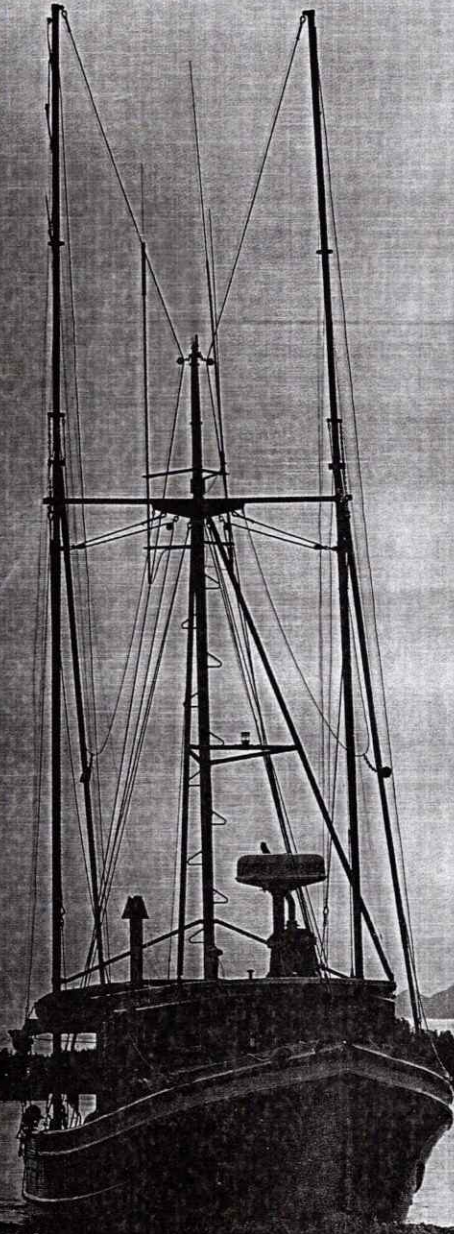
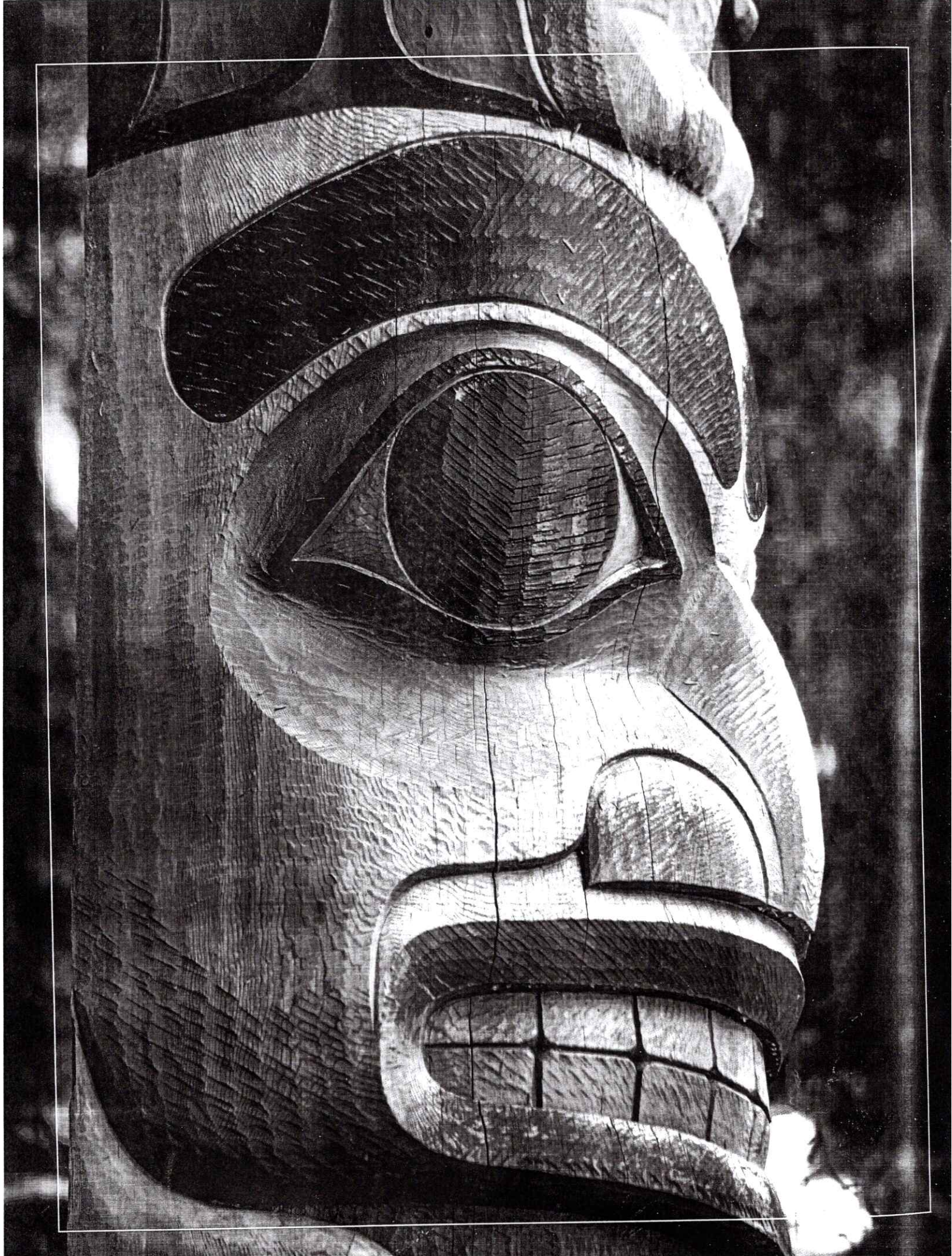




SHEE ATIKÁ
Incorporated

2019 ANNUAL REPORT





CONTENTS

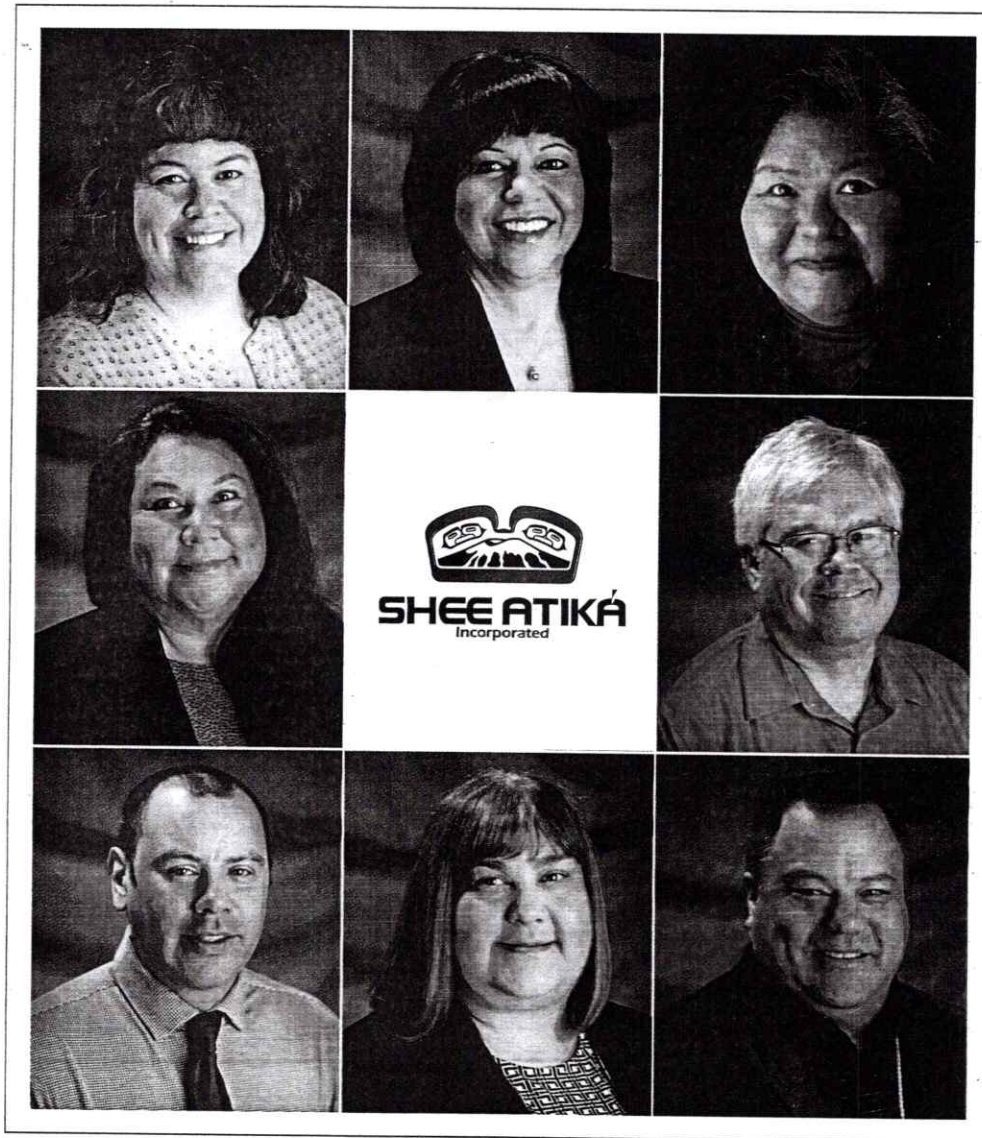
Board of Directors	2
Letter from the Chairman of the Board	3
Letter from the President/CEO	4
SHEE ATIKÁ, INC. (SAI)	
Independent Auditors' Report	8
Financial Statements	9
Notes to Financial Statements	12
SHEE ATIKÁ INVESTMENTS, LLC (SAIL)	
Independent Auditors' Report	22
Financial Statements	23
Notes to Financial Statements	24
SHEE ATIKÁ FUND ENDOWMENT (SAFE)	
Independent Auditors' Report	28
Financial Statements	29
Notes to Financial Statements	30
SHEE ATIKÁ BENEFITS TRUST (SABT)	
Independent Auditors' Report	35
Financial Statements	36
Notes to Financial Statements	37



2019 ANNUAL REPORTS OF
SHEE ATIKÁ INC.
SHEE ATIKÁ INVESTMENTS, LLC
SHEE ATIKÁ FUND ENDOWMENT
SHEE ATIKÁ BENEFITS TRUST

Sitka photos by Dan Evans
Portraits by Keith Fredrickson

SHEE ATIKÁ BOARD OF DIRECTORS



Board Members, left to right

Top Row

Dr. Pamela Steffes, Chairman of the Board

Faleene Worrell, Vice Chairman; Norma J. Perkins, Secretary

Middle Row

Gillian Havrilla, Treasurer; Robert Allen, Jr., Director;

Bottom Row

James Craig, Director; Roxanne Drake-Burkhart, Director; Laurence Garrity, Director

LETTER FROM THE CHAIRMAN OF THE BOARD

Dear fellow shareholders:

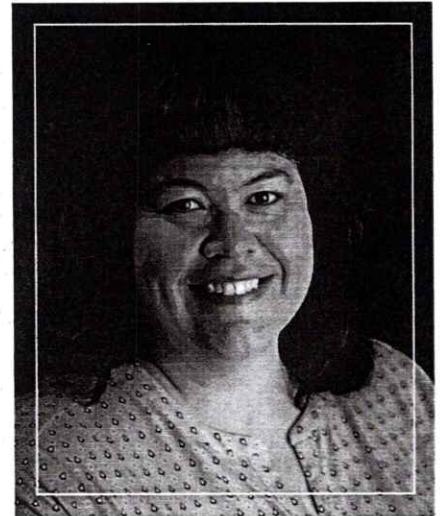
2019 was an important year for our corporation and a busy one for the Board of Directors.

The Board's most important project for 2019 was hiring a replacement for our outgoing President/CEO Kenneth Cameron. As most of you know, Ken had served Shee Atiká as President/CEO, a Director and Chairman of the Board. We thank Ken for his service to Shee Atiká and our shareholders.

The Board took this transition as an opportunity to re-evaluate our strategic goals as they pertain to our mission. We affirmed our plans for Shee Atiká, Inc. to continue to pursue 8(a) government contracting opportunities, to monitor our investments to meet our long term growth potential, to evaluate business opportunities to increase revenue and to monitor our expenses. Our trust, the Shee Atiká Fund Endowment (SAFE), is essential to our mission, especially for our future generations. Your Board is committed to monitoring SAFE's performance and expenses to ensure we can continue to provide prudent distributions while protecting SAFE for our future generations. The 2019 distribution of \$4.00/unit (share) was from the cash earnings of SAFE and was not a distribution of SAFE's principal. The additional earned income above the \$4.00/unit (share) was reinvested in SAFE to help grow the principal. In addition to the above, your Board also continually reviews opportunities to support cultural enhancement, cultural preservation and cultural education.

With these goals in mind, the Board's CEO search process began with the selection of a professional executive search firm. Our goal was to find a firm that had significant Northwest and Alaska hiring experience as well as the ability to find executives within the government contracting field. We interviewed several different recruiting firms and selected Herd Freed Hartz (HFH), a highly regarded recruiting firm based in Seattle with experience in executive level searches including for Alaska and Alaska Native organizations.

Ultimately, HFH screened approximately 100 applicants for us and the board selected the three best candidates to interview. Following the in-person interviews in November, the Board selected Karl Potts who began working for us in mid-December, 2019 and is based at the corporate headquarters in Sitka. As previously reported, Karl has lived and worked in Alaska for almost 30 years managing public, private and ANCSA companies. His experience includes leading and growing companies' operations and business development and he has managed multi-million-dollar programs. In addition to his professional experience, Karl's education includes a Bachelor of Science in Forest Engineering and Master of Business Administration, Supply Chain Management program, from Oregon State University. The Board believes Karl will be an important leader as we expand our presence in the government contracting field, explore new business opportunities and grow our investments.



On behalf of the Board, we appreciate your support as we navigate this transition to our new President/CEO and continue our work to build shareholder value.

As always, if you have any questions or comments, please let us know by calling (907) 747-3534 or (800) 478-3534, emailing: info@sheeatika.com or by using the Contact Us link through the sheeatika.com website.

Gunalchéesh,

A handwritten signature in cursive script that reads "P. Steffes".

Pamela Steffes
Board Chair
Shee Atiká Incorporated

LETTER FROM THE PRESIDENT/CEO

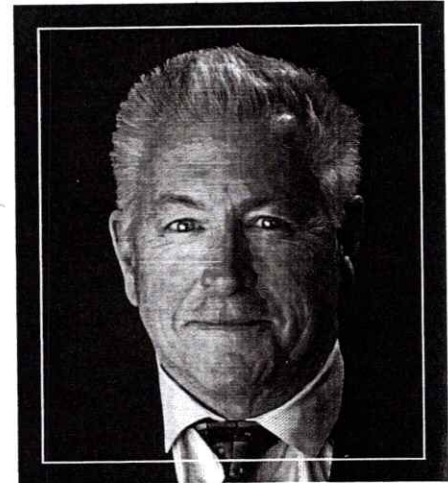
Dear shareholders,

I am deeply honored to be greeting you as President/CEO for the first time. The opportunity to work with the talented staff at Shee Atiká in successfully operating our businesses, expanding our revenue streams and increasing profitability for the benefit of you will be challenging. Competition in our major markets is fierce. External environmental factors such as the COVID-19 pandemic have developed suddenly, creating not only unexpected health crises, but also dramatic uncertainties in the financial markets. In the midst of these uncertain, historic times, this report will highlight two important aspects of Shee Atiká (SAI). First, SAI is financially stable and has a solid structure, positioned for future growth and success. The strength of our business is built upon a strong foundation and buttressed by important, yet difficult past decisions by the Board and Management. Secondly, SAI's future looks very bright. We are situated well to compete and expand our business profitably, in the face of heightened competition and global market uncertainties. Our executive management team and their staff has the necessary knowledge, experience and skills to navigate SAI through these rough waters.

SAI continues to place paramount importance on providing benefits to its Shareholders consistently and in accordance with our cultural values. The associated charts describe how Shee Atiká has translated its financial success over the years into benefits for our shareholders. If you have owned 100 shares since our corporation was formed in April, 1974, you have received a total of \$39,545 in distributions, which is \$395.45/ per share. In addition to these distributions (which have come from both

Shee Atiká and Shee Atiká Fund Endowment), over \$7 million has been paid out in funeral and educational benefits. Shee Atiká, as an Urban Corporation has never received any distributions under ANCSA 7(j) that Alaska Native Village Corporations receive each year. This lack of capital resource is an enormous disadvantage for us when compared to ANC Village Corporations, yet we continue to find creative business solutions to achieve our success.

At the end of 2019, SAI had three core business lines, the Government Contracting division, a Real Estate and Land Management division and SAFE/SAIL Investment portfolios management. The Government Contracting business is building a head of steam and winning new federal contracts. Strategically, SAI has committed to growing our portfolio companies organically rather than through acquisition, at this time. At the end of 2019, our active portfolio consisted of American Marine and Technical Services, LLC ("AMTS"), Alaska Northstar Resources, LLC ("ANR") and Shee Atiká Enterprises, LLC ("SAE"). Each company holds a Small Business Administration 8(a) certification. This 8(a) status gives our companies a competitive advantage in pursuing federal work, though our greatest competitive advantage is the talented people on staff at our subsidiary companies. ANR was awarded two multi-year US Air Force contracts in 2019 and expects to win at least three more prime and subcontracts in 2020. AMTS expects to begin actively pursuing contracting opportunities with the US Navy and other agencies in the ship repair / maintenance and rebuilding market, primarily in Philadelphia, where our strategic partner



and Mentor, Rhoads Industries, is based. SAE will begin active operations in early 2020, pursuing federal contract work in life sciences, research/development and similar professional support service markets with Departments of Homeland Security, Defense and other federal agencies. Our strategic plan includes growing this important area of our business as it is driving long term positive revenue and profitability.

Our Real Estate and Land Management portfolio consists of three primary business lines – (1) Katlian Bay lands, (2) the Commercial Real Estate division and (3) the Real Estate Development division. With regard to Katlian Bay, in 2019, the State of Alaska began construction of the Katlian Bay Road, an extension of Halibut Point Road which will extend about 9 miles from Starrigavan Bay, will cross Shee Atiká lands (including Sealaska's subsurface that underlies Shee Atiká's lands) and State and Federal lands upon road completion. The project completion is expected in 2021. The road will provide public access from the northern end of Halibut Point Road, extending east

along the south shoreline of Katlian Bay, crossing the Katlian River, and ending four miles east of the Katlian estuary at the boundary between Shee Atiká and US Forest Service lands. This State-funded project opens up tremendous future opportunities for SAI to generate revenue from tourism-related business as well as through natural resource development. As always, SAI will pursue business lines compatible with Shareholder values, balancing subsistence and cultural activities with revenue opportunity.

Our Commercial Real Estate division continues to perform well. Our rental properties maintain a high occupancy rate historically, particularly the Colorado Springs property which is fully leased to MITRE through 2024. Lastly, our Real Estate Development division continues a steady rhythm of activity in the Sitka area on Alice and Charcoal Island. Shee Atiká is exploring strategic options to meet the needs of SEARHC (Southeast Alaska Regional Health Consortium) by expanding multi-family housing options to meet the anticipated growth requirements of the proposed SEARHC hospital.

The final payment from the US government to complete the US Forest Service's acquisition of the Cube Cove property was received in January 2020. This transaction is the culmination of many years of hard work and diligence. Shee Atiká has a much stronger financial foundation as a result of this project and will look to appropriately invest these assets to grow our company for future generations. This transaction has greatly improved Shee Atiká's overall financial condition.

Our third core business line, SAFE/SAIL Investment Portfolio Management, finished 2019 in reasonable fashion. The advisory-managed funds are conservatively invested and weighted heavily to income yield. Markets have changed dramatically

in early 2020, experiencing volatility not seen globally for many, many decades. SAFE/SAIL investments have generally held up well and performed better when compared with the major market indices.

There remains much to be done financially. We will continue to fine-tune our operations to perform more effectively and efficiently. We will continue to look for appropriate opportunities for revenue/profitability growth, both in existing markets and in new ones.

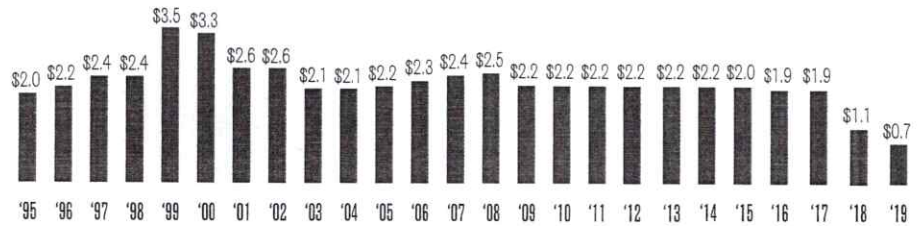
I want to thank all of you for the warm welcome received and the support the Board of Directors, SAI employees and myself continue to receive. I am very optimistic for the future success of our corporation in 2020 and for many years to come.

Respectfully yours,

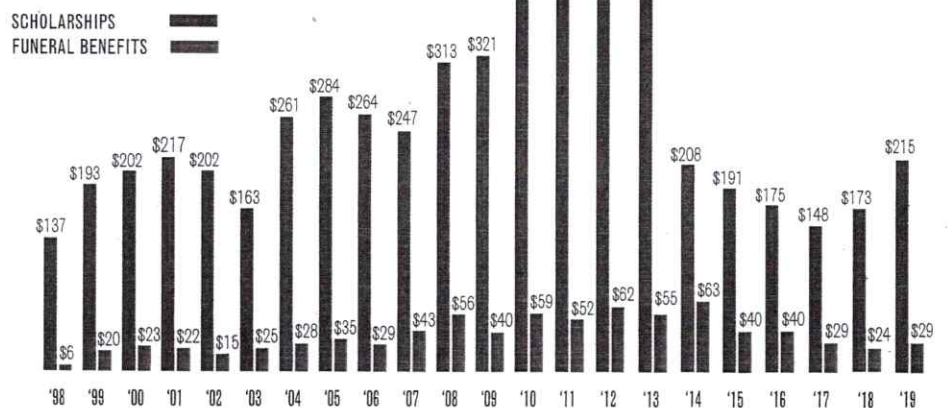


Karl Potts

SHEE ATIKÁ DISTRIBUTIONS • ALL YEARS (\$MILLIONS)
73.2 MILLION (\$39,545 per 100 shares)



SCHOLARSHIPS & FUNERAL BENEFITS • ALL YEARS (\$THOUSANDS)
SCHOLARSHIPS - \$6.2 MILLION
FUNERAL BENEFITS - \$818,000





2019 ANNUAL REPORT
SHEE ATIKÁ STAFF



Left to Right:
 Karl Potts, President/CEO
 Ptarmica McConnell, Chief Operating Officer
 Michael McHenry, Senior Vice President of Government Services
 Faleene Worrell, Senior Vice President and Vice Chairman of the Board
 Lauren Estes, Director of Human Resources and Property Administrator
 Kevin Mosher, Accountant
 Kori Lindstrom, Executive Assistant
 Haley LaDuke, Accounting Technician
 Kathy Thomas, Accounting Technician



CORPORATE INFORMATION

SENIOR MANAGEMENT

Karl Potts
 President/CEO
 Ptarmica McConnell
 Chief Operating Officer
 Michael McHenry
 Senior Vice President of
 Government Services
 Faleene Worrell
 Senior Vice President and
 Vice Chairman of the Board
 Robert Walton
 Vice President of Pricing

STAFF

Lauren Burkhart Estes
 Director of Human Resources
 Property Administrator
 Kevin Mosher
 Accountant

Kori Lindstrom
 Executive Assistant
 Haley LaDuke
 Accounting Technician
 Kathy Thomas
 Accounting Technician
 Tracy Orona
 Janitorial

CORPORATE OFFICE

315 Lincoln Street, Suite 300
 Sitka, Alaska 99835
 907-747-3534
 800-478-3534 (shareholder line)

INDEPENDENT AUDITORS

BDO USA, LLP
 601 Union Street, Ste. 2300
 Seattle, WA 98101

CORPORATE COUNSEL

Sorensen & Edwards, P.S.
 701 Fifth Avenue, Suite 3300
 Seattle, WA 98104

STOCK TRANSFERS

Shee Atiká, Incorporated
 Attn: Stock Transfers

INSPECTOR OF ELECTIONS

Sramek Hightower
 Certified Public Accountants
 2525 C Street, Suite 100
 Anchorage, AK 99503

SHEE ATIKÁ SCHOLARSHIP COMMITTEE

Nancy Douglas: Sitka, AK
 Brian James: Seattle, WA
 Katherine Staton: Eugene, OR

INDEPENDENT AUDITORS' REPORT



Board of Directors and Shareholders
Shee Atiká, Incorporated
Sitka, Alaska

We have audited the accompanying consolidated financial statements of Shee Atiká, Incorporated and Subsidiaries ("Shee Atiká"), which comprise the consolidated balance sheet as of December 31, 2019, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Shee Atiká, Incorporated and Subsidiaries as of December 31, 2019, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior-Period Financial Statements

The financial statements of Shee Atiká, Incorporated and Subsidiaries, as of and for the year ended December 31, 2018, were audited by Peterson Sullivan LLP ("PS"), whose partners and professional staff joined BDO USA, LLP as of November 1, 2019, and has subsequently ceased operations. PS expressed an unmodified opinion on those statements in their report dated March 22, 2019.

BDO USA, LLP

Seattle, Washington
March 27, 2020

CONSOLIDATED BALANCE SHEETS

December 31, 2019 and 2018

ASSETS	2019	2018
Current Assets		
Cash and cash equivalents	\$ 6,464,657	\$ 7,827,210
Accounts receivable	140,564	12,754
Income tax receivable	114,491	174,850
Prepaid expenses and other	81,883	36,872
Total Current Assets	<u>6,801,595</u>	<u>8,051,686</u>
Leased Commercial Properties, net	4,482,113	4,835,947
Property and Equipment, net	990,903	1,115,488
Cube Cove Land	198,326	198,326
Katlian Bay Land	810,000	810,000
Deferred Selling Costs Related to Cube Cove Property	1,729,981	1,577,865
Long-Term Income Tax Receivable	-	113,000
Deferred Tax Asset	1,966,000	1,584,000
Total Assets	<u>\$ 16,978,918</u>	<u>\$ 18,286,312</u>
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	\$ 522,911	\$ 388,733
Current portion of long-term debt	77,676	72,832
Deferred revenue	37,026	36,115
Total Current Liabilities	<u>637,613</u>	<u>497,680</u>
Long-Term Debt, less current portion	523,684	601,868
Total Liabilities	<u>1,161,297</u>	<u>1,099,548</u>
Equity		
Shee Atiká, Incorporated shareholders' equity		
Common stock, no par or stated value, 250,000 shares authorized:		
Class A, voting, 179,669 and 179,860 shares issued		
and outstanding for 2019 and 2018, respectively		
Class B, nonvoting, 5,531 and 5,340 shares issued		
and outstanding for 2019 and 2018, respectively		
Contributed capital	5,956,000	5,956,000
Retained earnings	9,718,305	11,025,777
Total Shee Atiká, Incorporated		
Shareholders' Equity	<u>15,674,305</u>	<u>16,981,777</u>
Noncontrolling interest	143,316	204,987
Total Equity	<u>15,817,621</u>	<u>17,186,764</u>
Total Liabilities and Equity	<u>\$ 16,978,918</u>	<u>\$ 18,286,312</u>

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended December 31, 2019 and 2018

	2019	2018
Revenue		
Administrative fees from affiliated entities	\$ 1,587,062	\$ 2,385,482
Contracts	892,950	-
Rentals from leased commercial properties	368,854	358,788
Sales of lots on Alice Island	351,298	1,004,945
Investment income	103,384	18,710
Other	54,177	16,410
Sales of Cube Cove parcels	-	4,233,238
Total Revenue	<u>3,357,725</u>	<u>8,017,573</u>
Costs and Expenses		
General and administrative	3,510,908	2,951,760
Contracts	554,870	8,562
Depreciation and amortization	312,520	337,700
Scholarship and funeral benefit payments	243,833	196,525
Costs of Alice Island Lots and direct selling costs	197,812	492,084
Other	123,683	35,841
Leased commercial properties	81,970	128,058
Interest	42,276	92,608
Contributions	10,996	19,600
Cost of Cube Cove parcels and direct selling costs	-	1,328,645
Katlian Bay project expenses	-	325,552
Total Costs and Expenses	<u>5,078,868</u>	<u>5,916,935</u>
Income (Loss) before Income Tax Expense	<u>(1,721,143)</u>	<u>2,100,638</u>
Income Tax Benefit (Expense)	382,000	(713,000)
Net Income (Loss)	<u>(1,339,143)</u>	<u>1,387,638</u>
Net Loss Attributable to Noncontrolling Interests	11,728	75,957
Net Income Attributable to Shee Atiká, Incorporated	<u>\$ (1,327,415)</u>	<u>\$ 1,463,595</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2019 and 2018

	Shee Atiká, Incorporated Shareholders' Equity					Noncontrolling Interest	Total Equity
	Shares of Common Stock Class A	Class B	Contributed Capital	Retained Earnings	Total		
Balances December 31, 2017	179,996	5,204	\$5,956,000	\$9,562,182	\$15,518,182	\$230,964	\$15,749,146
Class transfer due to change in ownership	(136)	136	-	-	-	-	-
Contributions	-	-	-	-	-	49,980	49,980
Net income (loss) for the year	-	-	-	1,463,595	1,463,595	(75,957)	1,387,638
Balances December 31, 2018	179,860	5,340	5,956,000	11,025,777	16,981,777	204,987	17,186,764
Class transfer due to change in ownership	(191)	191	-	-	-	-	-
Distribution to SABT	-	-	-	(30,000)	(30,000)	-	(30,000)
Net income (loss) for the year	-	-	-	(1,277,472)	(1,277,472)	(61,671)	(1,339,143)
Balances December 31, 2019	<u>179,669</u>	<u>5,531</u>	<u>\$ 5,956,000</u>	<u>\$9,718,305</u>	<u>\$15,674,305</u>	<u>\$143,316</u>	<u>\$15,817,621</u>

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Cash received from:		
Sales of Cube Cove parcels	\$ -	\$ 4,233,238
Sales of developed lots	351,298	1,004,945
Administrative and other fees from affiliated entities	1,587,062	2,385,482
Rentals from leased commercial properties	348,987	358,788
Contracts	785,007	-
Income taxes received	173,359	-
Interest income and other	157,561	39,999
Cash paid to/for:		
Contractors and suppliers	(2,230,359)	(2,201,304)
Salaries, including related taxes and benefits	(1,961,991)	(1,296,120)
Scholarship and funeral benefit payments	(243,833)	(196,525)
Interest	(42,276)	(92,608)
Net Cash Flows for (from) Operating Activities	<u>(1,075,185)</u>	<u>4,235,895</u>
Cash Flows for Investing Activities		
Proceeds from sale of property	-	347,424
Purchases of property and equipment	(31,912)	(115,505)
Payment for deferred selling costs related to the Cube Cove property	(152,116)	(357,514)
Net Cash Flows for Investing Activities	<u>(184,028)</u>	<u>(125,595)</u>
Cash Flows for Financing Activities		
Distribution to SABT	(30,000)	-
Net payments on loan payable to SAIL	-	(1,871,131)
Amounts received from noncontrolling interests	-	49,980
Principal repayments on long-term debt	(73,340)	(68,670)
Net Cash Flows for Financing Activities	<u>(103,340)</u>	<u>(1,889,821)</u>
Net Change in Cash and Cash Equivalents	<u>(1,362,553)</u>	<u>2,220,479</u>
Cash and Cash Equivalents, beginning of year	7,827,210	5,606,731
Cash and Cash Equivalents, end of year	<u>\$ 6,464,657</u>	<u>\$ 7,827,210</u>
Reconciliation of Net Income to		
Net Cash Flows for (from) Operating Activities		
Net income	\$ (1,339,143)	\$ 1,387,638
Adjustments to reconcile net income to net cash flows for operating activities:		
Depreciation and amortization	312,520	337,700
Cost of Cube Cove parcels sold	-	1,328,685
Cost of developed lots sold	197,812	492,084
Gain on sale of property	-	(27,565)
Deferred income tax expense (benefit)	(382,000)	803,000
Other	-	(18,799)
Changes in operating assets and liabilities:		
Income tax receivable	173,359	(115,000)
Accounts receivable	(127,810)	4,879
Prepaid expenses and other assets	(45,011)	1,929
Accounts payable, accrued expenses, and deferred revenue	135,088	41,344
Net Cash Flows for (from) Operating Activities	<u>\$ (1,075,185)</u>	<u>\$ 4,235,895</u>

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Shee Atiká, Incorporated ("Shee Atiká") is an urban corporation organized pursuant to the Alaska Native Claims Settlement Act ("ANCSA"). ANCSA also created regional corporations that represent geographic areas. Shee Atiká is located in the Sealaska Corporation region. Pursuant to ANCSA, Shee Atiká received the surface estate of approximately 23,000 acres of property located on Admiralty Island ("Cube Cove"), 3,000 acres at Katlian Bay, and 30 acres on Alice and Charcoal Islands located near Sitka, Alaska, as well as \$250,000 in cash. The subsurface estate in this land was conveyed to Sealaska Corporation under ANCSA.

Pursuant to ANCSA, 100 shares of Shee Atiká's voting common stock were issued to each Native person enrolled. Nonvoting common stock is issued to any person who acquires Shee Atiká's stock and is not a "Native" or "Descendant of a Native", within the meaning of ANCSA. Shee Atiká has 3,437 shareholders as of December 31, 2019.

Shee Atiká owned a large tract of land known as Cube Cove. The property was divided into 13 parcels in order to be sold to the U.S. Forest Service as funds became available. As discussed in Note 2, no parcels were sold in 2019 and four parcels were sold in 2018. As of December 31, 2019, there were three parcels that were unsold, but these were sold in January 2020 for approximately \$5,200,000.

In addition to Cube Cove property, Shee Atiká owns Alice Island which has been divided into various lots. Shee Atiká sold three and seven developed lots located on Alice Island during the years ended December 31, 2019 and 2018, respectively. In addition, Shee Atiká leases commercial properties that it owns, which are located in Sitka, Alaska.

The sale of developed lots is subject to geographic risks (all are located in Sitka). Commercial leasing operations are also subject to geographic risks (all activities are also in Sitka) as well as the financial viability of the lessees. Shee Atiká's service contract activities are subject to competitive factors, program continuation, and appropriate contract management.

During 2019, Shee Atiká (through its wholly owned subsidiary, Alaska Northstar Resources, LLC) started providing information technology services to the United States government (specifically, the United States Air Force) under the U.S. Small Business Administration's 8(a) Business Development Program ("Section 8(a)"). Alaska Northstar Resources, LLC ("ANR") is certified under the Section 8(a) program, and this certification gives it preference in obtaining contracts with the United States government. The services provided are discussed later in these footnotes. Shee Atiká did not have any active contracts under Section 8(a) during 2018, but did in 2019.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Shee Atiká and its wholly owned and majority owned subsidiaries. All the subsidiaries are organized as limited liability companies ("the LLCs"). All material transactions between these entities have been eliminated in the consolidation. The LLCs limit Shee Atiká's financial exposure to the amount of Shee Atiká's investment in them. Shee Atiká's various subsidiaries are summarized as follows:

- Alaska Northstar Resources, LLC ("ANR") is wholly owned with an indefinite life. ANR was formed in 2017 for the purpose of providing contract services to the United States government. As previously noted, ANR holds certification under Section 8(a). In 2019, ANR entered into a contract with the United States Air Force to perform information technology services. This contract award is for \$4.2M. ANR did not have any significant operations during the year ended December 31, 2018.
- Balanced Accounting Solutions, LLC ("BAS") is majority owned (51% interest) with an indefinite life; a related entity owns the minority interest – Shee Atiká Fund Endowment ("SAFE"). BAS was formed during 2017 to provide a wide array of accounting services to businesses primarily located in Sitka, Alaska. BAS also provides accounting services for ANR.
- Shee Atiká Holdings Alice Island LLC ("Alice Island") is wholly owned with a termination date of 2027. Alice Island owns and leases real property in Sitka, Alaska. Alice Island is also in the process of developing lots on owned property to be sold or leased. There were three and seven lots sold on Alice Island as of December 31, 2019 and 2018, respectively. There is one lot remaining for sale related to Alice Island LLC.

Note that Shee Atiká, Incorporated owns four other lots on Alice Island. In total, there were five lots remaining on Alice Island to be sold.

- Shee Atiká Holdings Lincoln Street LLC ("Lincoln Street") is wholly owned with a termination date of 2022. Lincoln Street owns and leases real property in Sitka, Alaska.
- American Marine and Technical Services, LLC ("AMTS") is majority owned (51% interest) with an indefinite life; the related entity SAFE holds a 39% interest, and an unrelated entity owns a 10% interest. AMTS holds certification under Section 8(a). AMTS was formed in 2017 for the purpose of partnering with the minority owner to provide contract services in the future. It did not have any significant operations during 2019 or 2018.
- Shee Atiká Enterprises LLC ("SAE") is majority owned (51% interest) with an indefinite life; a related entity owns the minority interest – SAFE. SAE holds certification under Section 8(a). SAE did not have any significant operations during the years ended December 31, 2019 or 2018. Management believes that SAE could be used in the future to provide services under contracts with the United States government.
- Shee Atiká Commercial Services LLC ("SACS") was majority owned (51% interest) with an indefinite life; a related entity owns the minority interest – SAFE. SACS holds certification under Section 8(a). SACS was dissolved as an entity during the year ended December 31, 2019, because its 8(a) program ended and Shee Atiká had no future plans to expand business within SACS' NAICS Code. SACS did not have any significant operations during the years ended December 31, 2019 or 2018.

Shee Atiká Languages LLC was a majority owned subsidiary that was dissolved in 2012. The effective date of dissolution of Shee Atiká Languages LLC ("SAL") was January 28, 2012. As part of the winding up of SAL under Alaska law, certain claims, rights, and causes of action of SAL were assigned to the Shee Atiká Languages, LLC Liquidating Trust ("the Liquidating Trust") in order to allow for those claims, rights, and causes of action to be pursued. Those claims, rights, and causes of action have been pursued and are now concluded.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the consolidated financial statements. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Shee Atiká considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Shee Atiká has cash and cash equivalent balances in excess of federally insured limits.

LEASED COMMERCIAL PROPERTIES/PROPERTY AND EQUIPMENT/CUBE COVE LAND/KATLIAN BAY LAND

The estimated value of the land, including structures, along with cash received under ANCSA was recorded as contributed capital. The surface resources associated with ANCSA land were not recorded based on uncertainties associated with the valuation of these resources. Other land, buildings, and equipment (including leased commercial properties) are stated at cost.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from three to seven years.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

During the year ended December 31, 2019, Shee Atiká adopted the provisions of Accounting Standards Update ("ASU") No. 2014 09 ("ASU 2014 09"), Revenue from Contracts with Customers, commonly referred to as Accounting Standards Codification Topic 606 ("ASC 606"), issued by the Financial Accounting Standards Board ("FASB"). The pronouncement was issued to clarify the principles for recognizing revenue and the core principle of the guidance is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

- Step 1: Identify the contract with the customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when the company satisfies a performance obligation

Effective January 1, 2019, Shee Atiká adopted the requirements of ASC 606 using the modified retrospective method applied only to contracts that are not completed at the date of initial application. The implementation of ASC 606 had no material impact on Shee Atiká's financial statements.

REVENUE RECOGNITION

Shee Atiká generates revenue from the sale of Cube Cove parcels, sale of lots on Alice island, administrative fees from affiliates, and contract fees for information technology ("IT") services with government agencies.

Shee Atiká owned a large tract of land known as Cube Cove. The property was divided into 13 parcels in order to be sold to the U.S. Forest Service as funds are available. Each parcel sale is considered one performance obligation as the sales price has been individually negotiated. Revenue is recognized at time of the sale closing, adequate funding has been received, and title has passed to the purchaser. Costs associated with the sale of the parcels primarily consist of legal and lobbying fees. These costs are amortized pro rata over the parcel sales.

In addition to the Cube Cove property, Shee Atiká sells lots on Alice Island. Similar to the sale of Cube Cove revenue recognition, each lot is sold individually. The sale of a lot is considered one performance obligation and the sales price of each lot is individually negotiated. Revenue is recognized at time of the sale closing, adequate funding has been received, and title has passed to the purchaser. In essence, when the control has passed to the buyer. Shee Atiká does not finance the lot sales and does not have any material expenses to obtain the contract other than standard real estate closing costs, and these costs are expensed as incurred.

Administrative fees from affiliates are charges associated with the time that management spends to run the affiliated entity operations. Revenue is recognized on a monthly basis based on time incurred in which the fees are recognized using the input method. Fees are based on budgeted time allocations reviewed for reasonableness on a regular basis. Price charged is based on actual salaries of employees and overhead expenses multiplied by time spent on the affiliate.

As previously mentioned, Alaska Northstar Resources, LLC (ANR[®]) provides IT services to the U.S. government (the United States Air Force). At December 31, 2019, ANR had entered into one contract with the United States Air Force, and it has a term of just over one year. The contract consists of various contract line items (referred to as CLINs) and each CLIN has its own fixed price (except for the CLIN for travel, which is based on costs incurred plus a fee). Each CLIN typically lasts three or four months and involves ANR staff working on site over the three or four month CLIN term. Costs are incurred relatively evenly over the term of the CLIN, so revenue is recognized ratably over the CLIN term (so revenue is recognized over time using the input method).

Accounts receivable include \$103,341 for amounts due under the contract which are contract assets. There are no contract liabilities.

Revenue is disaggregated between revenue recognized when the revenue is satisfied over time (contract revenue and administrative fees) and revenue where the performance obligation is satisfied at a point in time (Cube Cove land sales and Alice Island lot sales), and is broken out on the face of the consolidated statements of operations.

Change orders related to ANR contracts can occur and are treated as a contract modification (as opposed to a separate contract) as the change order is inherent to the original contract (and the change order does not result in additional distinct services promised to the customer but are part of the existing performance obligation). Change orders are not recognized until approved by all parties. There is no other significant variable consideration.

Revenue from rentals of leased commercial properties is recognized ratably over the life of the lease. Lease payments received in advance of the period to which they relate are deferred. Note that rental revenue is not subject to the accounting guidance of ASC 606.

INCOME TAXES

Shee Atiká accounts for income taxes under an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in Shee Atiká's consolidated financial statements or income tax returns. In estimating future tax consequences, Shee Atiká generally considers all expected future events other than enactments of changes in income tax laws or rates.

Shee Atiká reports a liability, if any, for unrecognized tax benefits resulting from uncertain income tax positions taken or expected to be taken in an income tax return. Estimated interest and penalties, if any, are recorded as a component of interest expense and other expense, respectively. No liability has been recorded for uncertain tax positions or related interest or penalties as of December 31, 2019 and 2018.

SCHOLARSHIP AND FUNERAL BENEFIT PAYMENTS

Shee Atiká recognizes benefits paid to shareholders for scholarship and funeral benefits as expenses when a shareholder has applied to receive such benefits and the related benefit application has been approved. Scholarship benefit applications are reviewed and approved by Shee Atiká's scholarship committee while funeral benefit applications are reviewed and approved by management. During the year ended December 31, 2019, Shee Atiká recognized expenses of \$243,833 related to these benefits. During the year ended December 31, 2018, Shee Atiká recognized expenses of \$196,525.

RECLASSIFICATIONS

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

SUBSEQUENT EVENTS

Shee Atiká has evaluated subsequent events through the date these consolidated financial statements were available to be issued, which was March 27, 2020.

2 CUBE COVE AND DEFERRED COSTS RELATED TO CUBE COVE

The Cube Cove property recorded on the consolidated balance sheets as of December 31, 2019 and 2018, relates to land on Admiralty Island. For several years, Shee Atiká has been in negotiations with the U.S. Forest Service to sell a portion or all of this land. No parcels were sold during the year ended December 31, 2019. During the year ended December 31, 2018, four parcels were sold for total proceeds of \$4,233,238. At December 31, 2019, there were three parcels still unsold.

In relation to the efforts to sell the land to the USFS, Shee Atiká has incurred significant legal and other professional fees that are direct and incremental to the transaction. These costs amounted to \$1,729,981 and \$1,577,865 as of December 31, 2019 and 2018, respectively, and have been capitalized and are included in deferred selling costs related to Cube Cove property on the consolidated balance sheets. As sales of Cube Cove parcels occur, Shee Atiká allocates a portion of the capitalized costs against the gross proceeds received on the sale based on a pro rata basis in proportion to the fair value of each parcel sold. These costs were recognized as a cost of the sale of the final Cube Cove parcels in 2020.

3 LEASED COMMERCIAL PROPERTIES

Leased commercial properties consist of properties that are held for lease and consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Buildings	\$ 6,168,411	\$ 6,168,411
Leasehold improvements	<u>527,739</u>	<u>590,160</u>
	6,696,150	6,758,571
Less: accumulated depreciation and amortization	<u>(3,220,790)</u>	<u>(2,927,760)</u>
	3,475,360	3,830,811
Land and land improvements	<u>1,006,753</u>	<u>1,005,136</u>
	<u>\$ 4,482,113</u>	<u>\$ 4,835,947</u>

Depreciation expense for leased commercial properties amounted to \$293,030 and \$312,386 in 2019 and 2018, respectively.

3 LEASED COMMERCIAL PROPERTIES (CONTINUED)

The commercial buildings are leased under various operating leases expiring in various years through 2024. The approximate minimum future lease payments to be received on noncancelable operating leases are as follows:

2020	\$ 332,564
2021	220,146
2022	109,436
2023	92,728
2024	95,004
	<u>\$ 849,878</u>

4 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2019	2018
Furniture and equipment	\$ 543,706	\$ 543,706
Other	173,918	173,918
	<u>717,624</u>	<u>717,624</u>
Less: accumulated depreciation	(684,385)	(664,896)
	<u>33,239</u>	<u>52,728</u>
Land (primarily land at Alice Island)	957,664	1,062,760
	<u>\$ 990,903</u>	<u>\$ 1,115,488</u>

Depreciation expense for property and equipment amounted to \$19,489 and \$25,314 in 2019 and 2018, respectively.

5 LONG-TERM DEBT

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

	2019	2018
Note payable to a bank in monthly installments of \$9,635, including interest at 6.5%; due in full May 1, 2021; secured by commercial property in Sitka, Alaska.	\$ 601,360	\$ 674,700
Less: current portion	(77,676)	(72,832)
	<u>\$ 523,684</u>	<u>\$ 601,868</u>

Principal payments on long-term debt are as follows for years ending December 31:

2020	77,676
2021	523,684
	<u>\$ 601,360</u>

At December 31, 2019 and 2018, the basis of the commercial property pledged as security for the above note was \$2,739,367 and \$2,848,134, respectively.

6 INCOME TAXES

Income taxes consist of the following for the years ended December 31:

	2019	2018
Current benefit	\$ -	\$ 90,000
Deferred Tax Benefit (Expense)	382,000	(803,000)
Income Tax Benefit (Expense)	<u>\$ 382,000</u>	<u>\$ (713,000)</u>

Shee Atiká did not receive a credit of federal alternative minimum taxes for the year ended December 31, 2019; however, it recognized a \$90,000 credit in 2018. No federal income taxes were paid in 2019 or 2018.

The significant components of the net deferred tax asset are as follows:

	2019	2018
Deferred tax assets		
Net operating loss	\$ 1,632,000	\$ 1,243,000
Deferred costs	157,000	157,000
Excess of tax basis in buildings and equipment	142,000	114,000
Accrued compensation	24,000	44,000
Other	11,000	26,000
Deferred Tax Asset	<u>\$ 1,966,000</u>	<u>\$ 1,584,000</u>

As of December 31, 2019 and 2018, Shee Atiká has federal net operating tax loss carryforwards of approximately \$5,746,000 and \$4,376,000, respectively. Shee Atiká used approximately \$2,513,000 of net operating loss carryforwards during the year ended December 31, 2018. Based on management's assessment of available positive and negative evidence that included, among other things, Shee Atiká's recent results of operations and expected future profitability (primarily related to anticipated gains resulting from the sale of the Cube Cove property), a valuation allowance was not considered necessary as of December 31, 2019 or 2018. There was no change in the valuation allowance for 2019 or 2018.

7 SETTLEMENT TRUSTS

Shee Atiká established two settlement trusts that are entities authorized by ANCSA and organized under the laws of Alaska to provide benefits to Shee Atiká's shareholders. However, the trusts are separate from Shee Atiká even though the trustees are the same people who are members of Shee Atiká's Board of Directors. The trustees are responsible for investing the assets of the trusts, determining the appropriate use of income to accomplish the trusts' primary purpose, and making distributions to unit holders who are also Shee Atiká shareholders. Further, the trusts are prohibited by ANCSA from operating a business.

The first settlement trust, Shee Atiká Fund Endowment ("SAFE"), was established to maintain assets and pay distributions from its income to SAFE's beneficiaries. SAFE has net assets of approximately \$40 million and \$39 million at December 31, 2019 and 2018, respectively.

The second settlement trust, Shee Atiká Benefits Trust ("SABT"), was established to provide scholarships and funeral benefits to Shee Atiká's shareholders who are also beneficiaries of the trust. SABT had net assets of approximately \$27,000 and \$5,000 at December 31, 2019 and 2018, respectively. Shee Atiká transferred \$30,000 to SABT in 2019 to help it pay operating costs. In November 2013, the Board of Directors of Shee Atiká, Inc. decided that beginning January 1, 2014, scholarship and funeral benefits would be paid by Shee Atiká, Inc. instead of SABT. The Board of Directors of SABT is determining the future of SABT.

During 2003, Shee Atiká formed SAIL to pool cash and certain investments with the above settlement trusts. Management believed that pooling investments at SAIL permitted greater diversification, thereby reducing risk and enhancing returns. The board members of Shee Atiká are the same people who are SAIL's board members. SAFE and SABT are the only members/owners of SAIL.

8 RELATED PARTY TRANSACTIONS

Related party transactions for the years ended December 31, 2019 and 2018, are as follows:

- Shee Atiká provides administrative services to SAFE, SABT, and SAIL. In 2019 and 2018, Shee Atiká charged administrative fees of \$1,587,062 and \$2,385,482, respectively, to SAFE and SAIL. There were no administrative fees charged to SABT during 2019 or 2018.

9 401(K) PLAN

Shee Atiká sponsors a 401(k) plan for the benefit of its employees. In general, employees are eligible to participate in the plan after reaching age 21 and six months of employment. Employer contributions totaled \$27,864 and \$26,237 in 2019 and 2018, respectively.

10 CONTINGENCIES

From time to time, Shee Atiká (and its subsidiaries) may be involved in litigation. One of Shee Atiká's subsidiaries is involved with litigation regarding federal contracting from a prior year. Management intends to vigorously defend any such litigation. The ultimate outcome of such litigation and any potential range of loss currently cannot be determined, but management does not expect it to materially affect Shee Atiká's operations.

11 SUBSEQUENT EVENT

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

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



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION



To the Board of Directors and Shareholders
Shee Atiká, Incorporated
Sitka, Alaska

We have audited the consolidated financial statements of Shee Atiká, Incorporated and Subsidiaries ("Shee Atiká") as of and for the years ended December 31, 2019 and 2018, and our report thereon dated March 27, 2020, which contains an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary 2019 consolidating balance sheet and statement of operations presented in the following section of this report 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 of Shee Atiká 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 applied in the audit of the consolidated financial statements and certain additional 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. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BDO USA, LLP
Seattle, Washington
March 27, 2020

SUPPLEMENTARY INFORMATION

SUPPLEMENTAL CONSOLIDATING BALANCE SHEET December 31, 2019

	Total	Consolidating Entries	Shee Atiká Incorporated	Alaska Northstar Resources LLC
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 6,464,657	\$ -	\$ 5,060,376	\$ 866,266
Accounts receivable	140,564	(20,332)	27,955	103,341
Income tax receivable	114,491	-	114,491	-
Prepaid expenses and other	81,883	-	40,655	34,420
Total Current Assets	6,801,595	(20,332)	5,243,477	1,004,027
Leased commercial properties, net	4,482,113	-	555,367	-
Property and equipment, net	990,903	-	33,239	-
Cube Cove Land	198,326	-	198,326	-
Katlian Bay Land	810,000	-	810,000	-
Deferred selling costs related to Cube Cove Property	1,729,981	-	1,729,981	-
Deferred tax asset	1,966,000	-	1,966,000	-
Due from (to) related company	-	-	623,952	(990,366)
Equity in subsidiaries	-	(5,054,973)	5,054,973	-
Total Assets	\$ 16,978,918	\$ (5,075,305)	\$ 16,215,315	\$ 13,661
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	\$ 522,911	\$ (20,332)	\$ 320,417	\$ 173,610
Current portion of long-term debt	77,676	-	-	-
Deferred revenue	37,026	-	29,316	-
Total Current Liabilities	637,613	(20,332)	349,733	173,610
Long-term debt, less current portion	523,684	-	-	-
Total Liabilities	1,161,297	(20,332)	349,733	173,610
Equity				
Shee Atiká, Incorporated shareholders' equity:				
Contributed capital	5,956,000	(5,054,973)	5,956,000	98,145
Retained earnings (deficit)	9,718,305	-	9,909,582	(258,094)
Total Shee Atiká, Incorporated Shareholders' Equity	15,674,305	(5,054,973)	15,865,582	(159,949)
Noncontrolling interest	143,316	-	-	-
Total Equity	15,817,621	(5,054,973)	15,865,582	(159,949)
Total Liabilities and Equity	\$ 16,978,918	\$ (5,075,305)	\$ 16,215,315	\$ 13,661

SUPPLEMENTAL CONSOLIDATING STATEMENT OF OPERATIONS For the Year Ended December 31, 2019

	Total	Consolidating Entries	Shee Atiká Incorporated	Alaska Northstar Resources LLC
Revenue				
Administrative fees from affiliated entities	\$ 1,587,062	\$ (94,430)	\$ 1,681,492	\$ -
Contracts	892,950	(5,360)	-	859,131
Rentals from leased commercial properties	368,854	(100,000)	57,906	-
Sales of other Lots	351,298	-	-	-
Investment Income	103,384	-	103,384	-
Other	54,177	(62,459)	116,636	-
Total Revenue	3,357,725	(262,249)	1,959,418	859,131
Costs and Expenses				
General and administrative	3,510,908	(229,790)	3,073,406	592,215
Contracts	554,870	(20,332)	-	512,088
Sales of other Lots	197,812	-	-	-
Depreciation and amortization	312,520	-	19,489	-
Scholarship and funeral benefit payments	243,833	-	243,833	-
Other	123,683	-	123,683	-
Leased commercial properties	81,970	-	6,945	-
Interest	42,276	(12,127)	-	12,126
Contributions	10,996	-	10,200	796
Total Costs and Expenses	5,078,868	(262,249)	3,477,556	1,117,225
Income (Loss) before Income Tax Expense	(1,721,143)	-	(1,518,138)	(258,094)
Income Tax Benefit	382,000	-	382,000	-
Net Income (Loss)	(1,339,143)	-	(1,136,138)	(258,094)
Net Loss (Income) Attributable to Noncontrolling Interests	11,728	-	-	-
Net Income (Loss) Attributable to Shee Atiká, Incorporated	\$ (1,327,415)	\$ -	\$ (1,136,138)	\$ (258,094)

Balanced Accounting Solutions LLC	Shee Atika Holdings Alice Island LLC	Shee Atika Holdings Lincoln St. LLC	American Marine and Technical Services LLC	Shee Atika Enterprises LLC
\$ 155,804	\$ 206,072	\$ 20,215	\$ 75,956	\$ 79,968
4,602	13,699	11,299	-	-
360	2,008	4,440	-	-
<u>160,766</u>	<u>221,779</u>	<u>35,954</u>	<u>75,956</u>	<u>79,968</u>
-	1,187,379	2,739,367	-	-
-	957,664	-	-	-
-	-	-	-	-
-	-	-	-	-
-	241,524	125,000	(110)	-
<u>\$ 160,766</u>	<u>\$ 2,608,346</u>	<u>\$ 2,900,321</u>	<u>\$ 75,846</u>	<u>\$ 79,968</u>
\$ 20,998	\$ 11,189	\$ 13,341	\$ 3,538	\$ 150
-	7,710	77,676	-	-
<u>20,998</u>	<u>18,899</u>	<u>91,017</u>	<u>3,538</u>	<u>150</u>
-	-	523,684	-	-
<u>20,998</u>	<u>18,899</u>	<u>614,701</u>	<u>3,538</u>	<u>150</u>
70,855	2,577,474	2,218,569	48,050	41,880
427	11,973	67,051	(11,461)	(1,173)
71,282	2,589,447	2,285,620	36,589	40,707
68,486	-	-	35,719	39,111
<u>139,768</u>	<u>2,589,447</u>	<u>2,285,620</u>	<u>72,308</u>	<u>79,818</u>
<u>\$ 160,766</u>	<u>\$ 2,608,346</u>	<u>\$ 2,900,321</u>	<u>\$ 75,846</u>	<u>\$ 79,968</u>
Balanced Accounting Solutions LLC	Shee Atika Holdings Alice Island LLC	Shee Atika Holdings Lincoln St. LLC	American Marine and Technical Services LLC	Shee Atika Enterprises LLC
\$ -	\$ -	\$ -	\$ -	\$ -
39,179	-	-	-	-
-	117,827	293,121	-	-
-	351,298	-	-	-
<u>39,179</u>	<u>469,125</u>	<u>293,121</u>	<u>-</u>	<u>-</u>
-	75,077	-	-	-
38,341	197,812	-	22,473	2,300
-	184,263	108,768	-	-
-	-	-	-	-
-	-	75,025	-	-
-	-	42,277	-	-
<u>38,341</u>	<u>457,152</u>	<u>226,070</u>	<u>22,473</u>	<u>2,300</u>
838	11,973	67,051	(22,473)	(2,300)
838	11,973	67,051	(22,473)	(2,300)
(411)	-	-	11,012	1,127
<u>\$ 427</u>	<u>\$ 11,973</u>	<u>\$ 67,051</u>	<u>\$ (11,461)</u>	<u>\$ (1,173)</u>

INDEPENDENT AUDITORS' REPORT



Board of Directors and Members
Shee Atiká Investments, LLC
Sitka, Alaska

We have audited the accompanying financial statements of Shee Atiká Investments, LLC ("SAIL"), which comprise the statement of assets and members' equity as of December 31, 2019, and the related statements of revenue and expenses, and changes in members' equity (all on the modified income tax basis) for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified income tax basis of accounting described in Note 1; this includes determining that the modified income tax basis of accounting is an acceptable basis of accounting for the preparation of the financial statements in the circumstances. Management is also responsible 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 Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and members' equity of SAIL as of December 31, 2019, and its revenue, expenses, and changes in members' equity for the year then ended on the modified income tax basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of accounting SAIL uses for income tax purposes, except that it adjusts its investment portfolio to fair value (investments are valued at cost on the basis of accounting SAIL uses for income tax purposes). This is referred to as "the modified income tax basis." The purpose of using the modified income tax basis of accounting is to make the statements easier to use for SAIL's members and their unit holders. The modified income tax basis of accounting is a comprehensive 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.

Prior Period Financial Statements

The financial statements of SAIL as of and for the year ended December 31, 2018, were audited by Peterson Sullivan LLP ("PS"), whose partners and professional staff joined BDO USA, LLP as of November 1, 2019, and has subsequently ceased operations. PS expressed an unmodified opinion on those statements in accordance with the modified income tax basis of accounting described above in their report dated March 22, 2019.

BDO USA, LLP

Seattle, Washington
March 27, 2020

STATEMENTS OF ASSETS AND MEMBERS' EQUITY – MODIFIED INCOME TAX BASIS

December 31, 2019 and 2018

ASSETS	2019	2018
Investments, at fair value	\$ 33,110,954	\$ 30,461,572
Cash and cash equivalents	3,535,311	4,620,947
Dividends receivable	15,828	15,398
Accounts receivable	-	4,354
Total Assets	<u>\$ 36,662,093</u>	<u>\$ 35,102,271</u>
MEMBERS' EQUITY		
Members' Equity	<u>\$ 36,662,093</u>	<u>\$ 35,102,271</u>

STATEMENTS OF REVENUE AND EXPENSES – MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2019 and 2018

	2019	2018
Revenue		
Dividends	\$ 841,280	\$ 1,026,198
Interest	61,617	105,039
Net realized gain (loss) on sales of investments	628,987	(4,445,544)
Total Revenue	<u>1,531,884</u>	<u>(3,314,307)</u>
Expenses		
SAI administrative fees	315,559	779,529
Professional fees	21,293	80,516
Investment management and custodian fees	108,539	112,136
Other	150	6,175
Total Expenses	<u>445,541</u>	<u>978,356</u>
Taxable Income (Loss)	1,086,343	(4,292,663)
Adjustment to Fair Value of Investments	1,744,983	1,751,806
Net Income (Loss)	<u>\$ 2,831,326</u>	<u>\$ (2,540,857)</u>

STATEMENTS OF CHANGES IN MEMBERS' EQUITY – MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2019 and 2018

	2019	2018
Members' Equity, beginning of year	\$ 35,102,271	\$ 39,759,023
Net income (loss)	2,831,326	(2,540,857)
Distributions	(1,271,504)	(2,115,895)
Members' Equity, end of year	<u>\$ 36,662,093</u>	<u>\$ 35,102,271</u>

See accompanying notes to consolidated financial statements

NOTES TO FINANCIAL STATEMENTS

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Shee Atiká Investments, LLC ("SAIL") exists to pool investment activity for Shee Atiká Fund Endowment ("SAFE") and Shee Atiká Benefits Trust ("SABT") to the extent assets are transferred by these entities to SAIL. The members believe that the pooling of investments at SAIL permits greater diversification, thereby reducing risk and enhancing returns. SAIL, SAFE, and SABT are affiliated entities of Shee Atiká, Incorporated ("SAI"). The Board of Directors of SAI, the trustees of SAFE and SABT, and SAIL's Board of Directors consist of all the same people. SAIL is a limited liability company, and members' liability is limited to the amount of each member's investment in SAIL. SAIL is scheduled to terminate on December 31, 2023, but its members can vote to extend its existence.

SAI provides administrative services to SAIL. SAI charged administrative fees of \$315,559 and \$779,529 in 2019 and 2018, respectively.

BASIS OF ACCOUNTING

SAIL's policy is to prepare its financial statements on the income tax basis of accounting, except that it recognizes its investments at fair value rather than cost ("modified income tax basis"). Consequently, certain revenues are recognized when received (rather than when earned), and certain expenses are recognized when paid (rather than when the expense is incurred).

CASH AND CASH EQUIVALENTS

SAIL considers money market funds and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. SAIL has cash and investments in excess of government-sponsored insurance limits.

FAIR VALUE MEASUREMENTS

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

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

INVESTMENTS, AT FAIR VALUE

Investments in mutual funds are stated at fair value based on current market prices on active exchanges on the last trading day of the year (Level 1 inputs in aforementioned fair value hierarchy). These investment securities are traded on various United States exchanges and are subject to the market volatility in those exchanges. Certificates of deposit are stated at cost plus accrued interest.

The difference between cost and fair value of securities held at year-end represents unrealized appreciation or depreciation on investments. Realized gains and losses from securities transactions are determined on the basis of the cost of the specific securities sold and are recorded on the trade date.

INCOME TAXES

SAIL is treated as a partnership for income tax reporting purposes. As such, no liability for income taxes is included in the financial statements.

USE OF ESTIMATES

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

SUBSEQUENT EVENTS

SAIL has evaluated subsequent events through the date these financial statements were available to be issued, which was March 27, 2020.

2 INVESTMENTS

Investments consist of fixed income and equity mutual and exchange traded funds, U.S. Treasury Securities, and certificates of deposit at December 31, 2019 and 2018. See the table that follows for a summary of SAIL's investments held at December 31, 2019 and 2018.

During 2018, SAIL engaged Mesirow Financial as its investment advisor. Most investment management and custodian fees were paid to Mesirow in 2019 and 2018.



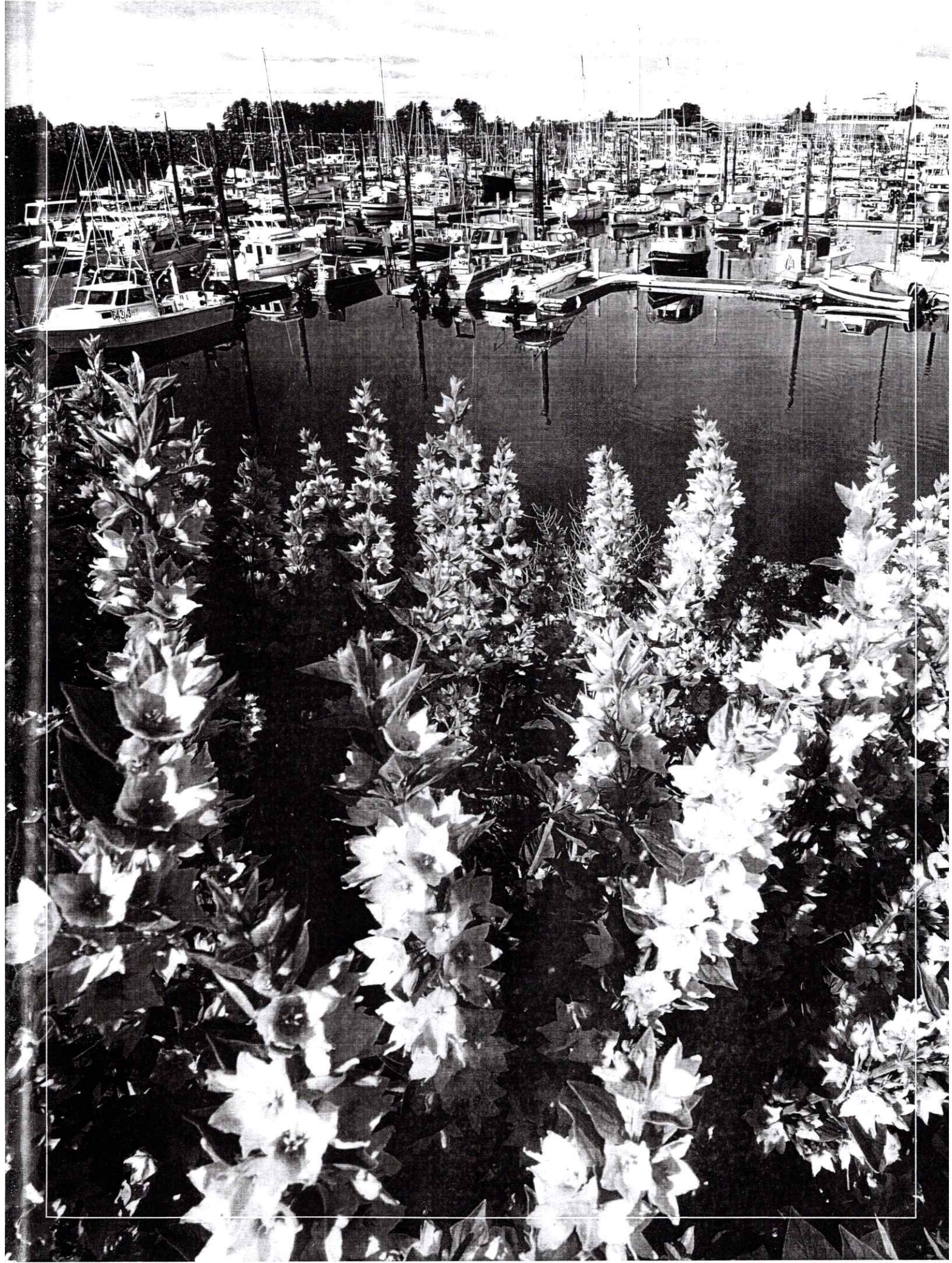
Investments are summarized in the following table at December 31:

	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Fixed Income Mutual and Exchange Traded Funds				
DFA Short-Term Extended Quality I	\$2,644,445	\$2,615,158	\$2,530,222	\$ 2,558,253
BBH Limited Duration I	2,367,348	2,346,949	2,268,490	2,277,416
Pimco Investment Grade Credit Bond Fund	2,193,729	2,111,896	1,911,751	2,027,844
DFA Five-Year Global Fixed-Income I	2,125,497	2,140,556	2,042,905	2,092,820
Doubleline Total Return Bond Fund	1,973,188	2,067,783	1,864,805	1,997,128
Templeton Global Bond Fund Class R6	1,758,741	1,931,671	-	-
Guggenheim Total Return Bond Fund	1,735,870	1,760,579	1,658,387	1,716,265
Vanguard Inflation-Protected Secs Adm	1,607,242	1,567,600	1,485,960	1,531,295
iShares TIPS Bond ETF	1,603,175	1,541,874	1,479,686	1,514,062
International Business Machines Note	504,044	494,135	498,374	494,146
Templeton Global Bond Adv	-	-	1,742,017	1,821,538
Equity Mutual and Exchange-Traded Funds				
T Rowe Price Capital Appreciation	3,040,205	2,824,782	2,226,073	2,404,903
Oakmark Equity & Income Investor	2,752,902	2,924,434	2,083,311	2,440,781
First Eagle Global Class I	2,731,138	2,775,720	2,047,945	2,378,082
FPA Crescent Fund	2,721,166	2,772,485	2,050,659	2,404,840
IVA Worldwide Fund Class I	2,597,110	2,873,275	2,074,854	2,444,692
U.S. Treasury Securities				
United States Treasury Notes	-	-	1,995,982	1,986,411
Certificates of Deposit				
Bank Leumi USA New York	252,433	249,943	-	-
Beal Bank USA Las Vegas Nevada	252,417	249,968	-	-
Bank of the Ozarks	250,304	249,943	-	-
Zions Bancorporation	-	-	250,145	249,943
Community First Bank Indiana Kokomo	-	-	250,006	249,943
	<u>\$33,110,954</u>	<u>\$33,498,751</u>	<u>\$30,461,572</u>	<u>\$32,590,362</u>

3 SUBSEQUENT EVENT

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

The pandemic has adversely affected global economic activity and greatly contributed to significant deterioration and volatility in financial markets across the world. Depending on the severity and length of the outbreak, this pandemic could present material uncertainty and risk with respect to SAIL, including its performance, the liquidity of its investments, collectibility of amounts due from others, and on its overall financial condition. The rapid development and fluidity of this situation precludes management from making a reasonable estimate as to the ultimate impact of the pandemic on SAIL's results of operations, financial condition, and liquidity for fiscal year 2020.



INDEPENDENT AUDITORS' REPORT



Board of Trustees and Unit Holders
Shee Atiká Fund Endowment
Sitka, Alaska

We have audited the accompanying financial statements of Shee Atiká Fund Endowment ("SAFE"), which comprise the statement of net assets as of December 31, 2019, and the related statements of revenue and expenses, and changes in net assets (all on the modified income tax basis) for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified income tax basis of accounting described in Note 1; this includes determining that the modified income tax basis of accounting is an acceptable basis of accounting for the preparation of the financial statements in the circumstances. Management is also responsible 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 Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of SAFE as of December 31, 2019, and its revenue, expenses, and changes in net assets for the year then ended on the modified income tax basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of accounting SAFE uses for income tax purposes, except that it adjusts its investments to fair value (investments are valued at cost on the basis of accounting SAFE uses for income tax purposes). This is referred to as "the modified income tax basis." The purpose of using the modified income tax basis of accounting is to make the statements easier to use for SAFE's unit holders. The modified income tax basis of accounting is a comprehensive 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.

Prior Period Financial Statements

The financial statements of SAFE as of and for the year ended December 31, 2018, were audited by Peterson Sullivan LLP ("PS"), whose partners and professional staff joined BDO USA, LLP as of November 1, 2019, and has subsequently ceased operations. PS expressed an unmodified opinion on those statements in accordance with the modified income tax basis of accounting described above in their report dated March 22, 2019.

BDO USA, LLP

Seattle, Washington
March 27, 2020

STATEMENTS OF NET ASSETS – MODIFIED INCOME TAX BASIS

December 31, 2019 and 2018

ASSETS	2019	2018
Investment in Shee Atiká Investments, LLC	\$ 36,657,020	\$ 35,097,583
Investment in Shee Atiká Enterprises, LLC	42,194	43,321
Investment in American Marine & Technical Services, LLC	28,200	36,965
Investment in Balanced Accounting Solutions, LLC	68,486	68,075
Investment in Shee Atiká Commercial Services, LLC	-	230
Leased commercial property, net	6,655,061	6,929,808
Cash and cash equivalents	545,959	698,297
Income tax receivable	30,184	30,184
Total Assets	<u>\$ 44,027,104</u>	<u>\$ 42,904,463</u>
LIABILITIES		
Accounts payable	\$ 2,231	\$ 134
Long-term debt	3,490,240	3,590,663
Distributions payable	275,975	298,515
Total Liabilities	<u>3,768,446</u>	<u>3,889,312</u>
Net Assets	<u>\$ 40,258,658</u>	<u>\$39,015,151</u>

STATEMENTS OF REVENUE AND EXPENSES – MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2019 and 2018

	2019	2018
Revenue		
Equity share in Shee Atiká Investments, LLC taxable income	\$ 1,086,153	\$ 137,083
Equity share in Shee Atiká Enterprises, LLC taxable loss	(1,127)	(908)
Equity share in Shee Atiká Commercial Services, LLC taxable loss	-	(2,003)
Equity share in American Marine & Technical Services, LLC taxable loss	(8,764)	(1,124)
Equity share in Balanced Accounting Solutions, LLC taxable income	411	13,412
Rentals from leased commercial property	898,706	966,789
Other income	4,623	3,327
	<u>1,980,002</u>	<u>1,116,576</u>
Expenses		
SAI administrative fees	1,271,504	1,605,953
Depreciation	274,747	293,698
Interest	159,826	159,258
Leased commercial property expenses	8,957	4,901
Professional and custodian fees	22,237	24,750
Other administrative expenses	3,166	18,618
	<u>1,740,437</u>	<u>2,107,178</u>
Taxable income (loss) and change in net assets before adjusting investments in Shee Atiká Investments, LLC to fair value	239,565	(990,602)
Adjustment to Fair Value of Investment in Shee Atiká Investments, LLC	1,744,742	(2,677,580)
Change in Net Assets	<u>\$ 1,984,307</u>	<u>\$(3,668,182)</u>

See accompanying notes to consolidated financial statements

STATEMENTS OF CHANGES IN NET ASSETS – MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2019 and 2018

	2019	2018
Change in net assets	\$ 1,984,307	\$ (3,668,182)
Distributions to unit holders	(740,800)	(1,111,200)
Total increase (decrease) in net assets	<u>1,243,507</u>	<u>(4,779,382)</u>
Net Assets, beginning of year	39,015,151	43,794,533
Net Assets, end of year	<u>\$ 40,258,658</u>	<u>\$ 39,015,151</u>

See accompanying notes to consolidated financial statements

NOTES TO FINANCIAL STATEMENTS

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Shee Atiká Fund Endowment (“SAFE”) is an irrevocable settlement trust formed by Shee Atiká, Incorporated (“SAI”) under Alaska statute. SAFE was established to maintain assets and pay distributions to unit holders who are also shareholders of SAI. Members of the Board of Directors of SAI act as the SAFE trustees.

SAFE’s Class A trust units are issued to SAI’s shareholders in direct proportion to their shares of SAI voting common stock. Class B trust units are issued to any person who acquires SAI’s shares and who is not a “Native” or a “Descendant of a Native” within the meaning of the Alaska Native Claims Settlement Act (“ANCSA”) in direct proportion to their shares of SAI nonvoting common stock. The trust units are not generally transferable. At December 31, 2019, there were 185,200 trust units (of which 179,669 were Class A and 5,531 were Class B) held by 3,437 beneficiaries.

The Settlement Trust Agreement requires that a minimum of 75% and a maximum of 100% of annual net cash income, as defined, is to be distributed to beneficiaries. The amount of distributions (\$4.00 and \$6.00 per trust unit in 2019 and 2018, respectively) is ultimately determined by the Board of Trustees but must be between the minimum and maximum amounts. The trust document calls for distributions to be made at the time or times determined by the trustees. Distributions are pro rata based on the number of trust units owned.

After the fifteenth anniversary of SAFE and each subsequent 15 year period measured from the fifteenth anniversary (the next modification date is January 4, 2023), the trustees may modify the terms of the trust agreement with unit holder approval. The modifications may include changing the percentage of net cash income that is distributed, modifying the principal distribution provisions, or terminating SAFE and distributing all principal and accrued income to the beneficiaries.

BASIS OF ACCOUNTING

SAFE’s policy is to prepare its financial statements on the income tax basis of accounting, except that it recognizes its investment in Shee Atiká Investments, LLC (“SAIL”) at fair value rather than cost (“modified income tax basis”). Consequently, certain revenues are recognized when received (rather than when earned), and certain expenses are recognized when paid (rather than when the expense is incurred).

RELATED PARTY TRANSACTIONS

For 2019, SAI charged administrative fees of \$1,271,504. For 2018, SAI charged administrative fees of \$1,605,953. SAFE paid these fees in full during both years. As noted above, expenses are generally recognized when paid.

INVESTMENT IN SHEE ATIKÁ INVESTMENTS, LLC

The investment in SAIL is stated at fair value using the net asset value ("NAV"), which is determined by management of SAIL and is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying assets (primarily investments), less any liabilities, and then divided by the number of units outstanding. There are no funding commitments to SAIL or restrictions on redemptions from SAIL.

SAIL's investments are all primarily in fixed income and equity mutual and exchange traded funds, U.S. Treasury Securities, and certificates of deposit at December 31, 2019 and 2018. See Note 2 for a summary of SAIL's investments held at December 31, 2019 and 2018.

INVESTMENT IN SHEE ATIKÁ ENTERPRISES, LLC

SAFE has a 49% ownership interest in Shee Atiká Enterprises, LLC ("SAE"). SAE holds certification under the U.S. Small Business Administration's 8(a) Business Development Program ("Section 8(a)"). SAE did not have any significant operations during the years ended December 31, 2019 or 2018. Management believes that SAE could be used in the future to provide services under contracts with the United States government. SAI owns 51% of SAE. The investment in SAE is recorded at its tax basis, which is accounted for by increasing the investment for contributions made, decreasing the investment for distributions received, and adjusting the investment for SAFE's share of taxable income or loss each year.

INVESTMENT IN AMERICAN MARINE & TECHNICAL SERVICES, LLC

SAFE has a 39% ownership interest in American Marine & Technical Services, LLC ("AMTS"). AMTS was formed in 2017 for the purpose of partnering with the minority owner to provide contract services in the future. AMTS did not have any significant operations during the years ended December 31, 2019 or 2018. SAI owns 51% of AMTS, and another entity owns 10%. The investment in AMTS is recorded at its tax basis, which is accounted for by increasing the investment for contributions made, decreasing the investment for distributions received, and adjusting the investment for SAFE's share of taxable income or loss each year.

INVESTMENT IN BALANCED ACCOUNTING SOLUTIONS, LLC

SAFE has a 49% ownership interest in Balanced Accounting Solutions, LLC ("BAS"). BAS was formed during 2017 to provide a wide array of accounting services to businesses primarily located in Sitka, Alaska. SAI owns 51% of BAS. The investment in BAS is recorded at its tax basis, which is accounted for by increasing the investment for contributions made, decreasing the investment for distributions received, and adjusting the investment for SAFE's share of taxable income or loss each year.

INVESTMENT IN SHEE ATIKÁ COMMERCIAL SERVICES, LLC

SAFE had a 49% ownership interest in Shee Atiká Commercial Services, LLC ("SACS"). SACS was dissolved as an entity during the year ended December 31, 2019. SACS did not have any significant operations during the years ended December 31, 2019 or 2018. SAI owned 51% of SACS. The investment in SACS was recorded at its tax basis, which is accounted for by increasing the investment for contributions made, decreasing the investment for distributions received, and adjusting the investment for SAFE's share of taxable income or loss each year.

LEASED COMMERCIAL PROPERTY

The leased commercial property is located in Colorado Springs, Colorado, and is stated at cost. Depreciation is provided on the straight line method and is recognized over the estimated useful lives of the assets.

Revenue from rental of leased commercial property is recognized as received. All rental revenue in both 2019 and 2018 was from one lessee.

CASH AND CASH EQUIVALENTS

SAFE considers money market funds and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. SAFE has cash balances in excess of government sponsored insurance limits.

INCOME TAXES

SAFE has elected to be taxed at a rate of 10% on taxable income (no tax on certain dividends received and currently a lower tax rate on long term capital gains) as allowed by the Internal Revenue Code. SAFE cannot carry non capital taxable losses back to previous years or forward to future years to offset taxable income. SAFE can carry capital losses realized on sales of investments forward to future years to offset capital gains (capital losses cannot be carried back to previous years). At December 31, 2019, SAFE had approximately \$12,300,000 in capital loss carryforwards available, which, under current tax law, can be carried forward indefinitely and can be used to offset future capital gains.

Because SAIL is a limited liability company, SAFE's share of its net taxable income or loss is passed through to SAFE. Also, certain partnerships and similar investments held by SAIL can require SAFE to pay state income taxes. These taxes were not significant in either 2019 or 2018.

USE OF ESTIMATES

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

SUBSEQUENT EVENTS

SAFE has evaluated subsequent events through the date these financial statements were available to be issued, which was March 27, 2020.

2 INVESTMENT IN SAIL

SAIL exists to pool investment activity of SAFE and Shee Atiká Benefits Trust ("SABT"). SABT is also a settlement trust with the same unit holders and trustees as SAFE. SAIL's Board of Directors consists of the same people who are the trustees and board members of SAFE, SAI, and SABT. SAFE's trustees believe that pooling investments at SAIL permits greater diversification, thereby reducing risk and enhancing returns. As an LLC, SAIL limits SAFE's liability exposure to the amount of the investment in SAIL. SAIL is scheduled to terminate on December 31, 2023.

A summary of SAIL's financial position and operating results is as follows as of December 31:

	2019	2018
Investments, at fair value		
Fixed income mutual and exchange-traded funds	\$ 18,513,279	\$ 17,482,597
Equity mutual and exchange-traded funds	13,842,521	10,482,842
Certificates of deposit	755,154	500,151
U.S. Treasury securities	-	1,995,982
Total investments, at fair value	33,110,954	30,461,572
Cash and cash equivalents	3,535,311	4,620,947
Other assets	15,828	19,752
Members' equity	36,662,093	35,102,271
Gain (Loss) on investment activity, including adjustment to fair value	3,276,867	(1,562,501)
Net Income (Loss)	2,831,326	(2,540,857)

SAFE's ownership interest in SAIL was 99.99% of SAIL's total equity at December 31, 2019 and 2018. At December 31, 2019 and 2018, SAFE and SABT are the only members of SAIL.

3 LEASED COMMERCIAL PROPERTY

Leased commercial property is located in Colorado Springs, Colorado, and consists of the following at December 31:

	2019	2018
Building	\$ 6,975,574	\$ 6,975,574
Land improvements	571,772	571,772
Leasehold improvements	725,264	689,899
Land	722,000	722,000
	<u>8,994,610</u>	<u>8,959,245</u>
Less: accumulated depreciation	(2,339,549)	(2,029,437)
	<u>\$ 6,655,061</u>	<u>\$ 6,929,808</u>

SAFE leases the commercial building in Colorado under a noncancelable operating lease expiring on June 30, 2024. The minimum future lease payments scheduled to be received on this noncancelable operating lease are as follows:

2020	\$ 994,176
2021	1,009,092
2022	1,024,224
2023	1,039,584
2024	523,662
	<u>\$ 4,590,738</u>

4 LONG-TERM DEBT

SAFE has a note payable to a bank due in monthly installments of \$14,034, including interest, with a final payment due on August 3, 2022. The note bears interest at the one-month LIBOR rate plus 1.9% (resulting in an interest rate of 3.44% at December 31, 2019). However, SAFE has an interest rate swap in place that effectively fixes the interest rate of the loan over its term at 4.4%. The swap has a settlement value (not in SAFE's favor) of approximately \$178 at December 31, 2019. This amount is not recognized in the financial statements under the modified income tax basis of accounting.

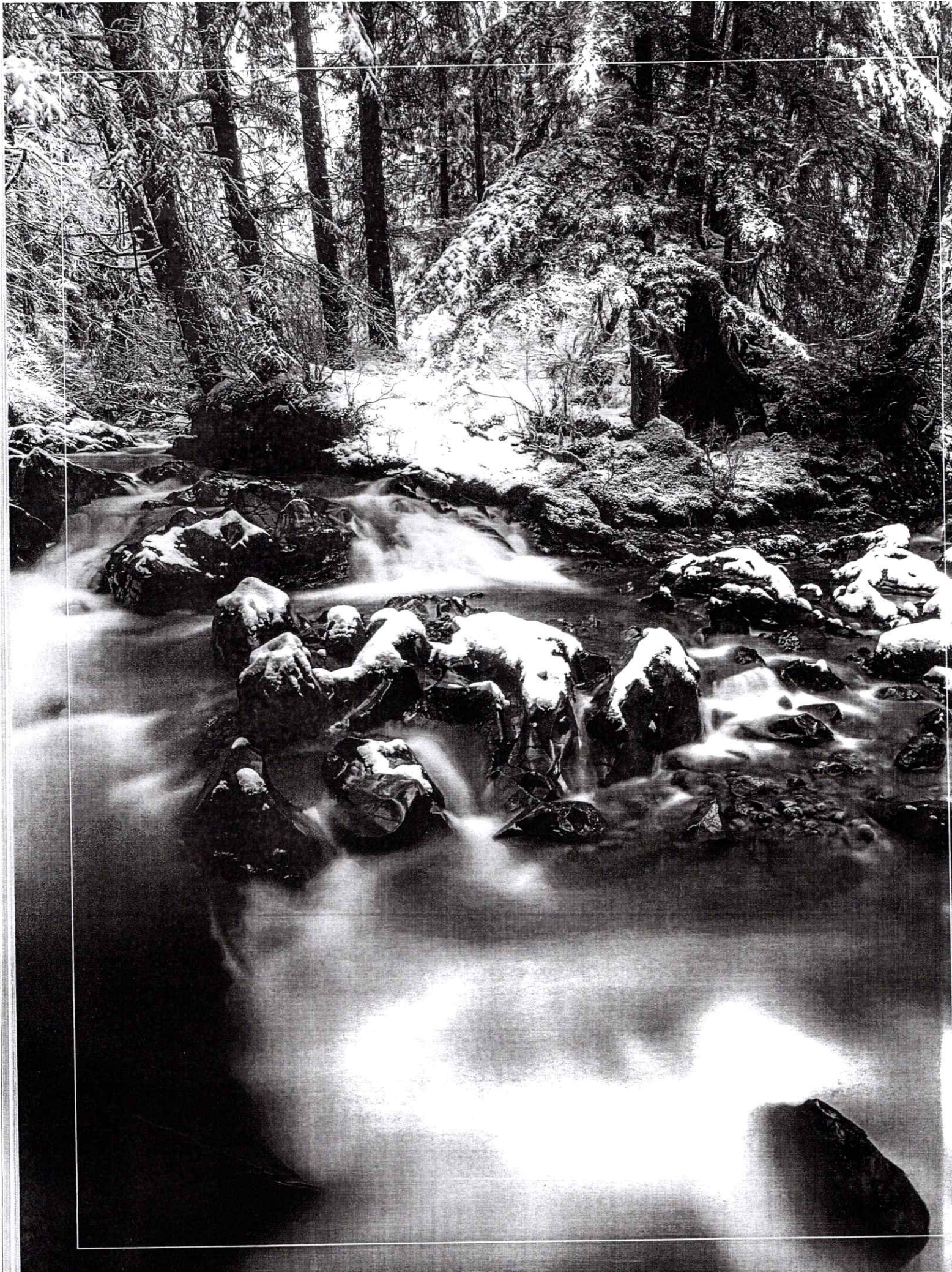
Future principal payments are as follows:

2020	\$ 104,594
2021	109,846
2022	3,275,800
	<u>\$ 3,490,240</u>

5 SUBSEQUENT EVENT

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

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



INDEPENDENT AUDITORS' REPORT



Board of Trustees and Unit Holders
Shee Atiká Benefits Trust
Sitka, Alaska

We have audited the accompanying financial statements of Shee Atiká Benefits Trust ("SABT"), which comprise the statement of net assets as of December 31, 2019, and the related statements of revenue and expenses, and changes in net assets (all on the modified income tax basis) for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified income tax basis of accounting described in Note 1; this includes determining that the modified income tax basis of accounting is an acceptable basis of accounting for the preparation of the financial statements in the circumstances. Management is also responsible 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 Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of SABT as of December 31, 2019, and its revenue, expenses, and changes in net assets for the year then ended on the modified income tax basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of accounting SABT uses for income tax purposes, except that it adjusts its investments to fair value (investments are valued at cost on the basis of accounting SABT uses for income tax purposes). This is referred to as "the modified income tax basis." The purpose of using the modified income tax basis of accounting is to make the statements easier to use for SABT's unit holders. The modified income tax basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of SABT as of and for the year ended December 31, 2018, were audited by Peterson Sullivan LLP ("PS"), whose partners and professional staff joined BDO USA, LLP as of November 1, 2019, and has subsequently ceased operations. PS expressed an unmodified opinion on those statements in accordance with the modified income tax basis of accounting described above in their report dated March 22, 2019.

BDO USA, LLP
Seattle, Washington
March 27, 2020

STATEMENTS OF NET ASSETS - MODIFIED INCOME TAX BASIS

December 31, 2019 and 2018

	2019	2018
ASSETS		
Investment in Shee Atiká Investments, LLC	\$ 5,065	\$ 4,675
Cash and cash equivalents	22,252	952
Total Assets	\$ 27,317	\$ 5,627
 LIABILITIES		
Accounts payable	\$ -	\$ 800
Total Liabilities	-	800
Net Assets	\$ 27,317	\$ 4,827

STATEMENTS OF REVENUE AND EXPENSES - MODIFIED INCOME TAX BASIS

For the Years Ended December 31, 2019 and 2018

	2019	2018
Revenue		
Equity share in Shee Atiká Investments, LLC taxable income (loss)	\$ 150	\$ (3,052)
Total Revenue	150	(3,052)
 Expenses		
Administrative expenses	7,901	8,551
Taxable loss and change in net assets before adjusting investment in Shee Atiká Investments, LLC to fair value	(7,751)	(11,603)
Adjustment to fair value of investment in Shee Atiká Investments, LLC	241	2,715
Change in Net Assets	\$ (7,510)	\$ (8,888)

See accompanying notes to consolidated financial statements

STATEMENTS OF CHANGES IN NET ASSETS - MODIFIED INCOME TAX BASIS⁹

For the Years Ended December 31, 2019 and 2018

	2019	2018
Change in Net Assets	\$ (7,510)	\$ (8,888)
Contribution from SAI	30,000	-
Total Increase In Net Assets	22,490	(8,888)
Net Assets, beginning of year	4,827	13,715
Net Assets, end of year	\$ 27,317	\$ 4,827

See accompanying notes to consolidated financial statements

NOTES TO FINANCIAL STATEMENTS

1 ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND FUTURE PLANS

Shee Atiká Benefits Trust ("SABT") is an irrevocable settlement trust formed by Shee Atiká, Incorporated ("SAI") under Alaska statute. SABT was established to provide educational and funeral benefits to unit holders who are also shareholders of SAI. Members of the Board of Directors of SAI act as the SABT trustees.

SABT's Class A trust units are issued to SAI's shareholders in direct proportion to their shares of SAI voting common stock. Class B trust units are issued to any person who acquires SAI's shares and who is not a "Native" or a "Descendant of a Native" within the meaning of the Alaska Native Claims Settlement Act ("ANCSA") in direct proportion to their shares of SAI nonvoting common stock. The trust units are not generally transferable. At December 31, 2019, there were 185,200 trust units (of which 179,669 were Class A and 5,531 were Class B) held by 3,437 beneficiaries.

The Settlement Trust Agreement allows annual distributions of up to 100% of net cash income, as defined, and up to 20% of principal, to provide educational and funeral benefits. There is no minimum required distribution.

After the tenth anniversary of SABT and each subsequent ten year period measured from the tenth anniversary (the next modification date is November 8, 2027), the trustees may modify the terms of the trust agreement with unit holder approval. The modifications may include changing the percentage of net cash income that may be used to provide benefits, modifying the principal distribution provisions, or terminating SABT and distributing all principal and accrued income to the beneficiaries.

In November 2013, the Board of Directors of SAI decided that beginning January 1, 2014, scholarship and funeral benefits would be distributed by SAI instead of SABT. The Board of Directors of SAI is determining whether SAI will fund SABT in the future in order to allow it to resume paying funeral and scholarship benefits.

BASIS OF ACCOUNTING

SABT's policy is to prepare its financial statements on the income tax basis of accounting, except that it recognizes its investment in Shee Atiká Investments, LLC ("SAIL") at fair value rather than cost ("modified income tax basis"). Consequently, certain revenues are recognized when received (rather than when earned), and certain expenses are recognized when paid (rather than when the expense is incurred).

NOTE 1, CONTINUED

RELATED PARTY TRANSACTIONS

From time to time, SAI provides administrative services to SABT. SAI did not charge SABT administrative fees for 2019 or 2018.

During 2019, SAI contributed \$30,000 to SABT.

During the year ended December 31, 2018, SAIL loaned \$800 to SABT to fund operations. This amount was payable from SABT to SAIL at December 31, 2018. No such items existed during 2019.

INVESTMENT IN SHEE ATIKÁ INVESTMENTS, LLC

The investment in SAIL is stated at fair value using the net asset value ("NAV"), which is determined by management of SAIL and is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying assets (primarily investments), less any liabilities, and then divided by the number of units outstanding. There are no funding commitments to SAIL or restrictions on redemptions from SAIL.

SAIL's investments are all primarily in fixed income and equity mutual and exchange traded funds, U.S. Treasury Securities, and certificates of deposit at December 31, 2019 and 2018. See Note 2 for a summary of SAIL's investments held at December 31, 2019 and 2018.

CASH AND CASH EQUIVALENTS

SABT considers money market funds and highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Occasionally, SABT has cash balances in excess of government sponsored insurance limits.

INCOME TAXES

SABT has elected to be taxed at a rate of 10% on taxable income (with no tax on certain dividends received and currently a lower tax rate on long term capital gains) as allowed by the Internal Revenue Code. SABT cannot carry non capital taxable losses back to previous years or forward to future years to offset taxable income. SABT can carry capital losses realized on sales of investments forward to future years to offset capital gains (capital losses cannot be carried back to previous years). At December 31, 2019, SABT had approximately \$175,000 in capital loss carryforwards available, which, under current tax law, can be carried forward indefinitely and can be used to offset future capital gains.

Because SAIL is a limited liability company, SABT's share of its taxable income or loss is passed through to SABT. Also, certain partnerships and similar investments held by SAIL can require SABT to pay state income taxes. These taxes were not significant in either 2019 or 2018.

USE OF ESTIMATES

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

SUBSEQUENT EVENTS

SABT has evaluated subsequent events through the date these financial statements were available to be issued, which was March 27, 2020.

2 INVESTMENT IN SAIL

SAIL exists to pool investment activity for SABT and Shee Atiká Fund Endowment (“SAFE”). SAFE is also a settlement trust with the same unit holders and trustees as SABT. SAIL’s Board of Directors consists of the same people who are the trustees and board members of SABT, SAI, and SAFE. SABT’s trustees believe that pooling investments at SAIL permits greater diversification, thereby reducing risk and enhancing returns. As an LLC, SAIL limits SABT’s liability exposure to the amount of the investment in SAIL. SAIL is scheduled to terminate on December 31, 2023.

A summary of SAIL’s financial position and operating results is as follows:

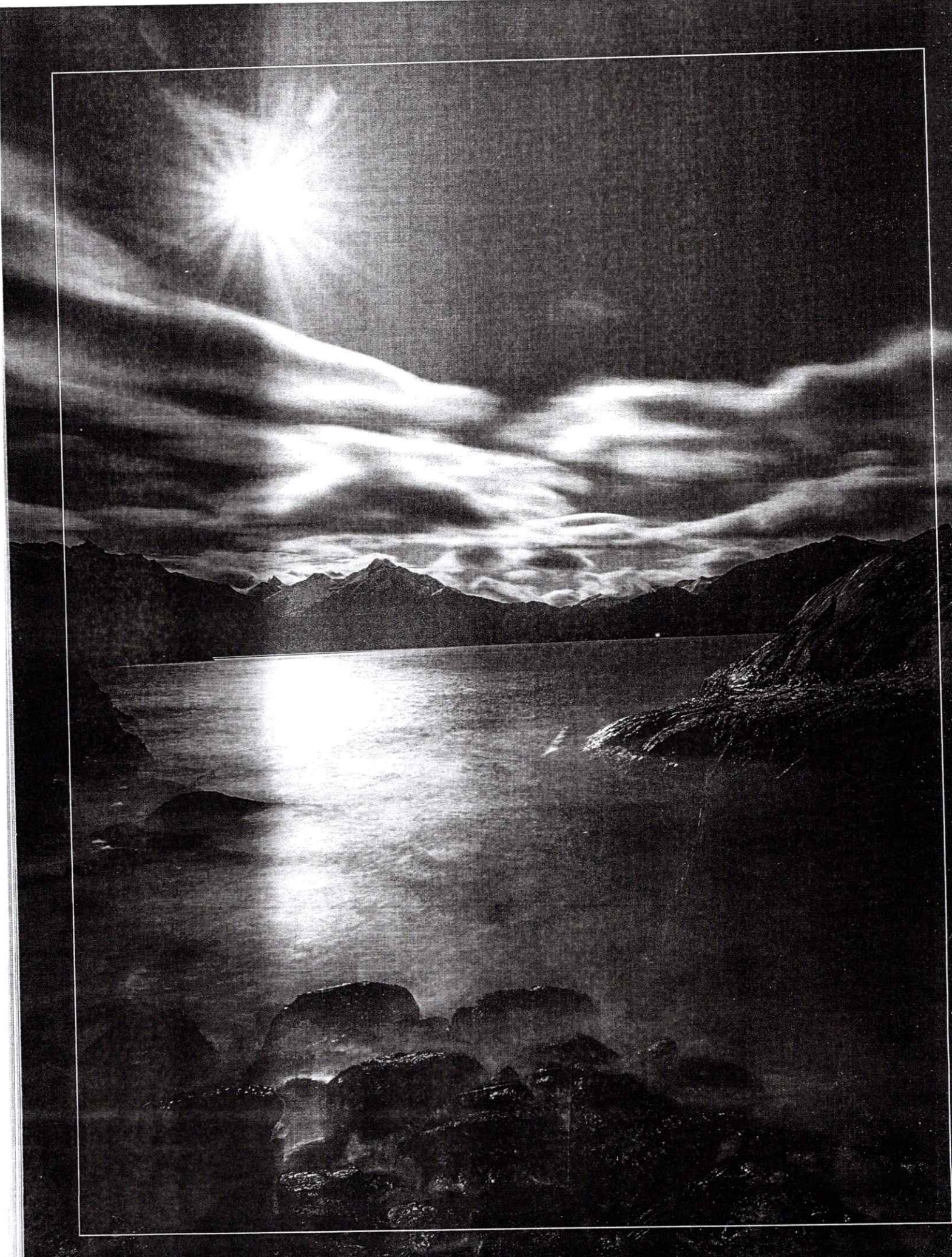
	2019	2018
Investments, at fair value		
Fixed income mutual and exchange-traded funds	\$ 18,513,279	\$ 17,482,597
Equity mutual and exchange-traded funds	13,842,521	10,482,842
Certificates of deposit	755,154	500,151
U.S. Treasury securities		1,995,982
Total Investments, at fair value	33,110,954	30,461,572
Cash and cash equivalents	3,535,311	4,620,947
Other assets	15,828	19,752
Members’ equity	36,662,093	35,102,271
Gain (loss) on investment activity, including adjustment to fair value	3,276,867	(1,562,501)
Net income (loss)	2,831,326	(2,540,857)

SABT’s ownership interest in SAIL was 0.01% of SAIL’s total equity at December 31, 2019 and 2018. At December 31, 2019 and 2018, SABT and SAFE were the only members of SAIL.

3 SUBSEQUENT EVENT

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

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



DEFINITIONS

8(a) Companies — The Small Business Administration's 8(a) Business Development Program is designed to use federal prime contracts to help minority owned companies grow, mature, and become competitive with similar firms. ANCSA corporations like Shee Atiká are eligible to qualify subsidiaries under this program. Our 8(a) companies, each a limited liability corporation (LLC), are: American Marine and Technical Services, Alaska Northstar Resources, Shee Atiká Commercial Services (SACS) and Shee Atiká Enterprises.

Class A Shareholder — a shareholder who is Alaska Native, as defined by the Alaska Native Claims Settlement Act, or their legal descendants. Only Class A shareholders can vote in ANCSA corporate elections.

Class B Shareholder — a non-Native who has inherited shares. While Class B shareholders cannot vote in ANCSA corporate elections, they receive the same benefits as Class A shareholders.

Deferred Tax Assets — Deferred tax assets are tax benefits (such as unused net operating tax losses, or NOLs) that are expected to be used in the future. Deferred tax liabilities are the result of income being recognized in the financial statements, but not yet in the tax return (such as increases in the market value of investments, where income taxes aren't paid until the investment is sold). The changes in deferred tax assets and liabilities between years are reflected in the income statement as a deferred tax benefit or a deferred tax provision.

Equity Investment — Any investment that gives the investor an ownership position in something. A share of stock is our primary example. When we purchase stock we buy an ownership share in a corporation. We buy it because we believe that its value will increase. Some stocks pay dividends and some do not.

Fixed Income Investment — Usually called a bond, which is the most common type of fixed income investment. A fixed income investment is any investment that is in the form of a loan. When a bond is purchased, the investor is loaning his money. A Treasury note, bill, or bond is a loan to the U.S. Government. A corporate bond is a loan to the corporation issuing the bond.

Federal Reserve — The central banking system of the U.S., composed of the Federal Reserve Board, the 12 Federal Reserve Banks, and the national and state member banks. Its primary purpose is to regulate the flow of money and credit in the country. The Federal Reserve's monetary policies have a powerful effect on interest rates.

Gifting Shares — an option provided through the so-called "1991 Amendments" to ANCSA that allows a shareholder to give shares to legal descendants. An amendment was necessary to allow such a transaction since shares cannot be sold, and prior to the 1991 amendments, the only way shares could be passed on to descendants was through inheritance following a death.

LLC: Limited Liability Company — A business structure that is a hybrid of a partnership and a corporation. Its owners are shielded from personal liability and all profits and losses pass directly to the owners without taxation of the entity itself. Shee Atiká's LLCs are consolidated with Shee Atiká, Incorporated for financial statement and tax reporting. The Shee Atiká President/CEO is also the Manager of the LLCs.

Money Market Fund — An investment fund with the objective to earn interest for shareholders while maintaining a net asset value of \$1 per share. Typically, cash is invested in a money market fund short-term while managers wait for the opportunity to move it into higher-yield investments.

Mutual Fund — An investment vehicle that is made up of a pool of funds collected from many investors. The pooled funds are used to purchase securities such as stocks, bonds, money market instruments and similar assets. A mutual fund is operated by money managers who make investments for the purpose of producing capital gains and income for the investors.

Net Asset Value — This is the "net worth" or the "equity value" of a trust. The net asset value is equal to the market value of all assets less the liabilities of the trust.

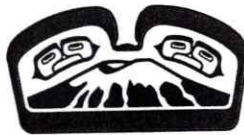
Non-controlling interest — Non-controlling interests represent the portion of the financial activity attributable to minority owners of a business. Usually, the 8(a) Companies have non-controlling interests that are highlighted when these companies are combined with their parent company (in this case, Shee Atiká, Incorporated).

Real Return Fund — A fund that preserves purchasing power by combined investments in inflation-protected instruments such as Treasury Inflation-Protected Securities (TIPS), bonds, currencies, and non-U.S. debt.

ROI: Return on Investment — Earnings from an investment expressed as a percentage of the amount invested.

S&P 500 — An index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities.

Unrealized gain or loss — These represent gains or losses in investments that are still owned. The gains or losses are not "realized" until the investment is sold.



SHEE ATIKA
Incorporated

315 LINCOLN STREET SUITE 300 SITKA, ALASKA 99835