KOOTZNOOWOO, INC.

2023 ANNUAL REPORT

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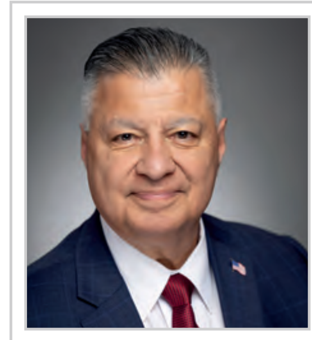
LETTER FROM THE CHAIR & CEO

Dear Shareholders,

Eunice E. James



Thomas E. Wilbur, M.S.

Last year Kootznoowoo celebrated its 50th anniversary as an Alaska Native Corporation. Reaching this important milestone was not only a victory for shareholders, but also an important time for reflection as the board and management looked back over past successes and failures. Though Kootznoowoo has been in existence now for more than five decades, in 2023, we found ourselves at the beginning of a new journey. It was clear in our examination of the past, that if Kootznoowoo is going to remain for another 50 years, a new path beyond the income received from 7(j) revenue sharing had to be established.

To prepare for these new pathways, we assessed the operational foundation and organizational structure of the corporation to identify the parts of Kootznoowoo that needed to be eliminated, strengthened, or built. Throughout the year, the corporation faced numerous challenges and obstacles that included economic uncertainties and a variety of internal challenges. Despite these hurdles, we remained committed to our approach.

With support from the board, management focused on reinforcing the corporation's organizational foundation with a variety of important actions. These included cleaning-up internal processes, developing new corporate policies and procedures, improving benefits, and aligning Kootznoowoo's finances with best practices, as well as implementing major improvements to our dated information technology infrastructure. All these changes have positioned the corporation to move forward with the plan to build new businesses and generate new income streams, particularly in the lucrative federal contracting arena.

We also saw the corporation scale up from a corporate office with only a few employees to a fully staffed corporate headquarters. The corporation now has a wide variety of seasoned and professional employees to support our internal functions. Together, our staff brings with them expertise in business development, finance, government contracting, and administration. We are proud to highlight the incredible organizational growth that we achieved this year. This growth will play a pivotal role in supporting the corporation's new business ventures and help ensure long-term progress and stability for Kootznoowoo.

In 2023, Kootznoowoo also achieved some notable accomplishments. In the winter, we saw the completion and opening of the Artist's Workshop in Angoon, as well as the launch of cultural learning classes brought to the community by the Kootznoowoo Cultural & Educational Foundation with support from the corporation. Through the Artist's Workshop, Angoon now has a safe and inviting space for artists to gather and work on traditional crafts.

One other notable accomplishment that we are particularly proud is that the realignment of the corporation's finances allowed Kootznoowoo to pay out an operational dividend to shareholders. We look forward to building strong businesses that will enable the corporation to provide consistent dividends to shareholders from our business earnings.

Looking ahead, we are optimistic about the opportunities that lay before Kootznoowoo. We remain focused on our strategic plan and priorities. The Board and management team maintain a steadfast commitment to building a strong corporation that provides value for all shareholders. As we navigate the challenges of the ever-evolving business landscape, we will continue to embrace common sense, strong business decisions, and Kootznoowoo's traditional values as our guiding principles.

In closing, we extend our heartfelt appreciation to Kootznoowoo's shareholders, employees, community, and partners for their collaboration, support, and ongoing dedication. Together, we will continue to drive Kootznoowoo forward building a brighter future for generations to come.

Thank you for your continued trust and support of Kootznoowoo, Inc. We are pleased to present to you the 2023 Annual Report.

Gunalchéesh,

Eunice E. James

Eunice E. James
BOARD CHAIR

Thomas E. Wilbur

President & CEO

BOARD OF **DIRECTORS**

Eunice E. James

BOARD CHAIR

Frank Jack III

VICE CHAIR

Melissa M. Kookesh

TREASURER

Mary Jean Duncan

SECRETARY

Ella D. Bennett

DIRECTOR

Albert Howard

DIRECTOR

Sharon Love

DIRECTOR

CORPORATE **STAFF**

Thomas E. Wilbur

PRESIDENT & CEO

J. Keith Greene

DIRECTOR OF FINANCE

Jon Wunrow

DIRECTOR OF TOURISM & NATURAL RESOURCES

Martha Henniger

SHAREHOLDER RELATIONS MANAGER

Edwell John, Jr

BUSINESS ANALYST

Susettna King

FINANCE/SHAREHOLDER ADMINISTRATOR

Ralph “Chico” Bierely

KOOTZ COMMERCIAL CENTER BUILDING MAINTENANCE MANAGER

CARMEN DAVIS

COMMUNITY CATALYST

Rocky Estrada

ANGOON MAINTENANCE

KOOTZNOOWOO PERMANENT FUND
SETTLEMENT TRUST

2023 TRUSTEES

Edwell John, Jr.

TRUST CHAIR

Jaeleen Kookesh

TRUSTEE

Anthony Mallott

TRUSTEE

NATHAN J. SOBOLEFF

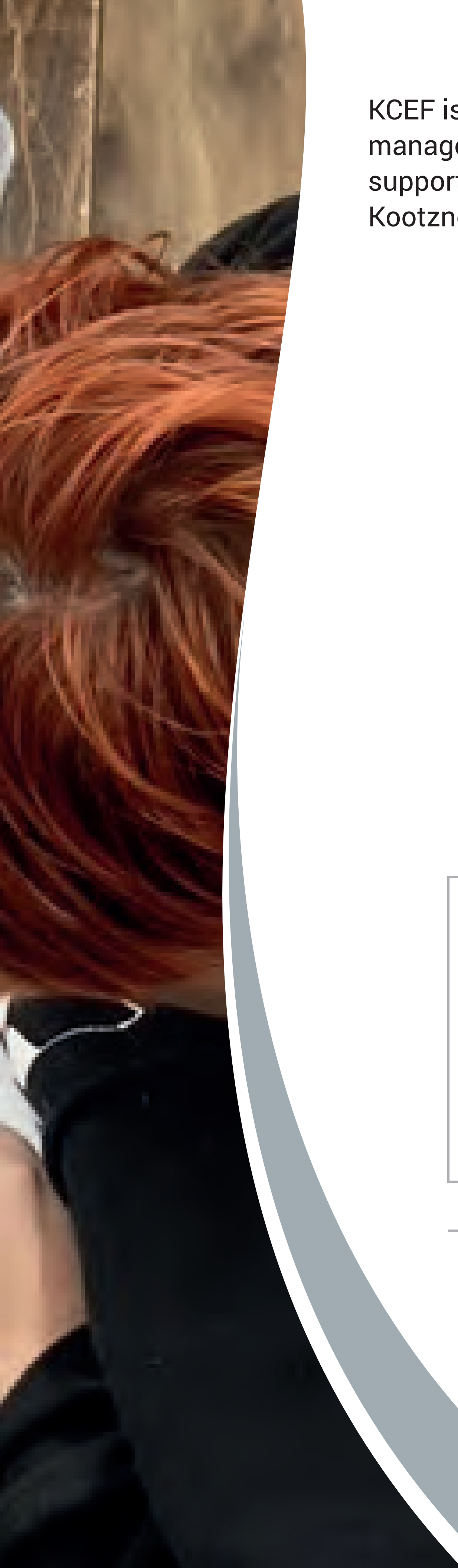
TRUSTEE

RICARDO WORL

TRUSTEE

The Trust is managed by Alaska Permanent Capital Management and is overseen by a five-member volunteer Board of Trustees.

KOOTZNOOWOO CULTURAL & **EDUCATIONAL FOUNDATION**



KCEF is the non-profit organization of Kootznoowoo, Inc. It is managed by a separate board of trustees. KCEF's mission is to support and create educational and cultural opportunities for Kootznoowoo, Inc. shareholders and descendants.

KCEF TRUSTEES

Carmaleeda Estrada

CHAIR/TREASURER

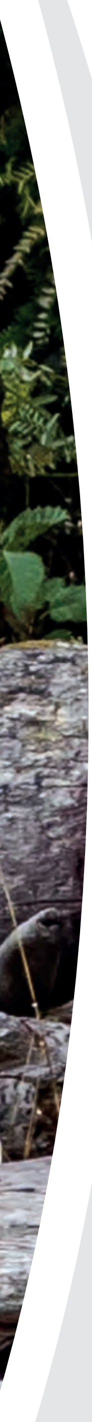
Konrad Frank

VICE CHAIR

Shgen George

SECRETARY

2023-2024
KCEF SCHOLARSHIPS



Scholarship recipients for the 2023-24 academic year include:

- **Stephanie Barretto**
  University of West Alabama
- **Marlis Boord**
  University of Alaska Anchorage
- **Sierra Coronell**
  Florida International University
- **Armando DeAsis**
  University of Kansas
- **Joshua DeAsis**
  Eastern Washington University
- **Tatiana-Diamond King**
  University of Alaska Southeast
- **Kiara Endicott**
  Northwest Indian College
- **Shaenel Gamble**
  MidAmerica Nazarene University
- **Tina James Gamble**
  University of Phoenix
- **Emma Gassman**
  Pacific Lutheran University
- **Brett Jack**
  University of Alaska Southeast
- **Talan Jack**
  Haskell Indian Nations University
- **Trinity Jackson**
  Skagit Valley College
- **Willow Jackson**
  California State University Channel Islands
- **Kylie Kahklen**
  Western Washington University
- **Shaylianna Kookesh**
  Fort Lewis College
- **Sierra Westika**
  Spokane Falls Community College

KOOTZNOOWOO CULTURAL
& EDUCATIONAL FOUNDATION
~Shining Higher~

Altman, Rogers & Co.
CERTIFIED PUBLIC ACCOUNTANTS
– Proudly Serving Alaskans for 30 Years –

Independent Auditor's Report

To the Board of Directors and Stockholders
Kootznoowoo, Incorporated and Subsidiaries
Juneau, Alaska

Opinion

We have audited the accompanying consolidated financial statements of Kootznoowoo, Incorporated and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kootznoowoo, Incorporated and Subsidiaries as of December 31, 2023 and 2022, and the results of their operations, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be 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 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 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 consolidated 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 Company'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 Company'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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Supplementary Consolidating Balance Sheets and Supplementary Consolidating Schedules of Operations on pages 25 to 30 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Altman, Rogers & Co.

Juneau, Alaska
March 22, 2024

KOOTZNOOWOO, INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2023 and 2022

Exhibit A

Assets		2023	2022
Current assets:			
Cash and cash equivalents			
Unrestricted	$	5,724,994	1,176,629
Restricted - monitoring endowment		10,024	385,678
Cash held in escrow		18,847	20,999
Investments, at market		7,025	2,382,084
Accounts receivable, net		8,723	39,210
Prepaid expenses		50,769	119,327
Grant Receivable		80,234	160,230
Total current assets		5,900,616	4,284,157
Investments held for Elders' Settlement Trust		391,956	377,112
Property, plant and equipment:			
Land and improvements		2,916,170	2,916,170
Buildings and equipment		9,110,092	9,087,744
Roads		1,804,034	1,804,034
Work in progress		3,581,157	3,555,821
Total Property, plant and equipment		17,411,453	17,363,769
Less accumulated depreciation and amortization		(8,075,521)	(7,712,948)
		9,335,932	9,650,821
Other assets:			
Investment in Fortress of the Bears		-	25,949
Deferred tax asset		801,737	340,461
Carbon offset credit		801,737	366,410
Total other assets			
	$	16,430,241	14,678,500
Total assets			

Liabilities and Shareholders' Equity		2023	2022
Current liabilities :			
Accounts payable and accrued liabilities		66,661	233,924
Accrued payroll and related costs		56,899	23,601
Rent collected in advance		66,667	68,791
Unearned revenue		24,976	107,765
Income tax payable		352,297	-
Current portion of notes payable		170,474	162,893
Total current liabilities		737,974	596,974
Security deposits		66,661	50,623
Distributions payable		56,899	48,414
Deferred tax liability		66,667	64,575
Carbon credit monitoring		24,976	36,096
Notes payable, net of current portion		352,297	1,085,858
Obligations to Elders Settlement Trust		170,474	2,243,773
Total liabilities		737,974	377,112
			4,452,802
Shareholders' equity:			
Controlling interest:			
Common Stock:			
Class A, voting, no par or stated value; authorized 1,000,000 shares; issued and outstanding 62,490 shares		-	-
Class B, voting, no par or stated value; authorized 500,000 shares; issued and outstanding 410 shares		-	-
Contributed capital		7,001,995	7,001,995
Retained earnings		4,673,948	3,223,703
Total Shareholders' equity		11,675,943	10,225,698
Total liabilities and Shareholders' equity	$	16,430,241	14,678,500

See accompanying notes to consolidated financial statements.

KOOTZNOOWOO, INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Operations

December 31, 2023 and 2022

Exhibit B

		2023	2022
Revenues:			
Rental income	$	1,367,547	1,368,662
Other		63,278	116,883
Total revenues		1,430,825	1,485,545
Costs and expenses:			
Real estate operations		1,302,260	1,330,207
General and administrative expenses		1,813,258	1,276,845
Total costs and expenses		3,115,518	2,607,052
Operating income (loss)		(1,684,693)	(1,121,507)
Other income (expense)			
7(j) revenue		1,362,414	648,499
Carbon credit revenue		2,193,152	1,513,716
Carbon credit expenses		(611,573)	(498,733)
Carbon credit valuation adjustment		461,276	(534,046)
Fortress of the Bears		-	(5,072)
Investment income, net		204,205	(171,367)
Donations and contributions		-	(354,323)
Interest expense		(108,036)	(115,214)
Gain on Angoon Airport Sale		-	813,920
Grant revenue		475,757	445,620
Total other income (expense)		3,977,195	1,743,000
Income before provision for income taxes		2,292,502	621,493
Income tax provision benefit (expense)		(650,404)	5,414
Net income (loss)	$	1,642,098	626,907

See accompanying notes to consolidated financial statements.

KOOTZNOOWOO, INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity

December 31, 2023 and 2022

Exhibit C

		Contributed Capital	Retained Earnings (Deficit)	Total
Balance at December 31, 2022	$	7,001,995	3,112,517	10,114,512
Distributions to Settlement Trust		-	(448,721)	(448,721)
Distributions to Elders' Trust		-	(67,000)	10,114,512
Net income (loss)		-	626,907	(448,721)
Balance at December 31, 2022	$	7,001,995	3,223,703	(67,000)
Distributions to Shareholders		-	(199,863)	(199,863)
Gain on Acquisition - Fortress of the Bears		-	8,010	8,010
Net income (loss)		-	1,642,098	1,642,098
Balance at December 31, 2023	$	7,001,995	4,673,948	11,675,943

See accompanying notes to consolidated financial statements.

KOOTZNOOWOO, INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

December 31, 2023 and 2022

Exhibit D

	2023	2022
Operating activities:		
Net income	$ 1,642,098	626,907
Adjustments to reconcile net income (loss) to net cash		
provided (used) by operating activities:		
Depreciation and amortization	376,673	198,908
Loan forgiveness	-	79,863
Equity in (profit) of Fortress of the Bears	-	5,072
Loss on disposal of property, plant and equipment	-	131,580
Unrealized and realized (gains) losses on investments	(153,863)	212,882
(Increase) decrease in:		
Cash held in escrow	2,152	236
Accounts receivable	30,487	(21,045)
Prepaid expenses	68,558	(90,729)
Grants receivable	79,996	(55,855)
Carbon offset credit	(461,276)	574,026
Deferred tax assets		-
(Increase) decrease in:		
Accounts payable and accrued liabilities	(167,263)	62,633
Accrued payroll and related costs	33,298	(18,123)
Rent collected in advance	(2,124)	57,720
Unearned revenue	(82,789)	44,395
Deferred tax liability	264,180	(100,979)
Carbon credit monitoring	43,434	41,764
Income tax payable	352,297	(78,388)
Net cash provided by operating activities	2,025,858	1,670,867
Investing activities:		
Proceeds from sale of investments	2,567,263	500,936
Purchase of investments	(7,140)	(2,183,869)
Purchase of property, plant and equipment	(38,341)	(201,861)
Net cash provided (used) by investing activities	(25,336)	(1,884,794)
	2,496,446	
Financing activities:		
Distributions paid		
Distributions payable	(199,863)	(515,721)
Proceeds from new loans	690	(7,107)
Principal payments of notes payable	8,010	-
Security deposits	(161,418)	(310,554)
Net cash provided (used) by financing activities	2,988	(2,209)
	(349,593)	(835,591)
Net increase (decrease) in cash and cash equivalents		
	4,172,711	(1,049,518)
Cash and cash equivalents at beginning of period		
	1,562,307	2,611,825
Cash and cash equivalents at end of period		
	$ 5,735,018	1,562,307
Cash and cash equivalents are comprised of:		
Unrestricted	5,724,994	1,176,629
Restricted - monitoring endowment	10,024	385,678
	$ 5,735,018	1,562,307
Supplemental information:		
Cash paid for interest	98,927	97,324
Cash paid for taxes	31,724	200,275
Total supplemental information	$ 130,651	297,599

See accompanying notes to consolidated financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Operations

Kootznoowoo, Inc. and Subsidiaries (the Company) is a village corporation in the Sealaska region formed pursuant to provisions of the Alaska Native Claims Settlement Act (ANCSA or the Act). The Company's revenues are generated primarily from general investment activities, rental income from commercial properties, land sales and equity investments. The Company has the following subsidiaries:

KPlaza, LLC: Owns and operates the Kootznoowoo Plaza Building, located at 8585 Old Dairy Road, Juneau, Alaska, as well as the Company's properties in Angoon, Alaska. The revenue generated from these buildings are from commercial leases and all expenses are related to ongoing operations and maintenance of the building.

Admiralty Properties, LLC: Formed in 1999 as a holding company for the acquisition of commercial real estate and corporate treasury.

Chatham Properties, LLC: Chatham Properties, formerly known as Chatham Genesis, was formed in 2019. Chatham Properties originally accounted for KPlaza activity and was a certified Alaskan Native Owned 8(a) as well as a small disadvantaged business. There was no activity in Chatham Properties, LLC in 2022 and the company was dissolved during the year.

Favorite Bay, LLC: Owns the Newport IX building located at 2201 Buena Vista Drive, Albuquerque, New Mexico. The revenue generated from this building is from commercial leases and all expenses are related to ongoing operations and maintenance of the building.

Kanalku Timber Management, LLC: Formed as a holding company for secured loans.

Kootznoowoo Business Management, LLC formed by Kootznoowoo, Inc. in 2011. The purpose of this LLC is to be a holding company for future 8(a) companies.

Natural Power, LLC formed by Kootznoowoo, Inc. in 2011. The purpose of this LLC is to account for activity related to Kootznoowoo, Inc.'s future ventures into renewable energy.

Kootznoowoo Environmental Management, LLC formed by Kootznoowoo in 2011 to account for future environmental remediation services.

Fortress of the Bears LLC, accounts for tourism activity related to bear viewing tours on Admiralty Island in Southeast Alaska.

Principles of Consolidation

The consolidated balance sheets and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended December 31, 2023 and 2022 include consolidated financial information of the Company and its wholly owned limited liability companies. In addition, the Consolidating Balance Sheet and Consolidating Schedule of Operations, are presented as supplementary information only.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements 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. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Company considers cash equivalents to include short-term investments with original maturities of 90 days or less that are readily convertible to known amounts of cash and that present an insignificant risk of changes in value due to changes in interest rates or other factors. Assets held in investment and escrow accounts are not considered cash equivalents.

Cash Held In Escrow

The Company has cash held in escrow for the future payments of taxes, insurance and tenant improvements as required by certain debt covenants.

Investments

The Company's Investment policy is to maintain a diversified portfolio of corporate equity and debt securities in addition to U.S. Government Agency notes and cash equivalents. Investments in debt and equity securities are classified by management as available-for-sale. Gains and losses from sales are calculated using the first in first out (FIFO) method.

Accounts Receivable

The Company rents commercial office space to a limited number of commercial entities and individuals, located primarily in Juneau, Alaska and Albuquerque, New Mexico, and extends unsecured trade credit to those customers during the normal course of business.

The Company uses the allowance method for bad debts. Management believes accounts receivable are fully collectible and as such an allowance account has not been established. It is the Company's policy to generally write off uncollectible accounts once all collection efforts have been exhausted.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Property, Plant and Equipment

Property, plant and equipment purchases over $5,000 are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets, generally 5 to 40 years. Property, plant and equipment that are still undergoing development and have not been placed into service are shown on the balance sheet as work in progress and are not depreciated. Costs that extend the useful lives of the assets are capitalized, and maintenance and repairs are expensed. Gains and losses upon asset disposal are taken into income in the year of disposition.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. For assets that are to be held and used, an impairment is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market prices, discounted cash flows or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value.

Unearned Revenue

Unearned revenue for grant funds received but not disbursed for allowable expenses within a reasonable amount of time.

Revenue Recognition

The Company applies Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers. ASC 606 outlines a five-step model whereby revenue is recognized as performance obligations within the contract are satisfied. The Company's performance obligations are satisfied over time as work progresses and at points in times when sales of goods has occurred and the product has been delivered. ASC 606 also requires new, expanded disclosures regarding revenue recognition.

The Company's primary source of revenue is from the sale of carbon credits. Revenue is recognized for the carbon credits once they have been issued. The Company also has a substantial amount of revenue derived from property rentals. Revenue is recognized at the point in time when rents are due. The Company's revenues from contracts with customers are derived from offerings that include construction contracts with the U.S. government and its agencies, and to a lesser extent, subcontractors which is recognized over time.

The Company recognizes revenue over time when there is a continuous transfer of control to the customer. For U.S. government contracts, this continuous transfer of control to the customer is supported by clauses in the contract that allow the U.S. government to unilaterally terminate the contract for convenience, pay for costs incurred plus a reasonable profit and take control of any work in process. When control is transferred over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. Based on the nature of the products and services provided in the contract, the Company uses judgment to determine if an input measure or output measure best depicts the transfer of control over time. The Company typically uses a cost-based input method to measure progress. Revenue is recognized proportionally as contract costs are incurred plus estimated fees. Determining a measure of progress and when control transfers requires the Company to make judgments that affect the timing of when revenue is recognized. Essentially all of the Company's contracts satisfy their performance obligations over time.

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

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

The nature of the Company's contracts may give rise to several types of variable consideration, including award and incentive fees. The Company includes in their contract estimates additional revenue for submitted contract modifications including award and incentive fees or claims against the customer when it is believed that the Company has an enforceable right to the modification or claim, and the amount can be estimated reliably, and its realization is probable. In evaluating these criteria, the Company considers the contractual/legal basis for the claim, the cause of any additional costs incurred, the reasonableness of those costs and the objective evidence available to support the claim. These estimates are based on historical award experience, anticipated performance and the Company's best judgment at the time, including considerations of the probability that a significant reversal of cumulative revenue recognized will not occur.

Cost-reimbursable grants
A portion of the Company's revenue is derived from cost-reimbursable federal and state grants and contracts, which are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. The grants and contacts also have a right of return stipulation where the funds would be due back to the granting agency if they are not used on allowable activities. Amounts received prior to incurring qualifying expenses are reported as unearned revenue on the consolidated balance sheet. As of December 31, 2023 and 2022 the Company had received $24,976 and $107,765 in advance of incurrence of qualifying expenses, receptively. These amounts are recorded as unearned revenue at their respective year end.

Performance Obligations

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

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

The Company does not have any performance obligations which were not satisfied by the end of the reporting period.

Income Taxes

Income taxes are accounted for under the deferred asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial reporting amounts of assets and liabilities and their tax bases and operating losses and tax carryforwards based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Variation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. It is the Company's policy to include penalties and interest associated with income taxes in income tax expense. The Company's 2020 to 2023 income tax returns are open to audit from State and Federal taxing agencies. Management is not aware of any uncertain tax positions.

Real property interests received under the Act which are not developed, leased or sold to third parties or used solely for the purposes of exploration are exempt from state and local real property taxes subject to other provisions of the Act.

Fair Value of Financial Instruments

The Company must disclose its estimate of the fair value of material financial instruments, including those recorded as assets or liabilities in its financial statements and derivative financial instruments. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) investments, (3) receivables, net, (4) certain other current assets, (5) accounts payable and (6) other current liabilities. The carrying amounts reported in the balance sheets for the above financial instruments closely approximates their fair value due to the short-term nature of these assets and liabilities, except for the Company's investments. The carrying amounts of the Company's investments were determined based on quoted market prices.

The carrying amount of notes payable approximates fair value for those financial instruments with interest at variable rates, as those rates approximate current market rates for notes with similar maturities and credit quality.

The fair values of the Company's other various debt instruments were derived by evaluating the nature and terms of each instrument, considering prevailing economic and market conditions, and examining the cost of similar debt offered at the balance sheet date. These estimates are subjective and involve uncertainties and matters of significant judgment, and therefore the Company cannot determine them with precision. Changes in assumptions could significantly affect the Company's estimates.

II. ALASKA NATIVE CLAIMS SETTLEMENT ACT

General

ANCSA, which created 13 Regional and numerous Village Corporations, sets forth, among other things, certain responsibilities and provides for distribution of certain benefits to those entities and their stockholders as itemized below.

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

Natural Resource Revenues

Section 7(i) of the Act provides that 70% of revenues derived by each regional corporation from timber and subsurface estate is to be divided annually among the twelve Alaska Regional corporations in proportion to the number of stockholders in each region.

Section 7(j) of the Act requires that not less than 50% of monies received under Section 7(i) of the Act by the regional corporation shall be distributed pro rata to village corporations in the region and to "at-large" stockholders (those stockholders not also members of a village corporation) in proportion to the number of stockholders in each category. During the years ended December 31, 2023 and 2022, the Company received 7(j) distributions in the amount of $1,362,414 and $648,499, respectively.

Common Stock

Stock rights are restricted and the stock may not be sold, pledged, assigned or otherwise alienated except in certain circumstances by court decree or by death. Further, the stock carries voting rights only if the holder is an eligible Alaska Native. These restrictions remain in effect indefinitely unless the stockholders affirmatively vote to waive the restrictions.

One hundred shares of voting Class A common stock were authorized for issuance to each qualified Native person originally enrolled in the Company. For operations purposes, the Company has utilized a roll comprised of 629 Alaska Natives originally enrolled in the Company.

Class B non-voting common stock has been issued to certain non-Natives to replace shares received through inheritance from an eligible Native stockholder.

Pursuant to the Act, Class A stockholders in the Company are also stockholders in Sealaska Corporation, the Southeast Alaska regional corporation established under the Act.

Land Received and to be Received as a Result of the Act

The Company has received surface rights on approximately 11,832 acres of land located on Admiralty Island in and around Angoon, Alaska; 832 of these acres were conveyed to the City of Angoon as part of the 14(c)(3) process on March 6, 2019. Of these acres, approximately 660 acres have been deeded to stockholders under the Company's homesite program established under Section 22(j) of the Act. The Company also holds the subsurface rights on approximately 1,500 acres of this land in the vicinity of the City of Angoon, Alaska. In addition, the Company received interim conveyances or patents of the surface rights for approximately 21,403 acres in the Chomendeley Sound area of Prince of Wales Island, and is entitled to receive approximately 70 acres of additional surface rights not yet conveyed.

The surface estate received according to the Act, including standing timber resources, is recorded at zero value as the fair market value has not been determined within reasonable limits.

III. INVESTMENTS

The Company's investment in marketable securities consisted of the following at December 31:

		Cost	Fair Value
2023:			
Sweep account/certificate of deposit	$	7,025	7,025
2022:			
Bond funds	$	649,501	621,499
Equity funds		95,568	91,155
Exchange traded funds		1,673,432	1,669,430
Total	$	2,418,501	2,382,084

Included in investment related line items in the financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or for certain bonds and preferred stock when carried at the lower of cost or market.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are based on quoted market prices. The Company does not have investments for which quoted market prices are not available.

The Company's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by generally accepted accounting principles. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

- Level 1 – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

- Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

- Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect The Company's estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The following table provides information as of December 31, 2023 and 2022 about the Company's financial assets and liabilities measured at fair value on a recurring basis.

	Level 1	Level 2	Level 3	Total
Assets at fair value-				
2023				
Sweep account/ certificate of deposit	$ 7,025	-	-	7,025
2022				
Bond funds	$ 621,499	-	-	621,499
Exchange traded funds	91,155	-	-	91,155
Total	1,669,430	-	-	1,669,430
	$ 2,382,084			2,382,084

Given the narrow definition of Level 1 and The Company's investment asset strategy, all of the Company's investment assets are classified in Level 1. Changes in investments are run through the consolidated statements of operations as investment income..

Net investment earnings for the year ended December 31 consisted of:

	2023	2022
Interest and Dividend income	$ 56,154	44,681
Net realized and unrealized gains (loss)	153,863	(212,882)
Investment management fees	(5,812)	(3,166)
	$ 204,205	(171,367)

IV. LONG TERM DEBT

Long-term debt at December 31, 2023 and 2022 consists of the following:

	2023	2022
Note payable to Standard Insurance Company in monthly payments of $12,309, including principal and interest of 4.625%. Final payment is due on August 1, 2033, secured by the Deed of Trust and may be secured by other security instruments.	$ 1,149,540	1,241,756
Note payable to Northrim Bank in monthly payments of $10,197, including principal and interest of 4.47%. Final payment is due on September 1, 2035, secured by real estate.	1,119,700	1,189,592

Less: unamortized debt issuance costs		20,633	24,682
Long-term debt, less unamortized debt issuance costs		2,248,607	2,406,666
Less current portion		170,474	162,893
Long-term portion	$	2,078,133	2,243,773

At December 31, annual principal maturities of long-term debt are as follows:

	2023	2022
2023	-	162,893
2024	170,474	170,474
2025	178,409	178,409
2026	186,713	186,713
2027	195,402	195,402
2028	206,656	206,656
2029-2035	1,331,586	1,330,801
	$ 2,269,240	2,431,348

The Company complies with requirements of FASB ASC 835-60 to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset.

V. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2023 and 2023 consists of the following:

		2023	2022
Trade receivables	$	8,723	39,210
Employees/Shareholder/Directors		-	-
		8,723	39,210
Allowance for uncollectible accounts		-	-
	$	8,723	39,210

VI. PROPERTY, PLANT, AND EQUIPMENT

Property, plant and equipment consist of the following at December 31:

		2023	2022
Land and improvements:	$	1,691,170	1,691,170
Land		1,225,000	1,225,000
Land improvements		2,916,170	2,916,170
Less accumulated depreciation		(1,225,000)	(1,225,000)
	$	1,691,170	1,691,170
Buildings and equipment:			
Buildings-Angoon	$	870,094	870,094
Buildings - Kootznoowoo Plaza and residential properties		2,675,065	2,675,065
Building - Newport IX		5,408,044	5,408,044
Equipment		156,889	134,541
Total buildings and equipment		9,110,092	9,087,744
Less accumulated depreciation		(5,046,487)	(4,683,914)
	$	4,063,605	4,403,830
Dora Bay Roads	$	1,804,034	1,804,034
Less accumulated amortization		(1,804,034)	(1,804,034)
	$	-	-
Work in progress:			
Thayer Creek Project	$	3,555,821	3,555,821
LED Lighting Project		25,336	-
	$	3,581,157	3,555,821

Depreciation expense for the year ended December 31, 2023 and 2022 was $376,673 and $198,908 respectively.

VII. OPERATING LEASES

The Company, through its subsidiaries, leases Kootznoowoo Plaza and Newport IX commercial buildings to various customers. Kootznoowoo Plaza is partially occupied by the Company's administrative offices. Minimum future rental payments to be received under operating leases are as follows:

2023

Year ending December 31		Kootznoowoo Plaza Juneau	Newport IX New Mexico	Angoon	Total
2024	$	364,463	518,184	61,181	943,828
2025		263,809	234,387	8,741	506,937
2026		21,222	-	8,741	29,963
2027		21,222	-	3,666	24,888
2028		21,222	-	14,800	36,022
	$	691,938	752,571	97,129	1,541,638

2022

Year ending December 31		Kootznoowoo Plaza Juneau	Newport IX New Mexico	Angoon	Total
2023	$	422,353	766,457	87,401	1,276,211
2024		364,463	518,184	61,181	943,828
2025		263,809	234,387	8,741	506,937
2026		21,222	-	8,741	29,963
2027		21,222	-	3,666	24,888
Thereafter		21,222	-	14,800	36,022
	$	1,114,291	1,519,028	184,530	2,817,849

VIII. PROVISION FOR INCOME TAXES

The deferred tax asset/liability and expense/benefit were computer by applying the Federal statutory rate of 21% and state statutory rate of 9.4%.

		2023		
		Federal	State	Total
Total Deferred Tax (Liability)	$	(198,739)	(101,537)	(300,276)
Valuation Allowance		-	-	-
Net Deferred Tax Asset (Liability)	$	(198,739)	(101,537)	(300,276)
Current Tax Expense		227,728	158,496	386,224
Deferred Tax Expense (benefit)		260,601	3,579	264,180
Total Income Tax Expense (benefit)	$	488,329	162,075	650,404

The Corporation classifies all interest and penalties related to tax contingencies as income tax expense. As of December 31, 2023 and 2022, accrued interest and penalties of $16,266 and $489, respectively, are recorded as a penalties payable on the consolidated balance sheets and is recognized as income taxes incurred on the consolidated statements of operation.

As of December 31, 2023 and 2022 there were no positions for which management believes it is reasonably possible that the total amounts of tax contingencies will significantly increase or decrease within 12 months of the reporting date.

As of December 31, 2022: the corporation has utilized all available NOL carryovers for federal and state income tax purposes.

		2022		
		Federal	State	Total
Statutory Income Tax Rate		21%	9.4%	
Total Deferred Tax (Asset) Liability	$	61,861	(97,957)	(36,096)
Valuation Allowance (45% of NOL)		-	-	-
Net Deferred Tax Asset (Liability)	$	61,861	(97,957)	(36,096)
Current Tax Expense	$	-	95,565	95,565
Deferred Tax Expense		(44,023)	(59,956)	(100,979)
Total Income Tax Expense	$	(44,023)	38,609	(5,414)

IX. RELATED ENTITIES

(a) Kootznoowoo Permanent Fund Settlement Trust

Pursuant to Section 39 of the Act, on July 16, 1994, the Board of Directors and the stockholders established the Kootznoowoo Permanent Fund Settlement Trust (the "Trust")' a long-term irrevocable trust for the benefit of the Company stockholders. The Trust, which was established in accordance with the 1991 Amendments to ANCSA and applicable Alaska state law, is a separate entity from the Company. The Trust has a separate Board of Trustees composed of five individuals appointed by the Board of Directors for the Company. No more than two of the Trustees may also be directors of the Company. The Trust is designed to hold the assets transferred to it for investment and to make distribution out of the income earned on those investments to the beneficiaries of the Trust. Under the terms of the Trust agreement, the stockholders of the Company are also the beneficiaries of the Trust, until such time as certain events specified in the Trust Agreement occur. Since the Trust is a legally separate entity from the Company, the consolidated financial statements of the Company do not include the assets or investment results of the Trust.

(b) Kootznoowoo Cultural and Educational Foundation, Inc.

On May 23, 1994, the Kootznoowoo Cultural and Educational Foundation, Inc. (Foundation) was organized as an Alaska non-profit corporation. The purpose of the foundation is to perpetuate, protect, enhance, promote, preserve and study all aspects of the Tlingit people, their songs, dances, stories, language, arts and crafts, artifacts, and any and all other manifestations of the Tlingit culture. Financial information with respect to the Foundation is not incorporated in these financial statements.

(c) Kootznoowoo Elders' Settlement Trust

The Kootznoowoo Elders' Settlement Trust (Elders' Trust) was established in December 1998 and was funded with a $545,000 distribution from the Company. The purpose of the Elders' Trust is to provide a cash benefit to each eligible Kootznoowoo stockholder upon reaching the age of 65. The date of record for determining the eligible stockholders was November 10, 1998. A distribution was made in 1998 to eligible stockholders who were 65 or older on the record date. Subsequent distributions are made monthly as additional eligible stockholders reach age 65. While management believes that the initial distribution to the Elders' Trust, together with future investment earnings, will be adequate to satisfy future benefit obligations, the Company is required under the trust agreement to fund any deficiency which may arise. The Company is also entitled to any trust assets in excess of expected benefit obligations.

X. PENSION PLAN

The 401(k) plan is a qualified IRS plan under which employees are eligible to participate if they have completed one year of service and are at least 18 years old. The vesting schedule for employer contributions is 25 percent each of the first four years. The total contribution made by the Company for the year ended December 31, 2023 and 2022 was $0 and $0, respectively. This amount may vary because of future forfeitures.

XI. RELATED PARTY TRANSACTIONS

As a result of the Company's business activities and the limited geographic confines of the City of Angoon, incidental transactions are conducted in the normal course of business with stockholders, directors and officers of the Company. Additionally, certain stockholders of the Company serve in various capacities in the City of Angoon government.

XII. THAYER CREEK HYDRO PROJECT

In September 2010, Kootznoowoo Incorporated was awarded a $1,142,856 federal cost reimbursable grant that requires a $1,142,856 match for the preconstruction aspect of the Thayer Creek Hydro Project. In August 2011, the Company received a state grant for $1,060,500 to be used as match for the federal grant. Prior to the awarding of the federal grant, Kootznoowoo Incorporated has incurred substantial costs related to the Thayer Creek Hydro Project. The following is a summary of the estimated costs incurred that are not going to be reimbursed with grant funds:

Feasibility Studies	$ 1,035,861
Administrative	572,064
Total	$ 1,607,925

The project is still underway and the costs incurred related to the project were capitalized to work in progress. The work in progress balances as of December 31, 2023 and 2022 were $3,555,821 and $3,555,821, respectively.

XIII. COMMITMENTS AND CONTINGENCIES

The Company is subject to various contingencies and risks that arise in the normal course of business. Management does not believe these contingencies and risks will have a significant effect on the Company's financial position, results of operations or liquidity.

XIV. CARBON CREDIT PROGRAM

In 2019 Kootznoowoo Inc.'s carbon credit program was approved. During the fiscal year ended December 31, 2023 a total of 166,902 of carbon credits were issued and a total of 140,757 of carbon credits were sold (retired). In 2023 Kootznoowoo Inc. received cash for the carbon credits in the amount of $2,193,152. During the fiscal year ended December 31, 2022 a total of 149,951 of carbon credit units were issued and a total of 138,538 were sold (retired). In 2022 Kootznoowoo Inc. received cash for the carbon credit offsets in the amount of $1,096,726. For the year ended December 31, 2023 and 2022 had 57,096 and 30,951 of carbon offset credits available to sell. The value of the available carbon credits will be adjusted annually based on the latest market prices of carbon credit units.

Kootznoowoo Inc. has chosen to follow a five year inventory schedule to satisfy the monitoring requirements of the carbon credit program. Using this method every five years an inventory and site verification will be performed through the year 2058. In 2019, Kootznoowoo Inc. recorded a carbon credit monitoring liability in the amount of $965,324. This amount represents the present value of future anticipated inventory and verification payments through 2058 using a discount rate of 4%. As of December 31, 2023 and 2022 the liability balance was $1,129,292 and $1,085,858, respectively.

Kootznoowoo Inc. has established a carbon credit reserve account that will be used to pay for future inventory and site verification payments. As of December 31, 2023 and 2022 the balance of the reserve account was $10,024 and $385,678, respectively.

XV. FORTRESS OF THE BEARS

On January 1, 2023, Kootznoowoo Inc. acquired the Fortress of the Bears, LLC (FOTB) with all shares for both organizations being transferred to Kootznoowoo, Inc. Kootznoowoo, Inc. now has 100% of shares of both organizations and has acquired 100% of voting equity interests. Kootznoowoo Inc. has received capitalized assets of $22,348 from FOTB as a condition of this acquisition, and had a $8,010 gain from the acquisition.

Per the terms of the agreement, Above and Beyond Alaska, LLC (ABAK) will retain all Kootz/FOTB outfitter gear, equipment, and inventory. Kootznoowoo, Inc. agreed to contract 90% of its Pack Creek service days to ABAK as an “ancillary service provider” for 5-years at an agreed upon use fee amount of $50 per person/per service day for any Kootznoowoo allocated permit use. This fee applies to reserved bookings with paying customers, and the payment for use fees will be remitted to Kootz/FOTB at the end of each season no later than October 15th each year.

XV. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 22, 2024, the date which the financial statements became available and no disclosures of subsequent events were necessary.

KOOTZNOOWOO, INC.
FORTRESS OF THE BEARS

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