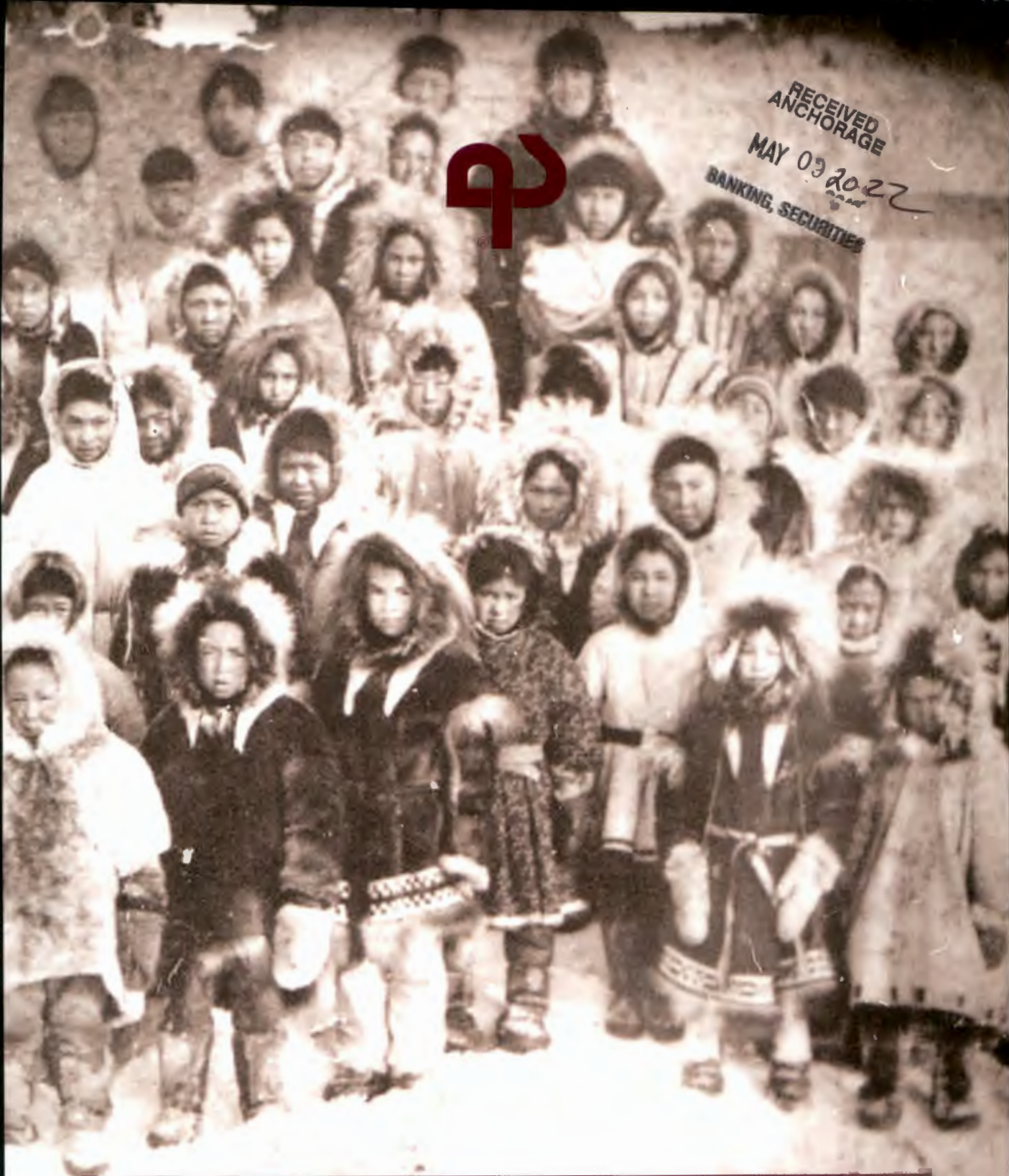


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**FOR OUR PEOPLE. FOR OUR FUTURE.**

2021 ANNUAL REPORT

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# OUR MISSION

ACTIVELY MANAGE OUR BUSINESSES, OUR LANDS AND RESOURCES, OUR INVESTMENTS AND OUR RELATIONSHIPS TO ENHANCE IÑUPIAQ CULTURE AND ECONOMIC FREEDOM – WITH CONTINUITY, RESPONSIBILITY AND INTEGRITY.

Tundra Times

NIXON PENS BILL INTO LAW

"I Want You to Be  
Among the First to  
Know... Nixon Says"

# OUR VALUES

## PILĠGUSIVUT

**Ukpiqqutiqaġniq Annaurriptiġun**  
SPIRITUALITY

**Qiksiksrautiqaġniqput Avanmun**  
RESPECT FOR EACH OTHER

**Iñuuniqaġniqput Iñupiaguvluta**  
OUR CULTURE AS IÑUPIAT

**Qutchiksuakun Savagniq**  
HIGH PERFORMANCE

**Qaunaksriñiqput**  
STEWARDSHIP

**Savaaptiġun Paannaġiignivut**  
OUR BUSINESS RELATIONSHIPS

**Atisiñiaġniq**  
RESOLUTION OF CONFLICT

**Illumun Atuumaniġit Pilġusivut**  
INTEGRITY

Crawford Patkotak | *Chairman*

Rex A. Rock Sr. | *President & CEO*



## CHAIRMAN & PRESIDENT'S MESSAGE

On December 18, 2021, Alaska Native Corporations across the state celebrated a significant milestone in Alaska Native history - the 50th anniversary of the passage of the Alaska Native Claims Settlement Act (ANCSA). ANCSA is the reason our Corporation exists today. A purposeful pivot by the federal government, ANCSA is a far cry from prior Indian Policy. It did not create a reservation system, which was common in the Lower 48. Rather, it extinguished aboriginal land title in Alaska creating twelve regional for-profit corporations, over 200 village for-profit corporations, conveyed fee-simple title land to the corporations, compensated nearly one billion dollars to the newly created corporations for lands lost in the settlement and directed Alaska Native people to enroll as shareholders in their respective corporations.

In the 1960s and the early 1970s, the early leaders from the Arctic Slope fought tirelessly on behalf of the Iñupiat people to ensure our people would not be left behind in the land claims settlement. In 1965, Charles 'Etok' Edwardsen led the formation of the Arctic Slope Native Association (ASNA) to claim legal ownership of the Arctic Slope area. It was ASNA that represented the Arctic Slope people with leaders such as James Nageak, Abel Akpik, Samuel Simmonds, Walton Ahmaogak, Sam Taalak, Lee Suvlu, Alice Woods, Art Oomituk, Joe Upicksoun, Brenda Itta-Lee and more.

The Arctic Slope was the only region to cast the dissenting vote for ANCSA because the land allocation formulas did not take into account that our region would bear the brunt of oil and gas development. Despite our region's opposition to ANCSA, ASRC's early leaders like Dr. Jacob Anagi Adams Sr. and Dr. Oliver Leavitt got to work and began building the foundation for our Corporation.

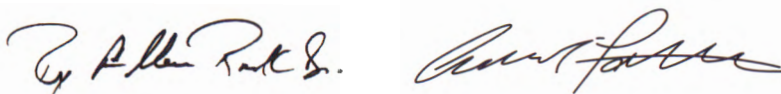
As a for-profit corporation created through the passage of ANCSA, each year our Corporation is required to produce this Annual Report. The Annual Report provides an update to our shareholders on the operational and financial results for the year. Therefore, it is with great pride we share the 2021 Annual Report.

In 2021, ASRC reached record revenues and our second highest Adjusted EBITDA in our Corporation's history. While we are extremely proud of this accomplishment, we are still in a period of rebuilding since the onset of the COVID-19 pandemic. In the years leading up to 2020, before the world was changed by the COVID-19 pandemic, ASRC invested over a billion dollars toward growth initiatives to diversify its earnings, promote stability and growth, and provide stable and meaningful dividends to our ever-growing shareholder base. In March of 2020, new investments were put on pause to mitigate the effects brought on by COVID-19. Many of the hurdles ASRC faced in 2020 continued into 2021: COVID-19 mitigation requirements, workforce reductions, travel restrictions, supply chain disruptions and unstable oil prices, to name a few.

2021 was the year for ASRC to further strengthen its stable financial foundation built by our Corporation's past and present leadership, which helped it weather the storm of 2020. After being closed for nearly a year and a half, offices in Anchorage and Utqiagvik reopened in July of 2021, but under strict protocols to ensure the health and safety of employees and visitors. A 2021 ruling by the United States Supreme Court acknowledged the unique approach by the federal government to Indian policy in Alaska, affirming Alaska Native Corporations (ANCs) are akin to Tribes in the Lower 48 and therefore eligible to receive funds from the federal government through the Coronavirus Aid, Relief and Economic Support Act (CARES Act). Funds allocated to ANCs were provided to combat the impacts brought on by the COVID-19 pandemic. ASRC received its allocation of CARES Act funds in the late summer of 2021 and created a series of programs to provide support to our shareholders and communities impacted by the pandemic, which you will read more about later in this report.

Through thoughtful and strategic decisions, the resurgence of oil and gas prices in Alaska and the increase in operations across Alaska and the Lower 48 since the onset of the COVID-19 pandemic – ASRC ended the year strong. Further proof of the Corporation emerging from the past two years in a position of strength, the Corporation's board of directors, at its January 2022 meeting, declared an annual dividend at \$75 per share, exceeding the amount paid in each of the previous three years. This is a testament to the Corporation's commitment to provide meaningful and sustainable dividends to its shareholders. As you read the 2021 Annual Report, we hope that you do so with a great sense of pride while remembering the sacrifices our region's early leaders made to force a land claims settlement. It is their shoulders we stand on as we continue to look to the future.

**ON DECEMBER 18, 2021,  
ALASKA NATIVE  
CORPORATIONS ACROSS  
THE STATE CELEBRATED  
A SIGNIFICANT  
MILESTONE IN ALASKA  
NATIVE HISTORY –  
THE 50TH ANNIVERSARY  
OF THE PASSAGE OF THE  
ALASKA NATIVE CLAIMS  
SETTLEMENT ACT**



# BOARD OF DIRECTORS



**CRAWFORD PATKOTAK**  
Chairman  
Utqiagvik



**PAUL BODFISH SR.**  
Vice Chairman  
Atqasuk



**REX A. ROCK SR.**  
President & CEO  
Pt. Hope



**AVAIYAK BURNELL**  
1<sup>st</sup> Vice President  
Utqiagvik



**FORREST OLEMAUN**  
2<sup>nd</sup> Vice President  
Utqiagvik



**GLEN EDWIN SOLOMON**  
3<sup>rd</sup> Vice President  
Kaktovik



**PATSY AAMODT**  
Treasurer  
At-Large



**MARY ELLEN AHMAOGAK**  
Corporate Secretary  
At-Large



**JULIUS M. REXFORD**  
Director  
Pt. Lay



**OLIVER LEAVITT**  
Director  
Utqiagvik



**JOHN HOPSON JR.**  
Director  
Wainwright



**JEFF C. KINNEVEAUK**  
Director  
At-Large



**IDA OLEMAUN**  
Director  
Utqiagvik



**THOMAS KUPA NAPAGEAK JR.**  
Director  
Nuiqsut



**LILLIAN S. STONE**  
Director  
Anaktuvuk Pass

# EXECUTIVE MANAGEMENT



**REX A. ROCK SR.**  
President & CEO



**CRAWFORD PATKOTAK**  
Exec. Vice President  
Stakeholder Engagement



**BUTCH LINCOLN**  
Exec. Vice President  
Chief Operating Officer



**CHARLIE KOZAK**  
Exec. Vice President  
Chief Financial Officer



**MATT WALDRON**  
Exec. Vice President  
General Counsel



**SAM HILL**  
Sr. Vice President  
Human Resources



**BRADY STRAHL**  
Sr. Vice President  
Operations



**ROXANNE BROWER**  
Sr. Vice President  
Shareholder and  
Community Engagement

## OUR BUSINESSES

The business segments and certain subsidiaries mentioned in this report:

### GOVERNMENT CONTRACT SERVICES

ASRC Federal Holding Company, LLC  
(ASRC Federal)

### INDUSTRIAL SERVICES

ASRC Industrial Services, LLC (ASRC Industrial)

### PETROLEUM REFINING AND MARKETING

Petro Star Inc. (Petro Star)

### ENERGY SUPPORT SERVICES

ASRC Energy Services, LLC (AES)

### CONSTRUCTION

ASRC Construction Holding Company, LLC (ASRC Construction)

### RESOURCE DEVELOPMENT

Natural Resources

### OTHER OPERATIONS

Alaska Growth Capital BIDCO, Inc. (AGC), Eskimos, Inc. (EI), Tundra Tours, Inc. (TTI)



**BRIDGET ANDERSON**  
Vice President  
External Affairs



**MARY ELLEN AHMAOGAK**  
Vice President of Stock



Joe Upicksoun, original ASRC Board Member and Incorporator.

ASRC

ASRC

ASRC

# CORPORATE OVERVIEW

## MANAGEMENT DISCUSSION AND ANALYSIS

Statements in this Management Discussion and Analysis (“MD&A”) that are not historical facts are forward-looking statements based on current information and expectations of future events. These forward-looking statements are subject to assumptions, risks and uncertainties that could change at any time and could cause actual results to differ materially from those expressed or implied by such statements. When we refer to “we,” “us,” “our,” the “Corporation,” the “Company,” “ASRC” or similar language, we are referring to Arctic Slope Regional Corporation and its subsidiaries collectively. Due to the ongoing impacts of the coronavirus (“COVID-19”) pandemic on the Company’s business, these assumptions and uncertainties require more judgment than they would otherwise. We, therefore, caution against placing substantial reliance on the forward-looking statements contained in this MD&A. All forward-looking statements included in this MD&A are made only as of the date of this MD&A and we assume no obligation to update any written or oral forward-looking statements made by us or on our behalf as a result of new information, future events or other factors.

### Corporate Overview

	2021	2020	2019
Revenues	\$ 3,879,830,000	3,420,602,000	3,766,757,000
Adjusted EBITDA <sup>1</sup>	\$ 244,400,000	210,360,000	228,814,000
Cash provided by operating activities	\$ 201,240,000	249,483,000	154,384,000
Dividends declared	\$ 87,502,000	57,430,000	98,815,000
Dividends paid per share	\$ 60.00	40.00	70.00
Shares outstanding	1,468,150	1,445,650	1,419,450
Average shareholder hire	345	371	474

<sup>1</sup> — Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) adjusted for non-cash impairment charges, insurance settlements, break-up fees and earnout reserve adjustments.

This MD&A of the consolidated financial position and results of operations as of and for the year ended December 31, 2021, which is referred to throughout as “2021,” is intended to enable Arctic Slope Regional Corporation shareholders to better understand the financial position and results of operations of the Company and to provide additional information to shareholders regarding its activities. This MD&A includes the results of ASRC’s operating segments, which are consolidated with ASRC’s financial results for financial reporting purposes. These statements should be read in conjunction with the Consolidated Financial Statements and notes thereto for the year ended December 31, 2021 at the end of the Annual Report.

In an effort to provide ASRC’s shareholders with additional information regarding the Corporation’s results as determined by Generally Accepted Accounting Principles (“GAAP”), the Corporation also discloses certain non-GAAP financial measures. Management utilizes these non-GAAP financial measures to assess recurring performance and believes these measures provide useful information to shareholders regarding baseline operating results. Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”) and EBITDA adjusted for special one-time items (such as insurance settlements, break-up fees and earnout reserve adjustments) and non-cash impairment charges (“Adjusted EBITDA”) are non-GAAP financial measures commonly used by public and privately held companies similar to ASRC. ASRC’s management uses Adjusted EBITDA to help understand how much cash is being generated by ASRC’s operations to fund capital investment, service debt and pay dividends. For instance, ASRC has tax attributes that largely result in ASRC paying minimal federal taxes. Additionally, for financial statement purposes, ASRC amortizes (or expenses over time) a significant portion of the purchase price of acquisitions. While these adjustments significantly impact net income, they do not affect cash flow and the Corporation’s ability to pay dividends.

ASRC has six primary lines of business, with operations throughout Alaska and the Lower 48 adjoining U.S. states and the District of Columbia):

- Government Contract Services
- Industrial Services
- Petroleum Refining and Marketing
- Energy Support Services
- Construction
- Resource Development

In addition to ASRC's core operating segments, the Corporation provides services across the North Slope of Alaska through its subsidiaries Eskimos, Inc. ("EI") and Tundra Tours, Inc. ("TTI"). Its subsidiary Alaska Growth Capital BIDCO, Inc. ("AGC") provides loans to underserved borrowers throughout Alaska. These businesses are referred to collectively as ASRC's "Other Operations." Through its wholly owned subsidiary ASRC Capital, the Corporation holds alternative investment funds, which are investments in several relatively small equity ownership opportunities in companies in various industries through funds held by fund managers, typically private equity firms. Industries in which the Corporation invests include financial markets, healthcare, energy, technology, telecommunications, real estate, distressed debt and various other industries.

**WE ARE PROUD TO REPORT THAT IN 2021 ASRC ACHIEVED RECORD REVENUES AND ITS SECOND HIGHEST ADJUSTED EBITDA IN THE CORPORATION'S HISTORY, DESPITE THE GLOBAL PANDEMIC AND ITS EFFECTS.**

In 2022, ASRC will celebrate its 50th anniversary and the Corporation's significant growth since its inception. Approaching \$4 billion in annual revenues, ASRC has established itself as the largest locally owned and operated company in Alaska and was ranked 131st on *Forbes'* annual ranking of America's largest private companies at the end of 2021. The growth in revenue has also allowed for continued growth in dividends to ASRC shareholders. In 1974, ASRC was the first Alaska Native Corporation to pay a dividend to its shareholders, distributing \$246 thousand, or 63 cents per share. In 2021, ASRC distributed \$87.5 million in dividends, or \$60 per share. Since incorporation, ASRC has distributed \$1.3 billion in cumulative dividends to its shareholders. The Corporation's 2018-2023 Strategic Plan reinforces its commitment to providing the greatest benefit to the largest number of shareholders through its annual dividends, while also focusing on the long-term stability and growth of the Corporation to protect those dividends far into the future.

We are proud to report that in 2021 ASRC achieved record revenues and its second highest Adjusted EBITDA in the Corporation's history, despite the global pandemic and its effects. The Corporation's significant investments and acquisitions have helped diversify ASRC and reduced its exposure to the variability of oil and gas production

and of the Alaska market. The Corporation's focus on growth outside of Alaska will continue to be important given the current challenges presented by the Alaska market; however, the contributions of ASRC's Alaska subsidiaries will continue to be crucial to the Corporation's success, and we expect to be in a strong position to recover and grow in the state when the Alaska market improves.

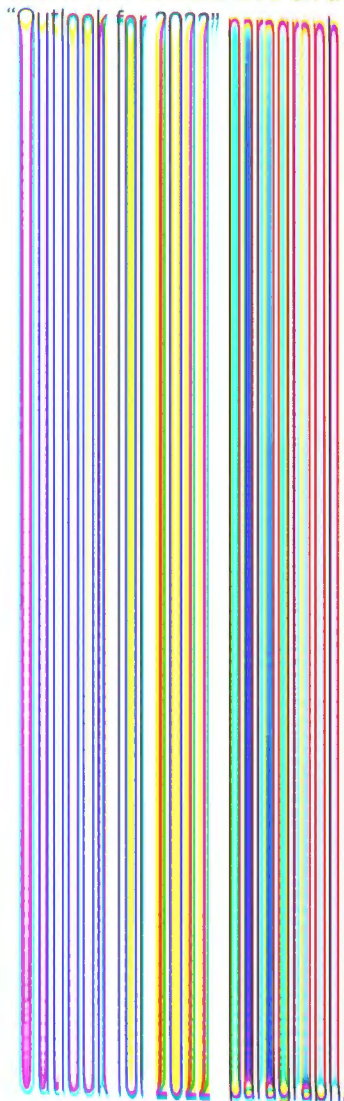
To achieve meaningful and sustainable increases in shareholder dividends, particularly in light of the continued year-over-year growth in the number of shareholders, the Corporation must continue to improve its cash flows and EBITDA. From 2014 to 2019, ASRC invested approximately \$1.4 billion toward growth initiatives. Despite the pause taken in 2020 and 2021 in response to COVID-19, the Corporation invested \$115.3 million in capital projects and smaller strategic acquisitions. The earnings from these acquisitions and capital investments now represent approximately 55 percent of ASRC's consolidated Adjusted EBITDA and are a large component of its dividends today. The Corporation plans to pursue additional acquisitive growth in 2022.

the previously identified timeline is doubtful. The impacts of COVID-19 on the Corporation's businesses, particularly in 2020, necessitated a suspension of acquisitive growth during 2020 and 2021 and limited support for growth capital expenditures during that time. Entering 2022, the Corporation is in a favorable liquidity position with over \$800.0 million in total available cash and borrowing ability. We believe these amounts will support the future growth through organic and acquisitive expenditures that will enable ASRC to meet its ever-increasing dividend goals. The Corporation also has a sizeable contract backlog and early indicators are showing a strong 2022. Additionally, the bipartisan infrastructure bill that was passed in November 2021 by the U.S. Congress is comprised of a \$550 billion federal investment in America's infrastructure over five years. While competition for qualifying projects will be fierce, we believe the bill provides actionable opportunities for ASRC's businesses in 2022. However, continued inflation, constrained labor force and supply chain issues may negatively impact salaries, product pricing and project execution. Further, the ongoing global conflict and the potential for a COVID-19 resurgence present continued risks.

In 2021, Alaska North Slope Crude ("ANS") prices were up roughly 48 percent after dipping into a historic negative low in 2020. In March of 2021, ANS had reached its pre-COVID-19 price of approximately \$70 per barrel. In March of 2022, oil prices have risen to a fourteen-year high and many economists are predicting they will continue to rise in 2022. The Corporation is also expecting its royalty barrels in 2022 to increase by approximately eight percent from the amounts received in 2021 as the Greater Mooses Tooth ("GMT") 2 and Fiord West units commence meaningful production.

ASRC remains committed to delivering value to its shareholders and is focused on the long-term health of the Corporation. To that end, the Corporation will strive to thoughtfully grow and diversify its operations to support sustainable dividend increases.

The remainder of this document focuses on ASRC's financial results for 2021. For the avoidance of doubt, all forward-looking statements as described on the first page of this document should be understood to be modified by the discussion in this



	2021	2020	2019
<b>Net income attributable to ASRC shareholders</b>	<b>\$ 55.7</b>	<b>7.0</b>	<b>20.5</b>
Interest and marketable securities earnings (losses)	(1.8)	1.4	(1.4)
Interest expense, net of capitalized interest	12.0	17.5	19.4
Income tax expense	32.8	12.9	55.4
Goodwill and intangibles amortization	69.9	72.6	70.6
Depreciation	75.4	82.1	71.8
<b>EBITDA</b>	<b>\$ 244.0</b>	<b>193.5</b>	<b>236.1</b>
Non-cash impairment charges	1.1	26.8	1.0
Non-operating loss (gains)	0.7	—	(1.0)
Acquisition earnout adjustments	(1.4)	(10.0)	(7.3)
<b>Adjusted EBITDA</b>	<b>\$ 244.4</b>	<b>210.4</b>	<b>228.8</b>

# OPERATING RESULTS

## Revenues

The Corporation's 2021 consolidated revenues of \$3.9 billion increased by \$459.2 million or 13 percent as compared to 2020. The increase was primarily the result of:

- New business wins in the Government Contract Services segment, primarily in the Defense & Intel operating group
- Higher commodity pricing in the Petroleum Refining and Marketing segment
- Increased volume on several new and existing projects in the Industrial Services segment, as well as contract extensions due to COVID-19-related work delays in 2020
- Higher backlog in the Construction segment entering 2021, as well as the impact of increased lumber prices on material sales

These increases were partially offset by:

- Reduced contract work in the Energy Support Services segment
- Lower royalties in the Resource Development segment due to fewer redetermination barrels received
- Reduced scope due to recompetes for a large contract in the Government Contract Services segment's Civilian & Health operating group
- Reduced activity in the Construction segment due to the wind-down of the modular division

The decrease in revenues in 2020 as compared to 2019 was primarily due to:

- COVID-19-related project delays and cancellations in the Construction and Industrial Services segments
- The impact of lower oil and commodity prices on the Energy Services, Petroleum Refining and Marketing and Resource Development segments

## Adjusted EBITDA

The Corporation ended 2021 with \$244.4 million of Adjusted EBITDA, an increase of \$34.0 million over the prior year and the second highest amount in the Corporation's history. The Corporation's Adjusted EBITDA calculations remove certain non-recurring charges or gains (i.e., non-cash impairments, acquisition earnout reserve adjustments and insurance settlements) to assess year-over-year cash performance more accurately. These adjustments, the net of which increased Adjusted EBITDA by a combined \$0.4 million in 2021, consisted of:

- \$1.4 million gain due to the adjustment of earnout reserves associated with a prior year acquisition in the Industrial Services segment
- \$1.1 million of non-cash impairment charges taken against certain underutilized assets
- \$0.7 million loss related to damaged property, net of insurance proceeds, in the Petroleum Refining and Marketing segment

The increase in Adjusted EBITDA in 2021 as compared to 2020 was primarily the result of:

- Strong earnings from the Corporation's investments in private equity funds
- Improved margins on product sales in the Petroleum Refining and Marketing segment
- Revenue growth, noted previously, in the Industrial Services segment combined with improved margins and CARES Act reimbursements for COVID-19-related costs
- Revenue growth, noted previously, in the Construction segment combined with increased earnings from joint ventures due to several large construction projects reaching substantial completion in 2021

These positive variances were partially offset by:

- Lower exploration-related project activity in the Energy Support Services segment
- Higher general and administrative expenses which increased in support of the Corporation's growth in revenues

Adjusted EBITDA was \$210.4 million in 2020, a \$18.4 million decrease over 2019. The decrease in 2020 as compared to 2019 was primarily the result of:

- Difficult market conditions, including project cancellations, delays and disruptions attributable to the COVID-19 pandemic
- Lower earnings from the Natural Resources and Petroleum Refining and Marketing segments due to lower and more volatile oil and commodity prices in 2020

## Impairments

ASRC reviews long-lived assets, such as property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. During 2021, the Petroleum Refining and Marketing segment recorded an impairment to underutilized assets of \$1.1 million.

In March of 2020, the Corporation impaired \$20.1 million of assets in certain oil and gas investments in Alaska. In 2020, the Corporation also recognized charges totaling \$6.7 million related to the impairment of its Top of the World Hotel operation, which was closed intermittently throughout 2020 as the result of travel restrictions that were put in place to mitigate the spread of COVID-19.

These non-cash impairment charges, while disappointing, reflected market conditions that existed at the time within the oil and gas sector. These impairments are added back as an adjustment to EBITDA when calculating cash available for investments, debt covenants and dividend payments.

## CARES Act

In the third quarter of 2021, over a year after the passing of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), a ruling by the United States Supreme Court acknowledged Alaska Native Corporations are akin to Tribes in the Lower 48 and therefore eligible to receive funds from the federal government and received \$450.0 million in federal funding under the Coronavirus Relief Fund ("CRF"). The Corporation received \$63.3 million in CRF Funds on August 9, 2021.

ASRC utilized the CARES Act funding to support its shareholders through a variety of programs. First, ASRC launched the ASRC CARES Act COVID-19 Shareholder Economic Support Program ("ESP"), which disbursed much needed financial assistance to ASRC shareholders who were financially impacted by the COVID-19 pandemic. Shareholders were eligible to receive up to \$2,500 individually and \$500 per dependent. The Corporation distributed a total of \$19.4 million in individual grants to eligible shareholders who experienced a financial hardship and incurred additional costs due to the pandemic. In addition to the ESP, and to help minimize the spread of COVID-19 in the Corporation's communities and across Alaska, ASRC introduced a voluntary COVID-19 vaccine incentive program, called "Your Shot at \$500." Shareholders and employees who received the COVID-19 vaccine, provided proof of being fully vaccinated and submitted the required vaccine verification form received \$500 and were entered into weekly drawings for a chance to win \$2,500. Employee and Shareholder Vaccine Incentive Programs expended \$5.8 million and \$2.0 million of CARES Act funding, respectively. The costs of the ESP and vaccine incentive programs are not reflected in ASRC's financial results as the CARES Act funding was merely passed through the Corporation from the Federal Government to ASRC's shareholders.

Further, ASRC facilitated \$10.4 million in Community Support Grants to 14 eligible 501(c)(3) non-profits and local government agencies to help them cover necessary expenses and support ASRC communities in responding to the COVID-19 public health emergency. As an example, the North Slope Borough School District was awarded \$4.3 million for school technology to enable distance learning, support food programs for students and help cover other costs associated with reopening and operating schools during the COVID-19 pandemic. The Arctic Slope Community Foundation was another recipient that received \$1.4 million in CRF funds to provide support to the local food banks and to assist Arctic Slope whaling communities by providing resources such as whaling tools and food storage to combat food insecurity. The Arctic Slope Native Association, which operates the Samuel Simmonds Memorial Hospital, a Critical Access Hospital serving the residents of the North Slope, was awarded \$1.1 million in CRF funds to help cover pandemic-related public health expenses such as housing costs for individuals while quarantining and isolating, COVID-19 test kits, diagnostic equipment, payroll for public health employees, infection control support and personal protective equipment.

Finally, the Corporation used CARES Act funding to reimburse unbudgeted internal costs of \$25.7 million incurred in response to the pandemic, such as, workers' compensation, paid sick leave, cleaning supplies, COVID-19 testing, personal protective equipment, telework equipment, payroll substantially dedicated to COVID-19 mitigation and unemployment benefits.



Dr. Jacob Anagi Adams Sr.

# OPERATING SEGMENT REVIEW

## GOVERNMENT CONTRACT SERVICES

ASRC Federal Holding Company, LLC (“ASRC Federal”) and its operating companies deliver engineering, information technology, logistics, professional services and solutions to federal civilian, defense and intelligence agencies throughout the United States. ASRC Federal recently realigned its operations into three customer-focused operating groups: Space, Civilian & Health and Defense & Intel, to drive greater focus on organic growth with more efficient use of business development and program resources.

The Corporation’s Government Contract Services segment delivered record revenues and achieved its second highest EBITDA results in 2021. ASRC Federal was awarded several new multi-year contracts and had higher than industry win rates for both new business wins and recompetes. These awards reflect the positive impact of ASRC Federal’s investment in business development capabilities and provide a solid foundation for continued success in this segment.

Results of Operations (in millions)			
	2021	2020	2019
Revenues	\$ 1,602.4	1,502.7	1,414.1
EBITDA	\$ 118.3	122.8	99.2
Non-cash impairment charges, insurance settlements and earnout adjustments	—	—	—
Adjusted EBITDA	\$ 118.3	122.8	99.2

The increase in the Government Contract Services segment’s revenues in 2021 as compared to 2020 was primarily driven by new business wins in the Defense & Intel operating group, including material purchases as the projects ramped up, that were partially offset by a reduction in scope for a large contract in the Civilian & Health operating group. Adjusted EBITDA decreased in 2021 due to reduced fees associated with much of the material purchasing activity, as well as higher margins achieved in 2020 on the aforementioned contract in the Civilian & Health operating group. This segment continues to have a positive outlook as evidenced by multiple recompetes and new business contract wins within the Defense & Intel and Space divisions.

Going forward, the Corporation expects the competitive environment to remain the same or intensify, which could result in fewer opportunities and added competition. For this reason, ASRC expects contracts subject to recompetes will be more difficult to retain and margins on new awards may be less than the Corporation’s historical averages. However, ASRC remains optimistic regarding its future performance as compared to its peers, including targeted growth in certain government sectors where its presence is strong and its unique attributes as an Alaska Native Corporation will provide value to its federal contracting customers. The Corporation is committed to growing this segment organically, diversifying its customer base and expanding its capabilities. Additionally, ASRC plans to explore certain strategic opportunities to grow this segment through acquisitions.

## INDUSTRIAL SERVICES

ASRC Industrial Services, LLC (“ASRC Industrial”) and its diverse portfolio of operating companies focus on industrial end-use clients and are organized in three capabilities-based operating groups: maintenance, mechanical and specialty (“MMS”) services; cleaning, demolition and remediation (“CDR”) services; and engineering, inspection and professional services (“EIP”).

The Industrial Services segment has grown through strategic acquisitions over the past several years, as well as organically with key new business wins. Over the past two years, this segment focused on consolidation, reorganization and professionalization of the businesses and assessing and exiting underperforming markets. This included the wind-down of a fabrication facility in Louisiana, consolidation of various operating companies and locations, as well as the sale of underutilized assets. ASRC Industrial continues to pivot its end markets and service mix with a focus on reducing its presence in the refining, legacy

power and steel industries while increasing its presence in the environmental services and remediation industries. Recent asset acquisitions within the MMS and CDR operating groups, as well as recent project wins, including the U.S. Department of Energy (“DOE”) Legacy Management program and a subcontract on the DOE Oak Ridge Contract, have increased this segment’s environmental and remediation content. With these transformational projects, as well as other recent contract wins, ASRC Industrial has grown its backlog of awarded but uncompleted projects to \$2.7 billion, nearly doubling the backlog since the end of 2020.

## Results of Operations (in millions)

	2021	2020	2019
Revenues	\$ 771.3	654.4	731.8
EBITDA	\$ 38.7	21.4	16.7
Non-operating earnout adjustments	(1.4)	(10.0)	(7.3)
Adjusted EBITDA	\$ 37.3	11.4	9.4

The Industrial Services segment’s higher revenues in 2021, as compared to 2020, are due to an increase in the volume of work performed through new contract wins and the expansion of existing contracts. The DOE Legacy Management program, won in 2020, kicked off in 2021, also positively impacted revenue. Government and client actions to address the spread of COVID-19 impacted many of the projects in this segment throughout 2020; as client worksites reopened in 2021, ASRC Industrial was able to ramp up activity and work through the COVID-19 delayed backlog. Adjusted EBITDA for 2021 also increased from 2020 to a record level for this segment, primarily due to the same factors impacting revenues. Additionally, ASRC Industrial received CARES Act reimbursements totaling \$13.0 million in 2021 for unbudgeted expenses incurred in response to the pandemic.

ASRC plans to implement an organic growth and external acquisition strategy to increase this segment’s services across new markets and create additional long-term value for ASRC.

## PETROLEUM REFINING AND MARKETING

Petro Star Inc. (“Petro Star”) is the only Alaskan-owned refining and fuel marketing company. Petro Star’s two refineries, located in North Pole, Alaska and Valdez, Alaska, draw their crude supply from the Trans-Alaska Pipeline System (“TAPS”) and produce highway, off-road and marine diesel, jet fuel, home heating oil and asphalt base oil. The North Pole refinery supplies fuel to the U.S. military operations at Eielson Air Force Base, the local electric utility and provides heating oil to communities throughout Interior Alaska. The Valdez refinery produces ultra-low sulfur diesel, which is used as marine fuel, highway diesel and in the mining industry. Petro Star also supplies jet fuel to commercial air cargo carriers at Ted Stevens Anchorage International Airport and the U.S. military at Joint Base Elmendorf-Richardson. Through its operations in Dutch Harbor, Alaska, Petro Star supplies fuel and services to the largest commercial fishery in the United States. In addition to its refining and distribution assets, Petro Star operates fueling stations, convenience stores, and heating oil and lubricant distributorships.

Investments in recent years to improve distribution infrastructure helped to expand Petro Star’s business opportunities and to provide for more dynamic product placement. A recent capital investment in the North Pole refinery allows for increased production and compliance with potential future regulatory changes while reducing operational costs. These investments have already reduced the volatility and increased the quality and durability of this segment’s earnings.

Petro Star’s financial results are largely linked to commodity prices and refining margins. Alaska North Slope crude, which Petro Star uses to produce its refined products, is generally more expensive than West Texas Intermediate and other crude oils of comparable or higher quality, and Petro Star’s competitors, both West Coast and foreign refiners, use these less expensive crude oils to produce the same products as Petro Star, resulting in smaller net margins on the majority of Petro Star’s sales. Prices and margins are subject to global market factors beyond the Corporation’s control and have experienced significant volatility over the past several years.

## Results of Operations (in millions)

	2021	2020	2019
Revenues	\$ 884.3	636.2	870.0
EBITDA	\$ 46.2	35.6	58.5
Non-cash impairment charges	1.1	—	1.0
Non-operating loss from damaged property, net of insurance recoveries	0.7	—	—
Non-operating gain on broken deal	—	—	(1.0)
Adjusted EBITDA	\$ 48.1	35.6	58.5

Petro Star sold a record 390 million gallons during 2020, the highest annual sales amount in its history. In 2021, Petro Star sold 385 million gallons, the second highest in its history. The 2021 average crude price was much higher than in 2020 which contributed to the increase in 2021 revenues. During 2020, the segment's sales were generated in a declining product pricing environment due to a rapid drop in global activity resulting from COVID-19, which negatively impacted this segment's EBITDA. In 2021, the segment has been able to sell lower cost product into a rising price environment. Adjusted EBITDA increased as a result of this favorable commodity pricing, which was partially offset by a \$1.1 million non-cash impairment charge and a \$0.7 million loss related to damaged property, net of insurance proceeds, at its Bulk Lube storage facility in Fairbanks, Alaska. Because Petro Star's financial results are directly linked to commodity prices and refining margins, earnings for this segment are volatile.

The Corporation continues to evaluate opportunities in this segment to further diversify product offerings, expand the geographic scope, grow existing customer relationships and increase logistical efficiencies, which ASRC believes will contribute to reducing the margin volatility while providing sustainable earnings in the future.

## ENERGY SUPPORT SERVICES

ASRC Energy Services, LLC ("AES") performs an array of oilfield engineering, operations, maintenance, construction, fabrication, remediation, regulatory and environmental consulting, permitting and other related services throughout Alaska. AES provides more jobs in Alaska than any other segment and is the state's largest oilfield services company. AES takes pride in operating safely and reliably. We believe the Commitment Based Safety program rolled out across this segment differentiates AES from its competitors.

This segment has made progress in diversifying its services and client base over the past three years through its initiative to become the premier arctic technology service provider. In late-2020, AES was awarded contracts to conduct methane hydrates research on the North Slope of Alaska. The client is a partnership between Japan, Oil, Gas and Metals National Corporation ("JOGMEC") and the DOE National Energy Technology Laboratory ("NETL"). These contracts are currently planned to perform work through 2023 and we believe they will provide meaningful EBITDA contributions to ASRC during this time.

## Results of Operations (in millions)

	2021	2020	2019
Revenues	\$ 325.2	339.0	372.7
EBITDA	\$ 20.1	25.3	27.6
Non-cash impairment charges, insurance settlements and earnout adjustments	—	—	—
Adjusted EBITDA	\$ 20.1	25.3	27.6

The Energy Support Services segment's revenue and Adjusted EBITDA decreased in 2021 as compared to 2020. This decrease was caused by an overall reduction in activity on the North Slope, with no exploration season in 2021, reduced well testing and the delay of certain projects. Increased exploration activity in 2020 and the start of the GMT2 pipeline construction project had helped to drive revenues and EBITDA in 2020, contrasted with minimal such activity in 2021. During the second quarter of 2021 the Corporation sold underutilized assets on the Kenai Peninsula to make capital available for use in more profitable investment opportunities. The proceeds from this sale were less than the carrying value of the asset, resulting in a loss of approximately \$2.0 million that is reflected in the 2021 Adjusted EBITDA.

Beginning in the second quarter of 2020, the coronavirus pandemic led to an unprecedented drop in the demand for oil, causing prices to spiral into uncharted lows which led AES' clients to drastically scale back certain scopes of work. This economic environment persisted during the 2021 exploration season which took place during the early part of the year. Currently, the most severe impacts of COVID-19 appear to be subsiding and the industry has seen a corresponding increase in activity and oil prices. However, given the current state of Alaska's political environment and the global economic crisis, we believe a cautious outlook on this segment's future is prudent. AES will continue to foster new relationships, attempt to secure desirable contracts, position itself to take advantage of future North Slope expansion opportunities and continue diversification and services expansion.

## CONSTRUCTION

ASRC Construction Holding, LLC ("ASRC Construction") and its family of companies perform vertical, civil, design-build and general construction services for federal, state and local government agencies, as well as commercial clients primarily in Alaska. With many projects located in remote areas of Alaska, this segment differentiates itself from its competitors with its arctic construction and logistics expertise as well as its strong safety record.

ASRC Construction entered 2021 with strong backlog, as COVID-19 resulted in project delays in 2020. With reduced COVID-19 restrictions in 2021, the segment achieved substantial completion on several large, multi-year projects. Also in 2021, ASRC Construction placed asphalt on the first paved road in the history of Utqiagvik; officially making Ahkovak Street the northernmost paved road in the United States. ASRC Construction has a long-term relationship with Joint Base Elmendorf-Richardson, in Anchorage, Alaska, to pave and maintain runways and surface streets. This segment was awarded a multi-year contract for these services in 2020. This opportunity will continue to provide this segment with revenues and jobs in Alaska for years to come.

### Results of Operations (in millions)

	2021	2020	2019
Revenues	\$ 183.8	160.6	183.3
EBITDA	\$ 20.1	15.1	14.0
Non-cash impairment charges, insurance settlements and earnout adjustments	—	—	—
Adjusted EBITDA	\$ 20.1	15.1	14.0

This was another record year for the Construction segment, where revenues and Adjusted EBITDA were both higher in 2021 as compared to 2020 as a result of the segment's increased activity from the backlog of projects entering 2021. Market-driven high lumber prices positively impacted revenues from the material sales division. Adjusted EBITDA was also impacted by favorable margins on joint venture construction projects, including the renovation of a major regional hospital located in western Alaska. As a result, the \$20.1 million in EBITDA was the highest in this segment's history.

This segment continues to focus on safely executing newly awarded large, complex projects, renewing key contracts and diversification of its client base to strengthen backlog. However, ASRC Construction entered 2022 with lower backlog than 2021 as several large projects achieved substantial completion in 2021. In addition, with new work not materializing, ASRC Construction will wind down its modular division in 2022 as it finishes its final project. We expect revenues and EBITDA contributions from this segment to decrease in 2022.

The ConocoPhillips CD4 pad within the Colville River Unit looking west towards the NPR-A.

## RESOURCE DEVELOPMENT

As a result of the Corporation's land entitlement under the Alaska Native Claims Settlement Act ("ANCSA"), ASRC owns nearly five million acres on the North Slope of Alaska. In most cases, ASRC's subsurface holdings were primarily selected for their natural resource potential.

ASRC holds significant royalty positions in the Colville River Unit ("CRU"), home of the Alpine oil field and the Greater Mooses Tooth Unit ("GMTU"), located within the National Petroleum Reserve Alaska ("NPR-A"). Although Alpine field production peaked in 2009, the CRU satellite developments have helped offset the rate of decline while GMTU is under development. As a result, CD-5 of the Alpine field and GMT1, also known as Lookout, account for a significant portion of oil production on ASRC lands. GMT1 achieved first oil in October of 2018 after five years of permitting and development. The development of a new field, GMT2, also known as Rendezvous, is well underway and the Corporation anticipates receiving royalty payments in 2022.

### Results of Operations (in millions)

	2021	2020	2019
Revenues	\$ 79.5	88.6	165.7
7(i) earnings from other regions, net of 7(j) obligations	\$ 3.0	2.8	3.9
Amounts payable to other regions and for 7(j) obligations	(43.3)	(52.8)	(102.6)
General and administrative offset	(5.0)	(7.0)	(12.2)
Natural resources earnings, net of obligations and expenses	\$ 34.3	31.6	54.8

Revenue generated from natural resources on ASRC lands are primarily the result of its interests in the Alpine field and related satellite fields. Field production, equity redeterminations and true ups, as well as commodity prices, are the main factors that impact the earnings of this segment.

In December 2021, a new satellite field within the CRU achieved first oil. The Narwhal field is an oil accumulation that is part of the Pikka-Putu-Horseshoe trend and is positioned to the southeast of the main Alpine field. Currently, there is one producer

and one injector well that reach the reservoir from the CD-4 pad. ConocoPhillips intends to further develop the field in 2026 with additional wells. Although it is spatially smaller than some of the legacy fields, it is a very thick accumulation and we believe its production will provide significant tax benefits and royalties to ASRC for decades. In addition to the Narwhal field, the Corporation is eagerly awaiting the first commercial development of the Fiord West Kuparuk field which is expected to go into production in 2022. Although it did not have an impact on 2021's financial results, its future development will help offset declining production rates in other fields, as well as provide additional tax basis to offset future taxable income.

Dating back to 1983, the Corporation has had agreements in place with major oil companies, granting them the exclusive right to conduct exploratory activity within the Arctic National Wildlife Refuge's ("ANWR") Coastal Plain, known as the 1002 Area, if and when the refuge was opened for commercial development. With the signing into law of the Tax Cuts and Jobs Act in December of 2017, the non-wilderness section of ANWR was finally opened to responsible natural resource development. There was hope and expectation that these leases would be the catalyst for significant economic opportunities that would strengthen all of our North Slope communities. In 2021, due to a variety of external factors, the leases were cancelled by these companies. ASRC received a \$10.0 million breakage fee as a result of these cancellations. While it is disappointing that the leases were relinquished, ASRC remains supportive of other future opportunities for development in ANWR.

	2021	2020	2019
ASRC royalty barrels	1,255,122	2,438,717	3,014,601
Average price per barrel, net of deductions	\$ 53.52	34.31	53.70

Alaska North Slope oil prices were much higher in 2021 as compared to 2020. The average royalty price per barrel, net of deductions was \$53.52 in 2021, an increase of 55 percent from the average price of \$34.31 in 2020. Redetermination barrels represented approximately 0.2, 40 and 36 percent of the total royalty barrels paid to ASRC for years 2021, 2020 and 2019, respectively. In addition to losing the 40 percent of the total royalty barrels associated with redeterminations, ASRC expects to experience a continued natural decline in production from its legacy fields.

Equity redeterminations and true ups result in changes in the allocation of production which can have a positive or negative impact on earnings. In December 2021, a redetermination was completed on the Nanuq-Kuparuk satellite field of the CRU which resulted in total over-allocation based on the redetermination of 289,177 barrels, representing the overpayment of the estimated barrels ASRC received from 2018 through 2021 based on this redetermination. These barrels will reduce future production through 2029. The next redeterminations for Nanuq-Nanuq, Qannik and Alpine fields are scheduled to be effective in 2022 and 2023 and the impacts are uncertain at this time.

## OTHER OPERATIONS

ASRC's other operations include three businesses focused on supporting economic development on the North Slope.

Utqiagvik-based companies EI and TTI are two of ASRC's first business ventures. EI and TTI have been providing services and jobs to North Slope communities since ASRC's inception. EI distributes fuel and automotive parts to remote locations across the North Slope and operates a power sports retail store in Utqiagvik. TTI owns and operates the Top of the World Hotel, the Niġġivikput restaurant and tour programs around Utqiagvik.

AGC is a lending organization serving small businesses throughout Alaska. As a nine-time Alaska Small Business Administration Community Lender of the Year and a certified Community Development Financial Institution ("CDFI"), AGC is a proven leader in expanding economic opportunity in underserved areas of Alaska. During 2021, AGC received \$30.0 million in New Market Tax Credit ("NMTC") allocation from the U.S. Treasury Department's Community Development Financial Institution ("CDFI") Fund. AGC will focus its investment in remote areas of high poverty, advancing increased commercial services to off-the-road communities and minority-owned businesses serving Alaska Natives. Additionally, in 2021 the U.S. Department of the Treasury awarded AGC a \$1.8 million COVID-19 Rapid Response Grant which is being used to support small businesses in ASRC's region and throughout Alaska. In addition to its core lending products, AGC administers and funds the North Slope Marketplace, which has provided \$1.0 million of critical funds to over 45 North Slope businesses and entrepreneurs over the last 10 years, supporting ASRC's goal of facilitating economic development in the ASRC region.



Joe Upicksoun and Dr. Oliver Leavitt

## Results of Operations (in millions)

	2021	2020	2019
Revenues	\$ 48.4	58.3	48.3
EBITDA	\$ 3.8	(4.6)	4.6
Non-cash impairment charges	—	6.7	—
Adjusted EBITDA	\$ 3.8	2.1	4.6

Revenues decreased by \$9.9 million in 2021 as compared to 2020 as work on EI's North Slope Borough Housing Project was nearing completion in 2021. Adjusted EBITDA increased in 2021 as a result of improved cost management associated with the Community Winter Access Trails project, as well as improving trends regarding AGC's loan loss reserve.

EI has committed significant investment dollars in upgrading and replacing its fuel tank storage facility in Utqiagvik. As it nears completion, the \$13.0 million project will improve the capacity and quality of fuel supplied to its customers and will result in other operational efficiencies. After temporarily closing in 2020 due to COVID-19-related travel restrictions, the Top of the World Hotel and Niġġivikput restaurant both reopened to the public in March 2021, continuing to provide much needed services to individuals on the North Slope.

## OTHER KEY METRICS

### Selling, General and Administration Costs (in millions)

	2021	2020	2019
Gross administration and general costs	\$ 274.7	238.7	266.1
General and administration offset	(5.0)	(7.0)	(12.2)
Administration and general costs, net	\$ 269.7	231.8	253.9
Selling and business development costs	35.8	36.2	38.4
<b>Total selling, general and administration costs, net</b>	<b>\$ 305.4</b>	<b>268.0</b>	<b>292.3</b>

Gross selling, general and administration costs ("SG&A"), net increased by approximately \$37.4 million or roughly 13 percent in 2021. SG&A as a percentage of revenues has remained flat at approximately eight percent of revenues over the past three years. The increase in general and administration costs ("G&A") in 2021 as compared to 2020 was to support the Corporation's growth in revenues. These increases were somewhat offset by CARES Act reimbursements which the Corporation received and partially used to offset eligible costs incurred in responding to the public health emergency.

SG&A comparisons from one year to the next may not be indicative of SG&A trends, particularly in years of high acquisition activity (including the analysis of potential acquisition targets) or when considering the impact that COVID-19 had on ASRC's operations and its cost structure. SG&A is also impacted by the amount of general and administration "offset" the Corporation is allowed to deduct from 7(i)-related resource development earnings it distributes to other Alaska Native Corporations.

### Earnings from Unconsolidated Affiliates (in millions)

	2021	2020	2019
Earnings from unconsolidated affiliates, gross	\$ 38.7	13.9	18.3
Non-cash impairment charges, insurance settlements and earnout adjustments	—	—	—
Earnings from unconsolidated affiliates, net	\$ 38.7	13.9	18.3

In addition to growing and diversifying its portfolio through acquisitions of operating companies, the Corporation, through its wholly owned subsidiary ASRC Capital, holds alternative investment funds that are expected to provide long-term diversification to the Corporation's consolidated portfolio. Alternative investments are investment vehicles used by the Corporation to invest in various industries through fund managers. Industries in which ASRC invests include financial markets, healthcare, energy, technology, telecommunications, real estate, distressed debt and various other industries. Investments in alternative investments total \$99.6 million and \$88.6 million as of December 31, 2021 and 2020, respectively. At December 31, 2021 there was another \$31.0 million of commitments remaining on these investments which may be funded in the future.

The Corporation also holds minority interests in operating joint ventures within Alaska's North Slope upstream and midstream oil and gas sectors, as well as within its Government Contract Services and Construction segments.

The increase in the Corporation's earnings from unconsolidated affiliates in 2021 as compared to 2020 relates primarily to the operating results of its private equity investments. Many of which benefitted from higher asset and equity values within their underlying investment holdings. The markets performed well in 2021 and we do not expect this level of earnings to continue into 2022 due to ongoing market volatility and the maturity of certain funds.

## Income Tax Expense (in millions)

	2021	2020	2019
Current income tax expense	\$ 1.7	1.8	0.7
Deferred income tax expense	31.1	11.1	54.7
<b>Total income tax expense</b>	<b>\$ 32.8</b>	<b>12.9</b>	<b>55.4</b>

Total tax expense is comprised of current and deferred U.S. federal, state and local corporate income taxes. Current tax expense represents expected taxes owed, based on its current year tax return filings, plus or minus any prior year tax adjustments. Deferred tax expense represents the current year utilization of deferred tax assets, net of deferred tax liabilities. Primary means of offsetting taxable income include the use of natural resource depletion and the utilization of net operating loss carryforwards and other temporary differences.

### **Current tax expense:**

ASRC continues to recognize minimal current tax expense, primarily related to various separate state filing jurisdictions in the Lower 48. Current tax expense largely reflects obligations to state taxing jurisdictions resulting from its Lower 48 operations, where the Corporation's depletion and net operating loss carryovers cannot be utilized to offset certain state taxable income. The Corporation's resource depletion and net operating loss carryforwards continue to minimize its U.S. federal tax liability and a large portion of state income taxes in consolidated reporting jurisdictions, resulting in a relatively low current tax expense or cash payment to the taxing authorities. ASRC recorded \$1.7 million in current income tax expense in 2021, which remained relatively flat compared to the \$1.8 million recorded in 2020.

### **Deferred tax expense:**

Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amount in the financial statements, which will result in taxable or deductible amounts in the future. Deferred tax expense also arises from adjustments to the deferred tax rates used in the estimate of future taxability. Because of these impacts, as well as tax law changes, the Corporation's deferred tax expense may fluctuate greatly from year to year.

In 2021 and 2020, the deferred tax expense represented the value of tax deductions used to offset taxable income in current year tax returns. In addition, the deferred tax expense includes a change in the blended effective state tax apportionment rates. The Corporation recorded deferred tax expense of \$31.1 million in 2021, compared to \$11.1 million in 2020. This increase is primarily attributable to the Corporation generating more pre-tax income in 2021 resulting from the private equity portfolio performance as compared to 2020 pre-tax earnings which were burdened by impairment charges. Further, in 2020, under the CARES Act, the Corporation deferred payment of the employer portion of payroll taxes due from March 27, 2020, through December 31, 2020; 11 percent of these payroll taxes were paid in 2021 and the remaining will be paid in 2022. The change does not impact the amount of cash for taxes that the Corporation pays, which remains minimal.

### **Deferred tax asset:**

The net deferred tax asset recorded at December 31, 2021 and 2020 is \$869.7 million and \$769.8 million, respectively. The net deferred tax asset represents the amount of future tax deductions, net of future tax liabilities, expected to be realized in the future, multiplied by the expected effective tax rate. The increase in the net value of the deferred tax assets is primarily due to the Narwhal oil field that was brought online in December 2021, which had an estimated fair market value of \$485.5 million, resulting in an increase to the deferred tax asset of \$129.6 million. This increase in the deferred tax asset was offset primarily by deferred tax expense, noted previously. The GMT2 and Fiord West units are expected to provide over \$1 billion in additional tax basis in 2022. Due to these significant tax benefits, the Corporation does not expect to pay meaningful income taxes in the foreseeable future.

## Key Balance Sheet Data (in millions)

	2021	2020	2019
Cash and cash equivalents	\$ 149.7	74.5	90.4
Receivables billed and unbilled, net	670.5	566.1	633.0
Inventories	107.5	78.0	100.2
Other current assets	49.4	38.3	33.6
<b>Total current assets</b>	<b>977.1</b>	<b>756.9</b>	<b>857.2</b>
Property, plant and equipment, net	541.7	559.5	622.0
Goodwill, intangible and other assets, net	370.5	441.9	521.6
Investments and advances, net	252.3	240.5	249.2
Deferred tax assets	869.7	769.8	779.0
Operating lease right-of-use assets	277.8	—	—
Other long-term assets	17.3	20.7	24.3
<b>Total assets</b>	<b>\$ 3,306.3</b>	<b>2,789.4</b>	<b>3,053.5</b>
Accounts payable and accrued liabilities	\$ 532.5	410.8	456.0
Current portion of operating lease liabilities	35.4	—	—
Other current liabilities	62.5	61.5	52.0
<b>Total current liabilities</b>	<b>630.3</b>	<b>472.3</b>	<b>508.0</b>
Long-term operating lease liabilities	258.1	—	—
Other long-term liabilities	463.2	455.3	634.6
<b>Total liabilities</b>	<b>1,351.6</b>	<b>927.6</b>	<b>1,142.5</b>
ASRC shareholders' equity	1,948.2	1,854.5	1,904.6
Noncontrolling interest	6.6	7.3	6.3
<b>Total shareholders' equity</b>	<b>1,954.7</b>	<b>1,861.8</b>	<b>1,911.0</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 3,306.3</b>	<b>2,789.4</b>	<b>3,053.5</b>

The changes to the key balance sheet financial statement line items are primarily due to working capital changes, investment activity and revenues and earnings changes, as discussed throughout this document. Noteworthy items include:

- Receivables have increased by \$104.4 million due to higher revenues generated by ASRC's operating companies during the period.
- Inventories have increased by \$29.5 million as a result of higher commodity pricing for crude oil and building materials during the period.
- Operating lease right-of-use assets increased by \$277.8 million associated with the adoption of a new accounting standard for leases. The amount recorded represents the value of all ASRC's leased real estate and equipment. The value on the balance sheet is calculated to equal the discounted value of all future minimum lease payments less any prepaid amounts or deferred rent credits.
- Property, plant and equipment, net decreased by \$17.8 million as a result of depreciation during the period and the sale of certain properties.
- Goodwill, intangible and other assets, net decreased by \$71.4 million as a result of goodwill amortization during the period.
- Accounts payable have increased by \$121.7 million during the period due to increased contract work by the Corporation's operating companies. The increase is offset by lower amounts payable to other regions from its 7(i) sharing obligations.
- Operating lease liabilities increased by \$293.4 million also associated with the adoption of a new accounting standard for leases. The new standard requires lessees to recognize substantially all lease assets and lease liabilities on the balance sheet and the value of lease liabilities reported is calculated to equal the discounted value of all future minimum lease payments.

## Liquidity (in millions)

	2021	2020	2019
Available funds:			
Cash and cash equivalents	\$ 149.7	74.5	90.4
Short and long-term investment securities	4.4	2.2	3.1
Total available funds	\$ 154.1	76.7	93.5
Available line of credit:			
Total line of credit	\$ 700.0	700.0	700.0
Less:			
Outstanding borrowings	—	—	(200.0)
Outstanding letters of credit	(17.3)	(15.3)	(12.5)
Total available line of credit	\$ 682.7	684.7	487.5
Total liquidity	\$ 836.8	761.4	581.0

To meet its short and long-term liquidity requirements, the Corporation looks to a variety of funding sources, both internal and external. ASRC's primary source of liquidity is cash generated from operating activities. Cash and cash equivalents increased significantly to \$149.7 million in 2021 and total liquidity increased by \$75.4 million to \$836.8 million. As of December 31, 2021, we believe the Corporation's liquidity position from available cash and its line of credit is very healthy.

ASRC continues to monitor its debt-to-equity, debt-to-Adjusted EBITDA and other key ratios required for compliance with the terms of its credit agreement and private placement facility. The Corporation has complied with all covenants relating to all debt and financing sources as of December 31, 2021. ASRC manages its capital and liquidity position with the intention of maintaining a prudent capital structure that is expected to facilitate continued access to flexible borrowing arrangements at favorable costs and rates. A positive result of these actions was the amendment of its \$700.0 million line of credit in 2021 at beneficial terms and an extension through 2026. Ongoing geopolitical concerns and continued impacts from the COVID-19 pandemic may impair our ability to forecast financial results accurately. The measures taken by the Corporation since the beginning of the COVID-19 pandemic gave ASRC's banking partners confidence in the Corporation's long-term prospects.

We believe that ASRC is well positioned to continue its next phase of growth initiatives as operations have stabilized and the Corporation has the liquidity and financing arrangements to fund acquisitive growth initiatives. These growth initiatives will likely include reinvestment in the Corporation's existing businesses and a focused effort on acquisitive growth to continue to provide sustainable cash flows and increased value to ASRC shareholders.

ASRC expects the cash generated from operations, coupled with access to external sources of funds, will be sufficient to meet its operating and capital needs in the near-term. The Corporation will continue to actively monitor its future anticipated cash requirements as it continues to focus on acquisitive growth. The following discusses the most significant cash sources and uses.

## Summary Cash Flow Data (in millions)

	2021	2020	2019
Net cash provided by operating activities	\$ 201.2	249.5	154.4
Net cash used in investing activities	(33.7)	(1.6)	(208.3)
Net cash provided by (used in) financing activities	(92.3)	(263.8)	56.0
Net increase (decrease) in cash and cash equivalents	\$ 75.2	(15.9)	2.2
Cash and cash equivalents January 1,	74.5	90.4	88.2
Cash and cash equivalents December 31,	\$ 149.7	74.5	90.4

### Operating activities

The operating activity section of the cash flow statement reconciles net income to the amount of cash provided by operating transactions. Our primary source of operating cash flow was net income of \$59.4 million, adjusted for non-cash depreciation and amortization, deferred taxes and the change in working capital. Operating activities provided less cash in 2021 as compared to 2020. The Corporation's working capital was a net cash outflow of \$10.0 million in 2021, as compared to a \$62.4 million net cash inflow in 2020. The favorable working capital change in 2020 was primarily a result of accelerated cash collections resulting from the sale of certain U.S. government accounts receivable to a financial institution.

### Investing activities

ASRC's investing activities include acquisitions and divestitures, capital expenditures, loan activity and the purchase and sale of its investments in unconsolidated affiliates and marketable securities, in which it often invests during times of excess cash. Investment-related activities utilized more cash in 2021 as compared to 2020 due to higher capital expenditures to refresh vehicle fleets and replace aging equipment, as a result of company-wide deferrals of capital expenditures in 2020 in response to the COVID-19 pandemic and its impact on ASRC's businesses. Significant sources of cash from investing activities in 2021 also included \$33.1 million of distributions received from its private equity fund portfolio companies. In line with management's efforts to reduce non-essential operating and capital spend, the Corporation also identified and disposed of underutilized or underperforming assets and generated \$13.3 million in proceeds from the sale of vehicles and equipment in 2021, as compared to \$11.5 million in 2020.

### Financing activities

Financing activities include cash paid for dividends to ASRC's shareholders, borrowings and repayments of debt and distributions to noncontrolling interests. Financing activities used significantly less cash in 2021 than in 2020. Activity in 2021 included the payment of dividends to ASRC shareholders and Elders' benefits, whereas in 2020, the Corporation paid down \$200.0 million on its line of credit in addition to paying dividends and Elders' benefits. At the end of 2021, the Corporation maintained a higher-than-average cash balance to protect itself from the uncertainties associated with the pandemic, as well as position itself for potential investment opportunities that may arise in the current environment.

## Capital Structure (in millions)

	2021	2020	2019
Debt and other financing sources <sup>1</sup> :			
Long-term debt	\$ 299.6	299.5	499.4
Capital leases	—	0.6	2.8
Total debt and other financing sources	\$ 299.6	300.1	502.1
ASRC shareholders' equity	\$ 1,948.2	1,854.5	1,904.6
Total capital <sup>2</sup>	\$ 2,247.7	2,154.6	2,406.8
Debt-to-equity ratio	15.4%	16.2%	26.4%
Debt-to-adjusted EBITDA <sup>3</sup>	1.29	1.51	2.13

1 – Refer to Note 9 to the Consolidated Financial Statements

2 – Total Capital equals consolidated debt plus ASRC shareholders' equity

3 – Calculated per credit agreement covenant requirements

ASRC's total capital structure consists of the original contribution received by the Corporation under ANCSA on behalf of its shareholders, funds provided by debt and other financing arrangements and accumulated earnings that have not been paid out in dividends.

ASRC shareholders' equity does not include the value of lands conveyed as a result of ANCSA, which could be significant. Consistent with most Alaska Native Corporations, ASRC 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. However, as discussed previously, the Corporation does establish a tax basis at the date of first commercial use, as required by the tax law. This tax basis is initially recorded as a deferred tax asset, with a corresponding increase to contributed capital. The tax basis is then depleted as the field is produced.

The overall increase in shareholders' equity from 2020 to 2021 is a result of higher contributed capital associated with the Narwhal oil field having come online and from current year net income, offset by higher dividend payments made in 2021 over 2020.

## Dividends

	2021	2020	2019
Dividends declared	\$ 87,502,000	57,430,000	98,815,000
Dividends paid per share	\$ 60.00	40.00	70.00

ASRC paid dividends of \$60.00 per share in 2021, a \$20.00 per share increase from the 2020 dividend payment, due to the increase in earnings and the Corporation's current strong liquidity position, as mentioned previously. On January 18, 2022, the Corporation's board of directors declared four quarterly dividends of \$15.00, \$20.00, \$10.00 and \$30.00, totaling \$75.00 per share. The record dates for the 2022 dividends are February 18, 2022, April 20, 2022, July 29, 2022 and November 4, 2022, respectively. The 2022 dividend exceeds the amount paid in each of the previous three years and we believe is a testament to the Corporation's commitment to provide meaningful and sustainable dividends to its shareholders.

# INTERNAL CONTROL

Management is responsible for the information and representations contained in this report, as well as establishing and maintaining adequate internal control over financial reporting. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America considered appropriate in the circumstances and include some amounts based on management's best estimates and judgments. Other financial information in this report is consistent with these financial statements. Under the supervision, and with the participation of its Chief Executive Officer and Chief Financial Officer, management evaluates the effectiveness of ASRC's internal control over financial reporting. The Corporation is committed to ensuring all operating segments are continuously monitoring the effectiveness of their established internal control framework, identifying areas for improvement and implementing those improvements. Management believes the Corporation's internal control over financial reporting is effective.

Each year, the Corporation undergoes an external audit of its financial statements and the auditor will express an opinion as to whether the financial statements are free of material errors. The Corporation received a "clean" audit opinion in 2021. The audit Opinion paragraph states that in the opinion of the auditors the, "consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the three years then ended in accordance with accounting principles generally accepted in the United States of America." The full Opinion report from the auditors is included on the following pages of this Annual Report, immediately preceding the financial statements.

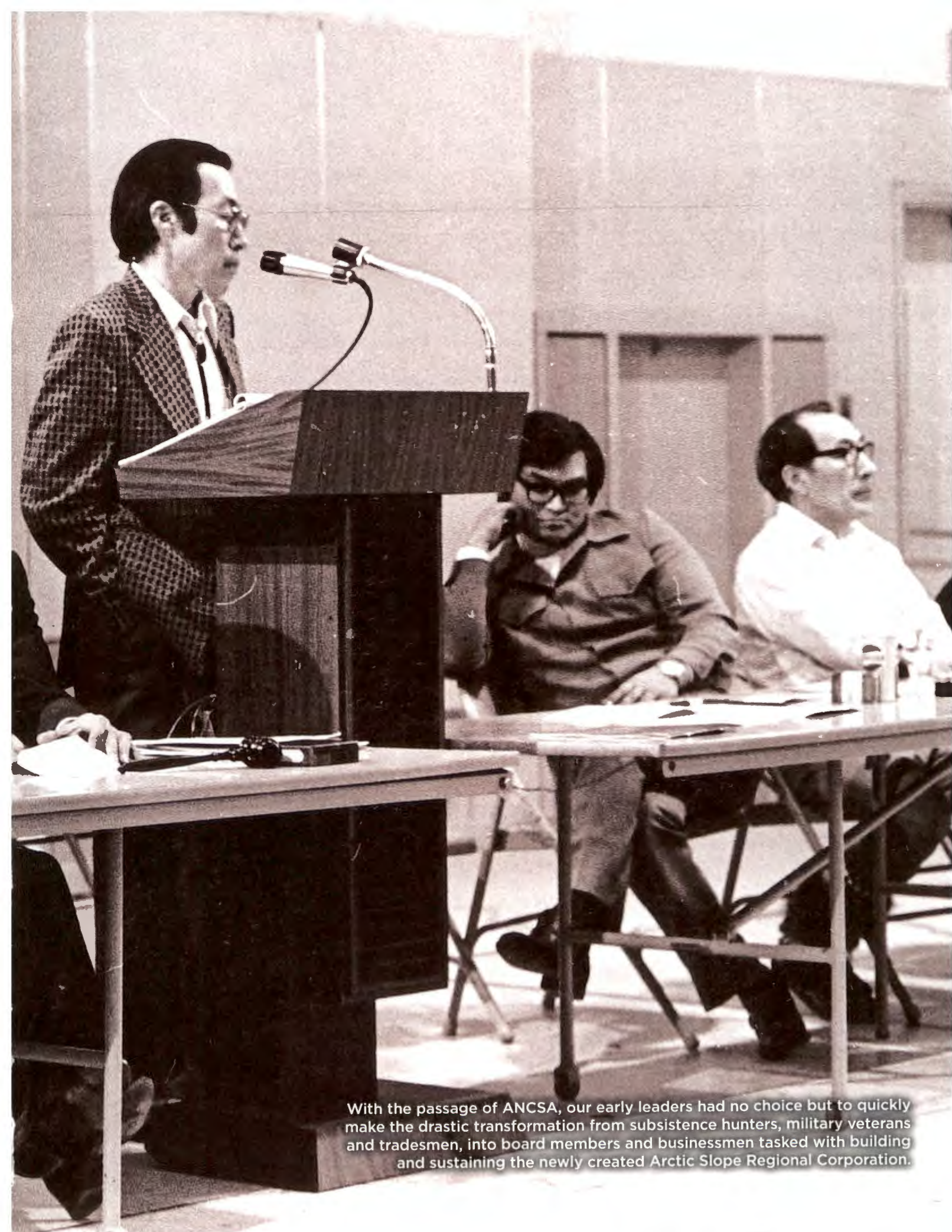


ASRC's accounting systems include controls designed to reasonably ensure compliance with laws and regulations, to see assets are safeguarded from unauthorized use or disposition and to provide for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. These systems are supplemented by the selection and training of qualified financial personnel and an organizational structure providing for appropriate segregation of duties.

The Internal Audit Department reviews the results of its work with the Audit Committee of the board of directors. The Audit Committee is responsible for the appointment of an independent certified public accounting firm. Audit Committee members review the scope and results of the annual examination, the effectiveness of the accounting control system and other matters relating to the financial affairs of the Corporation as they deem appropriate with the independent certified public accounting firm, management and internal audit staff. The internal auditors and the independent certified public accounting firm have full access to the Audit Committee, with and without the presence of management, to discuss any appropriate matters.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives or detecting fraud because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and may be subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, management has designed safeguards into the process to reduce, though not eliminate, this risk.





With the passage of ANCSA, our early leaders had no choice but to quickly make the drastic transformation from subsistence hunters, military veterans and tradesmen, into board members and businessmen tasked with building and sustaining the newly created Arctic Slope Regional Corporation.



**Grant Thornton LLP**  
2010 156th Ave. NE, #300  
Bellevue, WA 98007

D +1 425 284 4454  
F +1 425 214 9851

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**Board of Directors**  
**Arctic Slope Regional Corporation**

### **Opinion**

We have audited the accompanying consolidated financial statements of Arctic Slope Regional Corporation and subsidiaries (the "Corporation"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for the three years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the three years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for opinion**

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of management for the financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for one year after the date the financial statements are issued.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery,

intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

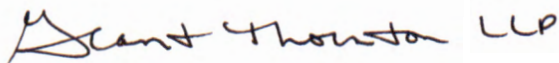
In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Emphasis of matter**

As discussed in Note 1(i) to the consolidated financial statements, the Corporation adopted new accounting guidance in 2021 related to accounting for leases. Our opinion is not modified with respect to this matter.



Bellevue, Washington  
February 25, 2022

# Consolidated Balance Sheets

As of years ended December 31, 2021 and 2020 (In thousands, except for per share amounts)

	2021	2020
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 149,714	74,465
Investments in marketable securities	4,341	2,223
Receivables, net	417,562	328,664
Contract assets	252,957	237,442
Inventories	107,521	78,028
Prepaid expenses and other current assets	41,908	33,030
Elders' Trust investments	3,115	3,006
Total current assets	977,118	756,858
Property, plant and equipment, net of accumulated depreciation	541,737	559,480
Investments and advances, net	252,259	240,537
Loan portfolio, net of allowance for loan losses of \$4,142 and \$4,965 at December 31, 2021 and 2020, respectively	17,294	20,702
Goodwill, net	303,158	365,498
Operating lease right-of-use assets	277,765	—
Intangible and other assets, net	67,326	76,451
Deferred tax assets	869,655	769,834
Total assets	\$ 3,306,312	2,789,360
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 532,500	410,805
Current portion of operating lease liabilities	35,358	—
Contract liabilities	62,456	61,501
Total current liabilities	630,314	472,306
Other accrued obligations	163,632	155,775
Long-term operating lease liabilities	258,072	—
Long-term debt, net	299,589	299,485
Total liabilities	1,351,607	927,566
Shareholders' equity:		
Common stock, no par	—	—
Paid in capital	5	5
Contributions to capital	1,183,674	1,054,049
Accumulated other comprehensive income	1,500	1,989
Retained earnings	762,975	798,452
Total ASRC shareholders' equity	1,948,154	1,854,495
Noncontrolling interest	6,551	7,299
Total shareholders' equity	1,954,705	1,861,794
Commitments and contingencies		
Total liabilities and shareholders' equity	\$ 3,306,312	2,789,360

The accompanying notes are an integral part of these Consolidated Financial Statements.

# Consolidated Statements of Income and Comprehensive Income

Years ended December 31, 2021, 2020 and 2019 (In thousands, except for per share amounts)

	2021	2020	2019
<b>Revenues:</b>			
Government contract services	\$ 1,602,206	1,501,322	1,410,185
Energy, industrial and construction services	1,265,384	1,135,555	1,272,251
Petroleum refining and marketing	883,352	635,820	869,319
Natural resources	79,540	88,608	165,711
Other operations	49,348	59,297	49,291
<b>Total revenues</b>	<b>3,879,830</b>	<b>3,420,602</b>	<b>3,766,757</b>
<b>Operating expenses:</b>			
Government contract services	1,401,653	1,300,633	1,233,271
Energy, industrial and construction services	1,118,307	1,027,074	1,148,146
Petroleum refining and marketing	835,820	607,226	811,295
Natural resources	48,169	59,657	114,826
Other operations	42,036	54,195	36,455
Amortization of goodwill and intangibles	69,903	72,592	70,556
Impairment charges, net	1,131	26,826	—
Administration and general costs	269,686	231,784	253,889
Selling and business development costs	35,756	36,212	38,447
<b>Total operating expenses</b>	<b>3,822,461</b>	<b>3,416,199</b>	<b>3,706,885</b>
<b>Operating income</b>	<b>57,369</b>	<b>4,403</b>	<b>59,872</b>
Earnings from unconsolidated affiliates	38,710	13,939	18,339
Natural resources from other regions, net of 7(j) obligation	3,011	2,840	3,942
Interest and marketable securities earnings (losses)	1,785	(1,422)	1,445
Interest expense, net of capitalized interest	(11,981)	(17,547)	(19,365)
Other income, net	3,294	22,096	15,448
<b>Income before income taxes and noncontrolling interest</b>	<b>92,188</b>	<b>24,309</b>	<b>79,681</b>
Income tax expense	(32,833)	(12,944)	(55,372)
<b>Net income</b>	<b>59,355</b>	<b>11,365</b>	<b>24,309</b>
Less: net income attributable to noncontrolling interest	(3,652)	(4,410)	(3,850)
<b>Net income attributable to ASRC shareholders</b>	<b>55,703</b>	<b>6,955</b>	<b>20,459</b>
<b>Other comprehensive income (loss), net of tax:</b>			
Change in unfunded status of postretirement benefits	(489)	553	1,749
<b>Net comprehensive income attributable to ASRC shareholders</b>	<b>\$ 55,214</b>	<b>7,508</b>	<b>22,208</b>

The accompanying notes are an integral part of these Consolidated Financial Statements.

# Consolidated Statements of Shareholders' Equity and Comprehensive Income

Years ended December 31, 2021, 2020, and 2019 (In thousands, except for per share amounts)

	Common stock	Paid-in capital	Contributions to capital	Accumulated other comprehensive income (loss)	Retained earnings	Total ASRC shareholders' equity	Noncontrolling interest	Total shareholders' equity
Balances at December 31, 2018	\$ —	5	939,600	(313)	927,755	1,867,047	6,392	1,873,439
Net income attributable to ASRC shareholders	—	—	—	—	20,459	20,459	—	20,459
Net income attributable to noncontrolling interest	—	—	—	—	—	—	3,850	3,850
Change in unfunded status of postretirement benefits, net of tax	—	—	—	1,749	—	1,749	—	1,749
Comprehensive income	—	—	—	—	—	22,208	3,850	26,058
Tax benefit from ANC5A	—	—	114,449	—	—	114,449	—	114,449
Distributions to noncontrolling interest holders	—	—	—	—	—	—	(3,915)	(3,915)
Dividends declared and distributions:								
Regular dividend, \$70.00 per share	—	—	—	—	(98,815)	(98,815)	—	(98,815)
Elders' Trust distributions	—	—	—	—	(264)	(264)	—	(264)
Balances at December 31, 2019	—	5	1,054,049	1,436	849,135	1,904,625	6,327	1,910,952
Net income attributable to ASRC shareholders	—	—	—	—	6,955	6,955	—	6,955
Net income attributable to noncontrolling interest	—	—	—	—	—	—	4,410	4,410
Change in unfunded status of postretirement benefits, net of tax	—	—	—	553	—	553	—	553
Comprehensive income	—	—	—	—	—	7,508	4,410	11,918
Distributions to noncontrolling interest holders	—	—	—	—	—	—	(3,438)	(3,438)
Dividends declared and distributions:								
Regular dividend, \$40.00 per share	—	—	—	—	(57,430)	(57,430)	—	(57,430)
Elders' Trust distributions	—	—	—	—	(208)	(208)	—	(208)
Balances at December 31, 2020 - As reported	—	5	1,054,049	1,989	798,452	1,854,495	7,299	1,861,794
Impact of change in accounting principle, net of tax	—	—	—	—	(3,503)	(3,503)	—	(3,503)
Balances at December 31, 2020 - As adjusted	—	5	1,054,049	1,989	794,949	1,850,992	7,299	1,858,291
Net income attributable to ASRC shareholders	—	—	—	—	55,703	55,703	—	55,703
Net income attributable to noncontrolling interest	—	—	—	—	—	—	3,652	3,652
Change in unfunded status of postretirement benefits, net of tax	—	—	—	(489)	—	(489)	—	(489)
Comprehensive income	—	—	—	—	—	55,214	3,652	58,866
Tax benefit from ANC5A	—	—	129,625	—	—	129,625	—	129,625
Distributions to noncontrolling interest holders	—	—	—	—	—	—	(4,400)	(4,400)
Dividends declared and distributions:								
Regular dividend, \$60.00 per share	—	—	—	—	(87,502)	(87,502)	—	(87,502)
Elders' Trust distributions	—	—	—	—	(175)	(175)	—	(175)
Balances at December 31, 2021	\$ —	5	1,183,674	1,500	762,975	1,948,154	6,551	1,954,705

The accompanying notes are an integral part of these Consolidated Financial Statements.

# Consolidated Statements of Cash Flows

Years ended December 31, 2021, 2020, and 2019 (In thousands, except for per share amounts)

	2021	2020	2019
Cash flows from operating activities:			
Net income	\$ 59,355	11,365	24,309
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	145,377	154,770	142,470
Deferred tax expense	31,141	11,105	54,693
Reserves, valuations and accruals	4,306	5,686	3,221
Loss (gain) on disposal of assets, net	637	(9,761)	(863)
Gain on sale of loans	(1,680)	(1,984)	(1,521)
Impairment charges	1,131	26,826	—
Distributions in excess of earnings of unconsolidated affiliates	6,915	2,203	15,709
Change in investment securities valuation	(35,897)	(13,104)	(13,136)
Changes in assets and liabilities providing (using) cash:			
Receivables, net	(92,967)	49,382	14,271
Contract assets	(15,515)	12,184	(5,973)
Inventories	(29,493)	22,425	(5,544)
Prepaid expenses and other current assets	(3,901)	(5,419)	(4,722)
Other assets	4,168	3,240	(40)
Accounts payable and accrued liabilities and other accrued obligations	126,708	(28,955)	(87,585)
Contract liabilities	955	9,520	19,095
Net cash provided by operating activities	201,240	249,483	154,384
Cash flows from investing activities:			
Proceeds from disposals of property and equipment	13,306	11,458	2,912
Purchases and construction of property and equipment	(71,849)	(39,031)	(94,394)
Loan repayments, net	4,941	4,657	8,841
Acquisition of subsidiaries, net of cash acquired	(2,972)	(1,462)	(129,216)
Investments in and advances to unconsolidated affiliates, net	(10,211)	(11,168)	(13,059)
Proceeds from other investing activities	33,092	33,915	16,647
Net cash utilized in investing activities	(33,693)	(1,631)	(208,269)
Cash flows from financing activities:			
Borrowings under revolving lines of credit	70,100	135,000	270,000
Repayments of revolving lines of credit	(70,100)	(335,000)	(110,000)
Debt issuance costs	(1,394)	—	(2,173)
Repayments of capital lease obligations	(615)	(2,124)	(1,862)
Distributions to noncontrolling interests	(4,400)	(3,438)	(3,915)
Dividends and Elders' Trust distributions	(85,889)	(58,215)	(96,010)
Net cash provided by (utilized in) financing activities	(92,298)	(263,777)	56,040
Net increase (decrease) in cash and cash equivalents	75,249	(15,925)	2,155
Cash and cash equivalents at beginning of year	74,465	90,390	88,235
Cash and cash equivalents at end of year	\$ 149,714	74,465	90,390
Supplemental disclosures:			
Cash paid for interest, net of amounts capitalized	\$ 11,401	15,960	18,602
Cash paid (received) for taxes, net	(1,280)	(904)	1,164
Purchases and construction of property and equipment in accounts payable	268	2,108	385
Dividends declared but not paid	4,281	2,492	3,069
Assets acquired through acquisitions	5,450	3,756	171,685
Liabilities assumed through acquisitions	4,372	15	43,053

The accompanying notes are an integral part of these Consolidated Financial Statements.

# ARCTIC SLOPE REGIONAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021, 2020 AND 2019

# [1] OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## (A) OPERATIONS

Business activities of Arctic Slope Regional Corporation and its subsidiaries (the Corporation or ASRC) include government contract services, energy, industrial and construction services, petroleum refining and marketing, natural resource development, commercial lending, and tourism. The Corporation and its subsidiaries operate throughout the United States. The Corporation also participates in various partnerships, joint ventures, and other business activities.

## (B) PRINCIPLES OF CONSOLIDATION

Consolidation decisions are based on the voting rights, risks and rewards associated with the Corporation's interest in an entity. In general, the Corporation consolidates majority owned, controlled subsidiaries. Entities that are determined to be variable interest entities (VIEs), as defined by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 810, Consolidation, will be consolidated if the Corporation is considered the primary beneficiary, as defined, of that entity. The Corporation determines if it is the primary beneficiary by assessing whether it has the power to direct the activities that most significantly impact the VIE's economic performance as well as assessing whether or not it has the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The equity method is used to account for investments in affiliates in which the Corporation exerts significant influence but not a controlling financial interest. The threshold for exerting significant influence is often when the Corporation's ownership interest is greater than 20%; however, ownership levels of as little as 3% may also qualify in certain circumstances, such as with the Corporation's private equity fund investments. All significant intercompany transactions and balances have been eliminated in consolidation.

## (C) USE OF ESTIMATES

The preparation of the Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Significant accounting estimates include those for the allowance for doubtful accounts, useful lives of property and equipment and the related accumulated depreciation and amortization, fair value of investments, fair value of long-lived assets including goodwill and intangible assets, costs to complete and anticipated future earnings on uncompleted contracts, realization of deferred income taxes, and reserves for the ultimate cost of the settlement of litigation, claims and self-insurance.

The recorded amounts are currently believed by management to be sufficient. However, such estimates could significantly change in future periods to reflect new laws, regulations, or information. It is not possible to determine whether additional loss, due to such changed circumstances, will occur or to reasonably estimate the amount or range of any potential additional loss.

Certain areas of our businesses have been adversely affected by the economic impacts of the outbreak and worldwide spread of the coronavirus (COVID-19). COVID-19 has created significant uncertainty in the global economy. We have experienced and may continue to experience reductions in demand for certain of our services and the delay or abandonment of ongoing or anticipated projects. There have been no comparable recent events that provide guidance as to the effect COVID-19 as a global pandemic may have. As a result, the ultimate impact of COVID-19 and the extent to which COVID-19 continues to impact the Corporation's business, results of operations and financial condition will depend on future developments, which are highly uncertain and difficult to predict.

## (D) CASH AND CASH EQUIVALENTS

The Corporation considers all highly liquid investments, maintained as part of the Corporation's cash management activities, with original maturities of less than three months from their date of purchase to be cash equivalents. Similar investments held in the Elders' Trust portfolio (Trust) (see Note 5), the Supplemental Executive Retirement Plan or the Deferred Compensation Plan (see Note 11) are not included in cash and cash equivalents. Certain cash deposits may be in excess of Federal Deposit Insurance Corporation insurance limits.

## (E) INVESTMENTS

Investments include debt and equity securities and are accounted for in accordance with ASC Topic 320, *Investments - Debt Securities*, and ASC Topic 321, *Investments - Equity Securities*. The Corporation has reported all short-term and long-term investments in marketable securities at fair value, with unrealized holding gains and losses on these securities included in earnings. The specific-identification method is used to compute the realized gains and losses on debt and equity securities.

The Corporation uses net asset value (NAV) to determine the fair value of its investments in certain private equity funds 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. A fund's NAV represents the sum of all of its assets (the value of its holdings in cash, shares, bonds, financial derivatives, and other securities) less any liabilities, all divided by the number of shares outstanding and is an indication of the fair value of a single share of the fund.

## (F) TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable are recorded at the invoiced amount and generally do not bear interest. The allowance for doubtful accounts is the Corporation's best estimate of the amount of probable credit losses inherent in the Corporation's existing accounts receivable. The Corporation determines the allowance based on historical write-off experience by industry and in most cases by using the specific-identification method. The Corporation reviews its allowance for doubtful accounts at least quarterly. Past due balances over 90 days and over a specified amount are reviewed individually for collectability. All other balances are reviewed on a pooled basis by industry. Account balances are charged off against the allowance after all

reasonable 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 (see Note 6).

## (G) INVENTORIES

Inventories, consisting of petroleum products, contracting supplies, and lumber products are valued at the lower of cost (first-in, first-out and average cost methods) or net realizable value.

## (H) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. Depreciation on plant and equipment is calculated on the straight-line method over the estimated useful lives of the assets. Useful lives are periodically evaluated, and depreciation is modified prospectively based on changes in estimated useful lives.

At times the Corporation leases equipment and buildings under capital lease agreements. The assets and liabilities under capital leases are initially recorded at the lower of the present value of the minimum lease payments or the fair value of the assets at the inception of the lease. The assets are amortized over the lesser of their related lease terms or the estimated productive lives. Amortization of assets under capital leases is included in depreciation and amortization expense.

## (I) LEASES

In February 2016, the FASB issued ASU 2016-02 - *Leases* (ASC 842), which required recognition on the balance sheet for the rights and obligations created by leases with terms greater than 12 months. The Corporation adopted ASC 842 on January 1, 2021, using the modified retrospective transition method. Consequently, the comparative periods presented continue to be in accordance with ASC 840, *Leases*, previously in effect.

The Corporation elected the package of practical expedients permitted under the transition guidance, allowing the Corporation to carry forward conclusions related to: (a) whether expired or existing contracts contain leases; (b) lease classification; and (c) whether initial direct costs for existing leases qualified for capitalization. The Corporation has elected not to record operating lease right-of-use assets or lease liabilities associated with leases with durations of 12 months or less. The Corporation elected the practical expedient allowing aggregation of non-lease components with related lease components when evaluating the accounting treatment for substantially all classes of underlying assets except for vessels and railcars in its Petroleum Refining and Marketing and the corporate headquarters. Adoption of the new standard resulted in an increase to assets and liabilities of \$304,510 and \$316,074, respectively, related to recognition of operating lease right-of-use assets (ROU) and operating lease obligations as of January 1, 2021. The ROU was adjusted by \$11,564 to account for prepaid rent, lease incentives received and deferred rent credits which had previously been reported elsewhere, but under the new standard are required to be reported within the ROU asset. The ROU was also adjusted due to an impairment of certain leased office space that the Corporation ceased use of. The decision to cease use of the leased asset did not qualify for impairment under the previous lease standard; however, impairment indicators were identified upon transition to the new standard. As a result, the newly created ROU asset was assessed for impairment and having been deemed impaired, the Corporation recognized an impairment of \$4,781 at transition. The future tax benefit resulting from the impairment is reflected as an increase of \$1,278 to the Corporation's Deferred tax assets, and the net of these adjustments, \$3,503, is reflected as a cumulative effect adjustment to Retained earnings, net of tax. Other impacts in the Corporation's Consolidated Balance Sheet were not material and the standard did not materially impact the Consolidated Statements of Income or Cash Flows.

The Corporation leases real estate, land, heavy equipment, and vehicles. Leases generally contain one or more of the following options, which the Corporation can exercise at the end of the initial term: (a) renew the lease for a defined number of years at the then-fair market rental rate or rate stipulated in the lease agreement; (b) purchase the property at the then-fair market value; or (c) a right of first refusal in the event of a third-party offer.

Some leases include free-rent periods and step-rent provisions, which are recognized on a straight-line basis over the original term of the lease, and any extension options that the Corporation is reasonably certain to exercise from the date the Corporation has control of the property. Certain leases provide for periodic rent increases based on price indices or the

greater of minimum guaranteed amounts. A small number of the Corporation's equipment leases contain residual value guarantees and those require it to guarantee that upon the return of the asset at the end of the lease term, the asset will have a minimum value, often defined as a percentage of the asset's original cost.

The Corporation determines at inception whether a contract is or contains a lease. The Corporation initially records ROU assets and lease obligations for its operating leases based on the discounted future minimum lease payments over the term. The lease term is defined as the noncancelable period of the lease plus any options to extend when it is reasonably certain that the Corporation will exercise the option. As the rate implicit in the Corporation's leases is not readily determinable, the present value of the sum of the lease payments is calculated using a risk-free discount rate determined using a period comparable with that of the lease term. Impairment of ROU assets are evaluated in a similar manner as described in Note 1(j).

## (J) LONG-LIVED ASSETS

Long-lived assets, such as property, plant and equipment, equity method investments and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated from the use and eventual disposition of the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

## (K) GOODWILL AND INTANGIBLE ASSETS

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. The Corporation follows the private company accounting alternative governed by ASC Subtopic 350 and amortizes goodwill on a straight-line basis over 10 years, or less than 10 years if the Corporation demonstrates that another useful life is more appropriate. As part of this election, the Corporation has made an accounting policy decision to test goodwill for impairment at the entity level. Goodwill is tested for impairment at the end of the reporting period when a triggering event occurs that indicates that the fair value of an entity may be below its carrying amount. The goodwill impairment amount, if any, represents the excess of the entity's carrying amount over its fair value, limited to the carrying amount of goodwill of the entity.

As part of the election to follow the private company alternative to accounting for goodwill the Corporation does not recognize acquired intangible assets pertaining to non-compete agreements and customer relationships separately from goodwill, except for customer-related intangible assets that can be separately sold or licensed independently from other assets of the business.

Intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually and if a triggering event occurs between annual tests, in accordance with ASC Topic 350. At December 31, 2021 and 2020, indefinite life intangibles consist primarily of trademarks and trade names.

Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. At December 31, 2021 and 2020, amortizable intangible assets consist primarily of customer relationships, non-compete agreements, and acquired contract backlogs.

## (L) LANDS RECEIVED UNDER THE ACT

The fair value of all land and subsurface estate received and to be received pursuant to the Alaska Native Claims Settlement Act (as amended, ANCSA or the Act) is not readily determinable. Accordingly, no value has been attributed to these lands in the accompanying Consolidated Financial Statements. Land selection costs are expensed as incurred.

The Corporation has patent or interim conveyance of title to the surface and subsurface estate of approximately 5,000,000 acres.

## (M) ASSET RETIREMENT OBLIGATIONS

The Corporation accrues for asset retirement obligations in the period in which the obligations are incurred and a reasonable estimate of fair value can be made. When the related liability is initially recorded, the Corporation capitalizes the cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its settlement value and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the Corporation recognizes a gain or loss for any difference between the settlement amount and the liability recorded. As of December 31, 2021 and 2020, the Corporation recorded asset retirement obligations related to its exploration and pipeline operations which are included in Other accrued obligations in the Consolidated Financial Statements of \$4,580 and \$4,547, respectively.

The Corporation cannot estimate the fair value of the majority of its asset retirement obligations, primarily because it cannot reasonably estimate settlement dates or costs associated with the retirement of these assets. Such obligations will be recognized in the period in which sufficient information exists to determine a reasonable estimate. The Corporation has unrecognized retirement obligations related to (i) hazardous materials disposal, site restoration, and removal or dismantlement requirements associated with the closure of its refining and terminal facilities, (ii) hazardous materials disposal and other removal requirements associated with the demolition of certain tanks or other equipment, and (iii) removal of tanks at its owned or leased retail sites at or near the time of closure. The Corporation believes that these assets have undeterminable lives due to its performance of scheduled maintenance projects, normal repair and improvements based on technological advances. ASRC has rarely, if ever, retired similar assets in the past; and industry practice for similar assets has historically been to extend the economic lives through regular repair and maintenance and technological advances. Also, the Corporation has not historically incurred significant retirement obligations for hazardous materials disposal or other removal costs associated with its scheduled maintenance projects or asset retirements.

## (N) REVENUE RECOGNITION

Substantially all of the Corporation's revenues are earned from contracts with customers which are primarily comprised of sales of refined products and from service or construction contracts.

Revenues from sales of refined products are recognized at the point in time when the customer obtains control of the product. Revenue from goods transferred to customers at a point in time accounted for 27%, 23%, and 30% of the Corporation's total operating revenues in 2021, 2020, and 2019, respectively. Control typically transfers when the customer takes physical delivery of the product, has legal title, and a right to payment exists. These products are usually sold at prevailing market prices and payment is generally due within 30 days or less. The Corporation does not retain any significant obligation for returns, refunds, or warranties.

Revenues from service or construction contracts are recognized over time when the customer obtains control or receives benefits from the work that it performs on the contract. Revenue from goods and services transferred to customers over time accounted for 73%, 77%, and 70% of the Corporation's revenue in 2021, 2020, and 2019, respectively. These contracts are generally accounted for as a single unit of account (a single performance obligation). For contracts with multiple performance obligations, the Corporation allocates the transaction price to each performance obligation using an estimate of the stand-alone selling price of each distinct service in the contract. Service and construction revenues are earned from three different types of contractual arrangements: fixed-price contracts, cost-plus-fee contracts, and time-and-materials contracts.

Revenues from fixed-price construction and certain fixed-price service contracts are recognized using the percentage-of-completion method (an input method). The completion percentage is typically determined using the ratio of costs incurred to estimated cost at completion. This method is considered the most faithful depiction of the Corporation's performance because it directly measures the value of the services transferred to the customer. Changes in cost estimates, customer disputes, unforeseen weather conditions, protests of incumbent contracts, and other factors may affect the nature, amount, timing and uncertainty of revenue and cash flows. As some of the contracts extend over one or more accounting periods, revisions in cost and earnings estimates are reflected in the period during which the facts requiring the revision become known, using the cumulative catch-up method. Provisions for estimated losses on uncompleted contracts are made in the period in which the losses are determined. Other fixed-price service contracts are recognized on a straight-line basis over the passage of time (an input method). Pre-contract costs are expensed as incurred unless they are expected to be recovered

from the customer, and project mobilization costs are generally charged to project costs as incurred when they are an integrated part of the performance obligation being transferred to the client.

For cost-plus-fee contracts, revenue is recognized when services are performed on the basis of allowable costs incurred during the period plus the fee earned. Fees earned are determined by the Corporation's ability to achieve targets set in the contract, such as cost, quality, schedule, and performance.

Revenues from time-and-materials contracts are recognized based on allowable labor hours incurred and contract billing rates.

The nature of the Corporation's contracts gives rise to several types of variable consideration, including claims and unpriced change orders, award and incentive fees, and liquidated damages and penalties. The Corporation estimates the amount of revenue to be recognized on variable consideration using the expected-value or the most-likely-amount method, whichever is expected to better predict the amount. These estimates are based on historical award experience, anticipated performance and the Corporation's best judgment at the time. The Corporation constrains the amount of variable consideration revenue recognized to ensure it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Application of a constraint is not typical. If the requirements for recognizing revenue for claims or unapproved change orders are met, revenue is recorded only when the costs associated with the claims or unapproved change orders have been incurred.

The Corporation excludes from revenue all taxes assessed by governmental authorities that are collected by the Corporation from its customers (use taxes, value added taxes, some excise taxes) from the transaction price and to account for shipping and handling as fulfillment costs rather than as a separate performance obligation.

The timing of revenue recognition may differ from the timing of invoicing to customers. Contract assets include unbilled amounts from the Corporation's long-term construction and service projects when revenues recognized under the percentage-of-completion method exceed the amounts invoiced to its customers. Such amounts are recoverable from the Corporation's customers based upon various measures of performance, including achievement of certain milestones, completion of specified units or completion of a contract. In addition, many of ASRC's time-and-materials and cost-plus-fee contracts, are billed in arrears pursuant to contract terms, resulting in Contract assets being recorded, as revenue is recognized in advance of billings. Included in Contract assets are amounts that the Corporation seeks to collect from customers for errors or changes in contract specifications or design, contract change orders or modifications in dispute or unapproved, or other customer-related causes of unanticipated additional contract costs (claims and unapproved change orders). Contract assets are classified as current within the Consolidated Balance Sheets.

Contract liabilities represent amounts billed to clients in excess of revenue recognized to date. Customer payments are typically due within 30 to 90 days of billing, depending on the contract.

Revenue from natural resource royalties is recognized at a point in time. The Corporation records revenue on the cash basis when royalties are received because it is not practical to estimate the amount of royalty earned but not yet received. Royalties are typically received approximately 30 to 60 days after the related natural resource is extracted. Adjustments to royalties received are recorded in the period during which the facts requiring the adjustment become known.

## (0) CAPITALIZATION OF INTEREST

The Corporation capitalizes interest cost on borrowings incurred during the new construction or upgrade of qualifying assets. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets. Rates used are based on the average interest rate on borrowings. A reconciliation of total interest cost to Interest expense as reported in the Consolidated Financial Statements for the years ended December 31, is as follows:

	2021	2020	2019
Interest cost capitalized	\$ —	224	702
Interest cost charged to expense	11,981	17,547	19,365
Total interest cost	\$ 11,981	17,771	20,067

## (P) INTEREST RATE SWAPS

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 Line-of-credit. The Corporation applies 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 Sheets and measured at fair value. Gains and losses resulting from changes in the fair value are recorded in Other comprehensive income if the swaps qualify for hedge accounting. The change in the fair value of swaps that do not qualify as a hedge are included as a part of Net income. The fair value of interest rate swaps are included in Other accrued obligations with the effect on earnings included as a part of interest expense, net. See Notes 9 and 13 for further discussion of interest rate swaps.

## (Q) INCOME TAXES

The Corporation records the tax benefit for ANCSA and, along with ASRC's interest therein, and the resources and rights associated therewith, as contributed capital (resource-related tax attributes). These resources are part of the original settlement by the Corporation's shareholders under ANCSA. A valuation allowance required upon the initial recognition of specific resource-related tax attributes is recorded as a reduction of Contributions to capital in the Consolidated Financial Statements. Subsequent revisions to an initial valuation allowance due to the ongoing measurement of the tax basis of existing assets contributed under the Act or the initial recognition of additional resource-related tax attributes are recorded as adjustments to the related capital contributions. Reduction or elimination of the initial valuation allowance associated with amounts originally recorded through capital that result from a change in the expected earnings of the Corporation will also be recorded through capital. Any increase in the valuation allowance due to a change in the expected earnings affecting the utilization of the resource-related tax attributes is considered part of operational activities and included in income tax expense in the Consolidated Financial Statements. See Note 10 for further discussion of income taxes.

## (R) CONCENTRATION

A significant portion of the Corporation's business activity is with customers associated with, or dependent upon, the U.S. government agencies. During the years ended December 31, 2021, 2020 and 2019, U.S. government contracts provided an aggregate of approximately 51%, 50%, and 44%, respectively, of the Corporation's total revenues. Any improvement, decline or disruption in U.S. government spending could have a significant positive or negative effect on the liquidity, results of operations, and financial condition of the Corporation. Changes in the Small Business Administration (SBA) 8(a) program could also have a significant positive or negative impact on the liquidity, results of operations, and financial condition of the Corporation. In addition, during the years ended December 31, 2021, 2020 and 2019, approximately 41%, 39%, and 45%, respectively, of the Corporation's total revenues were earned in the State of Alaska. Any improvement or decline in the fiscal situation of the State of Alaska could have a positive or negative effect on the liquidity, results of operations, and financial condition of the Corporation.

## (S) SELF-INSURANCE

The Corporation utilizes third-party insurance subject to varying retention levels, or self-insurance. Such self-insurance relates to losses and liabilities primarily associated with health insurance and workers' compensation claims. Losses are accrued based upon the Corporation's estimates of the aggregate liability for the claims incurred using certain actuarial assumptions followed in the insurance industry and the Corporation's historical experience. At December 31, 2021 and 2020, the estimated liability for known claims and claims incurred but not reported was \$26,132 and \$22,259, respectively.

## (T) COMMITMENTS AND CONTINGENCIES

Liabilities for loss contingencies, including environmental remediation costs, costs arising from claims, assessments, litigation, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount of the

liability assessment and/or remediation can be reasonably estimated. Recoveries for environmental remediation costs from third parties, which are probable of realization, are separately recorded and are not offset against the related environmental liability.

## (U) RECLASSIFICATIONS

Certain reclassifications have been made to the 2020 and 2019 Consolidated Financial Statements to conform to the 2021 presentation. These reclassifications have not changed the results of operations, total assets, total liabilities or cash flows of prior periods.

# [2] ALASKA NATIVE CLAIMS SETTLEMENT ACT AND AMENDMENTS

The Corporation was created pursuant to the Act. The Act created 12 regional and numerous village corporations and sets forth, among other things, certain responsibilities and provides for distribution of certain benefits to those entities and their shareholders.

## (A) SHAREHOLDERS

Under the terms of the Act, Natives (as defined in the Act) initially enrolled in the Corporation each received 100 shares of the Corporation's stock. This stock may not be sold, pledged, assigned or otherwise alienated, except in certain circumstances by gift, court decree or inheritance upon death. These stock restrictions were originally designed to expire on December 18, 1991. Provisions of the Alaska Native Claims Settlement Act Amendments provide for the extension of the alienation restrictions indefinitely or, upon the affirmative vote of the shareholders, until a specific date or event. The Corporation's alienation restrictions remain in place, and its stock carries voting rights only if the holder is an eligible Native or a descendant of a Native.

In accordance with the terms of the Act, the Corporation originally issued two classes of stock with the classes differing only in terms of Section 7(j) Distributions (as defined below) to be received by the shareholders. Natives who were enrolled in village corporations in the Arctic Slope Region in 1971 received Class A Settlement Common Stock. Natives of the Arctic Slope Region who were not enrolled in village corporations in 1971 received Class B Settlement Common Stock.

At a special meeting of shareholders held in 1989, the Corporation was authorized to issue additional classes of stock without consideration. Class C Settlement Common Stock is issuable only to (i) children of shareholders enrolled directly into ASRC (those who did not receive their stock through gift or inheritance), (ii) born after December 18, 1971, and (iii) with at least  $\frac{1}{4}$  Alaskan Native blood. Class D Other Stock is issuable only to (i) children of shareholders enrolled directly into ASRC (those who did not receive their stock through gift or inheritance) and (ii) with less than  $\frac{1}{4}$  Alaskan Native blood. Class E Settlement Common Stock is issuable only to Natives who were eligible for enrollment pursuant to the Act as original Class A or B shareholders, but who were not enrolled. Class C and D shares are life estate only; otherwise, Class C and D shares, along with Class E shares, are fully participating. All classes of stock are subject to certain voting restrictions and restraints on alienation under the Act.

Shares authorized and outstanding are as follows at December 31:

	Shares Authorized	Shares Outstanding	
		2021	2020
Class A	1,000,000	353,650	353,650
Class B	500,000	19,500	19,500
Class C	1,000,000	915,400	900,900
Class D	300,000	178,600	170,600
Class E	10,000	1,000	1,000

## (B) ALASKA NATIVE FUND

The Act established the Alaska Native Fund (Fund) for cash distributions to the regional corporations. In the 1970s, the Corporation received its full entitlement from the Fund of \$22,535. This amount was recorded as a contribution to capital.

## (C) DISTRIBUTABLE UNDER THE ACT

The Act established 12 regional corporations for resident Alaska Natives. Under Section 7(i) of the Act, 70% of net revenues received by each of these 12 regional corporations from certain timber and subsurface resources conveyed to it is divided annually among all 12 regional corporations in proportion to the number of Alaska Natives originally enrolled to each. In accordance with Section 7(j) of the Act, one half of what each regional corporation receives must be redistributed (Section 7(j) Distributions) to village corporations within its region and to its originally enrolled shareholders who are not also shareholders of a village corporation.

Amounts distributable to the Corporation from other regional corporations under Section 7(i) of the Act are recorded as income when the amount thereof is determined and receipt is reasonably assured, net of Section 7(j) Distributions.

# [3] ACQUISITIONS

The Corporation accounts for acquisitions using the acquisition method of accounting in accordance with applicable GAAP whereby the total purchase price is allocated to tangible and intangible assets acquired and liabilities assumed based on respective fair values. There were no material acquisitions made by the Corporation during 2021 or 2020.

During 2020, the Corporation recorded measurement period adjustments related to acquisitions that took place in 2019. The Corporation recognized a measurement period adjustment to decrease goodwill by \$2,953 associated with deferred tax impacts of previous measurement period adjustments. Additionally, in 2021 and 2020, the Corporation reduced the estimates of contingent consideration payable related to acquisitions, resulting in \$1,451 and \$10,000 of income, respectively, that is reported in Other income, net in the Consolidated Statements of Income and Comprehensive Income.

# [4] GOODWILL AND INTANGIBLE ASSETS

The following is a detail of goodwill activity:

	2021	2020
Balance as of January 1,	\$ 365,498	432,354
Adjustments for prior year acquisitions	–	(2,953)
Additions from current year acquisitions	1,894	–
Amortization expense	(64,234)	(63,903)
Balance as of December 31,	\$ <u>303,158</u>	<u>365,498</u>

During 2021 and 2020, the Corporation did not identify any triggering events at the entity level indicating the fair value of the Corporation was below its carrying amount.

The following table summarizes future amortization expense of goodwill for the years ended December 31:

2022	\$ 64,453
2023	64,453
2024	54,682
2025	49,312
2026	35,928
Thereafter	34,330
	\$ <u>303,158</u>

The following is a detail of the activity for intangible assets:

	2021	2020
Balance as of January 1,	\$ 28,869	37,239
Plus: Additions	3,965	319
Less: Amortization expense	(5,669)	(8,689)
Balance as of December 31,	\$ <u>27,165</u>	<u>28,869</u>

Included in the table above as of December 31, 2021 and 2020 are indefinite life intangibles totaling \$12,200 and \$12,183, respectively.

The following table summarizes future amortization expense of intangible assets for the years ended December 31:

2022	\$ 4,304
2023	3,439
2024	2,562
2025	1,958
2026	755
Thereafter	1,947
	<u>\$ 14,965</u>

## [5] ELDERS' TRUST

The Corporation's board of directors established a Revocable Trust (the Trust) from which to make monthly payments to shareholders 65 years of age on or before December 31, 2004. During the years ended December 31, 2021, 2020, and 2019, payments totaling \$175, \$208 and \$264, respectively, were made to the Elder shareholders of the Corporation. These payments have been recorded as distributions of Retained earnings in the Consolidated Financial Statements. The terms of the Trust may be amended or revoked by the board of directors at any time. Investments held in the Trust were valued at \$3,115 and \$3,006 at December 31, 2021 and 2020, respectively. There were no contributions to the Trust in 2021, 2020 or 2019.

## [6] RECEIVABLES

Receivables are composed of the following at December 31:

	2021	2020
Trade accounts receivable	\$ 378,467	305,111
Retainage	27,212	20,901
Other	23,647	14,612
	429,326	340,624
Less allowance for doubtful accounts	(11,764)	(11,960)
	<u>\$ 417,562</u>	<u>328,664</u>

In September 2020, the Corporation entered into a non-recourse arrangement to sell certain receivables to a third-party financial institution. Under this arrangement, the Corporation can sell up to a maximum of \$60,000 of uncollected receivables at a given time. Neither party is obligated to transact, except upon mutually agreeable terms, however the sale of receivables benefits the Corporation by enhancing its cash collection cycle and thereby creating more flexibility under the terms of its credit facility. These transactions are accounted for as a reduction in Receivables, net because the agreement transfers effective control over and risk related to the receivables to the buyer. The cash proceeds from this arrangement are reflected as operating activities, including the change in Receivables, net in the Consolidated Statement of Cash Flows. The Corporation does not have any servicing assets or liabilities associated with this arrangement as it receives no compensation for servicing

and the time and effort to collect is inconsequential. The fees for these transactions, less than 1% of the face value of the invoices sold, are determined by the expected number of days required for collection of the invoice and are reported within Administration and general costs on the Consolidated Statements of Income and Comprehensive Income. The Corporation sold \$209,710 and \$92,325 of receivables in 2021 and 2020, respectively.

# [7]

## PROPERTY, PLANT AND EQUIPMENT

The Corporation's investment in property, plant and equipment is composed of the following at December 31:

	Depreciable Lives		2021	2020
Land	—	\$	40,799	40,002
Buildings	40 years		610,293	621,811
Plant and equipment	3 - 15 years		550,832	537,173
			1,201,924	1,199,646
Less accumulated depreciation			(715,608)	(659,390)
			486,316	540,256
Construction in progress			55,421	19,224
		\$	<u>541,737</u>	<u>559,480</u>

Depreciation and amortization expense related to property, plant and equipment was \$75,370, \$82,074 and \$71,808, for the years ended December 31, 2021, 2020 and 2019, respectively.

A subsidiary of the Corporation has a 100% working interest in the Placer Unit, comprised of eight State of Alaska oil and gas leases. At December 31, 2016, a well had been completed and was determined to be capable of producing oil in paying quantities. Subsequently, the subsidiary continued to perform development engineering and reservoir modeling and analysis on the unit. The Corporation spent \$21,957 for this drilling program, which qualified for tax credits under the State of Alaska exploration credit program. The Corporation had recorded \$7,360 as credits for work performed at December 31, 2020, which was included in Intangible and other assets, net on the Consolidated Balance Sheets. In November 2021, the Corporation sold its remaining unpaid tax credits to a third party. The sale resulted in a loss of \$1,472, which is reported in Other income, net on the Consolidated Statements of Income and Comprehensive Income.

In March 2020, due to a rapid decline in oil prices, the Corporation evaluated its investment in the Placer Unit for impairment. The Corporation concluded that the Placer assets were fully impaired and recorded a \$14,185 impairment charge that is reported in Impairment charges, net on the Consolidated Statements of Income and Comprehensive Income.

In December 2020, the Corporation entered an agreement to sell its interest in Placer, subject to certain contingencies that have not occurred as of the date these financial statements were issued.

Due to travel restrictions that were in place to and within rural communities within the State of Alaska during the COVID-19 global pandemic, the Corporation's Top of the World Hotel (TOWH), located in Utqiagvik (Barrow), Alaska was forced to close intermittently throughout 2020. As a result of the closure and resulting operating losses, the property was evaluated for impairment. The analysis, which was conducted in November 2020, indicated that the TOWH and its related assets were impaired by \$6,691 and the related charge is included in Impairment charges, net, in the Consolidated Statements of Income and Comprehensive Income.

The Corporation qualifies for tax credits under the State of Alaska in-State refinery program. The Corporation has recorded \$38,511 and \$39,211 as credits for work performed at December 31, 2021 and 2020, respectively. The credits are expected to be paid when funds have been appropriated by the State of Alaska and have been recorded as a long-term receivable due to uncertainty regarding when funding will be appropriated. The amount is included in Intangible and other assets, net on the Consolidated Balance Sheets.

## [8] INVESTMENTS AND ADVANCES, NET

Components of investments and advances include the following at December 31:

	2021	2020
Unconsolidated affiliates		
Investments and advances using the equity method	\$ 72,291	79,368
Investments and advances at NAV	99,562	88,579
Retirement, deferred compensation and other invested assets	80,406	72,590
	<u>\$ 252,259</u>	<u>240,537</u>

### (A) INVESTMENTS AND ADVANCES USING THE EQUITY METHOD

The Corporation has interest in various affiliates and joint ventures. The companies, the businesses in which they are engaged, the percentage of ownership and investment amount were as follows at December 31:

	Line of Business	Percentage Ownership	2021	2020
ATA Aerospace, LLC	Contracting	49.00 %	\$ 6,341	7,906
UIC-ASRC SKW ESKIMOS, LLC	Construction	50.00	2,232	3,458
Unit-ASRC Construction, LLC	Construction	50.00	2,729	4,137
EDGE Principal Investments II, LP	Real Estate	8.33	354	2,053
Pirlo Energy Holdings	Energy	11.58	49,382	51,655
QSH Parent Holdco, LLC	Telecom	3.00	1,946	2,657
Alpine Transportation Company	Energy	15.00	6,391	7,019
Other	Varies	Varies	2,915	483
			<u>\$ 72,291</u>	<u>79,368</u>

Aggregate summary combined financial information for significant investments carried on the equity method as of and for the years ended December 31 is as follows:

	2021	2020
Current assets	\$ 125,412	114,553
Other assets	1,139,953	1,187,670
Total assets	\$ 1,265,365	1,302,223
Current liabilities	\$ 89,001	67,535
Other liabilities	616,505	615,902
Total liabilities	705,506	683,437
Equity	559,859	618,786
Total liabilities and equity	\$ 1,265,365	1,302,223

	2021	2020	2019
Income	\$ 304,986	349,049	419,009
Costs and expenses	(311,657)	367,826	419,010
Net loss	\$ (6,671)	(18,777)	(1)

In 2021, 2020, and 2019, two of the Corporation's equity method investees experienced losses that impacted the combined earnings reported above. ASRC's ownership in those investees averaged 5.6% and thus only a small portion of those losses was recognized by the Corporation. Earnings from the Corporation's investments and advances accounted for via the equity method totaled \$6,333, \$2,499, and \$6,794 during 2021, 2020 and 2019, respectively.

In March 2020, due to the rapid decline of oil prices brought on by the global pandemic, the Corporation evaluated its working interest investment in the Badami Unit for impairment and concluded that the carrying amount of the investment was impaired. A charge of \$5,950 was therefore included in Impairment charges, net, in the Consolidated Statements of Income and Comprehensive Income. In October 2020, the Corporation sold its investment and related liabilities in Badami to a third party. The sale resulted in a gain of \$546, which is included in Other income, net, in the Consolidated Statements of Income and Comprehensive Income.

## (B) INVESTMENTS AND ADVANCES AT NAV

Fair market value is the basis for reporting the Corporation's equity investments that are not carried on the equity method. The investments reported at NAV consist of private equity investment funds that in most cases cannot be redeemed with the investees. The Corporation receives distributions through the liquidation of the underlying assets of the investees and the schedule below indicates the estimated period of time over which the underlying assets are expected to be liquidated by the investees.

The investment vehicles, business in which they are engaged, estimated liquidation period, and investment amount were as follows at December 31:

	Line of Business	Estimated Liquidation Period	2021	2020
TPG Institutional Credit Partners II	Financing	1 to 4 years	\$ 7,736	7,885
Edge Principal Investments III	Real Estate	1 to 5 years	5,034	7,138
Edge Principal Investments IV	Real Estate	5 to 10 years	14,082	7,665
TPG Partners VII	Consumer Retail	1 to 4 years	17,377	20,853
Sixth Street Opportunities Partners III	Consumer Retail	1 to 3 years	8,278	9,280
Bain Capital Fund XI	Industrials	1 to 3 years	27,758	20,640
Silver Lake Partners IV	Technologies	1 to 3 years	19,015	14,746
Riverstone Global Energy and Power III	Energy	1 year	282	372
			\$ 99,562	88,579

The changes in investments using NAV, reported as Investments and advances, net, on the Consolidated Balance Sheets are as follows December 31:

	2021	2020
Investments as of January 1,	\$ 88,579	95,766
Plus: Purchases and additional investments	8,208	11,008
Less: Distributions	(30,893)	(32,083)
Plus: Unrealized gains included in investment earnings	33,668	13,888
Investments as of December 31,	\$ 99,562	88,579

Aggregate unfunded commitments to invest in the above funds totaled \$31,032 at December 31, 2021. These commitments are expected to be called through 2025.

## [9] REVOLVING LINE-OF-CREDIT AND LONG-TERM DEBT

The Corporation has a revolving credit facility totaling \$700,000, expiring in May 2026. The availability under the line is reduced by undrawn but outstanding letters of credit of \$17,297 and \$15,307 at December 31, 2021 and 2020, respectively. The revolving credit facility is broadly syndicated among financial institutions and contains covenants requiring maintenance of specified financial ratios. The facility agreement contains a cross-default provision relating to the failure to pay principal or interest on other debt obligations of \$20,000 or more. Borrowings can be based on either prime or the London Interbank Offering Rate (LIBOR) plus an applicable margin based on the Corporation's debt ratio.

Long-term debt of the Corporation is secured primarily by guarantees of certain subsidiaries and consisted of the following at December 31:

	2021	2020
Senior notes payable due December 2024 bearing interest at a fixed rate of 3.46% annually	\$ 135,000	135,000
Senior notes payable due December 2026 bearing interest at a fixed rate of 3.62% annually	165,000	165,000
	300,000	300,000
Less: Unamortized debt issuance costs	(411)	(515)
	\$ <u>299,589</u>	<u>299,485</u>

The long-term debt and line-of-credit are subject to certain affirmative and negative covenants, including a maximum debt ratio, and minimum fixed charge coverage ratio, among others. The Corporation was in compliance with all covenants at December 31, 2021 and 2020.

On March 23, 2020, the Corporation entered into an interest rate swap agreement on its line-of-credit in order to reduce its exposure to variable interest rates. The swap carried a fixed interest rate of .56% and a notional amount of \$150,000 on March 23, 2021 and will decrease to \$100,000 on March 23, 2022. The maturity date is March 23, 2023. The change in the fair market value of the swap decreased interest expense by \$1,129 for the year ended December 31, 2021 and increased interest expense by \$1,198 for the year ended December 31, 2020.

## [10] INCOME TAXES

The income tax provision from continuing operations includes the following for the years ended December 31:

	2021	2020	2019
Current income tax expense:			
Federal	\$ —	—	—
State	1,692	1,839	679
	1,692	1,839	679
Deferred income tax expense (benefit):			
Federal	26,271	12,357	18,617
State	4,870	(1,252)	36,076
	31,141	11,105	54,693
Income tax expense	\$ <u>32,833</u>	<u>12,944</u>	<u>55,372</u>

The Corporation annually evaluates its expected effective tax rate based on currently enacted laws and changes in state apportionment. The provision for income taxes differed from the amounts computed by applying the U.S. federal corporate income tax rate of 21%, for 2019 through 2021, to Income before income taxes and non-controlling interest as a result of the following:

	2021	2020	2019
Computed "expected" tax expense	\$ 18,657	4,179	15,986
State income tax expense, net of federal tax	3,612	5,235	4,930
Change in blended effective rate	2,377	(6,688)	16,979
Nondeductible goodwill amortization	9,120	9,072	8,783
Change in valuation allowance, net	(964)	1,603	8,262
Other, net	31	(457)	432
	<u>\$ 32,833</u>	<u>12,944</u>	<u>55,372</u>

The following is a detail of the contributions to capital related to ANCSA resources for the years ended December 31:

	2021	2020	2019
Balance at January 1,	\$ 1,031,514	1,031,514	917,065
Change in gross tax benefit from ANCSA resources recorded as contribution to capital	129,625	—	114,449
Net tax benefit from ANCSA contributed to capital	<u>\$ 1,161,139</u>	<u>1,031,514</u>	<u>1,031,514</u>

The following is a detail of valuation allowance activity for the years ended December 31:

	2021	2020	2019
Change in valuation allowance from State net operating losses	\$ (1,646)	3,102	7,022
Change in valuation allowance from State and Federal charitable contributions	118	(1,499)	(48)
Change in valuation allowance from General Business Credit	564	—	1,288
Net increase (decrease) in valuation allowance	<u>\$ (964)</u>	<u>1,603</u>	<u>8,262</u>

Net deferred tax assets include the following at December 31:

	2021	2020
Net operating loss and charitable contributions carryforwards	\$ 231,540	269,148
Land, resource and fixed asset basis difference	624,086	533,932
Lease liability	78,324	—
Other deductible temporary differences	124,345	107,654
Total gross deferred tax assets	1,058,295	910,734
Less valuation allowance	(48,798)	(49,762)
	1,009,497	860,972
Lease right-of-use assets	(74,141)	—
Deferred income tax liabilities	(65,701)	(91,138)
Net deferred tax assets	\$ 869,655	769,834

Section 21(c) of the Act, as originally enacted, provided that the tax basis of land conveyed under ANCSA was equal to the fair value of the land at the date of conveyance. Section 1408 of the Alaska National Interest Lands and Conservation Act (ANILCA) amended the Act's Section 21(c) to provide that land with a mine, well, other natural deposit or block of timber will have a basis not less than the fair value at the date of "first commercial development." Except for lands that have been commercially developed, the fair value of all lands and interest therein received and to be received pursuant to ANCSA is not readily determinable; therefore, the Corporation has not recorded the value of its ANCSA lands and interests therein for purposes of the Consolidated Financial Statements, nor has it established tax basis for such lands not commercially developed. The Corporation establishes tax basis in its natural resources on the later of conveyance date or first commercial development. Due to the unique tax attributes of the Act for natural resource lands and the revenue sharing requirements of Section 7(i), the tax basis of these lands, when developed, will most likely be significantly greater than their Consolidated Financial Statement basis, resulting in substantial Deferred tax assets.

At December 31, 2021, the Corporation recorded a net Deferred tax asset of \$869,655. The net Deferred tax asset reflects: (i) the estimated future tax benefits of federal and state net operating loss carryforwards (NOL) of \$710,816 and \$1,184,956, respectively; (ii) future tax benefits of \$2,359,372 arising from the difference between the tax basis in oilfields on the North Slope of Alaska and the fields' financial statement carrying values of zero, as well as other temporary differences.

The Corporation owns certain interests in oilfields located on the North Slope of Alaska. Previously, the Corporation has adjusted the tax basis of multiple fields to reflect the Corporation's current estimated valuation based on additional information obtained, field expansions and development of satellite fields. The adjustments to tax basis impact NOL carryovers, as the carryovers directly relate to oil reserve depletion deductions reported on the Corporation's income tax returns. The Corporation added \$485,500 of gross tax basis for the Narwhal field during the year ended December 31, 2021, based upon a preliminary estimate of fair market value. The Corporation added \$431,000 of gross tax basis for the Alpine Unit during the year ended December 31, 2019.

ASRC is in the process of obtaining title to subsurface estate ANCSA lands within Greater Mooses Tooth 2 (GMT 2) Unit. The Corporation anticipates receiving conveyance during 2022. In December 2021, the GMT 2 Unit began producing commercial quantities of oil. As the Corporation establishes its tax basis in its natural resources at the later of conveyance date or first commercial development, because of the pending conveyance the Corporation has not recognized its tax basis in this unit.

In 2021, the Corporation adopted ASC 842. This update requires that a lessee recognize a liability for future lease payments and a right-of-use asset for the lease term. For income tax purposes the Corporation does not recognize either the lease liability or right-of use asset. This results in a deferred tax asset for the lease liability, and a deferred tax liability for the right-of use asset.

A valuation allowance previously had been established against land resource assets, charitable contributions and certain state net operating losses, reducing the possible benefit of the total deferred tax assets to the Corporation's best estimate of the

benefit that was more likely than not to be realized. Realization is dependent on generating sufficient taxable income prior to expiration of the loss carryforwards and utilization of the basis differences. The Corporation believes it is more likely than not that the recorded net deferred tax assets will be realized. Net deferred tax assets considered realizable are adjusted annually dependent on the Corporation's estimate of future earnings.

The Corporation files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. These jurisdictions may assess additional tax liabilities against the Corporation. Developments in an audit, investigation, or other tax controversy could have a material effect on the Corporation's operating results or cash flows in the period or periods for which that development occurs, as well as for prior and subsequent periods. The Corporation regularly assess the likelihood of an adverse outcome resulting from these proceedings to determine the adequacy of its tax accruals. Although the Corporation believes its tax estimates are reasonable, the final outcome of audits, investigations, and any other tax controversies could be materially different from the Corporation's historical tax accruals.

The Corporation is not subject to U.S. federal income tax examinations by tax authorities for years prior to 2018.

The Corporation accounts for income tax uncertainties using a threshold of "more likely than not" in accordance with the provisions of ASC Topic 740, *Income Taxes*. In applying this threshold, the Corporation has reviewed all of its previous tax filings and positions and concluded no accrual for uncertain positions is necessary at December 31, 2021 or 2020, respectively. The Corporation recognizes penalties and interest accrued related to unrecognized tax benefits in income tax expense. The Corporation has no liabilities for interest and penalties at December 31, 2021 and 2020.

# [11]

## DEFERRED COMPENSATION, RETIREMENT, AND OTHER POSTRETIREMENT BENEFITS

### (A) 401(K) PLAN

The Corporation has a qualified defined contribution 401(k) retirement plan covering substantially all non-union employees. The Corporation matches employee contributions to the plan up to 4% of eligible compensation, subject to statutory limits. Employer contributions totaling \$30,944, \$31,792 and \$31,316 are included in expenses for the years ended December 31, 2021, 2020 and 2019, respectively.

### (B) OTHER POSTRETIREMENT BENEFITS

In 2000, the Corporation adopted a retiree medical insurance plan for certain retired board members, executives, and their spouses. The plan generally provides health benefits to board members who retire with ten or more years of service. Retired employees share in the cost of health care benefits. Benefits expected to be paid in each of the next five years and thereafter are considered to be inconsequential to the Consolidated Financial Statements.

The actuarially determined benefit obligation of \$6,135 was recorded but was unfunded at December 31, 2021. A discount rate of 2.35% and an assumed health care cost trend rate of 5.50% the first year, 5.40% the second year, and ranging from to 4.80% to 5.30% in subsequent years were used in measuring the benefit obligation as of December 31, 2021. At December 31, 2020, the actuarially determined benefit obligation was estimated to be \$5,267 using a discount rate of 3.10% and an assumed health care cost trend rate of 6.00% the first year, 5.50% the second year, and ranging from to 4.80% to 5.40% in subsequent years were used in measuring the benefit obligation.

## (C) MULTIEmployer Pension Plans

Certain union employees participate in multiemployer noncontributory defined benefit pension plans (MEPP).

The risks of participating in these multiemployer plans are different from single-employer plans in the following respects:

- (1) Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers;
- (2) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and
- (3) If the Corporation chooses to stop participating in some of its multiemployer plans, the Corporation may be required to pay those plans an amount based on the underfunded status of the plan, referred to as the withdrawal liability.

The following table lists all MEPPs to which the Corporation's contributions exceeded \$1,000. Additionally, this table lists all MEPPs to which the Corporation contributed in excess of \$500 for MEPPs in the critical status, "red zone", and \$500 in the endangered status, "orange or yellow zones" as defined by the Pension Protection Act (PPA). The "EIN Number" column provides the Employer Identification Number (EIN). Unless otherwise noted, the most recent PPA zone status available in 2021, 2020 and 2019 is for the plan's previous year end. The zone status is based on information that the Corporation received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the orange or yellow zones are less than 80% funded, and plans in the green zone are at least 80% funded.

The "RP Status" column indicates plans for which a rehabilitation plan (RP) is either pending or has been implemented. The "Surcharge Imposed" column indicates whether a surcharge has been imposed on contributions to the plan.

Pension Fund	Plan Year End	EIN Number	Pension		RP Status	Contributions			Surcharge Imposed
			2021	2020		2021	2020	2019	
Alaska Electrical Pension Plan	Dec. 31	92-6005171	Green	Green	No	\$ 1,952	1,015	1,126	No
Alaska Laborers - Employers Trust Funds	June 30	91-6028298	Yellow	Yellow	Implemented	2,958*	2,286*	2,341	Yes
Locals 302 and 612 Operating Engineers - Employers Retirement Fund	Dec. 31	91-6028571	Green	Yellow	No	6,298	5,981	4,222	No
Alaska Plumbing and Pipefitting Industry Pension Fund	Dec. 31	52-6103810	Red	Red	Implemented	2,895*	2,430*	2,223	No
Alaska Teamster - Employer Pension Plan	June 30	92-6003463	Red	Red	Implemented	4,817*	4,690*	3,689	Yes
Minnesota Laborers Pension Fund	Dec. 31	41-6159599	Green	Green	No	4,370	3,981	5,114	No
Bay Area Painter and Tapers Pension Trust Fund	Dec. 31	94-6276501	Green	Yellow	Implemented	1,944	1,925	1,014	Yes
Pacific Coast Roofers Pension Plan	July 31	94-6051377	Yellow	Yellow	Implemented	455	501	1,007	Yes
International Painters and Allied Trades Industry Pension Fund	Dec. 31	52-6073909	Orange	Orange	Implemented	4,891	2,499	704	Yes
IAM National Pension Fund	Dec. 31	51-6031295	Yellow	Yellow	No	3,550	3,872	—	No
Other funds						7,445	4,750	5,245	
						<u>\$ 41,577</u>	<u>33,930</u>	<u>26,685</u>	

\* During the indicated year the Corporation's contributions exceeded 5% of that Plan's Contributions

Contributions above were included in expenses for the years ended December 31, 2021, 2020 and 2019. The Corporation's collective bargaining agreements do not have any provisions for any minimum contributions.

## (D) MULTIEmployer Health and Welfare Plans

Certain union employees participate in multiemployer health and welfare plans that provide substantially all union workers covered by the collective bargaining agreement with health care and other welfare benefits during their working lives and after retirement. The risks of the Corporation's participation in these plans are similar to the risks discussed in Note 11(c) above. Amounts included in expenses and contributed to the health and welfare plans for benefits were \$31,231, \$27,387 and \$26,262 for the years ended December 31, 2021, 2020 and 2019, respectively.

## (E) ASRC SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

The Supplemental Executive Retirement Plan is a nonqualified retirement plan that covers certain former senior executives of the Corporation. The plan is intended to provide a monthly benefit beginning at age 60 based on a formula utilizing average earnings and years of service. Prior to 2003, the Corporation funded its actuarially determined contribution requirement through the purchase of annuity contracts from an insurance company. The Corporation froze the plan as of December 31, 2004 with regard to new participants allowed into the plan and any future contributions. At December 31, 2021 and 2020, Other accrued obligations include the liability of \$2,765 and \$2,873, respectively, and Investments and advances, net, include invested plan assets of \$3,008 and \$2,949, respectively. The participants have no claim superior to that of general creditors of the Corporation.

## (F) DEFERRED COMPENSATION PLAN

The Corporation has a deferred compensation plan for eligible participants. During 2014, the Corporation amended and restated the plan, mainly regarding eligibility of participants and allowability to designate new elective deferrals for specific future distribution dates. The plan permits accumulation of retirement income through a nonqualified deferred compensation plan. Elective deferrals are credited to the participant's account to the extent specified in compensation reduction agreements in effect for that year. Amounts credited to the participant's account have no claim superior to that of general creditors of the Corporation for amounts credited to the plan. At December 31, 2021 and 2020, Other accrued obligations include the plan's liability of \$82,084 and \$74,145, respectively, and Investments and advances, net, include the plan's assets in the amounts of \$77,398 and \$69,641, respectively. At December 31, 2021 and 2020, included in plan assets is the net surrender value of company owned life insurance of \$19,781 and \$13,975, respectively, with a face value of \$72,800.

## (G) LONG-TERM INCENTIVE PLAN

The Corporation has a long-term incentive plan (LTIP) for eligible executives. The performance period is a rolling series of three-year periods, in each case beginning January 1. The target LTIP award value is based on a percentage of the participant's annual salary on the last day of each year of the three-year period. The participant will receive a percentage of the LTIP award value as outlined in the LTIP document, depending on the overall LTIP performance results for the plan period. Unless otherwise required by an employment agreement, if a participant's employment with the Corporation terminates prior to the end of a plan period under the LTIP for reasons other than retirement, death, or total and permanent disability, the participant shall forfeit the right to any LTIP award for that and all future performance periods. The Corporation has accrued \$41,498 and \$22,037 at December 31, 2021 and 2020, respectively.

# [12]

## SURETY BONDS

The Corporation, as a condition for entering into some of its construction contracts and crude supply agreements, has outstanding purchased surety bonds at December 31, 2021 and 2020. The Corporation maintains an active surety relationship with Liberty Mutual Surety, a recognized national provider, and believes its bonding capacity is sufficient to meet all operational needs.

# [13]

## FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS

ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received to sell an asset or the amount paid to transfer a liability in an orderly transaction between market participants (an exit price) at the measurement date. Fair value is a market-based measurement considered from the perspective of a market participant. The Corporation uses market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation. In situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Corporation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Corporation based on the best information available in the circumstances, including expected cash flows, appropriately risk-adjusted discount rates, and available observable and unobservable inputs.

### (A) FAIR VALUE HIERARCHY

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: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date;
- Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

### (B) INVESTMENTS AT NET ASSET VALUE

As disclosed in Note 8(b), the Corporation uses NAV as a practical expedient to determine the fair value of some of its private equity investments. These investments were valued at \$99,562 and \$88,579 at December 31, 2021 and 2020, respectively. Investments measured using NAV are not subject to the fair value hierarchy disclosure requirements and are thus not included in the schedule below.

## (C) FAIR VALUE MEASUREMENTS ON A RECURRING BASIS

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables present assets and liabilities that are measured at fair value on a recurring basis at December 31:

Description	2021			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Investments:				
Investments in marketable securities	\$ 4,341	4,341	—	—
Elders' Trust investments	3,115	1,672	1,443	—
Retirement, and deferred compensation assets	80,406	60,625	19,781	—
Total investments, at fair value	\$ 87,862	66,638	21,224	—
<b>Liability</b>				
Interest rate swaps	\$ (69)	—	—	(69)

Description	2020			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Investments:				
Investments in marketable securities	\$ 2,223	2,223	—	—
Elders' Trust investments	3,006	1,687	1,319	—
Retirement, and deferred compensation assets	72,590	58,615	13,975	—
Total investments, at fair value	\$ 77,819	62,525	15,294	—
<b>Liability</b>				
Interest rate swaps	\$ (1,198)	—	—	(1,198)

Investments in marketable securities, Elders' Trust investments, retirement and deferred compensation assets include primarily publicly traded equities and U.S. government agency, municipal, corporate, commercial paper, foreign government bonds, and mortgage-backed securities. The Corporation obtains quoted market prices for identical securities to determine the fair value of its investments in equity securities within the Elders' Trust and retirement, and deferred compensation portfolio. Accordingly, these investments are classified as Level 1 within the fair value hierarchy. Commercial paper and fixed income securities within the Elders' Trust portfolio are valued based primarily on a market approach using quoted prices from similar securities and observed market movements and accordingly these securities are classified as Level 2 within the fair value hierarchy. A portion of the Corporation's deferred compensation plan assets are made up of corporate owned life insurance contracts. The Corporation estimates the fair value of these contracts by multiplying the individual unit values of underlying publicly traded mutual funds by the number of units held. Accordingly, these contracts are classified as Level 2 within the fair value hierarchy.

The Corporation made no transfers of assets between levels within the fair value hierarchy during 2021 or 2020. The following table presents the carrying amounts and estimated fair values of the Corporation's financial instruments at December 31, 2021 and 2020. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties.

	2021		2020	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Cash and cash equivalents	\$ 149,714	149,714	74,465	74,465
Investments in marketable securities	4,341	4,341	2,223	2,223
Elders' Trust investments	3,115	3,115	3,006	3,006
Loan portfolio, net	17,294	17,294	20,702	20,702
Retirement and deferred compensation assets	80,406	80,406	72,590	72,590
Retirement and deferred compensation obligations	84,849	84,849	77,018	77,018

The carrying amounts shown in the table are included in the Consolidated Financial Statements under the indicated captions, with the exception of retirement and deferred compensation assets which are included in Investments and advances, net and the retirement and deferred compensation obligations which are included in Other accrued obligations and Accounts payable and accrued liabilities.

The carrying amounts of Cash and cash equivalents, Receivables, net, Accounts payable and accrued liabilities and other short-term monetary assets and liabilities are considered a reasonable estimate of their fair value due to their short-term nature. The fair value of the Corporation's loan portfolio approximates the carrying amount as the portfolio is made up primarily of variable rate loans. The Corporation's debt at December 31, 2021 and 2020 has an estimated fair value of \$305,376 and \$316,683, respectively, which exceeded the carrying amount of \$300,000, due to a lower interest rate environment. These values represent a general approximation of estimable value and may never actually be realized.

# [14]

## COMMITMENTS AND CONTINGENCIES

### (A) LEASE COMMITMENTS

Assets recorded under finance leases are included in Property, plant and equipment, net. As of December 31, 2021, the Corporations' finance lease obligations are not material to the Consolidated Financial Statements.

The following table presents the components of lease expense recognized in the Consolidated Statements of Income and Comprehensive Income for the year ended December 31, 2021:

Operating lease cost	\$ 43,169
Short-term lease cost	885
Variable lease cost	3,177
Sublease income	(2,323)
Total lease cost	\$ 44,908

Supplemental cash flow information related to the operating leases are as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash outflows from operating leases	\$ 43,550
ROU assets obtained in exchange for operating lease liabilities	18,661
Operating leases:	
Weighted-average remaining lease term (years)	11
Weighted-average discount rate	0.99%

Future minimum lease payments through 2068, net of annual subleases of approximately \$2,119 in 2022, \$1,081 in 2023, \$982 in 2024, \$803 in 2025, \$686 in 2026, and \$2,014 thereafter, are as follows:

Years ending December 31,	
2022	\$ 38,004
2023	37,586
2024	31,919
2025	29,577
2026	25,245
Thereafter	153,441
Total	315,772
Less imputed interest	(22,342)
Present value of lease liabilities	\$ <u>293,430</u>

Under ASC Topic 840, the total rent expense under operating leases, net of subleases, was \$35,289 and \$29,966, for the years ended December 31, 2020 and 2019, respectively.

The Corporation has noncancelable service contract agreements for operation of certain leased equipment. Total expenses under such contracts for the years ended December 31, 2021, 2020 and 2019 were approximately \$10,086, \$9,142, and \$7,704, respectively. Future commitments under these contracts are as follows:

Years ending December 31,	
2022	\$ 10,882
2023	11,438
2024	11,597
2025	11,695
2026	11,827
Thereafter	25,942
Total	\$ <u>83,381</u>

## (B) COVID-19 PANDEMIC RELIEF

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) established the \$150,000,000 Coronavirus Relief Fund (CRF). The CARES Act reserved \$8,000,000 from the CRF for payments to Tribal governments. On June 25, 2021, the Supreme Court held in *Yellen v. Confederated Tribes of the Chehalis Reservation* that Alaska Native Corporations were eligible for payments from the CRF. Alaska Native Corporations received \$450,000 under the CRF program. The Corporation received \$63,342 in CRF Funds on August 9, 2021.

The CARES Act prescribed that the CRF funds shall be used to cover costs related to COVID-19 or the economic impacts of the pandemic incurred during the “covered period” of March 1, 2020, through December 31, 2021. Allowable costs are defined as necessary expenditures due to the public health emergency, and costs not budgeted for in the most recently approved budget as of March 27, 2020. The United States Department of the Treasury (the Treasury) revised the guidance to provide that a cost associated with a necessary expenditure incurred due to the public health emergency shall be considered to have been incurred by December 31, 2021 if the recipient incurred an obligation with respect to such cost by December 31, 2021. An obligation for this purpose is defined by the Treasury as an order placed for property and services and entry into contracts, subawards, and similar transactions that require payment. Recipients are required to expend their funds received from the CRF to cover these obligations by September 30, 2022. The Corporation will be subject to a program specific audit over compliance and internal controls relating to the federal award requirements. Additionally, the Treasury has a right to audit the programs, costs, and their allowability.

U.S. GAAP provides limited guidance on the accounting for government assistance, therefore, the Corporation accounted for the CARES Act Funds under International Accounting Standard (IAS) No. 20 – *Accounting for Government Grants and Disclosure of Government Assistance*. Funds received are recorded as a liability until it is probable that the funds have been spent in accordance with the program terms. Incurred but unspent funds as of December 31, 2021 totaled \$6,226 and are reported within Other accrued obligations and Cash and cash equivalents in the Consolidated Balance Sheets. ASRC utilized the CARES Act funding to implement and fund a variety of programs; one of which was a COVID-19 Economic Support Program for the Corporation’s shareholders, whereby \$19,409 in individual grants were made to eligible shareholders who experienced a financial hardship and incurred additional costs due to the pandemic. Employee and Shareholder Vaccine Incentive Programs expended \$5,814 and \$1,993 of CARES Act funding, respectively. ASRC offered Community Support Grants to eligible 501(c)(3) non-profits and local government agencies to help them cover necessary expenses in responding to the COVID-19 public health emergency and during the year ended December 31, 2021, \$10,443 in CRF funds were awarded to these entities. The programs described above had no material impact to the Corporation’s financial results for 2021 as ASRC acted as a conduit and provided the funds received from the Treasury directly to the beneficiaries and subrecipient nonprofits. The Corporation also used CARES Act funding to reimburse unbudgeted internal costs incurred in response to the pandemic. These internal cost reimbursements of \$25,683 are reported as a reduction to the originating expense categories within the Consolidated Statements of Income and Comprehensive Income. Such costs included payroll substantially dedicated to COVID-19 mitigation, workers’ compensation, paid sick leave, cleaning supplies, COVID-19 testing, personal protective equipment, telework equipment, and unemployment benefits.

## (C) SATELLITE RE-DETERMINATIONS AND ALPINE TRUE-UP PROVISION FROM THE COLVILLE RIVER UNIT AGREEMENT

In December 2021, a re-determination with an effective date of January 1, 2022 was completed on the Nanuq Kuparuk Participating Area, satellite field of the Colville River Unit. The results will decrease ASRC’s future allocation of production based upon a revised division of interest reflecting actual results from the first 15 years of production in this participating area. Actual production from unit tracts in which ASRC has an interest was lower as a percentage of total production from the Nanuq Kuparuk participating areas than was estimated during the last true-up re-determination. ASRC’s total over-allocation based on the re-determination was 289,177 barrels, representing the overpayment of the estimated barrels ASRC received from 2019 through 2021 based on this re-determination.

In December 2018, a re-determination with an effective date of January 1, 2019 was completed on the Nanuq Kuparuk Participating Area, satellite field of the Colville River Unit (the Unit). The results will decrease ASRC's future allocation of production based upon a revised division of interest reflecting actual results from the first 12 years of production in this participating area. Actual production from unit tracts in which ASRC has an interest was lower as a percentage of total production from the Nanuq Kuparuk Participating Areas than was estimated during the last true-up re-determination. ASRC's total over-allocation based on the re-determination was 664,343 barrels, representing the overpayment of the estimated barrels ASRC received from 2015 through 2018 based on this re-determination.

For the two Nanuq Kuparuk re-determinations disclosed above, during 2021, 2020 and 2019, ASRC's allocation of production was reduced by 97,016, 140,960, and 170,462 barrels, respectively, at current oil prices. ASRC anticipates the remaining 545,082 barrels to be reduced, at current oil prices, through 2029.

In November 2019, a re-determination with an effective date of December 1, 2019 was completed on the Alpine Participating Area for changes in allocation of production based upon a revised division of interest reflecting actual results from the first 19 years of production in this participating area. Actual production from unit tracts in which ASRC has an interest was higher as a percentage of total production from the participating area than was estimated based on prior re-determinations and true-ups. Pursuant to the Colville River Unit Agreement, the amount of ASRC's allocations was increased. ASRC's total under-allocation based on the re-determination was 955,315 barrels, representing the estimated barrels ASRC should have received based on the adjustment. During 2021 and 2020, ASRC received payment for 99,057 and 856,258 barrels, respectively, at current oil prices. There are no outstanding barrels to be received as of December 31, 2021.

In May 2017, a re-determination with an effective date of June 1, 2017 was completed on the Alpine Participating Area for changes in allocation of production based upon a revised division of interest reflecting actual results from the first 16 years of production in this participating area. Actual production from unit tracts in which ASRC has an interest was higher as a percentage of total production from the participating area than was estimated based on prior re-determinations and true-ups. Pursuant to the Colville River Unit Agreement, the amount of ASRC's allocations was increased. ASRC's total under-allocation based on the re-determination was 3,572,550 barrels, representing the estimated barrels ASRC should have received based on the adjustment. During 2020 and 2019, ASRC received payment for royalty on 264,791 and 1,248,390 barrels, respectively, at current oil prices. The remaining barrels were repaid in 2018 and 2017. There are no outstanding barrels to be received as of December 31, 2021.

For the re-determinations mentioned above, the net barrels represent approximately .2%, 40%, and 36% of total barrels paid to ASRC for the years ended December 31, 2021, 2020, and 2019, respectively. Per the provisions of ANCSA Section 7(i) (Note 2(c)), these amounts are included in Natural resources revenue as well as Natural resources expenses in the Consolidated Statements of Income and Comprehensive Income.

The next re-determinations for the satellite fields within the Unit are scheduled to be effective in 2022 for Nanuq-Nanuq and 2023 for Qannik and Alpine.

## (D) CLAIMS AND DISPUTES

The Corporation is party to legal, regulatory, compliance, and personnel matters and is subject to operating risks associated with its businesses. At this time, the Corporation does not believe these matters will have a material effect on the Corporation's financial condition, results of operations or liquidity.

The Corporation's contracts with the U.S. government and with some commercial customers provide that contract costs (including indirect costs) are subject to audit and adjustment. For all such contracts, revenues have been recorded based on amounts expected to be realized upon final settlement. At this time, the Corporation believes that any adjustments that could arise as a result of these audits would be inconsequential to the Corporation's financial condition, results of operations or liquidity.

In addition, the Corporation is involved in various disputes and claims arising in the ordinary course of business. Some of these matters are in the early stages; thus, the Corporation's legal counsel is unable to provide opinions as to the outcome or quantify the potential liability. The Corporation intends to vigorously defend against these matters.

## (E) CRUDE SUPPLY CONTRACTS

The Corporation has a crude supply contract with the State of Alaska to purchase Alaska North Slope crude to be used in the ordinary course of the Corporation's business. The current contract expires in December 2022 and has a daily purchase volume, at current market prices, of 10,000 barrels.

The Corporation has an Alaska North Slope crude contract with another supplier effective through December 31, 2022. The contract provides for automatic renewal periods of one year each, continuing thereafter until terminated by either party upon giving no less than nine months written notice of cancellation. The contract has a combined daily purchase minimum and maximum average retained barrel volume, at current market prices, of 12,000 and 18,000, respectively.

# [15]

## SUBSEQUENT EVENTS

On January 18, 2022, the Corporation's board of directors declared four per share dividends of \$15.00, \$20.00, \$10.00, and \$30.00, totaling \$75.00 per share. The record dates for the dividends are February 18, 2022, April 20, 2022, July 29, 2022, and November 4, 2022, respectively. The final dividend amount may be adjusted to reflect changes in the Corporation's financial condition at the discretion of the board of directors.

The Corporation performs an evaluation of all events and transactions occurring subsequent to the Consolidated Balance Sheet date in order to determine whether any events or transactions require recognition or disclosure in the Consolidated Financial Statements. The Corporation evaluated subsequent events through February 25, 2022, the date at which the Consolidated Financial Statements were available to be issued.

# GLOSSARY

## **8(A)**

Section 8(a) of the U.S. Small Business Act (SBA). Congress recognized the need for economic revitalization in Native America and through legislation recognized Alaska Native corporations as socially disadvantaged businesses.

## **ADJUSTED EBITDA**

EBITDA before non-cash impairment charges, insurance settlements, break-up fees and earnout reserve adjustments.

## **ADMINISTRATION AND GENERAL COSTS (G&A)**

Costs related to conducting business as a whole (stock, human resources, legal, accounting, insurance, shareholder communications, contributions, facilities, board of directors' expenses, etc.).

## **ALTERNATIVE INVESTMENTS**

Investment vehicles used by ASRC to invest in various industries through fund managers.

## **ANCSA**

Alaska Native Claims Settlement Act.

## **ASC**

Accounting Standards Codification.

## **ASSET**

Everything of value that the Corporation owns and can use as it conducts business (i.e., cash, receivables, equipment, inventory, buildings, etc.).

## **BIDCO**

A state-licensed business and economic development corporation. Alaska Growth Capital is the only BIDCO in Alaska.

## **CONSOLIDATED BALANCE SHEETS**

The summary of assets, liabilities and equity.

## **CONSOLIDATED STATEMENTS OF CASH FLOWS**

Shows cash on hand, annual increases or decreases in cash on hand, and explains where the money is coming from and how the money is being spent.

## **CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**

Net income is the sum of operating revenues and other income, less annual operating/non-operating expenses, interest expense and tax expense. This is the primary earnings measure for a Corporation and is contained in its own separate financial statement.

## **CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)**

Reflects the book value of the Corporation created over time. This shows the earnings that remain in the Corporation after dividends and Elders' Trust distributions have been made.

## **COSTS OF CONTRACTING, SALES AND SERVICES**

Costs directly related to the specific project or service being provided.

## **CURRENT TAX EXPENSE**

Mandatory tax paid to governments.

## **DEFERRED TAX BENEFIT**

A non-cash benefit from future tax savings. Amount allocated during the period to cover tax liabilities paid today but related to the future.

## **DEFERRED TAX EXPENSE**

A non-cash expense that provides a source of free cash flow. Amount allocated during the period to cover tax liabilities that have not yet been paid.

## **DEPLETION**

A tax deduction equal to the total value of a resource, deducted in increments over the life of the resource.

## **EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)**

The performance measure used to measure current operational profitability and cash flow. ASRC uses EBITDA as one measure to evaluate its businesses' operational performance.

## **EARNINGS FROM UNCONSOLIDATED AFFILIATES, INTEREST AND MARKETABLE SECURITIES EARNINGS (LOSSES)**

The Corporation's share of income from investments and business interests it owns but does not operate.

## **FASB**

Financial Accounting Standards Board.

## **GAAP**

Generally accepted accounting principles.

## **GROSS DEFERRED TAX ASSET**

The future tax value or (savings) that will result in deductible amounts in future years. The primary example for Alaska Native Corporations is: tax basis in subsurface mineral rights granted as part of the Alaska Native Claims Settlement Act. An example for ASRC is its interest in the Alpine Oil Field.

### **INTEREST EXPENSE**

The cost of borrowing money to finance the business operations, growth and investment.

### **LIABILITY**

Everything the Corporation owes; debt or other obligations stated in terms of money (i.e., payables, loans, taxes due).

### **LIQUIDITY**

Cash assets or assets that can be quickly converted to cash. Cash in bank accounts, short-term investments, and available lines of credit are considered liquid. Property, businesses, and inventory are not considered liquid because they would take time to convert to cash by selling them.

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

The MD&A provides additional information to support the financial statements. It includes "forward-looking" information that could not be learned just from studying the financial statements.

### **NET DEFERRED TAX ASSET**

The net value of the gross tax asset less the valuation allowance; or the net value of a deferred tax asset that is expected to be used, based on current income projections.

### **NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS**

Income that is due to (allocable to) noncontrolling partners of the Corporation. In this case, the Corporation operates the businesses on behalf of the partners.

### **OPERATING EXPENSES**

Costs required to generate revenues including costs of contracting, sales and services, G&A, selling and business development costs and amortization of goodwill and intangibles.

### **ORGANIC GROWTH**

This is the process of business expansion due to increased output, sales, or both, as opposed to mergers or acquisitions.

### **PRE-TAX NET INCOME**

Net income, before either current or deferred tax (expense) benefit, reported on the Corporation's consolidated financial statements in accordance with GAAP.

### **REVENUES**

Gross income earned from operating owned businesses, before operating expenses and G&A.

### **SELLING AND BUSINESS DEVELOPMENT COSTS**

Costs related to marketing or distributing the services or products a company produces.

### **SHAREHOLDERS' EQUITY**

The initial funds contributed to the Corporation under terms of ANCSA, plus the Corporation's income that has not been paid out in dividends or Elders' Trust payments. The difference between total assets and total liabilities.

### **TAXABLE INCOME**

The net income resulting from adding or subtracting the temporary, timing and permanent differences to the pre-tax net income reported in the financial statements.

### **UNMODIFIED AUDIT OPINION**

Auditor's opinion given, without any reservations, in support of a financial statement. Such an opinion states that the auditor feels the company generally followed all accounting rules appropriately and that the financial reports are an accurate representation of the company's financial condition.

### **VALUATION ALLOWANCE**

A reserve established to recognize the portion of future tax deductions that will not be used because projected taxable income is not expected to be high enough to use all of the deductions.

# THE PATH TO ALASKA NATIVE LAND CLAIMS

## 1867 Treaty of Cession

The United States purchases Alaska from the Russian Empire.

When Alaska was under Russian rule, Russia operated under the Laws of Discovery concerning aboriginal land claims, meaning that for indigenous people to lose their land, they had to give it up in a treaty or lose it in a war. Neither of these applied to the Alaska Native people.

## 1959 Alaska becomes the 49th state of the United States

The Alaska Statehood Act put into motion a land selection process for the federal government and began conveying nearly 104 million of acres to the newly minted State of Alaska - ignoring the indigenous people who had occupied these lands for thousands of years.

North Slope leaders like Charles 'Etok' Edwardsen understood that aboriginal land claims had not been resolved since the U.S. purchased Alaska - Etok and other leaders sprung into action.

## 1966 On January 18, attorney Fred Paul filed land claim on behalf of ASNA in the U.S. Department of the Interior

### Alaska Federations of Natives (AFN) & the Land Freeze

Alaska Federation of Natives was formed in 1966 to coordinate the Alaska Native land claims fights at a statewide level.

It was through coordinated efforts later that year, Secretary of Interior Stuart Udall imposed a "land freeze" that halted any further land conveyances within Alaska by the federal government. The land freeze forced the federal and state governments and Alaska Native people to resolve aboriginal land claims before further land selections could take place.

## 1971 ASNA opposes ANCSA

ASNA was the only Native association to oppose the legislation, because of the land distribution formulas and the fact that it did not take into account that our region would bear the brunt of oil and gas development. ASNA's leadership was steadfast in their opposition to ANCSA, even lobbying President Nixon to veto the bill.

### President Nixon signs ANCSA into law on December 18, 1971

ANCSA extinguished aboriginal land title in Alaska creating twelve regional for-profit corporations, over 200 village for-profit corporations, conveyed fee-simple title land to the corporations, compensated nearly one billion dollars to the newly created corporations for lands lost in the settlement and directed Alaska Native people to enroll as shareholders in their respective corporations.

## Between 1867-1958

For nearly 100 years after the U.S. purchased Alaska from Russia, Congress had multiple opportunities to address aboriginal land rights and chose not to.

## 1965 Arctic Slope Native Association (ASNA)

Charles 'Etok' Edwardsen led the formation of Arctic Slope Native Association (ASNA) to claim legal ownership of the Arctic Slope area. It was ASNA who represented the Arctic Slope people with leaders such as James Nageak, Abel Akpik, Samuel Simmonds, Walton Ahmaogak, Sam Taalak, Lee Suvlu, Alice Woods, Art Oomituk, Joe Upicksoun, Guy Okakok, Brenda Itta-Lee and more.

## 1968 Commercial quantities of oil are discovered in Alaska's North Slope at Prudhoe Bay

The federal and state governments were motivated to quickly resolve aboriginal land claims in order to begin developing resources that would add revenue to their coffers.

## Between 1966-1971

ASNA joins and withdraws from AFN because of serious concerns about the formulas being considered to distribute lands in each region. The concerns raised by ASNA were never taken fully into consideration as amended drafts were shared with Alaska Native leadership.

## 1972 ASRC is Incorporated

Despite our region's opposition to ANCSA, our people abided by the terms of the law. ASRC was incorporated on June 22, 1972 and our early leaders, including Dr. Jacob Anaġi Adams Sr., Oliver Leavitt and Joe Upicksoun, began enrolling our shareholders, selecting lands and creating our early businesses.

# 2022

## ASRC will celebrate its 50th Anniversary in June of 2022.

While 50 years is a blink of an eye in our Iñupiat history, the Corporation's foundation, growth and success has only been possible because of steady, visionary leadership and through the consistent engagement with our shareholders.

# ARCTIC SLOPE NATIVE ASSOCIATION

ASNA was formed in 1965 to help protect the lands of the Arctic Slope region. It's original founders were Samuel Simmonds, Guy Okakok, Sr. and Charles 'Etok' Edwardsen.

It was their lawsuit filed with the Department of Interior in 1966, that sparked the land claims battle across the state.



**Pictured: The original ASNA board that represented the North Slope. Left to right is James Nageak, Abel Akpik, Samuel Simmonds, Walton Ahmaogak, Sam Taalak and Herman Rexford. In the back, right to left is Nannie Woods and Art Oomituk.**



**Guy Okakok Sr.**



**Charles "Etok" Edwardsen**

1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981

2020 2019 2018 2017 2016 2015 2014 2013 2012 2011 2010 2009 2008 2007

1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995



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The 2021 Annual Report cover photo was taken from ASRC's very first Annual Report in 1973, "Barrow Mission School Class of 1905."

2006 2005 2004 2003 2002 2001 2000 1999 1998 1997 1996