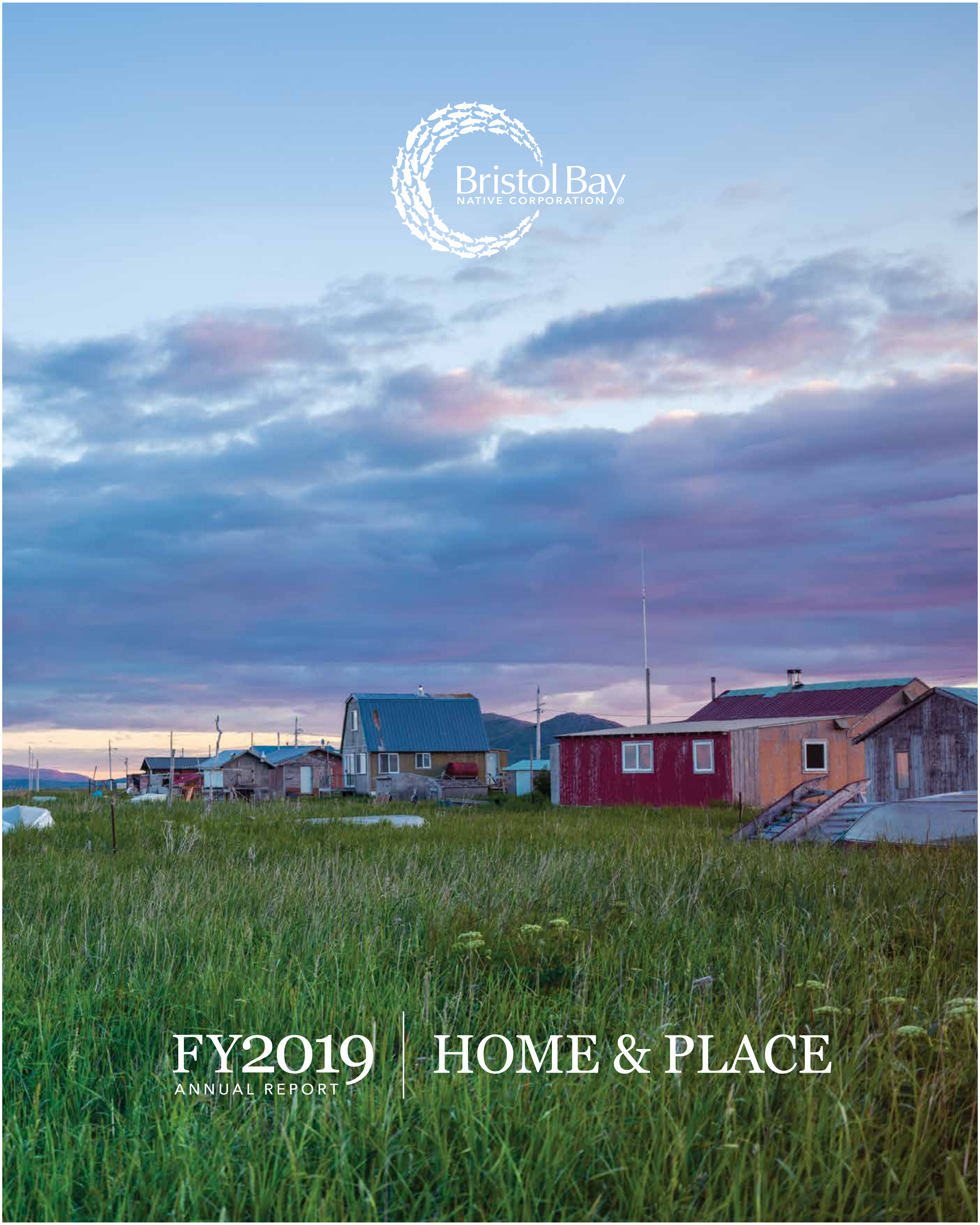

Bristol Bay
NATIVE CORPORATION ®

FY2019 ANNUAL REPORT | HOME & PLACE

"BRISTOL BAY WILL ALWAYS BE HOME TO ME."

Shelley Cotton

BBNC SHAREHOLDER | NORTH DAKOTA

HOME & PLACE

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MESSAGE TO SHAREHOLDERS

A YEAR OF PLACE & PURPOSE

Tamarmeng Waken Ayagningqertut: Everything starts here. This Yup'ik phrase has been shared and spoken in Bristol Bay for generations. It was a guiding theme when BBNC was established 47 years ago and remains true to this day. Everything we do, whether for our shareholders, communities, or business, starts here. Bristol Bay is home; it's where we got our start; and it will always be woven into the fabric of BBNC.

Fiscal Year 2019 (FY2019) was a year where this spirit of home and place was more true than ever. It was a year of focus, consistency, and preparation, of teams working toward the same goals and mission to enrich our Native way of life. We invested in our region and people with innovation and purpose. We delivered one of our strongest fiscal years and continued executing our five-year strategic plan. We held our annual compliance training to remain transparent and ethical in every sector of business, and ended the year poised for more strategic growth. It was a good year, and we are grateful to everyone who contributed to its results.

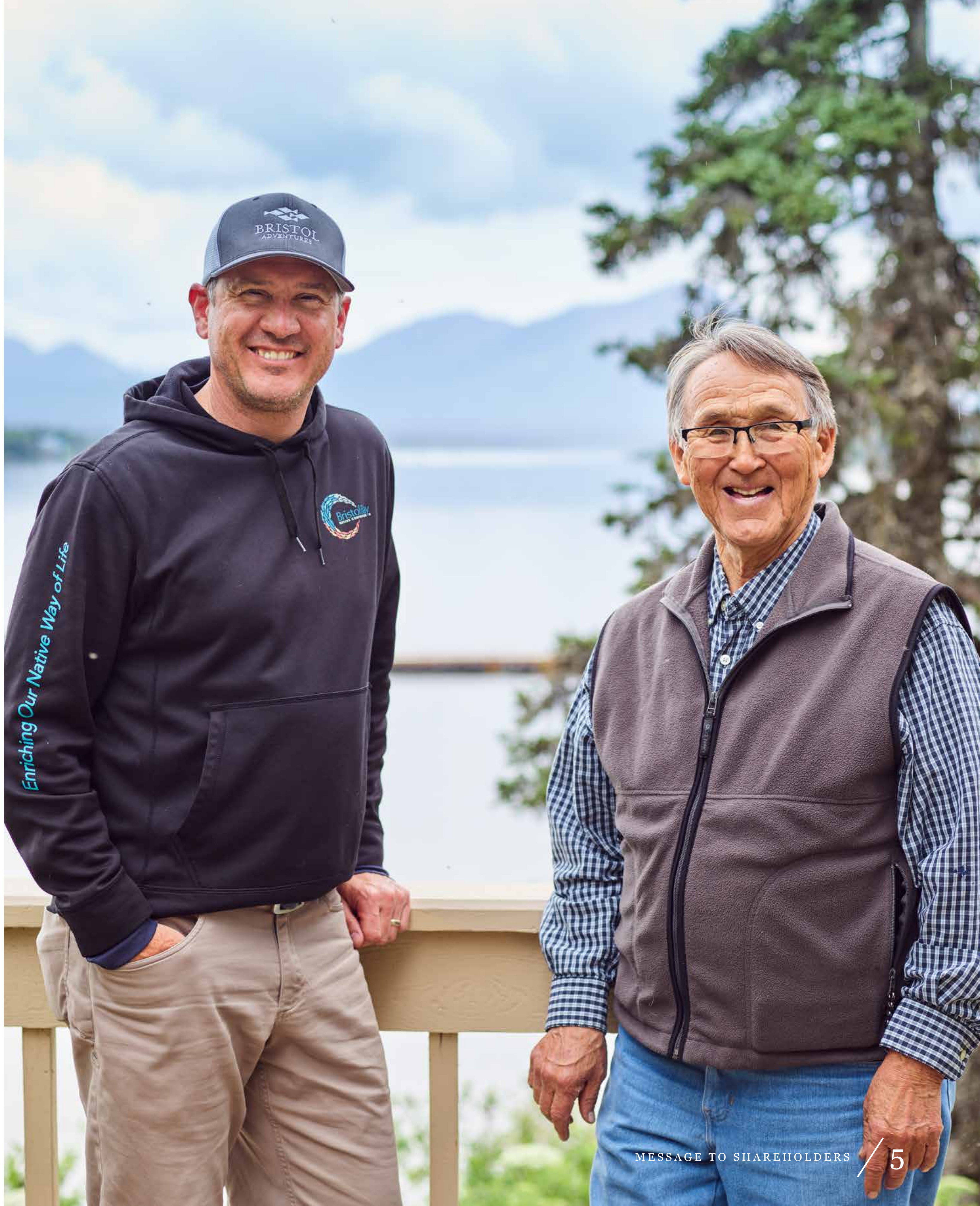
In the pages ahead, you will read highlights of FY2019 and hear directly from shareholders about what Bristol Bay means to them. But this annual report tells only part of the story. As with every year, FY2019 was defined by hard work and milestones across BBNC and its subsidiaries, with our shareholders, region, and culture at the forefront of every decision.

FY2019 was also a year of people doing right by Bristol Bay—something we now turn an even sharper focus to with state funding for critical programs and services in our region and throughout Alaska at risk. BBNC will always be at the table advocating on behalf of Bristol Bay and our shareholders, but we can't do it alone. We need everyone to step up and make their voices heard. We need to come together to help protect not only what we have now, but what we will need for our Elders and generations to come. We can all play a part in keeping Bristol Bay a remarkable place to call home. Because when you stand up for the place you love, where your family and traditions have their roots, you are standing up for the future, and you are honoring the place where everything got its start.

Thank you, as always, for your engagement and support.

Joseph L. Chythlook
CHAIRMAN OF THE BOARD

Jason Metrokin
PRESIDENT & CHIEF EXECUTIVE OFFICER



OUR ANC

ABOUT BBNC

CORPORATE PROFILE

Bristol Bay Native Corporation (BBNC) is a responsible Alaska Native investment corporation dedicated to the mission of "enriching our Native way of life." Established through the Alaska Native Claims Settlement Act of 1971 (ANCSA), BBNC works to protect the land in Bristol Bay, celebrate the legacy of its people, and enhance the lives of its shareholders.

MISSION

Enriching our Native way of life.

VISION

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

BOARD OF DIRECTORS

Left to right: Marie Paul, Diedre S. Hill, H. Robin Samuelsen Jr., Everette Anderson, Dorothy M. Larson, Joseph L. Chythlook, Karl Hill, Hazel Nelson, Kimberly Williams, Peter Andrew Jr., and Shawn Aspelund. Note: Russell S. Nelson not pictured.

VALUES

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

GOALS

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

EXECUTIVE MANAGEMENT TEAM

Left to right: Nancy Schierhorn, Executive Vice President & Chief Development Officer; Jason Metrokin, President & Chief Executive Officer; April Ferguson, Executive Vice President & General Counsel; Ryan York, Executive Vice President & Chief Financial Officer; Scott Torrison, Executive Vice President & Chief Operating Officer.

SHAREHOLDER VOICES

COMING HOME TO BRISTOL BAY

BBNC shareholder Ivy O'Guinn is a commercial fisher and sport fishing guide who lives out-of-region but returns to Bristol Bay every summer. In her own words, she talks about her family's traditions, the importance of fishing and resource protection, and what makes Bristol Bay home.

TELL US ABOUT YOUR YEARLY VISITS TO BRISTOL BAY.

Ever since I was born, I've spent every summer in the small village of Egegik, where my mother's side of the family is from. This is an annual tradition for many of our relatives. It's our time to reunite, fish together, and enjoy meals at the dinner table that's been in our family for over 50 years. My family operates multiple permits spanning across the beach where we all fish alongside each other. We harvest salmon together and save what we need to eat during the winter months. We smoke our salmon with a family recipe that's been passed down for generations. These days hold a very special place in my heart.

WHAT DO YOU LOOK FORWARD TO WHEN YOU VISIT?

I look forward to seeing my family, my childhood friends, and everyone who comes to fish. I'm blessed to have been raised with this lifestyle and to be a fourth-generation commercial fishing woman.

My great-grandmother and grandmother fished for a living and my mom and I operate a boat together to fish our permits. The Bristol Bay fishery has fed and supported my family for generations and it is important for me to pass that tradition on.

▶ HOW WOULD YOU DESCRIBE BRISTOL BAY TO SOMEONE WHO HAS NEVER VISITED BEFORE?

There is something to be said for living life the slow way and returning to your roots. Date and time don't matter as much here because people are on "salmon time." The wildlife is abundant, with a flourishing ecosystem and the largest wild salmon fishery in the world.

▶ AS A COMMERCIAL AND SPORT FISHER, WHAT ARE YOUR PERSONAL BELIEFS ABOUT SALMON PROTECTION?

I believe that our state's most valuable resource is salmon. As much as I love to fish and as important as it is to my livelihood, we all need to respect that resource. Be an advocate for fish, practice proper catch and release techniques, harvest only what you need, don't be wasteful, clean up our rivers, and be a good example for the next person enjoying our fisheries.

▶ WHY IS BBNC'S FISH FIRST PRIORITY IMPORTANT TO YOU?

The future of our salmon is more important now than it has ever been. It's taken over 50 years to build a system to protect our salmon and we've seen incredible, record-breaking numbers in Bristol Bay recently. This could all be destroyed forever with the Pebble mine. As a BBNC shareholder, it is extremely important to me that my corporation's policies and values put fish first and that it does everything in its power to educate and fight this threat to our region. I think BBNC's position is true to how shareholders feel. It makes me proud to have a part in this corporation.

▶ REFLECTING BACK ON YOUR VISITS TO BRISTOL BAY, HOW DO YOU FEEL?

Even though my time here is short, Bristol Bay will always hold a big piece of my heart. This place has shaped me into who I am today. It has given me a love for a sustainable fishery, salmon, village life, work ethic, and has taught and continues to teach me valuable life skills. As I approach the new season every year, I look forward to my visit. It's when I get to go home.

"EVEN THOUGH I DON'T LIVE HERE ANYMORE, I FEEL CONNECTED TO THE LAND AND THE TRADITIONS OF SUBSISTING AND SHARING WITH MY FAMILY."

Shelley Cotton
BBNC SHAREHOLDER AND
TRAINING WITHOUT WALLS ALUMNA
NORTH DAKOTA

PARTNERSHIP FOCUS

ROOTED IN THE SPIRIT OF OUR REGION

For thousands of years, the people of Bristol Bay have worked together to forge new paths to the future. From sharing the catch to fueling local economies, forward thinking, collaboration and innovation have always been at the heart of our Native way of life, shaped by the place we call home.

BBNC Board Chairman Joseph Chythlook shakes hands with Choggiung Limited Board Chairman Jack Savo at the closing of Project Aipaq in Dillingham.

It was in this spirit of partnership and momentum that BBNC undertook its biggest initiative of FY2019: the sale of a majority interest in the Bristol Alliance of Companies (BAC) to Choggiung Limited, a Dillingham-based village corporation. This historic transaction was the first of its kind between an Alaska Native regional corporation and village corporation, allowing BBNC to deepen our commitment to in-region investment and mentorship.

PROJECT AIPAQ: PARTNERSHIP & PLANNING

Work on this groundbreaking partnership began several years ago, with BBNC searching for a partner in its ownership of BAC, a group of eight construction, environmental, and professional services companies focused primarily on federal contracting. "We started looking at new ways to help jumpstart a village corporation's growth in the federal area," said Sara Peterson, BBNC Senior Vice President, Deputy General Counsel, and Chief Compliance Officer. "The idea of a partnership presented an exciting opportunity to do that, and offer our expertise along the way."

With the concept gaining traction and approval from the BBNC Board of Directors, it was given the project name "Aipaq"—"partner" in Yup'ik. BBNC then contacted village corporations that had participated in its In-Region Government Contracting (IGC) Program to gauge interest and capacity.

After thorough review of the applicants, BBNC determined that Dillingham-based Choggiung Limited was the ideal partner, as it had successfully participated in the IGC Program and had developed a strategic plan for engaging in government contracting. The potential sale then went through a rigorous review process, while BBNC and Choggiung worked to ensure a smooth transition for BAC employees—a top priority for both companies. BBNC and Choggiung finalized the deal with the Small Business Administration's approval in August 2018, marked by the exchange of commemorative coins bearing the name and guiding theme of the deal: Project Aipaq.

FY2019 RESULTS: IMPACT & OPTIMISM

The partnership has delivered strong results, with a successful integration for employees and the business exceeding its financial targets. It is also expected to lay the groundwork for additional benefits to both Choggiung and BBNC shareholders as BAC grows, including job opportunities, workforce training, development assistance, and increased scholarship support, as well as increasing and predictable shareholder benefits.

The collaboration between BBNC and Choggiung continued throughout FY2019, as leadership from both companies met regularly to discuss BAC operations and strategy. "We want to stay connected with our partners in an open and communicative way," said Scott Torrison, BBNC Executive Vice President and Chief Operating Officer. "As the minority partner in BAC, we are there to support Choggiung and offer our experience in running complex operations. Hopefully this helps as they pursue additional growth and development, and will continue to benefit BBNC and our shareholders."

Beyond fiscal growth, the partnership has offered Choggiung a sense of what's possible. "Acquiring majority ownership of BAC and working closely with BBNC throughout the process has helped us see a bigger and brighter future," said Cameron Poindexter, Choggiung President and Chief Executive Officer. Scott Torrison hopes this example will encourage other village corporations to reach for their own new possibilities, whether a small venture or big step: "Innovation has always been an important part of our strategy," he said. "When you combine that with partnership and hard work, it can lead to great things."

“THIS PLACE WAS HERE BEFORE ALL OF US AND IT WILL BE HERE LONG AFTER. WE NEED TO TAKE CARE OF IT AND RESPECT IT.”

Allan Aspelund, Sr.
BBNC SHAREHOLDER | NAKNEK

CULTURE & COLLABORATION

INAUGURAL NEQA DERBY

Combining business and culture is a recurring theme for BBNC. This theme came to life in new and exciting ways in FY2019. A highlight among them: the first-ever Neqa Derby benefiting the BBNC Education Foundation's (BBNCEF) cultural heritage and scholarship programs through collaboration with BBNC's tourism operations.

The inaugural Derby—named "Neqa" for "Fish" in Yup'ik—was held on the Nushagak River, near Dillingham, June 24-25, 2018, featuring two days of healthy king salmon fishing competition to celebrate and share the cultures of Bristol Bay and provide hands-on opportunities to experience local traditions. Open to the community and visitors, it offered cash and prizes in multiple categories and a traveling lodge trophy designed by shareholder artist Everett Thompson. Ticket sales were intentionally limited to lessen any potential impact on, and be respectful to, the river.

The idea for the fundraiser was a collaboration between Sarah Fullhart, the General Manager of BBNC's Mission Lodge, and Aleesha Towns-Bain, BBNCEF Executive Director. It was implemented in partnership with BBNC and key partner Choggiung Limited, which hosted the Derby's weigh station camp. Mission Lodge was a key collaborator throughout, providing food, transportation, staff, and critical on-site support.

While several local residents competed in the Derby, most participants were guests at Nushagak fishing camps and in-region lodges—both BBNC properties and others.

Nearly **$100,000**

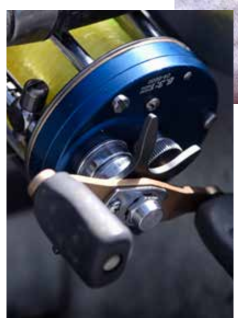
Amount raised from the Neqa Derby to benefit BBNCEF's mission to provide support for and encourage shareholders to pursue educational opportunities and to promote and preserve cultural heritage.

This cross-property participation was by design: "We wanted to create connections between lodges and offer visitors the opportunity to make their fishing trips more meaningful, wherever they were staying," said Towns-Bain. "The Derby gave them a chance to experience our cultural traditions first-hand and give back to the community in a fun and educational way."

Culture was a key theme throughout the Derby—in particular, sharing the importance of fish to our Native way of life. After daily weigh-ins, participants were invited to donate their king heads and bellies, which were cut on-site by BBNC board member and BBNCEF President Marie Paul, flash frozen, and shared with Elders. Participants also received king head recipes from community members and BBNC shareholders. The idea? To show that every part of the fish has value, and to make the most of salmon being caught on the river.

After the last king head was delivered to local Elders, the last fish weighed and final prizes awarded, the Derby raised nearly $100,000 in cash and in-kind donations for BBNCEF, far surpassing event goals. FY2019 focus then turned to planning the next Derby, now an annual event in its second season.

With BBNCEF increasing its cultural grant awards and support of students, Towns-Bain sees a bright future for the Derby: "As long as people continue to visit Bristol Bay, we have a chance to share our vibrant culture with them and make a difference in the future of our region together."



"THE DERBY GAVE [PARTICIPANTS] A CHANCE TO EXPERIENCE OUR CULTURAL TRADITIONS FIRST-HAND AND GIVE BACK TO THE COMMUNITY IN A FUN AND EDUCATIONAL WAY."

Aleesha Towns-Bain
EXECUTIVE DIRECTOR, BBNCEF
ANCHORAGE

COMMITMENT TO HOME

A STEWARD OF OUR LAND

There is no place quite like Bristol Bay. Full of vast and rugged land, pristine waters filled with fish, it has sustained us, challenged us, and defined us from the very start. Our livelihoods, traditions, and cultural heritage will forever be connected to the region.

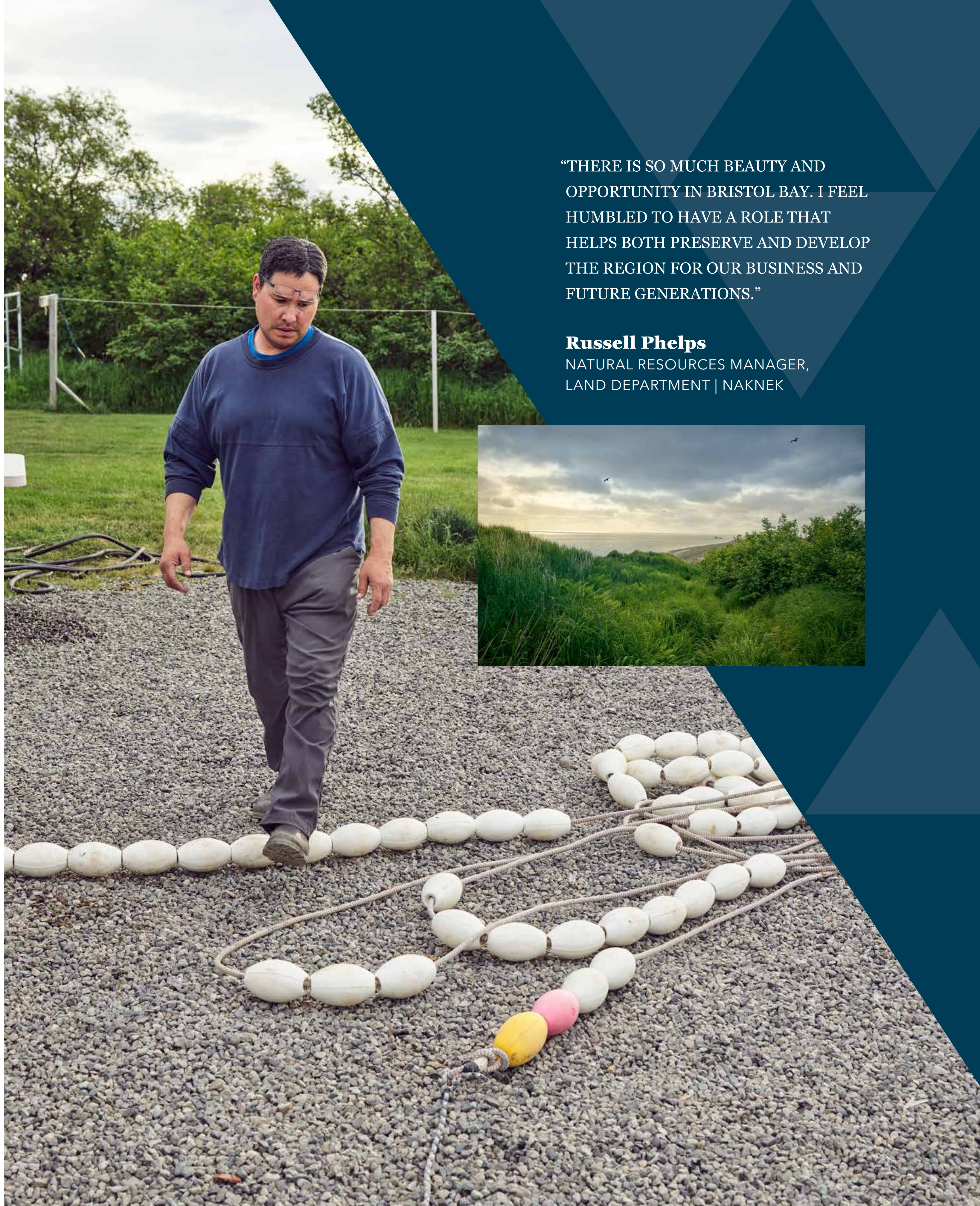
These ties to, and deep reverence for, the lands and waters of Bristol Bay guide the work and policies of BBNC and its Land Department. Every decision to assess, develop, and protect resources is made through the lens of place and respect. It is a commitment that BBNC has held since its incorporation in 1972 as a result of the Alaska Native Claims Settlement Act (ANCSA), and continues to be prioritized to this day.

Shareholder Russell Phelps lives this commitment as BBNC's Natural Resources Manager. Based in his hometown of Naknek, he works with Bristol Bay village corporations as well as state and federal agencies to manage BBNC's lands, negotiate gravel and rock sales and contracts, develop resource policies for BBNC, and pursue other in-region infrastructure and economic development opportunities. Key projects that Russell has led over the last several years include the redevelopment of the Snake Lake Rock Quarry outside of Dillingham and the construction of a boat haul-out and storage pad on the Bristol Alliance Fuels tank farm property in Dillingham.

Russell travels regularly to other villages for his job, building relationships that create positive outcomes for BBNC, its shareholders and land management partners. Making and maintaining these in-region connections ensures that Russell has first-hand knowledge of the benefits and impacts to natural resource conservation and development.

Although the natural resources manager position was originally Anchorage-based, BBNC gave Russell the option to stay in Naknek when he was hired in 2014. This has offered him a dual opportunity: to work for the region from the region, and to maintain his lifestyle as a commercial fisherman. "Fishing has been part of our culture and my family for generations," he said. "Being able to fish during my free time has been important to me, and working in-region has allowed me to learn more about our communities and develop stronger business relationships."

"There is so much beauty and opportunity in Bristol Bay," he continued. "I feel humbled to have a role that helps both preserve and develop the region for our business and future generations."



"THERE IS SO MUCH BEAUTY AND OPPORTUNITY IN BRISTOL BAY. I FEEL HUMBLED TO HAVE A ROLE THAT HELPS BOTH PRESERVE AND DEVELOP THE REGION FOR OUR BUSINESS AND FUTURE GENERATIONS."

Russell Phelps
NATURAL RESOURCES MANAGER,
LAND DEPARTMENT | NAKNEK

SHAREHOLDER DEVELOPMENT

INVESTING IN OUR COMMUNITIES

BBNC is dedicated to enhancing the lives of its shareholders in many ways, among them, programs and resources that support and encourage professional growth and success. From job training to leadership education and employment placement to work readiness, shareholder development remained an important focus in FY2019.

FY2019 SHAREHOLDER DEVELOPMENT HIGHLIGHTS

- Established an in-region office to connect directly with shareholders
- Trainings offered included accounting certification, small business classes, food handlers card, First Aid/CPR and EMT, GED testing, aviation, merchant marine, welding, and realtor certification
- BBNC awarded a $100,000 State Training and Employment Program Grant through the state of Alaska to prepare and train shareholders and other Alaskans for jobs in the oil and gas industry
- Introduced student drone training, with 10 shareholders participating
- Training Without Walls (TWOW), BBNC's leadership and management training program, celebrated its 25th year in FY2019, with six shareholders graduating from the program
- Bristol Bay Fly Fishing & Guide Academy celebrated its 10th anniversary of training and placing students in tourism and other jobs
- The Bristol Bay Alaska Native Science and Engineering Program (ANSEP) Middle School Academy hosted 46 students from in-region school districts at a free educational camp focused on science, technology, engineering, and math (STEM)
- Offered a 12-month administrative assistant program to 19 shareholders
- Partnered with a student conservation association to offer youth employment at Lake Clark National Park and Preserve, building teamwork and leadership skills
- Provided valuable and relevant work experience opportunities to 19 shareholders through the internship program with placements at BBNC, subsidiary operations and partnership companies such as Choggiung Limited and Coffman Engineers

40%
INCREASE IN SHAREHOLDER HIRES SINCE FY2015

20 BBNA YOUTH EMPLOYMENT PLACEMENTS

Placed with village tribal offices, city offices, village corporations, and community stores

DIRECT EMPLOYMENT SUPPORT TO
124
SHAREHOLDERS

Including financial support for work gear and tools, interview clothing, transportation, and testing fees

57% INCREASE
IN PAID WAGES SINCE FY2015

Fifth consecutive year of shareholder wages growth

CONNECTED WITH OVER 500 PEOPLE DURING VILLAGE OUTREACH VISITS

Offering assistance with job searches, resume writing, training, and more

350+

Number of students in Bristol Bay who learned about money management, business ownership, and work readiness through J.A. (Junior Achievement) in Bristol Bay

KRISTY PETERS, WORKFORCE DEVELOPMENT SPECIALIST

New to BBNC in FY2019, Dillingham-based Workforce Development Specialist Kristy Peters focuses on providing employment resources and training to shareholders living in Bristol Bay. Over the course of the year, she traveled to seven villages, meeting with shareholders to learn about their needs and interests, and to assist with job applications, resumes, cover letters, interview skills, and more. Kristy also works to spread the word about employment opportunities with BBNC and its subsidiaries to shareholders, shareholder spouses, and descendants.

"The well-being of our communities in Bristol Bay starts with each individual doing well for themselves. That's what BBNC is here to support, and that's who we are here to help."

FY2019 FINANCIALS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

CORPORATE PROFILE

		FISCAL YEAR		
		2019	2018	2017
BBNC revenues	$	1,689,014,000	1,659,345,000	1,525,181,000
Net earnings attributable to BBNC	$	53,148,000	103,063,000	41,021,000
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	$	89,390,000	84,480,000	99,371,000
Cash provided by operating activities	$	69,097,000	45,687,000	94,985,000
Regular dividends declared	$	10,910,000	20,200,000	18,796,000
Contributions to settlement trusts	$	12,847,000	–	–
Regular shares outstanding		540,100	540,100	540,100
Average shareholder hire		227	198	202

BBNC is an Alaska Native Regional Corporation created pursuant to the Alaska Native Claims Settlement Act of 1971 (ANCSA). Congress enacted ANCSA to resolve longstanding conflicts surrounding aboriginal land claims in Alaska and to open oilfield development. The Corporation was incorporated as a for-profit corporation to benefit Alaska Natives with ties to the Bristol Bay region and as of March 31, 2019, the Corporation had 10,868 shareholders. ANCSA provided the Corporation with a monetary settlement from the federal government of $32.7 million and the title to 3,079,553 acres of land. At March 31, 2019, stockholders' equity retained by the Corporation has grown to $513.0 million, and cash distributions to shareholders have exceeded $244.6 million.

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

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

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

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

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

- Construction
- Government Services
- Industrial Services
- Tourism

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

The following pages are management's outlook for FY2020 and view of the Corporation's FY2019 results in total, for the Portfolio and of the business lines.

FY2020 OUTLOOK

Management expects FY2020 to bring both challenges and opportunities across the broad landscape of BBNC's business activities. Management expects overall earnings before income taxes to be consistent or better in FY2020, due to consistent profit in most business lines and benefits from planned acquisitions.

The Industrial Services business line can positively or negatively be affected by oil prices. Uncertainty in the Alaska oil and gas industry driven by the precipitous drop in oil prices during FY2016 negatively affected earnings of BBNC companies in this business line in FY2018. However, in FY2019, risks were mitigated by the strong positioning of subsidiaries within the industry, and significant reductions in operating costs in turn generating significant profits. Management expects these exceptional results to continue into FY2020. BBNC companies are some of the safest and most efficient contractors working in Alaska and BBNC's customers and our customer base includes some of the strongest oil and gas companies operating in the state.

The Construction business line is expected to generate earnings exceeding those in FY2019. During FY2019, the SES group experienced several challenging contracts generating significant losses for this business line. Management expects those losses to reverse in FY2020, returning the Construction business line to significant profitability.

The federal government is the primary customer for the Government Services business line. Earnings in FY2020 are expected to remain consistent from levels seen in recent years. In prior years, BBNC made certain changes to the strategic alignment and management team within the business line in order to respond to the needs of the Corporation's customers.

Following a directive of the BBNC Board of Directors to increase investments in the Bristol Bay region, BBNC has initiated several strategies to increase both investments in the region and economic opportunities for shareholders. One such strategic initiative authorized by the board is called the In-region Government Contracting (IGC) Program. The goals of the IGC Program are as follows:

- Increase federal contract awards and successful performance rates;
- Leverage BBNC subsidiaries capacity, experience and knowledge;
- Create returns for BBNC, tribes and village corporations, and
- Develop and provide extensive training to village corporations and tribes and their managers to increase their knowledge of federal government contracting programs, regulations and corporate governance to ensure full compliance for government contracting requirements.

Through its IGC Program, BBNC developed a three-part training program consisting of three two-day segments on topics such as corporate governance and formation, understanding financial statements, government contracting 101, 8(a) eligibility and applications, and Small Business Administration (SBA) compliance. As part of the IGC Program, BBNC brings its experience to prepare village corporations and tribes to bid, win and perform contracts all while providing a level of quality to customers that is consistent with BBNC's long history of being a valued contractor to the federal government.

Investment earnings from the Portfolio are expected to be above those of FY2019. However, it should be noted that FY2019 was an exceptionally challenging year for the market due to increased volatility. BBNC's asset allocation strategy within the Portfolio is meant to accomplish a desired rate of return with the least risk possible. Nonetheless, the returns we will experience will be reflective of broader trends in world financial markets.

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

RESULTS OF OPERATIONS

CONSOLIDATED RESULTS

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

		FISCAL YEAR		
		2019	2018	2017
REVENUES				
Operating business lines	$	1,657,203	1,619,162	1,491,404
Investment earnings		8,659	28,693	25,271
Equity in earnings		2,756	(734)	(482)
Gain on sale of business		6,819	–	–
Natural resources and royalty income		11,753	10,677	6,904
Other		1,824	1,547	2,084
Total revenues		1,689,014	1,659,345	1,525,181
COSTS AND EXPENSES				
Cost of operating business lines		1,598,329	1,573,247	1,436,309
Cost of investment management		1,037	1,432	962
Corporate general and administrative expense		17,509	23,385	19,266
Interest		1,707	1,885	1,714
Other		2,935	2,520	2,234
Total costs and expenses		1,621,517	1,602,469	1,460,485
Earnings from operations		67,497	56,876	64,696
Income tax benefit (expense)		(14,010)	46,348	(23,564)
Net earnings		53,487	103,224	41,132
Less income attributable to noncontrolling interest		(339)	(161)	(111)
Net earnings attributable to BBNC	$	53,148	103,063	41,021
Earnings per share	$	98	191	76
Weighted average shares outstanding		540,100	540,100	540,100

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

		FISCAL YEAR		
		2019	2018	2017
Net earnings attributable to BBNC	$	53,148	103,063	41,021
Interest expense		1,707	1,885	1,714
Income tax expense (benefit)		14,010	(46,348)	23,564
Depreciation		17,166	19,241	21,742
Impairment of fixed assets		-	3,292	8,916
Amortization of intangibles		3,359	3,347	2,414
EBITDA	$	89,390	84,480	99,371

BBNC's FY2019 earnings from operations were more than experienced in the previous fiscal year. Revenues from the operating business lines were $38.0 million higher than the prior year primarily due to the effect the increase in gallons sold and fuel price per gallon had on the revenues of Industrial Services. Revenues from BBNC's Portfolio investment earnings were less than the prior year by $16.5 million, primarily due to less than expected returns from the Corporation's liquid alternative holdings and U.S. equity holdings.

Costs of the operating business lines were more than the prior year by $25.1 million which was primarily due to the effect the increase in gallons sold and fuel price per gallon had on the expenses of Industrial Services. BBNC's net earnings were $49.9 million less than the prior year, which equates to a decrease in earnings per share of $93 from the prior year.

The following comments are specific to each business line.

INDUSTRIAL SERVICES

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

		FISCAL YEAR		
		2019	2018	2017
REVENUES				
Industrial Services	$	981,197	867,764	764,541
COSTS AND EXPENSES				
Industrial Services		956,205	872,822	767,941
Earnings from Industrial Services	$	24,992	(5,058)	(3,400)

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

		2019	2018	2017
EBITDA	$	39,919	15,909	25,054

The Industrial Services business line consists of the holding company Bristol Bay Industrial, LLC and its companies Peak Oilfield Service Company LLC (Peak), Kakivik Asset Management, LLC (Kakivik), CCI Industrial Services, LLC (CIS), Alaska Directional, LLC, PetroCard, Inc. (PetroCard) and Bristol Alliance Fuels, LLC (BAF). The overall increase in revenues from FY2018 to FY2019 is primarily due to the effect of the increase in gallons sold and fuel price per gallon. The overall increase in earnings was a result of significant cost reductions in Peak as well as Kakivik and PetroCard exceeding expectations. Peak provides specialty services to the oil and gas industry in locations including Alaska's Prudhoe Bay, Anchorage, Kenai, Valdez, and Palmer and to a small extent, North Dakota. Peak provides a wide variety of services including crane services, rig moving, ice road construction, drilling support, general civil work, construction, trucking, facility operations and maintenance support, tank cleaning, and power systems. Kakivik specializes in nondestructive testing and inspection. CIS provides a diverse array of specialty services to the oil and gas industry. Alaska Directional, LLC provides project management, directional drilling, trenching, plowing, cellular towers, and communications infrastructure services. PetroCard, a reputable fuel distributor in the Pacific Northwest, is based in Kent, Washington and distributes fuel products through cardlock sites, mobile fueling and wholesale sales to commercial customers through facilities located primarily in Washington and Oregon. BAF is a fuel distributor in Dillingham, Alaska. BAF helps to fulfill BBNC's strategic goals of developing economic opportunities in the Bristol Bay region, building the financial strength of BBNC, and increasing shareholder employment and development opportunities. The success of the Industrial Services business line can be attributed to the focus on quality safety programs that customers demand in this industry.

The Industrial Services business line is the Corporation's largest source of shareholder hire. Average shareholder hire for this business line was 147 individuals with wages in excess of $10.2 million paid to shareholders in FY2019. The Industrial Services business line is expected to continue to play a key role in pursuit of the goals established within the Corporation's strategic plan.

CONSTRUCTION

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

		FISCAL YEAR		
		2019	2018	2017
REVENUES				
Construction	$	403,666	473,397	440,208
COSTS AND EXPENSES				
Construction		397,363	450,564	415,116
Earnings from Construction	$	6,303	22,833	25,092

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

		2019	2018	2017
EBITDA	$	7,296	24,894	25,645

The Construction business line is comprised of three separately managed company groups: Bristol Industries (jointly owned by Choggiung Limited [51%] and BBNC [49%]), CCI Alliance of Companies (excluding CCI Industrial Services, LLC), and SES Group of Companies (SES). In addition, Bristol Bay Shared Services, LLC, based in Anchorage, Alaska and Huntsville, Alabama, is the administrative shared service company supporting the Construction business line.

Earnings decreased in the Construction business line by $16.5 million from FY2018. During FY2019, SES experienced several challenging contracts generating significant losses for this business line. Management expects those losses to reverse in FY2020, returning the Construction business line to profitability consistent with expectations.

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

In FY2019, the Corporation's Construction businesses generated 45% of its revenue from 8(a) sole source contracts, 29% from 8(a) competitive bid contracts, and 26% from non-8(a) full and open bid contracts. A majority of 8(a) revenue was generated from the U.S. Department of Defense.

In FY2019, the Construction business line continued to provide employment opportunities for BBNC shareholders with an average of 23 shareholder employees throughout the year.

GOVERNMENT SERVICES

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

		FISCAL YEAR		
		2019	2018	2017
REVENUES				
Government Services	$	260,580	267,250	277,541
COSTS AND EXPENSES				
Government Services		233,096	238,744	245,365
Earnings from Government Services	$	27,484	28,506	32,176

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

		2019	2018	2017
EBITDA	$	28,708	29,746	35,201

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

The Government Services Group experienced a 2.5% decrease in revenue, as well as an earnings decrease of $1.0 million over FY2018.

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

In FY2019, the Corporation's Government Services Group generated 62% of revenue from 8(a) sole source contracts, 32% of revenue from 8(a) competitive bid contracts, and 6% of revenue from non-8(a) full and open bid contracts. A majority of 8(a) revenue within the business line was generated from the U.S. Department of Defense.

TOURISM

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

		FISCAL YEAR		
		2019	2018	2017
REVENUES				
Tourism	$	11,760	10,751	9,114
COSTS AND EXPENSES				
Tourism		11,665	11,117	7,887
Earnings from Tourism	$	95	(366)	1,227

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

		2019	2018	2017
EBITDA	$	1,107	564	2,059

The Tourism business line consists of the holding company Bristol Bay Alaska Tourism, LLC and its companies Katmailand, Inc., Katmai Air, LLC, Katmai Lodge, LLC, Katmai Air Leasing, LLC, and Bristol Bay Mission Lodge, LLC. The Katmai companies provide visitors with world renowned sport fishing, bear viewing, and lodging in Katmai National Park located in Bristol Bay. Mission Lodge is an all-inclusive seasonal fishing lodge on Lake Aleknagik near Dillingham in Bristol Bay. The Tourism business line provides opportunity for shareholder hire and development in the region. Management continues to seek opportunities to grow the Tourism business line through targeted acquisitions throughout the Bristol Bay region.

PORTFOLIO INVESTMENTS AND EQUITY IN EARNINGS

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

		FISCAL YEAR		
		2019	2018	2017
REVENUES				
Investment earnings	$	8,659	28,693	25,271
Equity (loss) in earnings		2,756	(734)	(482)
COSTS AND EXPENSES				
Cost of investment management		1,037	1,432	962
Earnings from Investments and Equity in earnings	$	10,378	26,527	23,827

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

The Portfolio is managed pursuant to an investment policy which calls for an asset allocation as follows: 50% equity securities, 45% alternative investments, 3% fixed income securities, and 2% cash. Real estate and alternative investments are often private, non-publicly-traded equity interests. The allocation to each of these four investment classes was developed with the help of the Corporation's external investment advisor using modern portfolio theory. The established policy allocation to different investment classes is designed to achieve a target annual return of 8.4% while exposing the Corporation to the lowest level of risk possible. At March 31, 2019, the total market value of the Portfolio was $225.8 million compared to $223.1 million at March 31, 2018. Portfolio holdings in private, non-publicly traded investments were $75.0 million at March 31, 2019, compared to $72.4 million at March 31, 2018. The Corporation's Portfolio generated investment earnings of $11.4 million, reflective of the broader trends in the equity markets, during 2019. The Corporation's Portfolio returns are benchmarked against a custom index that approximates our investment allocation targets.

NATURAL RESOURCE MANAGEMENT

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

		FISCAL YEAR		
		2019	2018	2017
REVENUES				
Natural Resources				
7(i) revenue sharing net of 7(j) distributions	$	11,319	10,375	6,713
Natural Resources		434	302	191
Earnings from Natural Resources	$	11,753	10,677	6,904

Natural Resource earnings consist primarily of 7(i) revenue sharing, net of the 50% distribution to village corporations and at-large shareholders that the Corporation receives from other regional Alaska Native Corporations. 7(i) receipts received are primarily from NANA Regional Corporation and Arctic Slope Regional Corporation. The Corporation distributes 50% of these receipts to village corporations and at-large shareholders as 7(j) payments.

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

GENERAL AND ADMINISTRATIVE EXPENSES

Corporate general and administrative (G&A) expenses decreased from $23.4 million in FY2018 to $17.5 million in FY2019. G&A expenses are incurred by the Corporation in its efforts to provide corporate governance and oversight of its increasingly complex subsidiary operations, pursue new investments, protect the Corporation's assets and provide shareholder services. Corporate G&A expenses decreased by $5.9 million, primarily as a result of reductions of health insurance claims incurred on the Corporation's self-insured plans in FY2019. G&A expenses as a percentage of revenue was 1.0%, 1.4% and 1.3% in FY2019, FY2018 and FY2017, respectively.

TAXES

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

		FISCAL YEAR		
		2019	2018	2017
Current income tax expense (benefit)	$	(233)	(6,471)	21,160
Deferred income tax expense (benefit)		14,243	(39,877)	2,404
Total income tax expense (benefit)	$	14,010	(46,348)	23,564

Total tax expense (benefit) is comprised of current and deferred federal and state taxes which are primarily income based. To a lesser extent, the Corporation is subject to certain foreign income tax expense. Current tax expense represents expected taxes the Corporation will pay to taxing authorities on taxable income generated within the fiscal year plus or minus any prior year tax adjustments. Deferred tax expense represents the current year change in deferred tax assets net of changes in the Corporation's deferred tax liabilities. Deferred tax assets and liabilities arise in the normal course of business and represent future differences between taxable income and book income reported in the Corporation's annual report. These differences are expected and exist because of a lack of parity with respect to when certain items of income and expense are recognized under the tax code compared to treatment under U.S. generally accepted accounting principles. Our average blended tax rate is approximately 25.0% of earnings from operations.

BALANCE SHEET

The following table displays key balance sheet data as of March 31, for the fiscal year ended (in thousands):

		FISCAL YEAR		
		2019	2018	2017
Cash and cash equivalents	$	13,180	24,615	85,159
Marketable securities		150,808	150,763	139,563
Other current assets		228,659	220,019	180,898
Investment in unconsolidated affiliates		33,154	29,994	19,187
Other investments		41,842	42,359	35,519
Other assets		3,071	3,139	3,994
Deferred taxes (liability) asset		(146)	14,096	–
Property, plant and equipment, net		156,560	148,344	155,240
Goodwill and intangible assets		72,478	66,531	66,942
Total assets		699,752	699,860	686,502
Current liabilities		189,982	185,254	179,365
Long-term liabilities		–	34,575	109,822
Total shareholders' equity		509,624	480,031	397,315

Cash and cash equivalents decreased primarily due to the Corporation's reinvestment in marketable securities and other investments, as well as repayment of long-term debt. Other unconsolidated investments continue to increase as the Corporation increases its investments in alternative investments held in partnership and partnership-like entities where the Corporation owns less than 100% of the entity.

Long-term liabilities decreased from FY2018 to FY2019 as the Corporation continues to pay down long-term debt. BBNC shareholders' equity continues to grow as a result of increased earnings net of dividends paid to shareholders.

LIQUIDITY AND CAPITAL RESOURCES

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

		FISCAL YEAR		
		2019	2018	2017
AVAILABLE FUNDS				
Cash and cash equivalents	$	13,180	24,615	85,159
Marketable securities		150,808	150,763	139,563
Less: collateral on long-term debt		(5,000)	(25,241)	(56,276)
Total available funds	$	158,988	150,137	168,446
AVAILABLE LINE OF CREDIT				
Total line of credit		75,000	57,332	35,607
Less: outstanding letters of credit		(3,750)	(3,750)	(3,300)
Total available line of credit		71,250	53,582	32,307
Total liquidity	$	230,238	203,719	200,753

To meet both BBNC's short- and long-term liquidity requirements, the Corporation looks to a variety of funding sources, both internal and external. BBNC's primary source of liquidity is cash generated from operating activities and from Portfolio earnings. In order to meet additional liquidity needs at the parent level, the Corporation has a line of credit that it may draw upon to fund cash needs.

The primary line of credit has a ceiling of $75.0 million and is secured by marketable securities. If further acquisition opportunities arise, the Corporation will consider the costs and benefits of additional debt sources. BBNC's cash flow from operations and access to short-term debt give management confidence that the Corporation's liquidity needs can be met in both the short- and long-term.

SIGNIFICANT SOURCES AND USES OF CAPITAL

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

		FISCAL YEAR		
		2019	2018	2017
SOURCES/USES OF CAPITAL				
Cash flows from operating activities	$	69,097	45,687	94,985
Cash flows from investing activities		(29,942)	(30,080)	(53,726)
Cash flows from financing activities		(50,590)	(76,151)	(28,427)
Increase (decrease) in cash and cash equivalents	$	(11,435)	(60,544)	12,832
CAPITAL STRUCTURE				
Short- and long-term debt	$	12,662	39,577	97,483
Total shareholders' equity		509,624	480,031	397,315
Total capital	$	522,286	519,608	494,798
Debt-to-equity ratio		2.48%	8.24%	24.54%

OPERATING ACTIVITIES

The operating activity section of the statement of cash flows reconciles net income to the amount of cash provided by operating transactions. For FY2019, cash flows from operating activities was $69.0 million which was primarily comprised of net income of $53.5 million plus depreciation and amortization expense of $20.5 million less $6.2 million of gains on sale of marketable securities and $14.2 million in deferred tax expenses. For FY2018, cash flows from operating activities was $45.7 million which was primarily comprised of net income of $103.2 million plus depreciation and amortization expense of $22.6 million and other changes in working capital. For FY2017, cash flows from operating activities was $95.0 million which was primarily comprised of net income of $41.1 million plus depreciation and amortization expense of $24.1 million and other changes in working capital.

INVESTING ACTIVITIES

Net cash activity from investment activity is typically consistent unless significant acquisition activity occurs during a fiscal year. FY2019, FY2018 and FY2017 are reflective of the Corporation's normalized uses of cash for investing activities on a year-to-year basis.

FINANCING ACTIVITIES

Financing activities include transactions involving shareholder dividends and contributions to settlement trusts, noncontrolling interests and borrowings and repayments of debt. Cash used by financing activities in FY2019 includes shareholder dividends and contributions to settlement trusts of $23.8 million. FY2019 had increased cash flows used in financing activities due to increased payment on the line of credit compared to previous years.

Our total capital structure consists of the original monies received by the Corporation under ANCSA on behalf of its shareholders, funds provided by debt financing arrangements and accumulated earnings that have not been paid out in dividends and contributions to settlement trusts. The overall increase in total capital in FY2019 is comprised of the fiscal year earnings offset by dividends paid and contributions to settlement trusts.

The Corporation's debt-to-equity ratio is closely monitored in order to maintain an appropriate balance of debt and liquidity.

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

SHAREHOLDER BENEFITS

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

		FISCAL YEAR		
		2019	2018	2017
Regular dividends paid	$	10,910	20,200	18,796
Contributions to BBNC Settlement Trust		11,991	–	–
Contributions to BBNC Elder Settlement Trust		856	–	–
Cumulative shareholder benefits, since inception	$	244,628	220,872	200,672

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

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

Recognizing the value of job skills that do not require four-year college degrees, the Foundation also awards scholarships to help pay for vocational training and provide assistance for shareholders to attend various vocational training programs. This program specifically assists those that are in need of specialized certification or training in order to enhance their employment or career opportunities. In many instances, vocational assistance recipients, who are also shareholders, have used their certifications to be eligible for employment by the Corporation and its subsidiaries. The Corporation funded over $1.0 million in contributions to the BBNC Education Foundation in FY2019.

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

In FY2019, BBNC established the BBNC Settlement Trust to provide a variety of benefits to shareholders, Alaska Natives and descendants of Natives. The overall purpose of this trust is to promote the health, education and welfare of its beneficiaries and preserve the heritage and culture of Natives. The Trust's initial programs include establishing a memorial fund to defray funeral expenses of a shareholder and providing quarterly distributions to beneficiaries. The BBNC Settlement Trust paid $20.20 per share to its beneficiaries in FY2019.

The Corporation's operations allow BBNC to provide meaningful career opportunities for its shareholders. During FY2019, BBNC had a total of 227 shareholder employees. Total shareholder wages paid in FY2019 were $16.4 million. The Corporation continues to focus on expanding opportunities for shareholder employment.

CRITICAL ACCOUNTING ESTIMATES

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

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

TEN YEAR FINANCIAL SUMMARY

(In thousands except share data, ratios, and percentages)

		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
REVENUES											
Investment income	$	11,415	27,959	24,789	(63)	11,442	25,167	14,254	5,537	14,935	23,282
Petroleum sales operations		–	–	592,715	579,869	811,253	1,011,443	1,097,607	1,173,249	948,873	791,736
Contract services											
Industrial Services		981,197	867,764	171,826	208,238	257,826	142,154	39,030	39,360	37,637	33,923
Construction		403,666	473,397	440,208	479,073	414,033	404,907	517,799	449,868	401,608	375,776
Government Services		260,580	267,250	277,541	234,740	228,720	240,823	282,821	287,186	256,247	152,199
Tourism		11,760	10,751	9,114	2,040	1,861	1,890	1,493	–	–	–
Natural Resources		11,753	10,677	6,904	5,954	10,186	8,396	6,524	9,877	7,648	3,965
Gain on sale of controlling interest in subsidiary		6,819	–	–	–	–	–	–	–	–	–
Other income (1)		1,824	1,547	2,084	2,171	763	1,114	2,252	430	252	1,515
TOTAL OPERATING REVENUE		1,689,014	1,659,345	1,525,181	1,512,022	1,736,084	1,835,894	1,961,780	1,965,507	1,667,200	1,382,396
COSTS AND EXPENSES (1)		1,621,517	1,602,469	1,460,485	1,473,156	1,662,248	1,753,661	1,892,521	1,898,335	1,597,930	1,346,170
Earnings from operations		67,497	56,876	64,696	38,866	73,836	82,233	69,259	67,172	69,270	36,226
Income tax benefit (expense), net of extraordinary benefit		(14,010)	46,348	(23,564)	4,875	(28,000)	(33,047)	(27,941)	3,054	(26,253)	(4,289)
Earnings applicable to minority interests		(339)	(161)	(111)	(52)	(945)	(36)	0	0	0	0
NET EARNINGS (LOSS)	$	53,148	103,063	41,021	43,689	44,891	49,150	41,318	70,226	43,017	31,937
CASH FLOW DATA											
Net cash provided by operating activities	$	69,097	45,687	94,985	74,154	89,618	120,534	30,489	36,975	17,484	5,631
Net capital expenditures		24,517	15,106	13,772	10,656	19,552	7,215	18,014	16,992	5,669	5,750
Addition (reduction) to long-term debt		(26,915)	(57,906)	(9,934)	(3,727)	(862)	62,851	18,974	(11,648)	(2,731)	6,884
Regular dividends, including contributions to settlement trusts		23,804	20,111	18,796	17,499	27,313	14,981	13,883	12,070	7,453	6,913
SHAREHOLDER DATA											
Earnings (loss) per share	$	98.00	191.00	76.00	81.00	83.00	91.00	76.51	130.02	79.65	59.13
Shareholder distributions per share		40.40	37.40	34.80	32.40	30.00	27.00	25.00	22.00	13.80	12.80
Return on average stockholders' equity		10.8%	23.5%	10.6%	11.7%	12.9%	14.8%	14.6%	29.2%	22.2%	19.6%
FINANCIAL POSITION											
Cash and equivalents	$	13,180	24,615	85,159	72,327	62,464	49,471	38,214	46,135	35,118	25,521
Working capital (1)		51,857	59,380	86,692	89,660	89,135	59,827	37,931	71,655	10,469	27,479
Marketable equity securities at fair market value		150,808	150,763	139,563	141,427	133,445	136,807	176,781	115,202	97,830	84,820
Property, plant and equipment, at cost		156,560	148,344	155,240	161,012	170,630	174,337	70,263	56,940	46,481	46,748
Total assets		699,752	699,860	686,502	643,050	656,621	629,922	559,034	518,703	448,322	370,456
Long-term debt (including current maturities)		12,662	39,577	97,483	107,417	111,144	112,006	49,155	30,181	41,829	44,560
Stockholders' equity		509,624	480,031	397,315	374,676	349,376	330,897	296,732	269,297	211,141	175,577
RATIOS											
Current ratio (1)		1.3	1.3	1.5	1.6	1.5	1.3	1.2	1.3	1.1	1.2
Long-term debt-to-equity ratio		–	0.08	0.25	0.29	0.32	0.34	0.17	0.11	0.20	0.25

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Bristol Bay Native Corporation:

We have audited the accompanying consolidated financial statements of Bristol Bay Native Corporation and its subsidiaries, which comprise the consolidated balance sheets as of March 31, 2019 and 2018, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2019, and the related notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bristol Bay Native Corporation and its subsidiaries as of March 31, 2019 and 2018, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2019, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Anchorage, Alaska
June 7, 2019

BRISTOL BAY NATIVE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

March 31, 2019 and 2018 (In thousands, except shares)

ASSETS

		2019	2018
CURRENT ASSETS			
Cash and cash equivalents	$	13,180	24,615
Marketable securities (notes 5 and 7)		150,808	150,763
Accounts receivable:			
Trade, net (note 8)		194,221	180,799
Natural resources (note 1(l))		959	252
Inventories		7,899	5,479
Costs and earnings in excess of billings (note 1(m))		17,174	21,895
Prepaid expenses and refundable taxes		8,406	8,094
Notes receivable (note 1(g))		–	3,500
TOTAL CURRENT ASSETS		392,647	395,397
Investments in unconsolidated affiliates (note 6)		33,154	29,994
Other investments (note 7)		41,842	42,359
Other assets		3,071	3,139
Deferred taxes (note 13)		–	14,096
Property, plant, and equipment, at cost (notes 9 and 11)		156,560	148,344
Intangible assets, net (note 4)		29,507	24,812
Goodwill (notes 1(j) and 4)		42,971	41,719
TOTAL ASSETS	$	699,752	699,860

BRISTOL BAY NATIVE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

March 31, 2019 and 2018 (In thousands, except shares)

LIABILITIES AND STOCKHOLDERS' EQUITY

		2019	2018
CURRENT LIABILITIES			
Notes payable (note 10)	$	3,807	3,174
Accounts payable		70,629	77,819
Accrued liabilities (note 12)		78,865	76,516
Billings in excess of costs and earnings (note 1(m))		22,664	21,341
Unclaimed dividends		1,355	1,402
Current maturities of long-term debt (note 11)		12,662	5,002
TOTAL CURRENT LIABILITIES		189,982	185,254
Long-term debt, less current maturities (note 10)		–	34,575
Deferred taxes (note 13)		146	–
TOTAL LIABILITIES		190,128	219,829
Stockholders' equity			
Class A common stock, no par value. Authorized, 1,000,000 shares; issued and outstanding, 488,500 shares (note 2)		29,571	29,571
Class B common stock, no par value. Authorized, 300,000 shares; issued and outstanding, 51,600 shares (note 2)		3,124	3,124
Retained earnings		476,453	447,062
Total stockholders' equity attributable to Bristol Bay Native Corporation		509,148	479,757
Noncontrolling interest		476	274
Total stockholders' equity		509,624	480,031
Commitments and contingencies (notes 7, 10, 11, 12, 13, 14, and 15)			
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	699,752	699,860

See accompanying notes to consolidated financial statements.

BRISTOL BAY NATIVE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended March 31, 2019, 2018 and 2017 (In thousands, except shares and per share data)

		2019	2018	2017
REVENUES AND GAINS				
Industrial Services	$	981,197	867,764	764,541
Construction		403,666	473,397	440,208
Government Services		260,580	267,250	277,541
Tourism		11,760	10,751	9,114
Equity in earnings (losses)		2,756	(734)	(482)
Gain on sale of controlling interest in subsidiary		6,819	–	–
Investment earnings (notes 5 and 7)		8,659	28,693	25,271
Natural Resources		11,753	10,677	6,904
Other		1,824	1,547	2,084
		1,689,014	1,659,345	1,525,181
COSTS AND EXPENSES				
Cost of Industrial Services		956,205	872,822	767,941
Cost of Construction		397,363	450,564	415,116
Cost of Government Services		233,096	238,744	245,365
Cost of Tourism		11,665	11,117	7,887
Cost of investment management		1,037	1,432	962
Corporate general and administrative expense		17,509	23,385	19,266
Interest		1,707	1,885	1,714
Other		2,935	2,520	2,234
		1,621,517	1,602,469	1,460,485
Earnings from operations		67,497	56,876	64,696
Income tax benefit (expense) (note 13)		(14,010)	46,348	(23,564)
NET EARNINGS		53,487	103,224	41,132
Less income attributable to noncontrolling interest		(339)	(161)	(111)
NET EARNINGS ATTRIBUTABLE TO BRISTOL BAY NATIVE CORPORATION	$	53,148	103,063	41,021
Earnings per share	$	98	191	76
Weighted average shares outstanding		540,100	540,100	540,100

See accompanying notes to consolidated financial statements.

BRISTOL BAY NATIVE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended March 31, 2019, 2018 and 2017 (In thousands)

	COMMON STOCK		RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO BRISTOL BAY NATIVE CORPORATION	NON-CONTROLLING INTERESTS	TOTAL STOCKHOLDERS' EQUITY
	CLASS A	CLASS B				
Balance, April 1, 2016	$ 29,571	3,124	341,974	374,669	7	374,676
Dividends ($34.80 per share)	–	–	(18,796)	(18,796)	–	(18,796)
Net earnings	–	–	41,021	41,021	111	41,132
Contributions of noncontrolling interest	–	–	–	–	303	303
Balance, March 31, 2017	29,571	3,124	364,199	396,894	421	397,315
Dividends ($37.40 per share)	–	–	(20,200)	(20,200)	–	(20,200)
Net earnings	–	–	103,063	103,063	161	103,224
Distributions to noncontrolling interest	–	–	–	–	(308)	(308)
Balance, March 31, 2018	29,571	3,124	447,062	479,757	274	480,031
Dividends ($20.20 per share)	–	–	(10,910)	(10,910)	–	(10,910)
Contributions to BBNC Settlement Trust	–	–	(11,991)	(11,991)	–	(11,991)
Contributions to BBNC Elder Settlement Trust	–	–	(856)	(856)	–	(856)
Net earnings	–	–	53,148	53,148	339	53,487
Distributions to noncontrolling interest	–	–	–	–	(137)	(137)
Balance, March 31, 2019	$ 29,571	3,124	476,453	509,148	476	509,624

See accompanying notes to consolidated financial statements.

BRISTOL BAY NATIVE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended March 31, 2019, 2018 and 2017 (In thousands)

	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	$ 53,487	103,224	41,132
Adjustments to reconcile net earnings to cash provided by operating activities:			
Equity in losses (gain) from unconsolidated affiliates	(2,756)	734	482
Unrealized depreciation (appreciation) of marketable securities and other investments	6,074	6,126	(15,864)
Depreciation and amortization	20,525	22,588	24,156
Gain on sale of controlling interest in subsidiary	(6,819)	–	–
(Gain) loss on disposal of property, plant, and equipment	(296)	(67)	74
Property and equipment abandonment and impairment losses	–	3,292	8,916
Gain on sale of marketable securities and other investments	(6,242)	(26,074)	(2,776)
Loss (gain) on interest rate swap	56	(156)	(394)
Deferred taxes	14,243	(39,877)	2,404
Bad debt expense	201	135	248
Changes in operating assets and liabilities that provided (used) cash, net of acquisitions and disposals:			
Accounts receivable	(9,659)	(29,766)	(14,553)
Costs and earnings in excess of billings	4,721	(1,947)	1,246
Billings in excess of costs	1,323	(962)	3,886
Recognition (reversal) of forward losses on construction contracts	999	(2)	133
Net (purchase) sale of marketable securities	1,582	5,090	18,198
Inventories	(2,420)	(1,306)	788
Accounts payable	(7,190)	22,987	(6,121)
Accrued liabilities and other	1,268	(18,332)	33,030
Net cash provided by operating activities	69,097	45,687	94,985

BRISTOL BAY NATIVE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
Years ended March 31, 2019, 2018 and 2017 (In thousands)

		2019	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES:				
Acquisition of businesses, net of cash acquired		(11,707)	(4,256)	(23,087)
Proceeds from sale of controlling interest in subsidiary		2,746	–	–
(Issuance of) collection on notes receivable		3,500	4,005	(7,505)
Return of capital from unconsolidated affiliates		10,237	3,679	1,752
Investment in unconsolidated affiliates		(9,259)	(15,220)	–
Purchase of other investments		(5,984)	(5,463)	(18,695)
Return of capital from other investments		5,042	2,281	7,581
Additions to property, plant, and equipment		(24,517)	(15,106)	(13,772)
Net cash used in investing activities		(29,942)	(30,080)	(53,726)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from long-term debt		29,341	29,000	54,832
Repayment of long-term debt		(56,256)	(86,906)	(64,766)
Proceeds of notes payable		104,245	26,990	–
Repayment of notes payable		(103,612)	(24,816)	–
Payment of contingent consideration		(367)	–	–
Contributions from (distributions to) noncontrolling interests		(137)	(308)	303
Dividends paid		(10,957)	(20,111)	(18,796)
Contributions to settlement trusts		(12,847)	–	–
Net cash used in financing activities		(50,590)	(76,151)	(28,427)
Increase (decrease) in cash and cash equivalents		(11,435)	(60,544)	12,832
CASH AND CASH EQUIVALENTS:				
Beginning of year		24,615	85,159	72,327
End of year	$	13,180	24,615	85,159
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
CASH PAID DURING THE YEAR FOR:				
Interest	$	1,728	2,435	1,769
Income taxes paid		798	9,549	7,639
Income taxes refunded		227	3,234	–
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:				
Future payments based upon earnings in connection with acquisition		4,720	1,100	–
Holdback payments in connection with acquisitions		820	–	2,855
Earnout receivable from sale of controlling interest in subsidiary		2,691	–	–

See accompanying notes to consolidated financial statements.

BRISTOL BAY NATIVE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2019 and 2018

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) NATURE OF OPERATIONS

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

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

(B) PRINCIPLES OF CONSOLIDATION

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

Bristol Resources, Inc.
Bristol Bay Corporate Services, Inc.
Bristol Bay Architects, Inc.*
Bristol Bay Parking, LLC
Bristol Bay Development LLC
Bristol Bay Development Fund, LLC
AN-AN, C, LLC
Arctic Holdings, LLC
PetroCard, Inc. (PC)
Bristol Alliance Fuels, LLC
Bristol Bay Petroleum Properties, LLC
Katmailand, Inc.
Katmai Air, LLC
Katmai Lodge, LLC
Katmai Air Leasing, LLC
Bristol Bay Mission Lodge, LLC
Bristol Environmental Solutions, LLC**
Bristol Construction Services, LLC**
Bristol Design Build Services, LLC**
Bristol Environmental Remediation Services, LLC**
Bristol Engineering Services Company, LLC**
Bristol General Contractors, LLC**
Bristol Industries, LLC**
SES Electrical LLC
SES Civil Contractors LLC
SES Energy Services LLC
Aerostar, LLC
SES Technologies LLC
Panhandle Power Solutions, LLC
Badger Technical Services, LLC
Bristol Bay Shared Services, LLC
DefendSafe, LLC
Eagle Applied Sciences LLC
Eagle Medical Services, LLC
Eagle Integrated Healthcare, LLC
Eagle Global Scientific, LLC
Glacier Technical Solutions, LLC
Glacier Technologies LLC
MedPro Technologies, LLC
Bristol Infrastructure Design Services, LLC**
SpecPro, Inc.
SpecPro Professional Services, LLC
Bristol Prime Contractors, LLC**
Bristol Site Contractors, LLC**
Umyuaq Construction**
SES Infrastructure Services, LLC
CCI Construction Services, LLC
CCI Energy and Construction Services, LLC
CCI Group, LLC
CCI, Inc.
CCI Mechanical, LLC
CCI Solutions, LLC
CCI General Contractors, LLC
CCI Utility Services, LLC
CCI Facility Contractors, LLC
CCI Facility Support Services, LLC
CCI Prime Contractors, LLC
CCI Energy Contractors, LLC
CCI Alliance, LLC
Aerostar SES LLC
SES Construction and Fuel Services LLC
SpecPro Environmental Services LLC
Workforce Resources, LLC
SpecPro Technical Services, LLC
SpecPro Management Services, LLC
STS Systems Integration, LLC
STS Systems Support, LLC
STS Solutions and Training, LLC
STS Systems Defense, LLC
TekPro Services, LLC
TekPro Support Services, LLC
Vista International Operations, Inc.
Vista Technical Services, LLC
Vista Defense Technologies, LLC
Bristol Bay Industrial, LLC
Peak Oilfield Service Company LLC
CCI Industrial Services, LLC
Kakivik Asset Management, LLC
Alaska Directional, LLC
Bristol Bay Alaska Tourism, LLC

** No significant activity in 2019, 2018 or 2017.*
*** Wholly owned and consolidated through July 31, 2018*

The Corporation consolidates majority owned subsidiaries that are not considered variable interest entities for which the Corporation exercises operational control. The Corporation will also consolidate any variable interest entities of which it is the primary beneficiary. The Corporation consolidates AN-AN, C, LLC as the primary beneficiary of a variable interest entity. Included in the Corporation's consolidated balance sheet as of March 31, 2019, is $18,347,000 of assets and $12,089,000 of liabilities of AN-AN, C, LLC, consisting primarily of a building and the associated long-term loan payable for the building. The Corporation contributed $6,463,000 of equity and guarantees the long-term loan payable of AN-AN, C, LLC.

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

(C) CASH AND CASH EQUIVALENTS

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

(D) MARKETABLE SECURITIES

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

(E) INVESTMENTS IN UNCONSOLIDATED AFFILIATES

Investments in unconsolidated affiliates are accounted for using the cost or the equity method, depending on whether the Corporation has the ability to exercise significant influence over operating and financial policies of an investee. Under the cost method, investments are carried at acquisition cost and distributions are recognized as income when received. Under the equity method, the Corporation's share of affiliate earnings is included in income when earned, and distributions are credited to the investment when received. For flow-through entities (i.e., partnerships, limited liability companies, subchapter S corporations, etc.), the ability to exercise significant influence is presumed to exist if the percentage of ownership is equal to or greater than 3% to 5%. For other entities, significant influence is presumed to exist if the percentage of ownership is equal to or greater than 20%. The Corporation's share of earnings or losses is determined either by its respective ownership percentage or, when appropriate, by using the hypothetical liquidation at book value method (HLBV). When using the HLBV, the Corporation evaluates at each balance sheet date, the amount it would receive or be obligated to pay if the investee were liquidated. The difference between this amount at the beginning of the period compared to end of the period plus cash received from the investments during the period and less amounts contributed to the investment during the period, represents the Corporation's earnings or losses for the period from such investment.

Cost method investments are reviewed for impairment in the occurrence of a triggering event indicating impairment. Equity method investments are analyzed for impairment on an ongoing basis. An impairment charge is recorded whenever the fair value of the investment is considered to be less than the carrying amount and the impairment is considered other than temporary.

(F) TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is management's best estimate of the amount of probable credit losses in existing accounts receivable. The Corporation determines the allowance based on its historical write-off experience and current economic conditions. Past-due balances over 60 days in a specified amount are reviewed individually for collectability. All other balances are reviewed in aggregate. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Corporation does not have any off-balance-sheet credit exposure related to its customers. The allowance for uncollectible accounts was $740,718 and $828,000 at March 31, 2019 and 2018, respectively.

(G) NOTES RECEIVABLE

Notes receivable are recorded at the original principal amount plus interest accrued, less payments made to date. Interest is compounded based on the terms of the individual loan agreement, and may not be accrued in the case of probable uncollectible amounts. The notes receivable at March 31, 2018 is a promissory note from a company which bears interest at 16% per annum with principal and unpaid interest due June 30, 2018.

Allowance for notes receivable losses are maintained at levels deemed adequate by management to provide for probable and inherent losses and provisions for notes receivable losses are added to, and charge-offs deducted, from, the respective allowance for notes receivable losses. At March 31, 2019, and 2018, there were no allowances for notes receivable losses.

Notes receivable are considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect scheduled payments of principal and interest when due according to the contractual terms of the note agreements. Impairment is measured by comparing the estimated fair value, less selling costs (net realizable value) of the underlying collateral against the recorded investment of the loan. Notes receivable are charged-off when all possible means of collection have been exhausted and the remaining balance due is deemed uncollectable. For the years ended March 31, 2019, 2018, and 2017, there were no impairment charges.

(H) INVENTORIES

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

(I) PROPERTY, PLANT, AND EQUIPMENT

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

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

(J) GOODWILL AND INTANGIBLES

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is reviewed for impairment at least annually. The Corporation has an option to assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If after assessing the totality of events or circumstances, the Corporation determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step goodwill impairment test is unnecessary. However, if the Corporation concludes otherwise, the Corporation is required to perform the first step of the two-step impairment test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the entity must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit's goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed.

The Corporation performs its annual impairment review of goodwill at March 31, and when a triggering event occurs between annual impairment tests. No impairment loss was recorded in 2019, 2018 or 2017. The reporting units assessed for impairment include Industrial Services Group (ISG) , SpecPro Technical Services (STS) group, and SpecPro Environmental Services (SES) group.

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

(K) IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less the cost to sell.

(L) NATURAL RESOURCE REVENUES

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

(M) REVENUE AND COST RECOGNITION

In general, the Corporation recognizes revenue when the following criteria are met: services have been performed, or delivery has occurred, collection of the receivable is probable, persuasive evidence of an arrangement exists, and the sales price is fixed and determinable.

The revenues from the Corporation's industrial services, government services, and construction business lines are derived from fixed price, time and material, and cost plus contracts to provide services under various federal, state, and commercial contracts. Revenue on fixed price contracts is recognized by the percentage of completion method based on the proportion of costs incurred to date to management's best estimate of total contract costs. Revenues from time and material contracts and cost plus contracts are recognized currently as the work is performed. Change orders are not included in contract revenue until agreed upon and approved by the customer and Corporation regarding both scope and price. Claims are not included in contract revenue until it is probable that the claim will result in additional contract revenue and the amount can be reliably estimated or when amounts have been received. Contract costs include all direct costs and any indirect, or overhead, costs allocable to contracts. Included in indirect or overhead are allocable general and administrative expenses to the extent such costs are allowable under government procurement regulations and recoverable under the contract. Revisions in cost and profit estimates are made during the course of work and are reflected when facts that require revision become known. Provision for losses on uncompleted contracts is made in the period in which such losses are identified.

The costs and estimated earnings on contracts in progress include costs and estimated earnings on firm fixed price contracts. The following table reconciles costs incurred, earnings, and billings to date on contracts in progress at March 31 (in thousands):

		2019	2018
Costs incurred on contracts in progress to date		1,299,383	1,528,083
Estimated earnings to date	$	165,540	197,738
Contract revenue earned to date		1,464,923	1,725,821
Less billings to date		(1,470,413)	(1,725,267)
Contracts revenue adjustment required to reflect percentage of completion	$	(5,490)	554

Included in the consolidated balance sheets are costs and estimated earnings on contracts in progress compared to billings and consist of the following, at March 31 (in thousands):

		2019	2018
Costs and earnings in excess of billings on uncompleted projects	$	17,174	21,895
Billings in excess of costs and earnings on uncompleted contracts		(22,664)	(21,341)
	$	(5,490)	554

Costs and earnings in excess of amounts billed are classified as current assets under "costs and earnings in excess of billings." Billings in excess of costs and earnings are classified under current liabilities as "billings in excess of costs and earnings." Contract retentions are included in accounts receivable.

Where the Corporation acting in an agency capacity, by agreement, has transferred all significant risk to vendors, manufacturers, or purchasers, the Corporation records only the net profit in contract services revenues. Gross volume from such activity excluded from the financial statements totaled $4,857,000, $7,323,000 and $10,859,000 for fiscal years 2019, 2018 and 2017, respectively.

Revenue from petroleum sales is recognized when the related goods are sold and all significant obligations of the Corporation have been satisfied, which generally occurs at time of delivery. Petroleum revenues and the cost of petroleum operations, generated from purchases outside the PC network, are recorded gross of state and federal fuel taxes. PC is not responsible for collecting or remitting fuel tax for petroleum revenues from fuel directly acquired by the Corporation. Included in petroleum sales operations and costs of petroleum sales operations is $98.6 million, $105.6 million and $101.0 million of state and federal fuel taxes for the years ended March 31, 2019, 2018 and 2017, respectively.

(N) INTEREST RATE SWAP

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

(O) INCOME TAXES

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

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

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

(P) USE OF ESTIMATES

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

(Q) RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

Companies are permitted to adopt the standard using a retrospective transition method (i.e. restate all prior periods presented) or a cumulative effect method (i.e. recognize the cumulative effect of initially applying the guidance at the date of initial application with no restatement of prior periods). However, both methods allow companies to elect certain practical expedients on transition that will help to simplify how a company restates its contracts. The Corporation currently anticipates adopting the standard using the cumulative effect method and expects to elect the practical expedient for contract modifications.

The standard is effective for the Corporation for annual periods in fiscal years beginning after December 15, 2018. The Corporation will implement the provisions of ASU 2014-09 as of April 1, 2019.

Because the standard will affect the Corporation's business processes, systems and controls, the Corporation began its assessment of the standard during 2017 and developed a comprehensive change management project plan to guide the implementation. The project plan includes analyzing the standard's effect on the Corporation's contract portfolio, comparing its historical accounting policies and practices to the requirements of the new standard, and identifying potential differences from applying the requirements of the new standard to its contracts. The Corporation does not expect the standard to have a material effect on the consolidated financial statements, other than for the additional disclosures required by the standard.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments – Overall (Subtopic 825-10). ASU 2016-01 require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. In addition, ASU 2016-01 simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. The update is effective for years beginning after December 15, 2018. The Corporation has early adopted in FY2018 the elimination of the requirement to disclose the fair value of financial instruments measured at amortized cost. The Corporation adopted the remainder of the new standard on April 1, 2018. Adoption of the ASU did not have a significant impact on the consolidated financial statements.

The FASB issued ASU No. 2016-02, Leases (Topic 842), in February 2016. The primary change in GAAP addressed by ASU 2016-02 is the requirement for a lessee to recognize on the balance sheet a liability to make lease payments (lease liability) and a right of use asset representing its right to use the underlying asset for the lease term. For finance leases, a lessee is required to (i) recognize a right of use asset and a lease liability, initially measured at the present value of the lease payments; (ii) recognize interest on the lease liability separately from amortization of the right of use asset; and (iii) classify repayments of the principal portion of the lease liability within financing activities and payments of interest on the lease liability and variable lease payments within operating activities on the statement of cash flows. For operating leases, a lessee is required to (i) recognize a right of use asset and a lease liability, initially measured at the present value of the lease payments; (ii) recognize a single lease cost, calculated so that the lease is allocated over the lease term on a generally straight line basis; and (iii) classify all cash payments within operating activities in the statement of cash flows. For leases with a term of twelve months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight line basis over the lease term. The accounting applied by a lessor is largely unchanged from that applied under previous GAAP. ASU 2016-02 also requires qualitative and quantitative disclosures to enable users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The new standard is effective for annual reporting periods beginning after December 15, 2019.

The Corporation is currently planning on implementing the provisions of ASU 2016-02 as of April 1, 2020. While the Corporation continues to assess the effect of adoption, it currently believes that the most significant changes related to the recognition of right to use assets and lease liabilities on the consolidated balance sheets will be for equipment and warehouse operating leases.

(2) ALASKA NATIVE CLAIMS SETTLEMENT ACT

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

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

The Corporation is also entitled under ANCSA to select and receive approximately three million acres of land, primarily subsurface estate. Stockholders' equity includes net cash receipts from the U.S. government and the state of Alaska under ANCSA. Land and subsurface rights conveyed under ANCSA are not recorded because it is not reasonably possible to determine the value of the assets conveyed at this time. Of the Corporation's entitlement of 3,079,553 acres, the Corporation has received interim conveyance to 410,174 acres of subsurface estate and has received patent to 2,598,274 acres. The Corporation has also received interim conveyance and patent to 115,349 acres of surface and subsurface estate.

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

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

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

During the period that restrictions on stock alienation are in effect, the stock carries voting rights only if the holder is an Alaskan Native or a descendant of an Alaskan Native, as defined in the amended ANCSA. As of March 31, 2019 and 2018, there were 9,915 and 9,732 holders of Class A stock and 953 and 955 holders of Class B stock, respectively. Among these stockholders, 9,746 and 885 hold voting stock at March 31, 2019, and 9,584 and 892 hold voting stock at March 31, 2018.

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

Under Section 7(i) of ANCSA, the Corporation is required to distribute annually 70% of the net resource revenues received from the Corporation's timber and subsurface estate to all 12 Alaska Native Regional Corporations organized pursuant to ANCSA. Under Section 7(j) of ANCSA, the Corporation also redistributes 50% of revenues received under Section 7(i) of ANCSA to the Corporation's village corporations and at-large shareholders. For the years ended March 31, 2019, 2018 and 2017, $11,319,000, $10,375,000 and $6,713,000 was redistributed to village corporations and at-large shareholders, respectively. Gross 7(i) revenues are presented net of these amounts.

In June 1982, an agreement was reached among the Native regional corporations settling several years of litigation concerning the meaning and application of Section 7(i). The settlement agreement sets past liabilities and establishes rules for the future by which distributable revenues will be determined. These consolidated financial statements comply with the settlement agreement.

(3) ACQUISITIONS

(A) PANHANDLE POWER SOLUTIONS, LLC

In March 2019, the Corporation acquired 100% of Panhandle Power Solutions, LLC, a construction company.

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

CONSIDERATION:		
Cash	$	4,518
Holdback payable		400
Contingent consideration arrangement		3,600
FAIR VALUE OF TOTAL CONSIDERATION TRANSFERRED		8,518

RECOGNIZED AMOUNTS OF IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED:		
Accounts receivable	$	1,398
Property, plant, and equipment		398
Intangible assets:		
Customer relationships (amortized over 10 years)		4,581
Noncompete agreements (amortized over 6 years)		861
Trade name (amortized over 15 years)		1,148
Total identifiable net assets assumed		8,386
Goodwill		132
TOTAL	$	8,518

Goodwill consists of an assembled workforce and synergies and those cost reductions. Goodwill from this acquisition is tax deductible. The Corporation incurred insignificant acquisition related costs.

Panhandle Power Solutions, LLC's operating results from the date of acquisition are included in the consolidated statement of operations in the Construction line of business.

(B) ENVIRONMENTAL RESOURCE SOLUTIONS, INC.

In November 2018, the Corporation acquired 100% of Environmental Resource Solutions, Inc., a construction company.

The following table summarizes the consideration paid for Environmental Resource Solutions, Inc. and the amounts of estimated fair value of the assets acquired and liabilities assumed at the acquisition date (in thousands):

CONSIDERATION:		
Cash	$	1,457
Holdback payable		420
Contingent consideration arrangement		1,120
FAIR VALUE OF TOTAL CONSIDERATION TRANSFERRED		2,997

RECOGNIZED AMOUNTS OF IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED:		
Accounts receivable	$	583
Property, plant, and equipment		171
Intangible assets:		
Customer relationships (amortized over 10 years)		1,272
Accounts payable		(149)
Total identifiable net assets assumed		1,877
Goodwill		1,120
TOTAL	$	2,997

Goodwill consists of an assembled workforce and synergies and those cost reductions. Goodwill from this acquisition is tax deductible. The Corporation incurred insignificant acquisition related costs.

Environmental Resource Solutions, Inc.'s operating results from the date of acquisition are included in the consolidated statement of operations in the Construction line of business.

(C) FSUCS, LLC

In April 2017, the Corporation acquired 100% of FSUCS, LLC, a construction company.

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

CONSIDERATION:		
Cash	$	4,256
Contingent consideration arrangement		1,100
FAIR VALUE OF TOTAL CONSIDERATION TRANSFERRED		5,356
RECOGNIZED AMOUNTS OF IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED:		
Accounts receivable	$	2,394
Costs and earnings in excess of billings		17
Property, plant, and equipment		460
Intangible assets:		
Customer relationships (amortized over 10 years)		1,840
Billings in excess of costs and earnings		(455)
Total identifiable net assets assumed		4,256
Goodwill		1,100
TOTAL	$	5,356

Goodwill consists of an assembled workforce and synergies and those cost reductions. Goodwill from this acquisition is tax deductible. The Corporation incurred insignificant acquisition related costs.

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

(4) GOODWILL AND INTANGIBLES

The change in the carrying amount of Goodwill for the years ended March 31, 2019 and 2018 are as follows (in thousands):

BALANCE AS OF APRIL 1, 2017	$	40,619
Acquisition of FSUCS, LLC		1,100
BALANCE AS OF MARCH 31, 2018	$	41,719
Acquisition of Environmental Resource Solutions, Inc.		1,120
Acquisition of Panhandle Power Solution, LLC		132
BALANCE AS OF MARCH 31, 2019		42,971

The changes in the carrying amount of intangibles for the years ended March 31, 2019 and 2018 are as follows (in thousands):

		BAF	PC	ASL	PEAK	KATMAI	AK DIRI	FSUCS	ERSI	PPS	TOTAL
BALANCE AS OF APRIL 1, 2017	$	5,364	2,932	1,713	1,529	4,717	10,064	–	–	–	26,319
ACQUISITIONS											
Customer relationships		–	–	–	–	–	–	1,840	–	–	1,840
AMORTIZATION											
Customer relationships		(202)	(320)	(234)	(337)	(50)	(504)	(184)	–	–	(1,831)
Noncompete agreements		(150)	–	–	(140)	(20)	(432)	–	–	–	(742)
Trade names		(89)	–	(91)	(102)	(97)	(197)	–	–	–	(576)
Contractual		–	–	–	–	(198)	–	–	–	–	(165)
BALANCE AS OF MARCH 31, 2018	$	4,923	2,612	1,388	950	4,352	8,931	1,656	–	–	24,812
ACQUISITIONS											
Customer relationships		–	192	–	–	–	–	–	1,272	4,581	6,045
Noncompete agreements		–	–	–	–	–	–	–	–	861	861
Trade names		–	–	–	–	–	–	–	–	1,148	1,148
AMORTIZATION											
Customer relationships		(201)	(322)	(325)	(337)	(50)	(504)	(184)	(32)	–	(1,955)
Noncompete agreements		(150)	–	–	(140)	(20)	(432)	–	–	–	(742)
Trade names		(83)	–	–	(102)	(97)	(198)	–	–	–	(480)
Contractual		–	–	–	–	(182)	–	–	–	–	(182)
BALANCE AS OF MARCH 31, 2019	$	4,489	2,482	1,063	371	4,003	7,797	1,472	1,240	6,590	29,507

There are no cumulative impairments of Goodwill or Intangibles as of March 31, 2019 and 2018.

Estimated amortization expense for the next five years, and years thereafter, is $3.7 million in 2020, $3.6 million in 2021, $3.5 million in 2022, $2.8 million in 2023 and $2.7 million in 2024, and $13.2 million for years thereafter.

(5) MARKETABLE SECURITIES

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

2019

		COST	GROSS UNREALIZED HOLDING GAINS	GROSS UNREALIZED HOLDING LOSSES	FAIR VALUE
Money market mutual funds	$	5,038	–	–	5,038
Equities:					
Domestic		12,628	6,769	(431)	18,966
International		1,364	451	(155)	1,660
Mutual funds		97,461	7,633	(2,618)	102,476
Fixed income:					
Government sponsored		22,365	74	(5)	22,434
Corporate-domestic		207	2	–	209
Corporate-international		25	–	–	25
	$	139,088	14,929	(3,209)	150,808

2018

		COST	GROSS UNREALIZED HOLDING GAINS	GROSS UNREALIZED HOLDING LOSSES	FAIR VALUE
Money market mutual funds	$	30,612	–	–	30,612
Equities:					
Domestic		25,837	12,404	(289)	37,952
International		34,979	5,044	(15)	40,008
Mutual Funds		43,000	–	(809)	42,191
	$	134,428	17,448	(1,113)	150,763

The Corporation's revolving note agreement, disclosed in note 10, requires collateral of marketable securities valued at $5,000,000 as of March 31, 2019. Collateral value is determined by multiplying the applicable advance percentage provided in the collateral table for each type of eligible collateral pledged to the bank.

Investment earnings (losses) consist of the following (in thousands) for the:

YEARS ENDED MARCH 31

		2019	2018	2017
Dividends	$	5,033	4,805	3,331
Interest		1,079	1,689	1,047
Gain on sale of marketable securities, and other investments, net		6,242	26,074	2,776
Unrealized (depreciation) appreciation of marketable securities		(4,615)	(9,784)	13,558
	$	7,739	22,784	20,712

(6) INVESTMENTS IN UNCONSOLIDATED AFFILIATES

The Corporation has interests in various affiliates and joint ventures. The companies, the business in which they are engaged, percentage of ownership at March 31, 2019, and investment amount were as follows at March 31 (in thousands):

	BUSINESS	PERCENTAGE OF OWNERSHIP		2019	2018
Cost method investments	Varies	Varies	$	1,947	1,868
EQUITY METHOD INVESTMENTS:					
JL-BBNC, LLC	Real Estate	16.67 %		3,255	3,590
JL-Palms, LLC	Real Estate	37.67		4	581
JL-LFGTE, LLC	Energy	20.00		778	1,273
CenterPoint West, LLC	Real Estate	10.00		2,077	2,214
International Office Building, LLC	Real Estate	20.00		2,002	2,130
JL Office Tower, LLC	Real Estate	5.00		2,266	2,104
FACP-Natural Gas Storage, LLC	Energy	45.00		–	1,178
JL Orlando Hotel 4, LLC	Real Estate	20.00		483	483
ADESCO, LLC	Marine	19.00		87	81
Vista Chenhall Tek JV, LLC	Contracting	49.00		23	34
MECX-BTS JV, LLC	Contracting	49.00		6	5
Three Star MedPro Tech JV, LLC	Contracting	49.00		5	(11)
EA-SCF, JV	Contracting	49.00		1	1
Bristol Industries, LLC	Contracting	49.00		1,383	–
Woodbine Legacy Investment Partners, LLC	Real Estate	3.26		–	4,792
JL-Triton, LLC	Real Estate	21.44		1,843	1,813
JL-Keahotel Investor, LLC	Real Estate	38.49		2,444	2,368
JL-Anchorage Hotels, LLC	Real Estate	33.87		4,897	4,829
JL-Pebble Creek Utah	Real Estate	38.00		4,507	–

	BUSINESS	PERCENTAGE OF OWNERSHIP	2019	2018
PW/Sidecar Investors, LLC	Real Estate	9.06	2,340	–
JL Assurance-Turtle, LLC	Real Estate	9.05	212	–
JL-BBNC Co Investment, LLC	Real Estate	15.66	1,660	–
JL Assurance Mezzanine Partners, LLC	Financing	15.94	934	661
			$ 33,154	29,994

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

		2019	2018
Current assets	$	62,140	67,584
Noncurrent assets		538,485	541,856
TOTAL ASSETS	$	600,625	609,440
Current liabilities	$	49,270	22,938
Noncurrent liabilities		344,858	352,805
Equity		206,497	233,697
TOTAL LIABILITIES AND EQUITY	$	600,625	609,440

		2019	2018	2017
Revenues	$	259,551	137,856	57,034
Expenses		248,116	141,367	60,843
NET EARNINGS (LOSS)	$	11,435	(3,511)	(3,809)
Equity in earnings (losses) of affiliates allocable to the Corporation	$	2,756	(734)	(482)

In July 2018, the Corporation sold 51% of its wholly owned subsidiary Bristol Industries, LLC and recognized a gain of $6.8 million from the sale.

Investment earnings include the following (in thousands):

YEARS ENDED MARCH 31

		2019	2018	2017
Earnings on investments	$	167	98	165
Lease revenue from portfolio		2,212	2,153	2,088
	$	2,379	2,251	2,253

(7) FAIR VALUE MEASUREMENTS

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

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

(A) FAIR VALUE MEASUREMENTS ON A RECURRING BASIS

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

The following tables present the balances of assets and liabilities measured at fair value on a recurring basis as of March 31, 2019 and 2018 at each hierarchical level (in thousands):

2019

		TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
ASSETS					
TRADING SECURITIES					
Money market funds	$	5,038	5,038	–	–
Equities:					
Domestic		18,965	18,965	–	–
International		1,659	1,659	–	–
Mutual funds		102,477	102,477	–	–
Fixed income:					
Government sponsored		22,435	–	22,435	–
Corporate-domestic		209	–	209	–
Corporate-international		25	–	25	–
TOTAL TRADING SECURITIES	$	150,808	128,139	22,669	–
LIABILITIES					
Interest rate swaps	$	58	–	58	–

2018

	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
ASSETS				
TRADING SECURITIES:				
Money market funds	$ 30,612	30,612	–	–
Equities:				
Domestic	37,952	37,952	–	–
International	40,008	40,008	–	–
Mutual funds	42,191	42,191	–	–
TOTAL TRADING SECURITIES	$ 150,763	150,763	–	–
ASSETS				
Interest rate swaps	$ 114	–	114	–

(B) FAIR VALUE MEASUREMENTS ON A NONRECURRING BASIS

The following table presents fair value measurements of nonfinancial assets that are measured at fair value on a nonrecurring basis at March 31, 2019 and 2018 (in thousands):

	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL LOSSES
2018					
Property and equipment	49,180	–	49,180	–	3,292

During 2018, as a result of the decreased economic activity in Alaska's and North Dakota's oilfields, the Corporation performed an impairment analysis on its property and equipment used in oilfield services. The estimated undiscounted future cash flows generated by the property and equipment were deemed to be less than its carrying value. The carrying value of the property and equipment was reduced to fair value. Management estimated fair value based on observable market transactions involving sales of comparable equipment. There were no fair value measurements on a nonrecurring basis as of March 31, 2019.

(C) INVESTMENTS AT NET ASSET VALUE

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

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

2019

	NUMBER OF FUNDS	FAIR VALUE	ESTIMATED LIQUIDATION PERIOD	REDEMPTION FREQUENCY
Finance and lending (a)	1	$ 3,515	1 to 6 years	None
Finance and lending (a)	1	12,441	–	Quarterly
Global (b)	1	4,433	1 to 11 years	None
Global (b)	1	4,076	–	Daily
North America (c)	1	5,203	1 to 11 years	None
Distressed opportunities (d)	2	6,427	1 to 12 years	None
Real estate (e)	1	5,747	–	None
		$ 41,842		

2018

	NUMBER OF FUNDS	FAIR VALUE	ESTIMATED LIQUIDATION PERIOD	REDEMPTION FREQUENCY
Finance and lending (a)	1	$ 8,893	1 to 6 years	None
Finance and lending (a)	1	12,015	–	Quarterly
Global (b)	1	4,504	1 to 11 years	None
Global (b)	1	4,632	–	Daily
North America (c)	1	6,905	1 to 11 years	None
Distressed Opportunities (d)	2	5,410	1 to 12 years	None
		$ 42,359		

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

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

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

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

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

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

		2019	2018
Beginning balance	$	42,359	35,519
Purchases		5,984	5,463
Return of capital		(5,042)	(2,281)
Unrealized (losses) gains included in investment earnings		(1,459)	3,658
Ending balance	$	41,842	42,359

The Corporation has an outstanding commitment to invest an additional $6,193,000 in the above funds.

(D) FAIR VALUE OPTION

ASC 825 Financial Instruments provides the Corporation with an option to measure many financial instruments and certain other items at fair value. Under this guidance, unrealized gains and losses on items for which the fair value option (FVO) has been elected are reported in investment earnings at each reporting period. As a result of the Corporation electing this option, prior to April 1, 2018, the Corporation recorded all of its private equity investment funds, which are included in other investments on the consolidated balance sheets at fair value. The Corporation records this financial instrument at fair value in order to measure those assets at amounts that more accurately reflect the current economic environment in which the Corporation operates.

(8) ACCOUNTS TRADE RECEIVABLE

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

		2019	2018
ACCOUNTS RECEIVABLE, TRADE:			
Billed accounts receivable	$	183,170	166,198
Unbilled accounts receivable		11,792	15,429
ACCOUNTS RECEIVABLE, TRADE:		194,962	181,627
Less allowance for doubtful accounts		(741)	(828)
TOTAL ACCOUNTS RECEIVABLE, TRADE, NET	$	194,221	180,799

(9) PROPERTY, PLANT, AND EQUIPMENT

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

		2019	2018
Land	$	19,377	17,327
Buildings		48,663	47,149
Leasehold improvements		26,606	26,883
Machinery and equipment		190,463	182,077
		285,109	273,436
Less accumulated depreciation and amortization		(128,549)	(125,092)
	$	156,560	148,344

The Corporation recorded depreciation and amortization expense of $17,166,000, $19,237,000 and $21,742,000 for the years ended March 31, 2019, 2018 and 2017, respectively. For the years ended March 31, 2018 and 2017, certain assets on the North Slope were abandoned and written-off or impaired in the amount of $3,292,000 and $8,916,000, respectively, which is included in cost of Industrial Services.

(10) NOTES PAYABLE

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

		2019	2018
$15,000,000 bank line of credit, interest based at PC's option at London Interbank Offering Rate (LIBOR) plus 0.80% (3.29% at March 31, 2019), secured by PC's accounts receivable, commitment expires June 1, 2020	$	2,807	2,174
$1,000,000 short-term notes payable by PC to village corporations, interest at 3.13%, notes due on October 31, 2018, guaranteed by the corporation		1,000	1,000
	$	3,807	3,174

PC entered into the Fourth Amendment to the September 30, 2010, Wells Fargo line of credit as amended, effective in May 2016. The maximum borrowings available under the facility are $15.0 million, and borrowing capacity was determined on a borrowing base of 80% of eligible accounts receivable which secures the line of credit. For the years ended March 31, 2019 and 2018, PC borrowed up to $6.5 and $4.1 million, respectively, against the line of credit. As of March 31, 2019, PC's eligible accounts receivable totaled $38.4 million. This amended line of credit expires on June 1, 2020, and includes financial covenant requirements that PC maintain a minimum tangible net worth and a minimum fixed charge coverage ratio.

(11) LONG-TERM DEBT

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

		2019	2018
$75,000,000 revolving note payable to bank, interest based upon the LIBOR in effect as draws are made plus 0.3% (2.79% at March 31, 2019), collateralized by marketable securities, commitment expires June 1, 2020	$	–	17,668
$14,700,000 term loan payable to bank, interest based upon the LIBOR in effect plus 1.70% (4.19% at March 31, 2019) payable in monthly amortizing payments for eight years starting December 2012, the balance remaining due December 2019, secured by a deed of trust on a building and assignment of rents		12,089	12,540
$8,000,000 term loan payable to bank interest based upon the LIBOR in effect at month-end plus 1.25% (3.74% at March 31, 2019) payable in monthly payments of $100,437 for five years starting December 1, 2015, the remaining balance due November 1, 2020, which is unsecured		–	5,378
$10,000,000 term loan payable to bank, interest based upon the LIBOR in effect plus 1.25% (3.74% at March 31, 2019) payable in monthly amortizing payments for three years starting May 2016, the balance remaining due May 2019, which is unsecured		573	3,991
		12,662	39,577
Less current maturities		(12,662)	(5,002)
	$	–	34,575

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

2020	$	12,662
2021		–
2022		–
2023		–
2024		–
Thereafter		–
TOTAL	$	12,662

The Corporation's revolving note agreement requires collateral of marketable securities. Collateral value is determined by multiplying the applicable advance percentage provided in the collateral table for each type of eligible collateral pledged to the bank.

The $14,700,000 term loan payable has certain financial loan covenants that consists of a minimum basic fixed charge coverage ratio, unencumbered liquid assets, and debt service coverage ratio.

On December 1, 2012, through an interest rate swap agreement, the Corporation changed the interest rate on the $14,700,000 term loan to fix the floating LIBOR. Through December 1, 2019, the fixed rate is 1.716%. The swap's fair value of the estimated termination asset of $58,000 at March 31, 2019 is included in other assets increasing interest expense by $56,000 in 2019.

(12) BENEFIT PLANS

The Corporation maintains a 401(k) savings plan that contains a safe harbor matching contribution up to 5% of covered wages for all contributing employees. In addition, at the discretion of the Corporation's Board of Directors, the Corporation may make a profit sharing contribution to the plan. Employee contributions were matched up to 5% of the employees' salaries in 2019, 2018 and 2017, respectively. Amounts expensed for the plan for the years ended March 31, 2019, 2018 and 2017 were $14,764,000, $14,984,000 and $13,854,000, respectively.

The Corporation is self-insured for healthcare, which covers the majority of employees of the Corporation and its wholly owned subsidiaries. The cost of providing the benefits for employees and dependents is limited to agreed-upon stop-loss levels of $475,000 per claim with an additional $250,000 aggregate. At March 31, 2019 and 2018, the Corporation had accrued liabilities of approximately $4,576,507 and $5,178,000, respectively.

The Corporation has a large deductible insurance plan for workers' compensation covering all employees except foreign employees and employees in the states of Washington, North Dakota, Wyoming and Ohio. At March 31, 2019 and 2018, the Corporation had accrued liabilities recorded of approximately $3,000,000 and $2,926,000, of which $1,715,193 and $1,319,000, respectively, was for workers' compensation claims incurred but not reported. At March 31, 2019 and 2018, the Corporation had a $3,750,000 and $3,750,000, respectively, letter of credit balance held by its workers' compensation insurer pursuant to the terms of a collateral agreement with the insurer.

(13) INCOME TAXES

On December 22, 2017, the Tax Cuts and Jobs Act (the Act) was signed into law. Among other provisions, the Act reduces the federal statutory corporate income tax rate from 35% to 21% and allows the Corporation to elect annually to deduct contributions made to its settlement trust, subject to limitations. This rate reduction did have a significant impact on the Corporation's provision for income taxes for year ended March 31, 2018, due to the one-time impact resulting from the revaluation of deferred tax assets and liabilities to reflect the new lower rate. Recognition of the income tax impact of the Corporation's election to deduct its contributions to its settlement trust was also significant.

The components of income tax expense (benefit) for the years ended March 31, 2019, 2018 and 2017 are as follows (in thousands):

		2019	2018	2017
CURRENT BEFORE NET OPERATING LOSS CARRYFORWARDS:				
Federal	$	12,011	(6,681)	17,522
State		3,867	210	3,638
Tax benefit of net operating loss carryforwards		(16,111)	–	–
		(233)	(6,471)	21,160
DEFERRED:				
Federal		11,000	(33,384)	1,927
State		3,243	(6,493)	477
		14,243	(39,877)	2,404
	$	14,010	(46,348)	23,564

Income tax expense (benefit) differs from the amounts computed by applying the U.S. federal income tax rate of 21% for 2019 and 31.5% for 2018 and 35.0% for 2017 to pretax income as a result of the following (in thousands):

		2019	2018	2017
Computed expected tax expense	$	14,067	17,916	22,631
State income tax (benefit) expense, net of federal effect		3,408	(6,062)	2,883
Benefit of permanent differences		(524)	(466)	(1,001)
Tax basis of ANCSA property		(630)	(42,378)	–
Settlement trust contributions		(2,698)	(3,780)	–
Tax credits		–	(4,263)	–
Other, including change in tax rates		387	(7,315)	(949)
	$	14,010	(46,348)	23,564

The income tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2019 and 2018 are presented below:

		2019	2018
DEFERRED TAX ASSETS:			
Net operating loss carryforwards – state	$	2,780	6,287
Net operating loss carryforwards – federal		11,000	22,987
Tax credits		1,404	1,968
Accounts receivable allowance		200	222
Prepaid expenses and other		353	153
Incurred-but-not-reported claims		475	367
Tax basis in ANCSA Lands		759	–
Settlement Trust contribution carryforwards		3,465	–
Accrued liabilities		5,203	4,430
TOTAL GROSS DEFERRED TAX ASSETS		25,639	36,414
DEFERRED TAX LIABILITIES:			
Property, plant, and equipment		(13,989)	(12,274)
Intangibles		(2,480)	(2,358)
Unrealized holding gains on investments		(3,146)	(4,373)
Investment in joint ventures		(6,170)	(3,313)
TOTAL GROSS DEFERRED TAX LIABILITIES		(25,785)	(22,318)
NET DEFERRED TAX ASSET (LIABILITY)	$	(146)	14,096

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the effect of available carryforward periods), projected future taxable income, and tax-planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Corporation will realize the benefits of these deductible differences and carryforwards. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

The Corporation has an income tax receivable at March 31, 2019, of $7,080,846 included in prepaid expenses and refundable taxes.

During 2019, the Corporation determined tax basis in its Snake Lake Quarry and recognized a tax benefit of $758,985, net of depletion from extraction of materials in 2018 and 2019.

During 2018, the Corporation sold the oil and gas rights on 47,170 acres for $155,000 and recognized a loss of approximately $246,145,000 for tax purposes. The tax loss offset 2018 taxable income and generated federal and state net operating losses of approximately $190,743,000 and $172,865,000, respectively. A portion of the unrecognized tax benefit related to the sale of ANCSA subsurface properties has been presented in the financial statements as a reduction of the deferred tax asset for net operating losses.

During 2018, the Corporation recorded a tax benefit related to its FY2015 contribution of $10,779,000 to the BBNC Elders' Trust as a result of the Tax Cuts and Jobs Act signed into law on December 22, 2017. In addition, the Corporation recorded tax benefits related to research credits for fiscal years ending March 31, 2014 through 2019 for federal and state returns. A portion of the unrecognized tax benefit related to research credits has been presented in the financial statements as a reduction of the deferred tax asset for research credits.

The Corporation extended the statute of limitations for year ended March 31, 2016 to June 30, 2020 and has been notified the IRS is reviewing the refund claims filed for the Elders' Trust contribution and research credits. There are no other extensions of the normal statute of limitations period for IRS examinations. Unrecognized tax benefits amounts to $81.9 million at March 31, 2019.

At March 31, 2019, the Corporation has net operating loss carryforwards for federal and state of Alaska income tax purposes of $130,246 and $61,688, respectively, which are available to offset future federal and state of Alaska taxable income indefinitely.

At March 31, 2019, the Corporation also has settlement trust contribution carryforwards for federal and state of Alaska income tax purposes of $12,847 which are available to offset future federal and state of Alaska taxable income through 2034.

The Corporation's policy is to recognize the tax basis of an ANCSA asset when either a sale or first commercial development occurs. As of March 31, 2019 and 2018, the Corporation has ANCSA assets where the tax basis has been determined and there are no current plans for sale or commercial development. If the tax basis of these assets were recognized, gross deferred tax assets would increase by approximately $40.6 million and a valuation allowance would be established also in the amount of $40.6 million.

(14) LEASES

PC leases most of its fueling sites and administrative office space under noncancelable operating leases, which expire at various times through 2028. Peak Oilfield Service Company leases most of its operational sites and administrative office space under noncancelable operating leases which expire at various times through 2025. CCI Industrial Services leases a warehouse and administrative offices under leases that expire through 2025. Some of the PC leases also require a contingent rent based upon gallons of fuel sold. Included in total rental expenses for March 31, 2019, 2018 and 2017 are contingent rents of $121,000, $118,000 and $86,000, respectively. At March 31, 2019, the minimum rental commitments under noncancelable operating leases payable over the remaining lives of the leases are as follows (in thousands):

		MINIMUM RENTALS
2020	$	7,968
2021		6,911
2022		6,230
2023		5,820
2024		3,598
Thereafter		3,967
	$	34,494

Total rental expense charged to operations in 2019, 2018 and 2017 was $9,477,000, $9,590,000 and $9,190,000, respectively.

Commencing in November 2012, the Corporation entered into a noncancelable operating lease of a building and land with a tenant expiring in 10 years. This building under lease had an aggregate cost and accumulated depreciation of $15,695,000 and $2,472,000 at March 31, 2019, and an aggregate cost and accumulated depreciation of $15,695,000 and $2,080,000 at March 31, 2018, respectively.

Commencing in July 2016, the Corporation entered into a noncancelable operating lease of land and buildings with a tenant expiring in 25 years. This land and building under lease had an aggregate cost and accumulated depreciation of $3,418,000 and $235,000 at March 31, 2019, and an aggregate cost and accumulated depreciation of $3,493,000 and $148,000 at March 31, 2018, respectively.

At March 31, 2019, the minimum future rental revenues under these noncancelable operating leases are as follows (in thousands):

		MINIMUM RENTALS
2020	$	1,957
2021		2,035
2022		2,133
2023		2,235
2024		2,343
Thereafter		8,719
	$	19,422

(15) CONTINGENCIES

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

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

(16) CREDIT RISK

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

(17) CONCENTRATION OF REVENUE AND RECEIVABLES

During fiscal year 2019, 93% of the Corporation's Government Services and Construction revenues were derived from contracts with U.S. government agencies. A significant portion of these contracts were granted under the Small Business Administration (SBA) 8(a) program that exempts U.S. government granting agencies from certain federal procurement regulations when awarding contracts to 8(a) participants. The SBA further exempts awarding agencies from certain contract size limitations when awarding contracts to 8(a) participants owned by Alaska Native Corporations. Changes in U.S. government spending, the 8(a) program, or both, could have a significant positive or negative impact on the liquidity, results of financial operations, and financial condition of the Corporation. As of March 31, 2019, 43% of trade accounts receivable are due from government agencies.

(18) SUBSEQUENT EVENTS

On May 24, 2019, the Board of Directors of the Corporation approved a resolution for the contribution of $6,511,000 to the BBNC Settlement Trust.

The Corporation has evaluated subsequent events from the consolidated balance sheet date through June 7, 2019, the date at which the consolidated financial statements were available to be issued, and determined there are no other items to disclose.

AUDIT COMMITTEE REPORT

June 7, 2019

The Audit Committee of the Board of Directors of Bristol Bay Native Corporation (BBNC or Corporation) is responsible for providing independent, objective oversight of the Corporation's accounting functions and internal controls over financial reporting (internal controls) in accordance with the charter of the audit committee. The audit committee is comprised of four (4) directors appointed by the chairman, board of directors. Management is responsible for the Corporation's internal controls and financial reporting process. The independent auditors are responsible for performing an independent audit of the Corporation's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and to issue a report thereon. The audit committee's responsibility is to assist the board in monitoring and overseeing these processes.

In connection with those responsibilities, the audit committee met with management and the independent auditors to review and discuss the March 31, 2019, consolidated financial statements. The audit committee also discussed with the independent auditors the following matters required by the AICPA Auditing Standards-Section 380, *The Auditor's Communications with those Charged with Governance*:

- The independent auditors' responsibilities with regard to the financial statement audit.
- Planned scope and timing of the audit.
- The independent auditors' concurrence with the qualitative aspects of the Corporation's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures.
- No identified audit adjustments recorded and no audit adjustments proposed but not recorded.
- No disagreements with management that would cause a modification of auditors' report.
- No consultation with other independent accountants.
- Other information in documents containing audited financial statements.
- The relationship between the independent auditors and the Corporation that may bear on the auditors' independence.

Based upon the audit committee's discussion with management and the independent auditors, and the audit committee's review of the representation of management and the independent auditors, the audit committee recommended that the board of directors accept and include the audited consolidated financial statements in the Corporation's Annual Report to Shareholders for the year ended March 31, 2019.

Everette Anderson
AUDIT COMMITTEE CHAIR

Other Audit Committee members:
KARL HILL
HAZEL NELSON
KIMBERLY WILLIAMS

STATEMENT OF MANAGEMENT RESPONSIBILITY

June 7, 2019

The management of Bristol Bay Native Corporation has a fiduciary responsibility to the Shareholders of the Corporation to maintain an adequate system of internal controls surrounding financial reporting. This includes the fair presentation of the financial condition and results of the Corporation's operations, in accordance with U.S. generally accepted accounting principles, as included in the audited financial statements and the Annual Report. Management takes this responsibility very seriously and promotes the concept of good internal control by communicating the importance of internal control to all levels of the organization.

Management has established a system of internal controls designed to provide reasonable assurance that financial reports are timely and accurate, the Corporation complies with laws and regulations in the conduct of its business, and that operations are generally conducted in an efficient and effective manner. These internal controls also help ensure that business is transacted in accordance with corporate policy, including ethics and integrity guidelines established by the Corporation. No system of internal controls can provide complete assurance in any of these areas, and effective internal controls are no guarantee of the success of any business venture. But in pursuing Bristol Bay Native Corporation's mission, vision, and goals, management is committed to maintaining rigorous and effective oversight over the operations and administration of the Corporation's business, through an effective internal control structure.

The internal control structure surrounding financial reporting is monitored on an ongoing basis by the individuals responsible for the controls, and on a more structured basis by internal audit. Internal controls are also subject to an annual assessment by the Corporation's external auditors, to facilitate the adequate planning and execution of the audit of financial statements. Appropriate actions are taken to address identified deficiencies in internal controls.

This letter serves as management's acknowledgment of its responsibility for the accurate and timely preparation and distribution of financial information, including the financial statements presented in this Annual Report. Management has prepared the audited financial statements included in the Annual Report and is not aware of any untrue statements of material fact or omissions thereof that would make the statements misleading. Based on management's knowledge, the financial statements and other financial information included in the Annual Report fairly present, in all material respects, the financial condition and results of operations of the Corporation as of, and for, the periods presented.

Joseph L. Chythlook
CHAIRMAN, BOARD OF DIRECTORS

Jason Metrokin
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Ryan York
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

Cover: Togiak, AK. ***Pg. 2:*** Kenneth Harbeson, Ekuk, AK. ***Pg. 5:*** Jason Metrokin & Joseph L. Chythlook, Mission Lodge, Aleknagik, AK. ***Pg. 8:*** Ivy O'Guinn, Egegik, AK. ***Pg. 10 & Pg. 11 (LEFT):*** Ivy O'Guinn, Egegik, AK. ***Pg. 11 (RIGHT):*** Sophie Woods & Shelley Cotton, Dillingham, AK. ***Pg. 12:*** BAC project in Dillingham, AK. ***Pg. 13:*** View of the Wood River. ***Pg. 14:*** Allan Aspelund, Sr., Naknek, AK. ***Pg. 16:*** Marie Paul, Nushagak River. ***Pg. 17:*** Neqa Derby volunteers Cavelila Wonhola, Tiarna Fischler & Shiann Nanalook. ***Pg. 18:*** Neqa Derby participant Riley Krause. ***Pg. 19 (LEFT):*** View of Mission Lodge, Aleknagik, AK. ***Pg. 19 (RIGHT):*** Neqa Derby participant Gabriel Kompkoff. ***Pg. 21 (LEFT):*** Russell Phelps, Naknek, AK. ***Pg. 21 (RIGHT):*** View from Ekuk, AK. ***Pg. 23:*** Kristy Peters, Dillingham, AK. ***Pg. 24:*** Kaydence Wyagon & Chanelle Tugatuk, Manokotak, AK.

Bristol Bay
NATIVE CORPORATION

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