

KOOTZNOOWOO  
PERMANENT FUND SETTLEMENT TRUST

Financial Statements

Years Ended December 31, 2023 and 2022

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## **Independent Auditor's Report**

Board of Trustees  
Kootznoowoo Permanent Fund Settlement Trust  
Juneau, Alaska

### ***Opinion***

We have audited the accompanying financial statements of Kootznoowoo Permanent Fund Settlement Trust (Trust), which comprise the Statement of Assets, Liabilities, and Beneficiaries' Equity - Income Tax Basis as of December 31, 2023 and 2022, and the related Statement of Revenues, Expenses, and Changes in Beneficiaries' Equity – Income Tax Basis, for the year then ended and the related notes to the financial statements..

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and equity of the Kootznoowoo Permanent Fund Settlement Trust as of December 31, 2023 and 2022, and the Trust's income and deductions and changes in beneficiaries' equity, for the years then ended in accordance with the basis of accounting the Trust uses for income tax purposes described in Note 1 of the financial statements.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Kootznoowoo Permanent Fund Settlement Trust 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.

### ***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting the Trust uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting the Trust uses for income tax purposes as described in Note 1 to the financial statements, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards 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, including omissions, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Kootznoowoo Permanent Fund Settlement Trust'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kootznoowoo Permanent Fund Settlement Trust'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.

*Altman, Rogers & Co.*

Juneau, Alaska  
April 17, 2024

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Statement of Assets, Liabilities and  
Beneficiaries' Equity - Income Tax Basis

Years ended December 31, 2023 and 2022

Assets

Assets:	2023	2022
Cash and cash equivalents - operating	\$ 180,280	146,325
Cash and cash equivalents - investments	454,882	537,407
Shareholder receivable	820	2,270
Investments, at cost	15,156,562	14,862,475
Total assets	<u>\$ 15,792,544</u>	<u>15,548,477</u>

Liabilities and Beneficiaries' Equity

Current liabilities:		
Accounts payable	\$ 10,257	10,038
Due to Kootznoowoo	675	170
Distributions payable	180,005	148,547
Total liabilities	<u>190,937</u>	<u>158,755</u>
Beneficiaries' equity	<u>15,601,607</u>	<u>15,389,722</u>
Total Liabilities and Equity	<u>\$ 15,792,544</u>	<u>15,548,477</u>

The accompanying notes to the financial statements  
are an integral part of these financial statements.

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Statement of Revenues, Expenses and  
Changes in Beneficiaries' Equity - Income Tax Basis

Years Ended December 31, 2023 and 2022

Revenues:	2023	2022
Interest	\$ 200,722	150,358
Dividends	221,095	211,703
Net realized gains on sale of investments	542,659	689,776
Miscellaneous income	12	-
Total	964,488	1,051,837
Expenses:		
Investment management fees	53,735	52,665
Professional fees	50,599	48,166
Postage and supplies	2,716	195
Bank charges	1,969	2,210
Other expenses	-	123
Total expenses	109,019	103,359
Income before income taxes	855,469	948,478
Trust exemption	(100)	(100)
Taxable income	855,369	948,378
Income tax paid	-	(40,510)
Total taxes paid	-	(40,510)
Net income	855,369	907,868
Trust limitations and exemptions not affecting beneficiaries equity:		
Trust exemption	100	100
Increase in beneficiaries' equity	855,469	907,968
Distributions to beneficiaries	(643,584)	(623,472)
Distributions received from Kootznoowoo	-	448,721
Beneficiaries' equity, beginning of year	15,389,722	14,656,505
Beneficiaries' equity, end of year	\$ 15,601,607	15,389,722

The accompanying notes to the financial statements  
are an integral part of these financial statements.

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Notes to Financial Statements

December 31, 2023 and 2022

**(1) Organization and Significant Accounting Policies**

*Organization*

Kootznoowoo, Inc. (Kootznoowoo) is a village corporation organized pursuant to the Alaska Native Claims Settlement Act (ANCSA). ANCSA, as amended, allows the conveyance of assets by a Native Corporation to a settlement trust for the purpose of promoting the health, education and welfare of its shareholders and to preserve the heritage and culture of Natives. The beneficiaries of a settlement trust are the same as the shareholders of the Native Corporation. However, a settlement trust is a separate and independent entity from the Native Corporation that establishes it. The settlement trust is controlled by the provisions of the trust agreement that established the trust, and federal and state law. The settlement trust is not liable for the debts of its beneficiaries, or for the debts of the Native Corporation incurred after the trust is established.

Kootznoowoo Permanent Fund Settlement Trust (KPFST) is an irrevocable settlement trust, approved by the shareholders of Kootznoowoo in July 1994 (and restated in March 1998), to maintain assets and pay distributions from trust net cash income to income beneficiaries who are also shareholders of Kootznoowoo. The number of units held by income beneficiaries and voting rights of such units are determined by and equal to ownership of Kootznoowoo stock. There were 62,850 trust units held by 1,099 and 1,099 beneficiaries at December 31, 2023 and 2022, respectively. The Board of Directors of Kootznoowoo appoints the Trustees of the KPFST.

In July 1994, Kootznoowoo conveyed approximately \$9.34 million of cash and marketable securities to the KPFST. Earnings from these investments are to be the primary source of ongoing distributions to Kootznoowoo shareholders.

Under the KPFST Agreement (Agreement), distributions from the KPFST are made three times each year and are equal to 75% of the average of pretax cash earnings for the most recent 15 trimesters.

The income beneficiaries have the power to terminate the Trust during the annual meeting that falls 32 years from the anniversary date of the Trust, in year 2026. A termination vote is a minimum of 75% of total possible votes of all of the units of participation. If the income beneficiaries do not elect to terminate this Trust, the Trust shall automatically be extended until the next anniversary date.

*Income Tax Basis of Accounting*

KPFST maintains its books on the income tax basis of accounting that is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (accrual basis of accounting).

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Notes to Financial Statements, Continued

Under the income tax basis of accounting, assets are reported at their historic cost value and financial transactions are reported when cash is received or paid. The primary differences between the income tax basis of accounting and accounting principles generally accepted in the United States of America are that securities are recorded at cost and not fair market value and expenses are recorded when paid and not when incurred.

*Use of Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

*Cash and Cash Equivalents*

Cash equivalents consist of cash in banks and highly liquid investments with original maturities of three months or less. KPFST maintains its cash and cash equivalents with high credit quality financial institutions. KPFST has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

*Investment Securities*

Investment securities are managed by registered investment advisors whose portfolios include stocks, bonds, mutual funds and cash. Investment securities are reported at cost. Investment gains or losses are reported when the securities are sold, including pro-rata share of individual securities held within mutual funds. Securities transactions are completed through recognized U.S. exchanges and are recorded on the trade date. Realized gains (losses) from securities transactions are determined for both financial reporting and for federal income tax purposes on the basis of the cost of the specific securities.

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Notes to Financial Statements, Continued

**(2) Investments Securities**

A detail of investment securities held at December 31, 2023 follows:

	Cost	Unrealized Gains	Unrealized Losses	Fair Market Value
Cash equivalents	\$ 454,882	-	-	454,882
Investments:				
Large-Cap ETF	3,127,637	346,879	-	3,474,516
Mid-Cap ETF	1,685,403	154,082	-	1,839,485
Small-Cap ETF	627,200	236,424	-	863,624
International	908,714	63,734	-	972,448
Emerging Markets	670,158	-	(38,819)	631,339
Real Estate	330,661	10,567	-	341,228
Infrastructure	737,651	70,681	-	808,332
Fixed Income	3,978,679	-	(255,678)	3,723,001
International Bonds	831,249	-	(70,238)	761,011
Commodities	437,208	-	(35,085)	402,123
Other real assets	295,692	1,644	-	297,336
Alternative	1,526,310	-	(55,251)	1,471,059
Total	<u>\$ 15,611,444</u>	<u>884,011</u>	<u>(455,071)</u>	<u>16,040,384</u>

A detail of investments held at December 31, 2022 follows:

	Cost	Unrealized Gains	Unrealized Losses	Fair Market Value
Cash equivalents	\$ 537,407	-	-	537,407
Investments:				
Large-Cap ETF	3,224,412	20,934	-	3,245,346
Mid-Cap ETF	1,359,628	122,432	-	1,482,060
Small-Cap ETF	576,121	142,197	-	718,318
International	938,353	-	(72,972)	865,381
Emerging Markets	642,252	-	(94,694)	547,558
Real Estate	374,902	-	(1,092)	373,810
Infrastructure	687,991	26,218	-	714,209
Fixed Income	3,852,492	-	(402,700)	3,449,792
International Bonds	744,066	-	(102,623)	641,443
Commodities	285,228	14,740	-	299,968
Other real assets	419,410	-	(15,368)	404,042
Alternative	1,757,620	-	(32,877)	1,724,743
Total	<u>\$ 15,399,882</u>	<u>326,521</u>	<u>(722,326)</u>	<u>15,004,077</u>

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Notes to Financial Statements, Continued

The KPFST maintains written investment guidelines for management of the KPFST funds. Some of these policies limit investment holdings to investment grade quality and above, the size of any single security issuer, the percent of an industry holding within the portfolio, the use of leverage and other limitations. The investment advisor's rate of return performance is periodically compared with established objectives.

**Income Taxes**

The KPFST is classified as a complex trust under Internal Revenue Service Regulations. Under present tax law, a complex trust is not required to distribute income currently. As described in Note 1, the Agreement provides for income accumulation, and therefore is subject to tax on undistributed income. Total federal income tax in 2023 and 2022 was \$35,590 and \$0, respectively. KPFST has implemented the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not that the positions will be sustained upon examination by the tax authorities. It also provides guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2023 and 2022, KPFST had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Additionally, the Trust had no interest and penalties related to uncertain tax positions. With few exceptions, the Trust is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2019. It is the Trust's policy to include penalties and interest associated with uncertain tax positions in income tax expense.

**(3) Board of Trustees**

According to the restated Kootznoowoo Permanent Fund Settlement Trust Agreement, the Board of Trustees shall be comprised of five members appointed by the Board of Directors of the Corporation, not more than two of which may also be members of the Board of Directors of the Corporation.

A member of the Board of Trustees may be a director, officer, employee or shareholder of the Corporation, or any other natural person; provided however, not more than two members of the Board of Trustees may also be members of the Board of Directors of the Corporation.

The powers and duties of the Board of Trustees shall include, and are not limited to the following:

- 1) To immediately deliver to the Custodian (or otherwise ensure the proper custody of), all assets contributed to the Trust;
- 2) To petition for, a judicial determination as to whether a change in governmental law or regulation has or will result in a Material Adverse Effect;

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Notes to Financial Statements, Continued

- 3) To determine whether to employ Money Managers, or to establish compensation for Money Managers;
- 4) To appoint successor custodians and establish compensation for custodians;
- 5) To propose or make amendments to the Trust;
- 6) To compromise, settle, arbitrate, or defend any claim or demand in favor of or against the Trust;
- 7) To incur reasonable expenses related to the Trust administration and to authorize the Custodian to pay for the employment of accountants, attorneys, or other assistance needed by the Custodian or the Board of Trustees;
- 8) To recommend replacements to fill vacancies in the Board of Trustees;
- 9) To determine allocations between Principal and Income;
- 10) To monitor the performance of the Trust Fund's investments and to review at least annually and modify, if necessary, the Investment Guidelines;
- 11) To adopt reasonable procedures to govern the conduct of meetings of the Board of Trustees;
- 12) To make any election permitted by tax law which is deemed to be in the best interest of the Trust, the Corporation, or the Beneficiaries;
- 13) To restate the Trust Agreement without action of the Beneficiaries at any time following any modification permitted to be made by the Trust Agreement;
- 14) To issue certificates representing the Units of Participation, if certificates are deemed appropriate;
- 15) To adopt a reasonable indemnification policy whereby the Trust shall indemnify the members of the Board of Trustees in the same manner as a corporation may indemnify its Directors;
- 16) And, all other powers necessary to carry the Trust into effect.

**(4) Distributions**

Kootznoowoo Permanent Fund Settlement Trust paid out the following dividends on the following dates: February 1<sup>st</sup> \$3.55 and \$3.11 dollars per share, June 1<sup>st</sup> \$3.36 and \$3.33 dollars per share, and October 1<sup>st</sup> \$3.33 and \$3.48 dollars per share, as of December 31, 2023 and 2022 respectively. At December 31, 2023 and 2022 the Trust had paid out distributions totaling \$15,559,519 and \$14,815,935 respectively.

**(5) Subsequent Events**

Management has evaluated subsequent events through April 17, 2024, the date which the financial statements became available for issue. No items were deemed necessary for disclosure.