Kikiktagruk Inupiat Corporation

2019 Annual Report

Who We Are

Kikiktagruk Inupiat Corporation (KIC) was created to enrich the lives of our Inupiaq shareholders and descendants—members of one of Northwest Alaska's most abundant subsistence-based societies. Headquartered in Kotzebue, KIC was formed in 1973 as a village corporation under the Alaska Native Claims Settlement Act (ANCSA) of 1971. KIC strives to pursue a diverse range of business interests and partnerships, and this has helped build a Corporation focused on creating new opportunities for shareholders while preserving and promoting our traditional Inupiat values.

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Board of Directors

Martin Shroyer, Chairperson

mshroyer@kikiktagruk.com

Cheryl Edenshaw, Vice Chairperson

cedenshaw@kikiktagruk.com

Kathleen Sherman, Secretary

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Claude Wilson, Jr., Treasurer

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Harold Lambert, Director

hlambert@kikiktagruk.com

Daisy Lambert, Director

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Lance Kramer, Director

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To Our Shareholders

Dear Shareholders,

KIC will hold its 2020 Annual Meeting virtually on Thursday, November 12th, 2020 at 5:30 p.m. Shareholders of record will elect two (2) KIC Directors at this meeting. Your participation is important and we encourage you to vote by returning your proxy on or before the early bird proxy prize deadline. Those proxies received by 5:00 PM on November 2, 2020 will be entered in a drawing for two (2) $1,000 cash prizes.

This past year has been a busy one as we continue Making KIC the Best it Can Be! As we conduct the business of our Shareholders, the KIC Board of Directors continually strive to make decisions that create Shareholder Value for all Shareholders near and far. This Value comes in many forms: reliable dividends; employment opportunities to our Shareholders and descendants; and financial support for scholarships, burial assistance, summer youth hire programs, and various community and civic activities. In 2019, KIC continued making solid progress in delivering these benefits, and in fact, had a record summer youth hire program to prepare our young people for the work force.

To continue providing these benefits, much of the Board and Management's focus in 2019 has been on executing our strategy to grow KIC's Government Services businesses and build our performance capabilities here at home to secure projects in Kotzebue. As you can see from the financials, these Government Services work acquisition strategies have been reasonably successful as KIC experienced robust revenue growth in 2019. Our efforts to secure projects in Kotzebue have had mixed results. While we've been successful in submitting numerous winning bids and proposals, those efforts have not materialized into contract awards or grants. Of course this is particularly disappointing since each of those projects would have created numerous employment opportunities for our Shareholders and thereby a benefit to the broader Community. Despite these setbacks and obstacles, your Board of Directors and Management will continue to pursue local work, and reinforce the message to the Borough, that KIC remains committed to meaningful participation in our Community through the pursuit of contracts and employment opportunities for our people. On a more positive note, we would like to thank KEA, NIHA, NVOK, and Maniilaq for awarding KIC significant work this past year. Those contracts created high-paying jobs for our Shareholders and kept the money here in Kotzebue. We very much appreciate the spirit of Community in their actions!

On the Government Services front, we continued to focus on expectations for performance, results, responsibility, and accountability across KIC's management and staff. These expectations are consistent with the Board's decision to implement more stringent oversight of KIC's many business units. Working closely with the Administration the Board implemented policies and practices that created a more transparent, compliant, and responsive organization.

Consistent with the directives of the KIC Board, management continues to grow and diversify our Government Services businesses in a way that ensures limited risk, prudent use of the Corporation's assets, and consistent profitability. Venturing beyond being a construction services contractor, we have taken on new professional service contracts to deliver scientific support for the Federal Drug Administration's (FDA) Center for Biologics Evaluation and Research. KIC, through its Midnight Sun Technologies subsidiary, is at the leading edge of research aimed at protecting humans against some of the most dangerous viruses known—including COVID-19. We anticipate this service line to grow and provide consistent revenue for the Corporation.

While we will always seek opportunities in the Federal marketplace, we continue to focus on securing opportunities closer to home. We hope you have noticed that KIC has been much more active in pursuing projects throughout the Community and the broader region. We intend to continue building our local capabilities and will work diligently with our public and private sector partners in the Community to create Value as well as jobs for our Shareholders.

In closing, the Board of Directors and Management Team wish to thank our dedicated staff for their positive response to the challenges of change. We wish to thank each of you, the Shareholders of Kikiktagruk Inupiat Corporation for your understanding, and your support as we move beyond difficult times, and toward a more prosperous future. It is your determination, your perseverance, and your engagement in your Corporation that guides us to seek new ideas and to make prudent business decisions aimed at Making KIC the Best it Can Be!

We look forward to your participation in the virtual Annual Meeting on November 12th.

On a personal note, as I will not be seeking reelection to the Board of Directors, I would like to thank the Shareholders for the honor and privilege of serving you over the past nine years. I would also like to thank my fellow Board members for their support, fellowship, and commitment to our Inupiat Values as we conducted the business of our Corporation & Shareholders.

Respectfully,

Martin Shroyer
Chair of the Board of Directors

Thomas Kennedy
President & CEO

Financial Statements

Management Discussion & Analysis

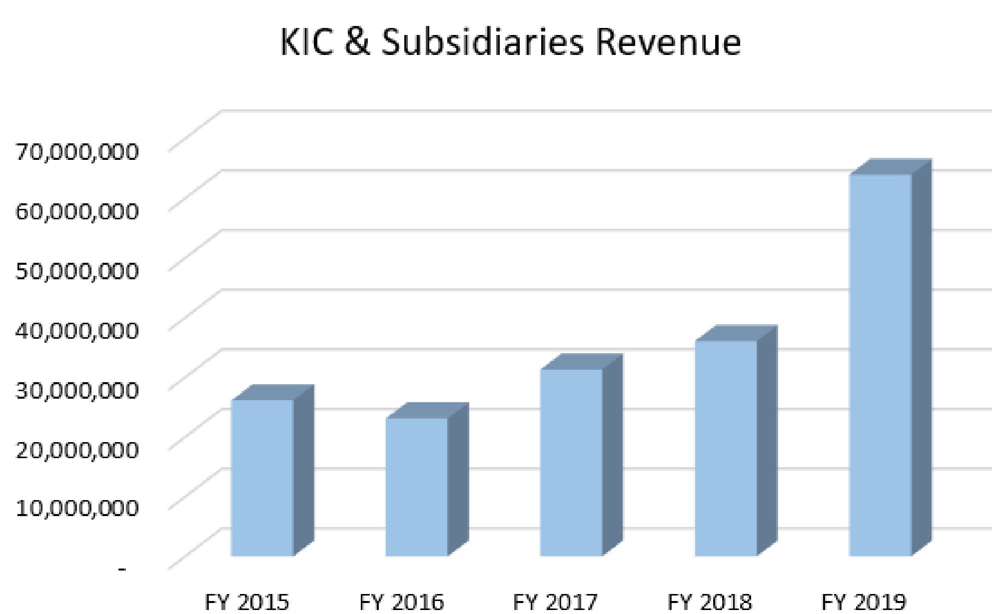
Financial Summary

- Cash on hand was $8.46 million at the end of 2019 which was an increase of $500,000 from 2018's value of $7.95 million.
- Total current assets increased by $12.9 million.
- Total liabilities ended the year at $28.77 million, an increase of $5.27 million over 2018.
- KIC shareholder equity (the portion of the company owned by shareholders) increased to 13.54 in 2019.

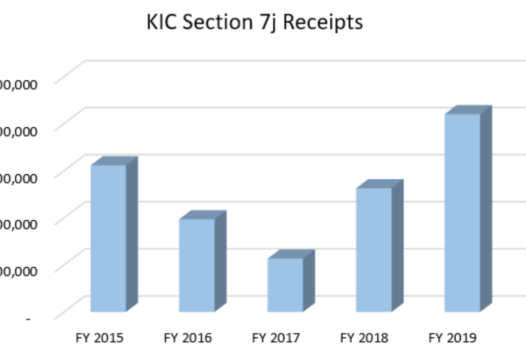
Results of Operations

In 2019, KIC reported consolidated revenues of $63.95 million, an increase of $27.87 million when compared to 2018 revenues of $36.08 million. The increase in 2019 revenues are primarily attributed to an increase of approximately $26 million in JBOS revenue and an increase of approximately $1.7 million in contract revenues.

Gross Profits total $3.01 million in 2019, a decrease of $4.48 million when compared to 2018 gross profit of $7.49 million. The decrease in gross profit is primarily attributable to the decrease in margin earned from the contract revenues on JBOS contract.

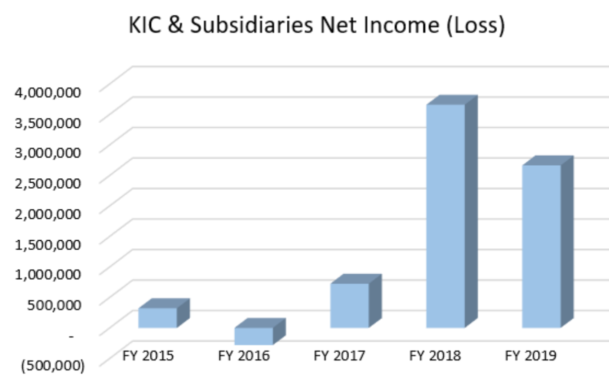


Selling, general and administrative (SG&A) expenses total $4.13 million in 2019, a slight increase of $65,000 in expense when compared to the 2018 SG&A of $4.07 million. With the receipt of revenue sharing under Section 7 (j) of the Alaska Native Claims Settlement Act and the inclusion of Other Income, KIC reported a Pre-tax income of $3.32 million, which is a reduction of $2.66 million when compared to the Pre-tax gain of $5.99 million incurred in 2018.



In 2019, 7(j) receipts totaled $4.2 million, an increase of $1.57 million over the 2018 7(j) receipts of $2.62 million. The 7(j) revenues typically fluctuate from year to year based upon changes in the price of natural resources. KIC does not have the ability to influence the amount of 7(j) revenues received in any given year.

The Net Comprehensive Gain in 2019 totaled $2.66 million, as compared to the 2018 net gain of $3.65 million.



Operations

Kikiktagruk Inupiat Corporation

Parent Corporation with land lease revenues and resource revenues from the 7(j) program.

KIC Construction

Offers a wide range of services, construction, snow plowing, maintenance, and gravel mining amongst others in Kotzebue, Alaska.

KIC Facilities Management

Provides facility support services to commercial and government customers in Kotzebue, Alaska. KICFM owns and manages over 120 residential units.

KIC Logistics

Owns and operates a variety of end-user retail outlets in Kotzebue, Alaska. KICL supplies customers in the region with snow machines, ATVs, hardware, lumber, vehicle parts, fuel products, and top name appliances.

Alaska Universal Services

Provides roofing, remodels, renovations, repairs, and facilities maintenance to a variety of government and commercial customers.

Midnight Sun Technology

Provides base operations support and staff augmentation. MST is actively involved in a mentor-protégé relationship with Jones Lange LaSalle.

Midnight Sun Global Solutions

Currently holds several long-term contracts for construction services. MSGS is actively involved in a mentor-protégé relationship with Centennial Contractors Enterprises, Inc.

Midnight Sun AUS

A newly-formed entity developing relationships with a number of government agencies. Contracts include parking services and outlet testing and inspection.

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Independent Auditor's Report

Board of Directors
Kikiktagruk Inupiat Corporation
Anchorage, Alaska

We have audited the accompanying consolidated financial statements of Kikiktagruk Inupiat Corporation and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 auditor's 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 Kikiktagruk Inupiat Corporation and Subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the World Health Organization has declared COVID-19 a global pandemic leading to broader global economic uncertainties. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, in 2019, Kikiktagruk Inupiat Corporation adopted ASC 606: *Revenue from Contracts with Customers-*. Our opinion is not modified with respect to this matter.

BDO USA, LLP

Anchorage, Alaska
June 3, 2020

Consolidated Financial Statements

Kikiktagruk Inupiat Corporation and Subsidiaries

Consolidated Balance Sheets

December 31,	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	$ 8,464,453	$ 7,950,567
Accounts receivable, net	15,738,173	5,544,214
Contract assets	4,877,350	3,871,857
Inventory	3,917,146	3,133,887
Prepaid expenses and other current assets	684,905	266,188
Total Current Assets	33,682,027	20,766,713
Noncurrent Assets		
Restricted cash	435,221	434,439
Investment in marketable securities	-	4,789,834
Property and equipment, net	8,894,427	9,005,942
Deferred tax asset	457,062	632,744
Other noncurrent assets	130,700	121,647
Total Noncurrent Assets	9,917,410	14,984,606
Total Assets	$ 43,599,437	$ 35,751,319
Liabilities and Shareholders' Equity		
Current Liabilities		
Line of credit	$ 1,454,038	$ 1,423,400
Income tax payable	2,054,931	2,474,018
Accounts payable and accrued expenses	19,783,512	12,475,833
Current portion of long-term debt	612,329	574,455
Bank overdrafts	178,363	1,427,226
Contract liabilities	1,562,109	1,349,125
Total Current Liabilities	25,645,282	19,724,057
Long-term debt, net of current portion and debt issuance costs	3,126,283	3,776,093
Total Liabilities	28,771,565	23,500,150
Commitments and contingencies		
Shareholders' Equity		
Common stock, par value $0.01, authorized 500,000 shares; issued and outstanding 202,100 shares for 2019 and 2018	2,020	2,020
Contributed capital	10,573,264	10,573,264
Retained earnings	2,966,049	854,781
Accumulated other comprehensive loss, net of tax	-	(149,155)
Total KIC Shareholders' Equity	13,541,333	11,280,910
Noncontrolling interest	1,286,539	970,259
Total Shareholders' Equity	14,827,872	12,251,169
Total Liabilities and Shareholders' Equity	$ 43,599,437	$ 35,751,319

See accompanying notes to consolidated financial statements.

Kikiktagruk Inupiat Corporation and Subsidiaries

Consolidated Statements of Income and Comprehensive Income

Years Ended December 31,	2019	2018
Revenues		
Merchandise and fuel sales	$ 4,980,576	$ 5,429,966
Rental properties	3,684,399	3,715,306
Contract revenues	54,048,033	26,288,796
Resource and other revenues	1,246,744	653,218
Total Revenues	63,959,752	36,087,286
Cost of Revenues		
Cost of merchandise and fuel sales	4,239,550	4,565,799
Cost of rental properties	1,208,361	1,189,049
Direct cost of contracts	52,463,053	19,031,695
Overhead cost	3,036,061	3,802,054
Total Cost of Revenues	60,947,025	28,588,597
Gross Profit	3,012,727	7,498,689
Selling, general and administrative expenses	4,137,300	4,071,388
Income (Loss) from Operations	(1,124,573)	3,427,301
Other Income (Expense)		
7(j) distributions	4,201,685	2,627,616
Finance, dividend and interest income	463,153	156,944
Interest expense	(303,433)	(299,997)
Other	88,248	78,580
Total Other Income	4,449,653	2,563,143
Income Before Income Taxes	3,325,080	5,990,444
Provision for income taxes	834,202	2,100,906
Net Income	2,490,878	3,889,538
Net loss attributable to noncontrolling interest	173,745	16,904
Net Income Attributable to KIC Shareholders	2,664,623	3,906,442
Other Comprehensive Loss, Net of Tax		
Unrealized loss on investment in marketable securities arising during the year	-	(229,201)
Reclassification adjustment	-	(19,086)
Total Other Comprehensive Loss, Net of Tax	-	(248,287)
Total Comprehensive Income Attributable to KIC Shareholders	$ 2,664,623	$ 3,658,155

See accompanying notes to consolidated financial statements.

Kikiktagruk Inupiat Corporation and Subsidiaries

Consolidated Statements of Changes in Shareholders' Equity

Years Ended December 31, 2019 and 2018	Common Stock	Contributed Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total KIC Shareholders' Equity	Noncontrolling Interest	Total Shareholders' Equity
Balance, January 1, 2018	$ 2,020	$ 10,573,264	$ (2,647,462)	$ 99,132	$ 8,026,954	$ 7,163	$ 8,034,117
Net income (loss)	-	-	3,906,443		3,906,443	(16,904)	3,889,539
Dividends declared and contributions	-	-	(404,200)	-	(404,200)	980,000	575,800
Other comprehensive items, net of tax	-	-	-	(248,287)	(248,287)	-	(248,287)
Balance, December 31, 2018	$ 2,020	$ 10,573,264	$ 854,781	$ (149,155)	$ 11,280,910	$ 970,259	$ 12,251,169
Net income (loss)	-	-	2,664,623	-	2,664,623	(173,745)	2,490,878
Contributions	-	-	-	-	-	490,025	490,025
Dividends declared	-	-	(404,200)	-	(404,200)	-	(404,200)
Other comprehensive items, net of tax	-	-	(149,155)	149,155	-	-	-
Balance, December 31, 2019	$ 2,020	$ 10,573,264	$ 2,966,049	$ -	$ 13,541,333	1,286,539	$ 14,827,872

See accompanying notes to consolidated financial statements.

Kikiktagruk Inupiat Corporation and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended December 31,	2019	2018
Cash Flow from Operating Activities		
Net income	$ 2,490,878	$ 3,889,539
Adjustment to reconcile net income to net cash from (for) operating activities:		
Depreciation and amortization	619,451	678,269
Realized gain on investment in marketable securities	(417,884)	(26,649)
Deferred tax expense (benefit)	175,682	(540,800)
Gain on disposal of assets	(60,129)	-
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable	(10,193,959)	(4,277,803)
Contract assets	(1,005,493)	(2,447,950)
Inventory	(783,259)	(221,485)
Income tax receivable	(419,087)	3,132,357
Prepaid expenses and other current assets	(418,717)	(164,007)
Other noncurrent assets	(9,053)	(6,814)
Accounts payable	7,290,178	4,087,895
Contract liabilities	212,984	1,349,125
Net cash from (for) operating activities	(2,518,408)	5,451,677
Cash Flows from Investing Activities		
Purchase of property and equipment	(643,838)	(156,783)
Proceeds from sale of property and equipment	213,532	-
Proceeds from sale of marketable securities	5,207,718	3,733,790
Purchases of marketable securities	-	(6,240,845)
Net cash from (for) investing activities	4,777,412	(2,663,838)
Cash Flows for Financing Activities		
Net proceeds from line of credit	30,638	1,423,400
Bank overdrafts	(1,248,863)	1,427,226
Payment of principal obligations	(611,936)	(474,359)
Change in restricted cash balance	(782)	(14,260)
Contributions from noncontrolling interest	490,025	980,000
Dividends and distributions	(404,200)	(404,200)
Net cash from (for) financing activities	(1,745,118)	2,937,807
Net increase in cash and cash equivalents	513,886	5,725,646
Cash and Cash Equivalents, beginning of year	7,950,567	2,224,921
Cash and Cash Equivalents, end of year	$ 8,464,453	$ 7,950,567
Supplemental disclosures:		
Cash paid for interest	$ 303,433	$ 299,997
Cash paid for taxes	$ 1,074,912	$ 41,526

See accompanying notes to consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

Description of Business

Kikiktagruk Inupiat Corporation (the "Corporation") was incorporated under the Alaska Business Corporation Act on July 16, 1973, pursuant to the Alaska Native Claims Settlement Act ("ANCSA" or "the Act") enacted by Congress on December 18, 1971. The Corporation was formed on behalf of Alaska Native residents of the village of Kotzebue, Alaska, and is located within the geographic region encompassed by NANA Regional Corporation. The Corporation's principal lines of business are retail sales of hardware, lumber, fuel, auto parts and Polaris recreational vehicles and accessories, contracting of general services, construction, and management of commercial and residential rental properties.

Principles of Consolidation

The consolidated financial statements include the accounts of Kikiktagruk Inupiat Corporation (KIC) and its majority-owned subsidiaries (collectively, the Corporation), most of which are limited liability companies. Most of these companies have no termination date and the Corporation's liability is limited to the capital contributed. All significant intercompany balances and transactions have been eliminated. Entities that are determined to be Variable Interest Entities (VIEs) are consolidated if it is determined the Corporation is the primary beneficiary of that entity.

Noncontrolling Interests

The Corporation applies the provisions of Topic 810 of the Financial Accounting Standards Board (FASB) Accounting Standards Codification relating to noncontrolling interests in consolidated financial statements. This guidance requires noncontrolling interests to be reported as a component of equity separate from the parent's equity and purchases or sales of equity interests, that do not result in a change in control, to be accounted for as equity transactions. In addition, net income attributable to a noncontrolling interest is to be included in net income and, upon a loss of control, the interest sold, as well as any interest retained, is to be recorded at fair value, with any gain or loss recognized in net income.

Contract Cost and Revenue Recognition

On January 1, 2019, the Corporation adopted Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers using the modified retrospective method applied to those contracts that were not substantially complete as of January 1, 2019. ASC 606 outlines a five-step model whereby revenue is recognized as performance obligations within the contract are satisfied. The Corporation's performance obligations are satisfied over time as work progresses or at a point in time. ASC 606 also requires new, expanded disclosures regarding revenue recognition. There was no change to revenue for the year ended December 31, 2019 as a result of applying ASC 606.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in ASC Topic 606. A contract's transaction price is allocated to each distinct performance obligation within that contract and recognized as revenue when, or as, the performance obligation is satisfied. The majority of the Corporation's contracts have a single performance obligation as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts and is, therefore, not distinct. Some contracts have multiple performance obligations, most commonly due to the contract covering multiple phases of the product lifecycle (development, production, maintenance and support). For contracts with multiple performance obligations, the Corporation allocates the contract's transaction price to each performance obligation using management's best estimate of the standalone selling price of each distinct good or service in the contract. The primary method used to estimate standalone selling price is the expected cost plus a margin approach, under which the Corporation forecasts expected costs of satisfying a performance obligation and then adding an appropriate margin for that distinct good or service.

The Corporation generates revenue under the following two basic types of contracts:

- Fixed-Price Contracts: Under a fixed-price contract, the Corporation performs the specified work for a predetermined price. To the extent actual direct and allocated indirect costs decrease or increase from the estimates upon which the price was negotiated, the Corporation will generate more or less profit, respectively, or could incur a loss.

- Time-and-Materials Contracts: Under contracts in this category, the Corporation charges a fixed hourly rate for each direct labor hour expended and is reimbursed for billable material costs and billable out-of-pocket expenses inclusive of allocable indirect costs. The Corporation assumes the financial risk on time-and-materials contracts because costs of performance may exceed negotiated hourly rates.

The Corporation recognizes revenue over time when there is a continuous transfer of control to the customer. For U.S. government contracts, this continuous transfer of control to the customer is supported by clauses in the contract that allow the U.S. government to unilaterally terminate the contract for convenience, pay for costs incurred plus a reasonable profit and take control of any work in process. When control is transferred over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. Based on the nature of the products and services provided in the contract, the Corporation uses judgment to determine if an input measure or output measure best depicts the transfer of control over time. For services contracts, the Corporation typically satisfies performance obligations as services are rendered. The Corporation typically uses a cost-based input method to measure progress. Revenue is recognized proportionally as contract costs are incurred plus estimated fees. For time-and-material contracts, the Corporation bills the customer per labor hour and per material, and revenue is recognized in the amount invoiced since the amount corresponds directly to the value of performance to date. For service contracts, a time-elapsed output method is used to measure progress, and revenue is recognized straight-line over the term of the contract. If a contract does not meet the criteria for recognizing revenue over time, revenue is recognized at a point in time. Revenue is recognized at the point in time when control of the good or service is transferred to the customer. The Corporation considers control to be transferred when it has a present right to payment and the customer has legal title. Determining a measure of progress and when control transfers requires the Corporation to make judgments that affect the timing of when revenue is recognized. Essentially all of the Corporation's contracts satisfy their performance obligations over time.

Contract modifications are routine in the performance of contracts. Contracts are often modified to account for changes in contract specifications or requirements. In most instances, contract modifications are for goods or services that are not distinct and, therefore, are accounted for as part of the existing contract. The effect of a contract modification on the transaction price and the measure of progress for the performance obligation to which it relates is recognized as an adjustment to revenue and profit cumulatively. Furthermore, a significant change in one or more estimates could affect the profitability of contracts. The Corporation recognizes adjustments in estimated profit on contracts in the period in which the change is identified. The impact of adjustments in contract estimates is reflected revenue.

Accounting for long-term contracts involves the use of various techniques to estimate total contract revenue and costs. Contract estimates are based on various assumptions to project the outcome of future events that often span several years. These assumptions include labor productivity and availability; the complexity of the work to be performed; the cost and availability of materials; the performance of subcontractors; and the availability and timing of funding from the customer. When estimates of total costs to be incurred on a contract exceed total estimates of the transaction price, a provision for the entire loss is determined at the contract level and is recorded in the period in which the loss is determined.

For arrangements with the U.S. Government, work on contracts generally does not begin until funding is appropriated by the customer. Billing timetables and payment terms on contracts vary based on a number of factors, including the contract type. Typical payment terms under fixed-price contracts with the U.S. Government provide that the customer pays either based on the achievement of contract milestones or progress payments based on a percentage of costs that are incurred. For the certain contracts, the Corporation may receive advance payments prior to commencement of work, as well as milestone payments that are paid in accordance with the terms of the contract as work is performed. The Corporation recognizes a liability for payments in excess of revenue recognized, which is presented as a contract liability on the balance sheet. The portion of payments retained by the customer until final contract settlement is not considered a significant financing component because the intent is to protect the customer from the Corporation's failure to adequately complete some or all of the obligations under the contract. Payments received from customers in advance of revenue recognition are not considered to be significant financing components because they are used to meet working capital demands that can be higher in the early stages of a contract.

Contract costs include all direct labor, labor burden, material, subcontract and equipment costs, and those indirect costs related to contract performance, such as indirect labor, supplies, and tools. Administrative expenses are charged to expenses when incurred. Profit incentives are included in contract revenue when realization is reasonably assured. An amount equal to contract costs attributable to claims is included in revenue only when the Corporation has a measurable claim and the amount can be reliably estimated.

Resource revenues distributable to the Corporation pursuant to Sections 7(i) and 7(j) of the Act are recorded as revenues when the amount is determined and its receipt is reasonably assured.

Contract Assets

Amounts are invoiced as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Generally, revenue recognition occurs before billing, resulting in contract assets.

Contract Liabilities

The Corporation receives advances and milestone payments from customers on selected contracts that exceed revenue earned to date, resulting in contract liabilities. Contract liabilities typically are not considered a significant financing component because they are used to meet working capital demands that can be higher in the early stages of a contract and they protect the Corporation from the customer failing to adequately complete some or all of its obligations under the contract. Contract liabilities are reported on the consolidated balance sheet on a net contract basis at the end of each reporting period.

Investment in Marketable Securities

Investment securities consist of U.S. Treasury and corporate debt securities, foreign bonds, equity mutual funds, general obligation bonds and revenue bonds. The Corporation classifies all investment securities as available-for-sale. Available-for-sale securities are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of other comprehensive income until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific-identification basis using the average cost method to calculate the basis for securities sold.

A decline in the market value of any available-for-sale security below cost that is deemed to be other-than-temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. To determine whether impairment is other-than-temporary, the Corporation considers whether it has the ability and intent to hold the investment until a market price recovery and considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end and forecasted performance of the investee.

Fair Value of Financial Instruments

The Corporation values at fair value certain financial assets and liabilities that are remeasured and reported at fair value each reporting period.

Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: Observable market inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Corporation considers cash on deposit with banks and all highly liquid investments with an original maturity of three months or less to be cash equivalents. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Bank balances of $5,205,728 and $5,144,103 and were not insured by FDIC at December 31, 2019 and 2018, respectively.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. Credit is extended based on an evaluation of a customer's financial condition. Accounts receivable are generally due within thirty days. The Corporation reviews its allowance for doubtful accounts monthly. Account balances are written off after all reasonable means of collection have been exhausted.

Inventory

Inventory is valued at the lower of cost or market value using the weighted-average method. Shipping and handling costs are included in costs of goods sold.

Restricted Cash

In accordance with terms of a dealer financing arrangement, the Corporation held accounts pledged as collateral totaling $250,000 as of December 31, 2019 and 2018. During 2016, the Corporation established a line of credit with a financial institution. In accordance with covenants of certain notes payable, the Corporation has established rent-up and maintenance reserves, which total $185,221 and $184,439 at December 31, 2019 and 2018, respectively. Use of these funds is restricted to specific operating debt service and maintenance of the property securing the notes.

Property and Equipment

Property and equipment are recorded at cost. Costs of major improvements are capitalized, while costs of normal repairs and maintenance are charged to expense as incurred.

Depreciation is provided by use of the straight-line method over the estimated useful life of the assets and follows:

	Years
Land	not depreciated
Buildings	20-40
Equipment	3-15
Furniture and fixtures	5-15
Vehicles	5-10

Impairment of Long-lived Assets

The Corporation reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated from the use and eventual disposition of the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Income Taxes

The Corporation's deferred tax assets and liabilities are determined based on the differences between financial reporting and tax bases of assets and liabilities using the enacted tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. A valuation allowance is established when it is more likely than not that some of the deferred tax assets will not be realized.

The Corporation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained upon examination based on the technical merits of the position. For tax positions meeting the more-likely-than-not threshold, the tax amount recognized is measured at the largest amount that is greater than 50% likely of being realized. In applying this threshold, the Corporation has reviewed all of its previous tax filings and positions and concluded no accrual for uncertain tax positions is necessary as of December 31, 2019 or 2018. The Corporation recognizes penalties and interest accrued related to unrecognized tax benefits in income tax expense. The Corporation had no liabilities for interest and penalties at December 31, 2019 or 2018.

The Corporation records the tax benefit for ANCSA land and associated resources and rights as contributed capital. These resources are part of the original settlement by the Corporation's shareholders under the Act. Upon initial recognition of resource specific tax attributes, a valuation allowance is recorded as a reduction of contributed capital. Subsequent revisions to the initial valuation allowance are recognized adjustments to the related capital contributions.

Concentrations

Approximately 85% and 69% of consolidated revenues for the years ended December 31, 2019 and 2018, respectively, and 100% and 97% of consolidated accounts receivable as of December 31, 2019 and 2018, respectively, are related to contracts with the United States government. Any changes in U.S. Government spending could significantly impact the operations and financial condition of the Corporation.

The Corporation maintains its cash balances in financial institutions, which, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on cash balances.

Lands Received Under the Act

The fair value of all land and surface rights received and to be received pursuant to the Act is not readily determinable. Land is recorded as an addition to contributed capital when interim conveyance occurs or fair value becomes readily determinable, whichever occurs later. Land selection costs are expensed as incurred.

Recently Adopted Authoritative Guidance

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2014-09 ("ASC 606") and related amendments, which superseded all prior revenue recognition methods and industry-specific guidance. The core principle of ASC 606 is an entity should recognize revenue to depict the transfer of control for promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying the revenue principles, an entity is required to identify the contract(s) with a customer, identify the performance obligations, determine the transaction price, allocate the transaction price to the performance obligations and recognize revenue when the performance obligation is satisfied (i.e., either over time or point in time). ASC 606 further requires that companies disclose sufficient 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.

ASC 606 provided companies an option of two transition methods, the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. The ASU was effective for annual reporting periods beginning after December 15, 2018 and the Corporation adopted ASC 606 effective January 1, 2019 using the modified retrospective method. The guidance was not applied to contracts that were complete at December 31, 2018, and the comparative information for the prior fiscal years have not been retrospectively adjusted. As a result of the adoption, no changes were recorded to the beginning retained earnings and there were no changes to contract assets, contract liabilities, and receivables from December 31, 2018 and January 1, 2019 as the cumulative impact of adoption of the new revenue standard.

Recent Accounting Pronouncements

Leases

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases* (ASU 2016-01). The core principle is that a lessee should recognize the assets and liabilities that arise from leases. All leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, *Elements of Financial Statements*, and, therefore, recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. 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. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous GAAP.

There continues to be a differentiation between finance leases and operating leases. However, the principal difference from previous guidance is that the lease assets and lease liabilities arising from operating leases should be recognized in the statement of financial position. The accounting applied by a lessor is largely unchanged from that applied under previous GAAP.

The amendments in this Update are effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2021. Early application of the amendments in this Update is permitted for all entities. The Corporation is currently evaluating the impact of its pending adoption of ASU 2016-02 on its consolidated financial statements and has not yet determined the method by which it will adopt the standard.

Reclassification

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year presentation.

2. Alaska Native Claims Settlement Act

ANCSA, which created 13 regional and numerous village corporations, sets forth, among other things, certain responsibilities and provides for distribution of certain benefits to those entities and their shareholders as itemized below.

General

The primary purpose of the Corporation is (1) to receive money made available under ANCSA; (2) to select, own and manage surface estate of land made available under ANCSA; and (3) to conduct business for profit, all for the shareholders' benefit.

Shareholders

Under the terms of ANCSA, Alaska natives were entitled to enroll in one of the Village Corporations, with each native so enrolled, receiving 100 shares of Settlement Common Stock. This stock shall carry the right to vote and receive dividends or other distributions; however, it may not be sold, pledged, assigned or otherwise alienated, except in certain circumstances, by court decree or death. The stock shall carry voting rights only if the holder is an eligible Alaska native or a descendent thereof. At December 31, 2019 and 2018, there were 202,100 shares outstanding.

Alaska Native Fund

The Act established the Alaska Native Fund (the "Fund"). The Corporation has received its full entitlement of $12,114,929 from the Fund.

Revenue from Timber Resources and Subsurface Estate

The Act established 12 Regional Corporations for resident Alaska natives. Under Section 7(i) of ANCSA, 70% of revenues received by each of these 12 corporations from the timber resources and subsurface estate patented to it pursuant to ANCSA shall be divided annually among these 12 Regional Corporations. Section 7(j) of ANCSA provides that each Regional Corporation shall redistribute 50% of its share of the 70% pool (whether revenues from its own timber resources and subsurface estate or that of other Regional Corporations) among the Village Corporations and those shareholders who are not also shareholders in the Village Corporations.

Land Selections

Sections 12(a) and 12(b) of ANCSA provide for the selection of land by the Corporation. It will receive the surface estate in 161,280 acres and the Regional Corporation will receive the subsurface estate. The Corporation has made its selection of land pursuant to ANCSA. Of the lands selected, 122,847 acres have been transferred by interim conveyance and 4,885 acres have been patented to the Corporation.

Common Stock

The authorized capital stock of the Corporation consists of 500,000 shares of non-assessable Class A common stock of $0.01 par value. The Class A common shares shall be issued by the Corporation pursuant to ANCSA in such numbers as are needed to issue 100 shares of such stock to each native officially enrolled in the village. Such stock may not be sold, pledged, assigned or otherwise alienated, except in certain circumstances, by court decree or death. The restrictions continue in force until amended by the Corporation with the approval of the shareholders.

3. Accounts Receivable

Accounts receivable consisted of the following at December 31:

	2019	2018
Merchandise and fuel sales	$ 28,285	$ 111,626
Property rentals	34,473	35,638
Construction and other contracts	15,675,415	5,404,541
	15,738,173	5,551,805
Less allowance for doubtful accounts	-	(7,591)
	$ 15,738,173	$ 5,544,214

4. Inventory

Inventory consisted of the following at December 31:

	2019	2018
Construction materials	$ 19,474	$ 11,740
Bulk fuel	632,625	583,967
Retail hardware, lumber, auto parts and Polaris vehicles and accessories	3,265,047	2,538,180
	$ 3,917,146	$ 3,133,887

5. Property and Equipment

Property and equipment consisted of the following at December 31:

	2019	2018
Land	$ 1,788,917	$ 1,793,917
Buildings	19,263,653	19,104,675
Equipment	1,866,799	1,754,024
Vehicles	925,161	818,678
Furniture and fixtures	922,331	893,780
	24,766,861	24,365,074
Less accumulated depreciation	(15,872,434)	(15,387,890)
Construction in progress	-	28,758
	$ 8,894,427	$ 9,005,942

For the years ended December 31, 2019 and 2018, depreciation expense amounted to $619.451 and $678,269, respectively.

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6. Investment in Marketable Securities

For the year ended December 31, 2019 all funds were converted from mutual funds to money market funds classified as Cash and cash equivalents.

The Corporation's marketable securities at December 31, 2018 consist of the following:

	Cost	Unrealized Holding Gains	Unrealized Holding Losses	Fair Value
Equity mutual funds	3,531,353	-	(210,532)	3,320,821
Tax-exempt mutual funds	1,466,886	2,127	-	1,469,013
	$ 4,998,239	$ 2,127	$ (210,532)	$ 4,789,834

Income from the investment in marketable securities for years ended is as follows:

December 31,	2019	2018
Interest and dividend income:		
Interest income	$ 45,269	$ 6,852
Dividends	-	123,713
	45,269	130,295
Net gains and losses from securities sales:		
Realized capital gains	417,884	72,373
Realized capital losses	-	(45,724)
Net realized gains	417,884	26,649
Realized Investment Income	$ 463,153	$ 156,944

Realized investment income is included on the consolidated statements of income under the header "Finance, dividend and interest income". All investments in marketable securities are at Level 1.

7. Leasing Activities

The Corporation engages in commercial and residential leasing activities as a source of revenue. The cost and carrying amount of property and equipment held for leasing consists of the following at December 31:

	2019	2018
Land	$ 816,359	$ 861,359
Buildings	17,161,054	17,334,654
Equipment	248,715	248,715
Vehicles	236,885	236,885
	18,463,013	18,681,613
Less accumulated depreciation	(12,665,407)	(12,358,131)
	$ 5,797,606	$ 6,323,482

Rental income on leased property was $3,683,713 and $3,715,306 for the years ended December 31, 2019 and 2018, respectively. A significant portion of rental income is from rental agreements on a month-to-month basis. Future minimum rental payments to be received under multi-year leases are as follows as of December 31:

	2019	2018
2020	$ 1,636,763	$ 872,715
2021	781,955	714,538
2022	760,967	575,092
2023	465,547	533,682
2024	143,671	301,345
Thereafter	19,117	27,808
	$ 3,808,020	3,025,181

8. Contracts in Progress

Costs, estimated earnings and progress billings, to date, on uncompleted contracts are as follows as of December 31:

	2019	2018
Costs incurred to date	$ 62,535,654	$ 43,587,441
Gross profit to date	5,061,720	2,672,961
Earned contract revenue to date	67,597,374	46,260,402
Progress billings to date	(64,282,133)	(43,737,670)
	$ 3,315,241	$ 2,522,732

The above amount is included in the accompanying consolidated balance sheet under the following captions as of December 31:

	2019	2018
Contract assets	$ 4,877,350	$ 3,871,857
Contract liabilities	(1,562,109)	(1,349,125)
	$ 3,315,241	$ 2,522,732

9. Disaggregation of Revenue

The Corporation disaggregates revenue from contracts with customers by contract type, customer, as well as whether the Corporation acts as prime contractor or sub-contractor, as the Corporation believes these categories best depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Performance obligations related to the Corporation's contracts are satisfied over time as work progresses or at a point in time. Revenue from products and services transferred to customers over time accounted for $57,598,266 and 91% of revenue in 2019, $30,004,102 and 83% in 2018. Substantially all revenue in the defense segments is recognized over time, because control is transferred continuously to the customer. Typically, revenue is recognized over time using costs incurred to date relative to total estimated costs at completion to measure progress toward satisfying the performance obligations. Incurred cost represents work performed, which corresponds with, and thereby best depicts, the transfer of control to the customer. Contract costs include labor, material, overhead and, when appropriate, G&A expenses.

10. Line of Credit

The Corporation maintains a $1,500,000 line of credit with a bank, which was secured by money market funds held with APCM and expires in March 2020. Interest accrued at the 30-day Libor Rate plus two hundred seventy-five basis points, adjusted on the first day of each month following an adjustment in the 30-day Libor Rate and is payable monthly. The outstanding balance was $1,454,038 and $1,423,400 at December 31, 2019 and 2018, respectively.

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11. Floor Plan Financing Arrangement

The Corporation has an arrangement with Polaris Acceptance to finance the purchase of machine and accessory inventory. The line has a total available amount of $1,000,000, is secured by a certificate of deposit in the amount of $250,000 as well as inventory and a letter of credit, and can be terminated by either party with 30 days' notice. Interest does not accrue during a promotional period as defined in the agreement; however, purchases unpaid at the end of the promotional period accrue interest as defined in the agreement (between LIBOR plus 2.85% for inventory held as of December 31, 2019 and 2018). The outstanding balance was $913,481 and $689,198, at December 31, 2019 and 2018, respectively, and is included in accounts payable in the accompanying consolidated balance sheet.

12. Long-term Debt

Long-term debt consisted of the following at December 31:

	2019	2018
Note payable to Alaska USA, original principal amount of $960,000, payable in monthly installments of $5,679 including interest at 5.875%, secured by the 4-Plex property with depreciable cost of $988,050, due July 2035.	$ 694,555	$ 721,045
Note payable to First National Bank of Alaska, original principal amount of $1,366,000, payable in monthly installments of $7,543 including interest at 5.25%, secured by the 18-Plex property with depreciable cost of $1,796,333, due October 2035.	971,905	1,010,297
Note payable to Alaska Housing Finance Corporation, original principal amount of $995,000, with fixed interest at 1.5%, accrued monthly, and payable at the loan maturity, secured by the 18-Plex property with depreciable cost of $1,796,333, due October 2035.	570,535	677,244
Note payable to Alaska Growth Capital, original principal amount of $5,000,000, payable in monthly installments of $35,241 at December 31, 2018, including interest at Prime plus 1.5% (5.75% at December 31, 2018), guaranteed by the U.S. Department of Agriculture, secured by several properties with depreciable cost of $423,489, due June 2022.	959,549	1,338,557
Note payable to Wells Fargo, original principal amount of $241,881, payable in monthly installments of $1,298, including interest at 5.0%, secured by the Salmon Street property with a depreciable cost of $20,000, due July 2039.	194,338	200,047
Note payable to Mak3 Construction, original principal amount of $400,000 payable in monthly installments of $4,243, including interest at 5%, secured by 8 extended stay modules with depreciable cost of $400,000, due December 2027.	335,122	368,370

	2019	2018
Capital leases payable to Ally Financial, original aggregate principal amount of $154,615, aggregate fixed monthly payments of $3,207, including interest at 4.89% to 4.94%, secured by rental vehicles, due between September 2018 and June 2021.	$ 27,785	$ 45,150
Capital lease payable to Wells Fargo Equipment Finance, original principal amount of $79,600 fixed monthly payments of $1,806, including interest at 4.25%, secured by construction equipment with depreciable cost of $48,025, due June 2019.	-	10,706
Total long-term debt	3,753,789	4,371,416
Less debt issuance costs, net of accumulated amortization	(15,177)	(20,868)
Total long-term debt, net of debt issuance costs	3,738,612	4,350,548
Less current portion of long-term debt	(612,329)	(574,455)
Total Long-term Debt, Net of Current Portion and Debt Issuance Costs	$ 3,126,283	$ 3,776,093

As of December 31, 2019, scheduled maturities of long-term debt are as follows:

Year Ending December 31:	Notes Payable	Capital Lease Obligations
2020	594,094	19,222
2021	656,100	11,561
2022	400,410	-
2023	128,391	
2024	135,214	
Thereafter	1,811,830	-
	$ 3,726,039	30,783
Less amount representing interest		(3,033)
Less current maturities of capital lease obligations		(18,235)
Long-term Capital Lease Obligations		$ 9,515

Assets recorded under capital leases as of December 31 are as follows:

	2019	2018
Equipment	$ 13,500	$ 13,500
Vehicles	245,385	236,885
	258,885	250,385
Less accumulated depreciation and amortization	(199,845)	(186,867)
	$ 59,040	$ 63,518

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13. Income Taxes

The provision for income tax expense (benefit) is as follows for the years ended December 31:

	2019	2018
Current	$ 658,520	$ 2,641,706
Deferred	175,682	(540,800)
Income Tax Expense	$ 834,202	$ 2,100,906

The actual income tax expense (benefit) for the period differs from the "expected" income tax expense (computed by applying the corporate income tax rate of 21% in 2019 and 2018 to earnings before taxes) as follows for the years ended December 31:

	2019	2018
Tax at statutory rate	$ 692,916	$ 1,390,947
State tax, net of federal benefit	217,615	668,345
Noncontrolling interest	36,486	(3,550)
Other adjustments	(112,815)	45,164
Total Tax Expense	$ 834,202	$ 2,100,906

The components of current and non-current deferred tax assets (liabilities) consist of the following at December 31:

	2019	2018
Deferred tax assets:		
Deferred Revenue	$ 633,135	$ -
Other deductible temporary differences	562,429	1,455,265
Total deferred tax assets	1,195,564	1,455,265
Deferred tax liabilities -		
Unrealized gains on investment in marketable securities	(59,555)	(59,250)
Difference between book and tax depreciation	(678,947)	(763,272)
Total deferred tax liabilities	(738,502)	(822,521)
Net Deferred Tax Asset	$ 457,062	632,744

The Corporation is subject to income taxes in the United States and various state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. All statutes of limitations to assess federal income taxes remains open for the tax years 2016-2018. State income tax returns are generally subject to examination for a period of three to five years after the filing of the respective returns. The state tax impact of any federal changes remains subject to examination by various states for a period of up to one year after formal notification to the states.

14. Other Comprehensive Income

Reclassification adjustments are made to the unrealized holding gains and losses arising during the year for gains and losses realized on available-for-sale securities to avoid double counting the gains and losses in comprehensive income. The reclassification adjustments are as follows:

December 31, 2018	Before Tax Amount	Tax Benefit (Expense)	Net of Tax Amount
Unrealized holding losses arising during the period	$ (201,767)	$ (27,434)	$ (229,201)
Less - reclassification adjustment for gains realized in net income	(26,649)	7,563	(19,086)
Net Unrealized Holding Losses	$ (228,416)	$ (19,871)	$ (248,287)

15. Commitments and Contingencies

The Corporation leases office space and equipment under non-cancelable operating leases. Rent expense under these leases was $251,065 and $251,080 for the years ended December 31, 2019 and 2018, respectively.

Future minimum lease payments under these leases are as follows:

Year Ending December 31,	
2020	$ 231,493
2021	187,841
2022	192,537
2023	114,953
2024	-
Thereafter	-
	$ 726,824

During fiscal year 1989, the Corporation received title to certain property in Kotzebue under the terms of a land exchange agreement. The property received contains oil in the ground that was discharged from multiple sources in and around the City of Kotzebue. The potential liability to the Corporation for abatement is unknown at this time. The Indian Health Service, as the transferor of the property, is required to participate, subject to the availability of funds, in an abatement program organized by the City of Kotzebue along with several other entities. The Corporation has not been required to make any disbursements for the abatement program since its inception.

The Corporation maintains a 401(k) retirement plan covering all eligible employees, subject to certain age and service requirements. Matching contributions or discretionary profit-sharing contributions are at the discretion of the board of directors.

16. Subsequent Events

The Corporation evaluated subsequent events through June 3, 2020, the date the financial statements were available to be issued.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Corporation's financial condition, liquidity, and future results of operations. Management continues to actively monitor the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Corporation is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

- As of the date of this report, most of the Corporation's business operations have been deemed essential. Accordingly, the predominance of the Corporation's business operations are still active.
- Various suppliers may decrease production due to factory closures or reduced operating hours in those facilities. While the Corporation considers this potential disruption to be temporary and has not experienced an impact of this to date, disruption in the supply chain may lead to a delayed receipt by the Corporation of necessary materials and supplies to continue work on its projects.
- The Corporation is dependent on its workforce to deliver its services. Developments such as social distancing, health of employees, and shelter-in-place directives may impact the Corporation's ability to deploy its workforce as necessary. While expected to be temporary, prolonged workforce disruptions may negatively impact performance of services or require use of emergency personnel.
- The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown, which may impair the Corporation's asset values, including equity and debt investments. As of the date of this report, the Corporation has sufficient working capital to continue to meet its operational needs.
- The Corporation may experience a reduction in rental collections and revenue due to the COVID-19 outbreak, the Corporation does not believe this will have a material impact in the Corporation's operations.

Although the Corporation cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the Corporation's results of future operations, financial position, and liquidity in fiscal year 2020.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property.

It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19.

The Corporation has applied for, and has received, funds under the Paycheck Protection Program after the period end in the amount of approximately $2,348,000 with additional applications accepted. The application for these funds requires the Corporation to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Corporation. This certification further requires the Corporation to take into account our current business activity and our ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Corporation having initially qualified for the loan and qualifying for the forgiveness of such loan based on our future adherence to the forgiveness criteria.

We continue to examine the impact that the CARES Act may have on our business. Currently, we are unable to determine the impact that the CARES Act will have on our financial condition, results of operation or liquidity.

In Memoriam

Our condolences go out to the families of the following Shareholders who have passed away from January 1, 2019 — December 31, 2019. If we missed anyone or you see anything in error, we apologize; please contact our Kotzebue office to get it noted in our system.

Elfie Edna Adams
Joseph Amarok
Nellie Atoruk
Janet Barr
Lila Lillian Brantley
Lenora Rose Conwell
Riley Evak
Florence Grace Forselles
Flora Greene
Katherine Q. Hadley
Margaret Kay Hadley
Joseph Harris Jr
Sarah Mae Henry
Grant Alan Hildreth Sr
Martin R. Kennedy
Ella R. Kowunna
Lucy Loy
Mary Ann Mendenhall
Myrna May Mendenhall
Arthur L. Mills
Shirley M. O'Neill
Mary Jane Porter
Elva H. Salazar
Linda T. Savetilik
Riley Scott Jr
Dolly Sours
Madeline M. Stalker
Robert Wayne Thompson
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