary business operations of Koniag and its subsidiaries. This includes things such as cash received from customers, cash paid to suppliers and employees, 7(i) receipts and payments, interest paid on debt, income taxes paid to the government, and purchases, sales, and earnings from investment securities.

**CASH FLOWS FROM INVESTING ACTIVITIES:** Cash from investing activities is generated from and spent on longer-term investments in subsidiaries, projects such as the quarry, and capital assets such as buildings and equipment that are used in Koniag's operations.

**CASH FLOWS FROM FINANCING ACTIVITIES:** Cash from financing activities is generated from and spent on money received from or paid to external parties such as lenders, as well as distributions to Shareholders.

### Koniag, Inc. and Subsidiaries Consolidated Statements of Changes in Shareholders' Equity Years ended March 31, 2021, 2020 and 2019 (In thousands)

	Common stock	Retained earnings	Equity attributable to Koniag, Inc.	Non-controlling interests	Total shareholders' equity
Balance at April 1, 2018	\$ —	\$8,461	\$8,464	\$,237	\$6,701
Net earnings	—	14,872	14,872	1,324	16,196
Distributions to noncontrolling interest	—	—	—	(821)	(821)
Redemption of noncontrolling interest	—	—	—	(821)	(821)
Elder benefit program dividends declarations restricted	—	—	—	—	—
Contributions to Settlement Trust	—	328	328	—	328
Contributions to Settlement Trust	—	(3,920)	(3,920)	—	(3,920)
Balance at March 31, 2019, as previously reported	\$ —	\$10,341	\$10,344	\$,919	\$10,263
Impact of change in accounting policy	—	1,484	1,484	—	1,484
Balance at April 1, 2019, as adjusted	\$ —	\$11,825	\$11,828	\$,919	\$10,747
Net earnings	—	20,940	20,940	1,369	22,249
Distributions to noncontrolling interest	—	—	—	(2,751)	(2,751)
Redemption of noncontrolling interest	—	—	—	(28)	(28)
Contributions to Settlement Trust	—	(6,057)	(6,057)	—	(6,057)
Balance at March 31, 2020	\$ —	\$16,708	\$16,711	\$,649	\$12,360
Net earnings	—	38,239	38,239	181	38,420
Distributions to noncontrolling interest	—	—	—	(36)	(36)
Redemption of noncontrolling interest, net of 851 tax benefit	—	(1,050)	(1,050)	(8,343)	(9,393)
Contributions to Settlement Trust	—	(7,137)	(7,137)	—	(7,137)
Noncontrolling interests related to dispositions of affiliates	—	—	—	(250)	(250)
Noncontrolling interest established upon business combination	—	—	—	374	374
Balance at March 31, 2021	\$ —	\$146,105	\$146,108	\$75	\$146,033

See accompanying notes to consolidated financial statements.

### Koniag, Inc. and Subsidiaries Consolidated Statements of Cash Flows Years ended March 31, 2021, 2020 and 2019 (In thousands)

	2021	2020	2019
<b>Cash flows from operating activities:</b>			
Net earnings	\$ 38,420	22,249	16,196
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation and amortization	5,297	5,141	5,287
Impairment of intangible assets, property and equipment, and investments in affiliates; and (gain) on disposal of assets and investments in affiliates	(216)	377	4,344
Unrealized (gain) loss on securities	(1,688)	224	305
Change in fair value of contingent consideration	(542)	(725)	45
Gain on sale of subsurface estate	(1,002)	—	—
Gain on extinguishment of debt	(890)	—	—
Distributions in excess of (undistributed) earnings in unconsolidated affiliates	(8)	147	(3,855)
Bad debt (recovery) expense	(1,745)	3,346	204
Deferred taxes	814	(472)	(786)
Changes in assets and liabilities that provided (used) cash, net of effects of purchase of business operations:			
Receivables	2,305	(35,590)	(6,650)
Contract assets	1,410	(1,525)	657
Inventories	547	10,761	(4,373)
Prepaid expenses and other assets	860	(359)	53
Investment securities	(188)	(3,917)	(7,202)
Due to village corporations and at-large shareholders	(2,650)	(1,101)	574
Accounts payable and accrued expenses	8,202	14,164	(293)
Contract liabilities	2,118	(11,364)	(5,266)
Deferred revenue	(13)	1,458	(22)
Payable on contingent consideration	—	—	(46)
Income tax payable and other liabilities	(2,713)	(3,170)	2,094
Net cash, cash equivalents, and restricted cash provided by (used in) operating activities	48,318	(756)	2,166
<b>Cash flows from investing activities:</b>			
Reimbursement for capital expenditures	1,948	—	—
Purchase of property and equipment	(1,688)	(2,322)	(3,168)
Proceeds from sale of property and equipment	2,760	1,344	2
Investment in quarry development assets	—	(848)	(847)
Proceeds from sales of investment in affiliates and subsidiaries, net of cash disposed	458	570	3,928
Investment in unconsolidated affiliates	(13)	(25)	(48)
Acquisitions of business enterprises, net of cash acquired	(1,761)	(25)	—
Net cash, cash equivalents, and restricted cash provided by (used in) investing activities	1,717	(1,279)	(135)

### Koniag, Inc. and Subsidiaries Consolidated Statements of Cash Flows Years ended March 31, 2021, 2020 and 2019 (In thousands)

	2021	2020	2019
<b>Cash flows from financing activities:</b>			
Principal payments on long-term debt	\$ (4,212)	(2,955)	(4,896)
Proceeds from the issuance of debt	28,913	2,314	—
Payment on initial contingent consideration	—	—	(287)
Net (repayments) borrowings under lines of credit	(8,142)	8,678	(3,681)
Dividends paid	(97)	42	(87)
Contributions to Settlement Trust	(9,312)	(3,882)	(3,320)
Redemption of noncontrolling interests, net of tax benefit	(7,998)	(28)	—
Distributions to noncontrolling interests	(38)	(2,751)	(1,093)
Net cash, cash equivalents, and restricted cash provided by (used in) financing activities	(884)	1,378	(13,364)
Net increase (decrease) in cash and cash equivalents, and restricted cash	49,151	(657)	(11,333)
Cash, cash equivalents, and restricted cash at beginning of year	15,727	16,384	27,717
Cash, cash equivalents, and restricted cash at end of period	\$ 64,878	\$ 15,727	\$ 16,384
<b>Balances per Consolidated Balance Sheets:</b>			
Cash and cash equivalents	\$ 63,278	15,727	16,262
Restricted cash	1,600	—	122
Total cash, cash equivalents, and restricted cash	\$ 64,878	\$ 15,727	\$ 16,384
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid during the year for interest, net of capitalized interest	\$ 847	380	311
Cash paid during the year for income taxes, net	10,537	9,753	2,327
<b>Supplemental schedule of noncash investing and financing activities:</b>			
Purchase of equipment through capital lease	\$ 127	4,953	—
Acquisition of subsidiary through issuance of contingent consideration	65	—	—
Acquisition of subsidiaries through issuance of notes payable	865	—	—
Contributions to Settlement Trust declared and not paid	—	2,175	—
Liability for redemption of noncontrolling interest	—	—	547
Rescission of Elder dividend now to be paid by Settlement Trust	—	—	328

See accompanying notes to consolidated financial statements.



# Additional Terms Used in Koniag's Annual Report

**AMORTIZATION:** An expense on the *Statement of Earnings* for the cost of using finite-lived intangible assets (goodwill, customer relationships, etc.) over their useful lives.

**BUSINESS SEGMENTS:** The various divisions of Koniag that each have unique strategies for generating income. The segments include operating companies, real estate, natural resources and investment securities.

**CURRENT RATIO:** Sometimes known as liquidity ratio. Current assets divided by current liabilities equals current ratio. The ratio should be greater than 1:1. For example, a ratio of 2:1 means Koniag has \$2 in assets for every \$1 in liabilities.

**DEFERRED TAXES:** An asset that Koniag estimates will be used in the future to lower its taxes owed to the government.

**DEPRECIATION:** An expense on the *Statement of Earnings* for the use of fixed assets (buildings, equipment, computers, etc.) over their useful lives.

**FINANCIAL STATEMENTS AND NOTES:** Koniag's financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) and audited by an independent public accounting firm. The consolidated financial statements reflect the financial results of all subsidiaries and investments combined and include the *Consolidated Balance Sheets*, *Consolidated Statements of Earnings*, *Consolidated Statements of Changes in Shareholders' Equity*, and *Consolidated Statements of Cash Flows*. The audited financial statements also include notes that provide additional detail about key items contained within the financial statements. Further, the notes explain Koniag's significant accounting policies and contain descriptions of each operating company and each business segment.

**FISCAL YEAR:** Koniag's fiscal year is April 1 through March 31.

**GOODWILL:** The amount paid for a company for the assets and liabilities of a company that is in excess of the value of the identified tangible and intangible assets. Koniag recognizes the expense of goodwill over a 10-year period and this expense is included as an amortization expense in the *Statement of Earnings*.

**INTANGIBLE ASSETS:** Assets that have no physical existence but derive value from intellectual or

legal rights and from the value they add to other assets (e.g., customer relationships, patents, trademarks, etc.). Koniag recognizes the expense for intangible assets over their useful lives (typically 5 to 15 years) and this expense is included as an amortization expense in the *Statement of Earnings*.

**IMPAIRMENT:** Loss recognized during the year on the *Statement of Earnings* for the amount that the book value of an asset exceeds its fair market value.

**LIQUIDITY:** A measure of the ability to cover current liabilities with current assets—how quickly assets can be turned into cash to pay amounts due. It is ideal for a company to always have more current assets than liabilities. See also: *current ratio*.

**OPERATING SECTORS:** Core business lines within the operating companies' business segment that include commercial IT services, government contracting services, energy and water services, and on-island operations.

**PAYROLL PROTECTION PROGRAM (PPP):** A loan program overseen by the Small Business Administration (SBA) designed to provide incentive for businesses to keep workers employed. The PPP loans are reflected in the liabilities section of the *Balance Sheet* and PPP loan amounts that have been forgiven by the SBA are included in other income of the *Consolidated Statements of Earnings*. The *Consolidated Statements of Cash Flows* also shows the loans proceeds in the cash flows from financing activities section.

**SELLING, GENERAL, AND ADMINISTRATIVE:** Various costs of operations for Koniag and each of the subsidiaries. These costs include selling costs; administrative personnel costs; legal, accounting, and other professional fees; directors' costs and fees; annual, informational, and roundtable meetings; donations and contributions; land surveys and other natural resource related costs; management and operational costs of investment properties; annual report and newsletter preparation and printing costs; advertising; office rent; travel; insurance; office supplies; and other costs necessary for the effective operation of the Corporation.

**WORKING CAPITAL:** Current assets minus current liabilities. This is a measure of a company's short-term financial health. See also: *liquidity*.





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