



# **Ahtna Hwt-anene (People's) Trust**

## **Financial Statements**

**Year Ended December 31, 2016 and 2015**

**(With Independent Auditor's Report Thereon)**

# **Ahtna Hwt-anene (People's) Trust**

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## **Financial Statements**

Year Ended December 31, 2016 and 2015

(With Independent Auditor's Report Thereon)

# Ahnta Hwt'anene (People's) Trust

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## Independent Auditor's Report

Board of Directors  
Ahtna Hwt-anene (People's) Trust  
Anchorage, Alaska

We have audited the accompanying financial statements of Ahtna Hwt-anene (People's) Trust, which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of earnings and comprehensive income, changes in beneficiaries' equity and cash flows for the years 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 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 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 financial position of Ahtna Hwt-anene (People's) Trust as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*BDO USA, LLP*

Anchorage, Alaska  
April 19, 2017

## Financial Statements

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# Ahtna Hwt'anene (People's) Trust

## Balance Sheets

<i>December 31,</i>	2016	2015
<b>Assets</b>		
Deferred tax asset	\$ 10,528	\$ 17,084
Investments	3,941,137	3,291,465
<b>Total Assets</b>	<b>\$ 3,951,665</b>	<b>\$ 3,308,549</b>
<b>Liabilities and Beneficiaries' Equity</b>		
Liabilities - income tax payable	\$ 1,458	\$ 325
<b>Beneficiaries' Equity</b>		
Contributed capital	3,979,375	3,440,375
Retained deficit	(99,071)	(43,197)
Accumulated other comprehensive income (losses) - unrealized income (losses) on investment securities, net of tax	69,903	(88,954)
<b>Total Beneficiaries' Equity</b>	<b>3,950,207</b>	<b>3,308,224</b>
<b>Total Liabilities and Beneficiaries' Equity</b>	<b>\$ 3,951,665</b>	<b>\$ 3,308,549</b>

*See accompanying notes to financial statements.*

**Ahtna Hwt'anene (People's) Trust**  
**Statements of Earnings and Comprehensive Income**

<i>Year Ended December 31,</i>	2016	2015
<b>Income (Expenses) from Investment Securities</b>		
Dividends and interest income	\$ 93,843	\$ 65,961
Net realized losses from security transactions	(114,959)	(74,320)
Investment management fees	(33,085)	(41,613)
Professional fees	(6,325)	-
Administrative expense	(5,094)	-
<b>Total Income (Expenses) From Investment Securities</b>	<b>(65,620)</b>	<b>(49,972)</b>
Provision for income taxes	9,746	6,775
<b>Net Loss</b>	<b>(55,874)</b>	<b>(43,197)</b>
<b>Other Comprehensive Loss</b>		
Unrealized holding losses arising during the year	291,576	(173,258)
Less reclassification adjustment for losses included in net earnings	(114,959)	74,320
Income tax effect	(17,760)	9,984
<b>Total Other Comprehensive Gain (Loss)</b>	<b>158,857</b>	<b>(88,954)</b>
<b>Total Comprehensive Gain (Loss)</b>	<b>\$ 102,983</b>	<b>\$ (132,151)</b>

*See accompanying notes to financial statements.*

**Ahtna Hwt'anene (People's) Trust**  
**Statement of Changes in Beneficiaries' Equity**

	Contributed Capital	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Total Beneficiaries' Equity
<b>Balance, January 1, 2015</b>	\$ 1,000	\$ -	\$ -	\$ 1,000
Net loss	-	(43,197)	-	(43,197)
Contribution from Ahtna Incorporated	3,439,375	-	-	3,439,375
Other comprehensive losses	-	-	(88,954)	(88,954)
<b>Balance, December 31, 2015</b>	<b>\$ 3,440,375</b>	<b>\$ (43,197)</b>	<b>\$ (88,954)</b>	<b>\$ 3,308,224</b>
Net loss	-	(55,874)	-	(55,874)
Contribution from Ahtna Incorporated	539,000	-	-	539,000
Other comprehensive gains	-	-	158,857	158,857
<b>Balance, December 31, 2016</b>	<b>\$ 3,979,375</b>	<b>\$ (99,071)</b>	<b>\$ 69,903</b>	<b>\$ 3,950,207</b>

*See accompanying notes to financial statements.*

# Ahtna Hwt'anene (People's) Trust

## Statements of Cash Flows

<i>Year Ended December 31,</i>	2016	2015
<b>Cash Flows from Operating Activities</b>		
Net loss	\$ (55,874)	\$ (43,197)
Adjustments to reconcile net loss to net cash from operating activities:		
Net losses on sale of investments	114,959	74,320
Deferred taxes	(11,204)	(7,100)
Change in operating liabilities that provided cash - Income tax payable	1,133	325
Net cash from operating activities	49,014	24,348
<b>Cash Flows from Investing Activities</b>		
Purchases of investment securities	(1,634,797)	(4,304,036)
Proceeds from sale of investment securities	1,046,783	840,313
Net cash for investing activities	(588,014)	(3,463,723)
<b>Cash Flows from Financing Activities</b>		
Ahtna Incorporated contributions	539,000	3,439,375
Net cash from financing activities	539,000	3,439,375
Net change in cash and cash equivalents	-	-
Cash and Cash Equivalents, beginning of year	-	-
Cash and Cash Equivalents, end of year	\$ -	\$ -

*See accompanying notes to financial statements.*

# Ahtna Hwt-anene (People's) Trust

## Notes to Financial Statements

### Years Ended December 31, 2016 and 2105

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## 1. Organization and Summary of Significant Accounting Policies

### *Organization*

Ahtna Hwt-anene (People's) Trust (the Trust or Trust) is an irrevocable settlement trust established by the Ahtna, Incorporated Native Corporation (Ahtna) under Alaska Statute effective February 1, 2014. The Trust was established by Ahtna's Board of Directors to promote the long-term economic stability of the Ahtna People by providing a source of funds for regular distribution to Trust unit holders, who are also shareholders of Ahtna. Members of Ahtna's Board of Directors are appointed as Trustees of the Trust.

Ahtna was organized pursuant to the Alaska Native Claims Settlement Act (ANCSA). ANCSA, as amended, authorizes the conveyance of assets by a native corporation to a settlement trust. Trust assets are transferred from Ahtna as provided in the Trust agreement.

The Trust's unit holders are the beneficiaries of the Trust. Trust units are issued to Ahtna's shareholders in direct proportion to their shares of Ahtna voting common stock. Nonvoting trust units may be issued to any person who acquires Ahtna shares and who is not a "Native" or a "Descendant of a Native" within the meaning of ANCSA, in direct proportion to their shares of nonvoting common stock. Trust units are not generally transferable. At years ended December 31, 2016 and 2015 there were 240,670 and 237,840 Trust units and it is intended that Trust Units will accompany (and in the aggregate, be identical to) the ownership of the Ahtna Settlement Common Stock. At December 31, 2016 and 2015, there were 240,670 and 237,840 trust units (of which 237,408 and 233,888 were voting and 3,262 and 3,952 were non-voting) held by over 2,068 and 2,030 beneficiaries.

The Ahtna Hwt-anene (People's) Trust agreement allows annual distributions of net cash income to unit holders after the Trust exceeds \$10 million in investment value and at the discretion of the Trustees in accordance with the goals of the Trust agreement. The distributions are to be made pro-rata based on the number of units owned by each unit holder.

Within a 180-day period following the fifteenth anniversary of the Trust, the Trustees with an affirmative two-thirds vote may modify the provisions of the Trust with unit holder approval. The modifications may include changing the percentage of net cash income that is distributed to the unit holders, modifying the provisions for distributing asset principle balances, or terminating the Trust and distributing all principle and accrued income to the unit holders. Unless terminated, Trust provisions may be modified after each ten year anniversary after the fifteenth anniversary. Within 180-days of this and each succeeding ten year anniversary, the Trustees and unit holders may again make modifications to the Trust provisions. In no event shall the Trust ever revert to Ahtna.

Ahtna provides administrative services to the Trust. As of the years ended December 31, 2016 and 2015, the cost of these services was not charged to the Trust and does not appear on the financial statements.

### *Basis of Accounting*

The Trust prepares its financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

# Ahtna Hwt-anene (People's) Trust

## Notes to Financial Statements

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### *Fair Value Measurements*

Fair value is the market-based measurement built on assumptions that market participants would use in pricing an asset or liability. There are three levels, which prioritizes 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 the 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.

Given the narrow definition of Level 1 and the Trust's investment asset strategy, all of the Trust's investment assets are classified as Level 1. These assets include actively-traded exchange-listed equity securities and mutual funds. Unadjusted quoted prices for these securities are provided to the Trust by independent pricing services.

### *Investments*

Investments represent equity and fixed income mutual fund holdings that are measured at fair value and the change in value is included in the change in net assets. The fair value measurement of the investments held at December 31, 2016 and 2015 was determined using Level 1 observable market inputs, within the fair value hierarchy above.

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

Revenue is recorded when investment dividends, and realized gains are received. Unrealized gains (loss) are recorded when the fair value of the investments change. Net unrealized gains and losses are recorded as a component of other comprehensive income in shareholders' equity. When securities are sold, realized gains and losses are determined using the specific-identification method.

### *Cash and Cash Equivalents*

The Trust considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

### *Comprehensive Income*

Comprehensive income consists of net income or loss and net unrealized gains and losses on securities and is presented in the statements of earnings and comprehensive income.

# Ahtna Hwt-anene (People's) Trust

## Notes to Financial Statements

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### *Income Taxes*

The Trust has elected to be taxed at a rate of approximately 10% on taxable income (0% on certain dividends received and on certain taxable gains) as defined in the Internal Revenue Code. The Trust cannot carry non-capital taxable losses back to previous years or forward to future years to offset taxable income. The Trust can carry capital losses realized on sales of investments forward to future years to offset capital gains. These carry forward losses do not expire.

The Trust 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, 2016 and 2015. Tax years that remain subject to examination by federal and Alaskan authorities include the years ended December 31, 2012 and beyond.

The Trust applies the provisions of Topic 740 of the FASB Accounting Standards Codification (ASC 740) relating to accounting for uncertainty in income taxes. An uncertain tax position represents the Trust's expected treatment of a tax position taken in a filed tax return, or planned to be taken in a future tax return, that has not been reflected in measuring income tax expense for financial reporting purposes. The Trust makes a comprehensive review of its portfolio of uncertain tax positions in accordance with recognition standards established by ASC 740 and believes that it has appropriate support for the income tax positions taken and to be taken on its tax returns and that its accruals for tax liabilities are adequate for all open years based on an assessment of many factors, including past experience and interpretations of tax law applied to the facts of each matter.

For the years ended December 31, 2016 and 2015, there were no material changes to the total amount of unrecognized tax benefits. The Trust does not expect any significant increases or decreases for uncertain tax positions during the next 12 months.

### *Use of Estimates*

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

### *Reclassification*

Certain prior year amounts have been reclassified to conform with the current year presentation.

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# Ahtna Hwt-anene (People's) Trust

## Notes to Financial Statements

A summary of marketable securities at December 31, 2016 follows:

	Cost	Unrealized Gains	Unrealized Losses	Market Value
Available-for-sale securities:				
Cash and cash equivalents	\$ 263,131	\$ -	\$ -	\$ 263,131
Equity securities	1,925,323	116,576	(6,692)	2,035,207
Fixed income	1,675,003	1,691	(33,895)	1,642,799
	<u>\$ 3,863,457</u>	<u>\$ 118,267</u>	<u>\$ (40,587)</u>	<u>\$ 3,941,137</u>

A summary of marketable securities at December 31, 2015 follows:

	Cost	Unrealized Gains	Unrealized Losses	Market Value
Available-for-sale securities:				
Cash and cash equivalents	\$ 221,248	\$ -	\$ -	\$ 221,248
Equity securities	1,728,033	77,396	(143,023)	1,662,406
Fixed income	1,441,122	1,478	(34,789)	1,407,811
	<u>\$ 3,390,403</u>	<u>\$ 78,874</u>	<u>\$ (177,812)</u>	<u>\$ 3,291,465</u>

Gross realized gains on the sale of marketable securities recognized during 2016 and 2015, respectively was \$14,665 and \$77,461. Gross realized losses on the sale of marketable securities recognized during 2016 and 2015, respective was \$129,624 and \$151,781.

### 3. Contributions

Contributions of \$539,000 and \$3,439,375 were received from Ahtna Incorporated during 2016 and 2015.

### 4. Distributions

Distributions will be determined by the Trustees in a way that maximizes tax benefits for the unit holders and preserves the purchasing power of the Trust after the Trust investments have reach \$10 million in value. The Trust may not make distributions that would cause the Trusts investment fair value to be less than \$10 million upon the date of the declared distribution. Net cash income is defined as the cash income remaining after payment of all necessary and proper expenses of administration, but before the payment of any items properly allocated to Principal (including without limitation any taxes, such as income, real estate, or excise taxes), calculated on a cash accounting basis.

Distributions to shareholders are not allowed as Trust deductions, and are generally not taxable to shareholders. Trust made no distributions during 2016 and 2015.

# Ahtna Hwt-anene (People's) Trust

## Notes to Financial Statements

### 5. Income Taxes

Income tax benefit for the year ended December 31, 2016 and 2015 consisted of the following:

	2016	2015
Income tax benefit from operations	\$ 9,746	\$ 6,775
Stockholders' equity, for net unrealized losses marketable securities	(17,760)	9,984
	\$ (8,014)	\$ 16,759
Current tax expense	\$ (1,458)	\$ (325)
Deferred benefit	11,204	7,100
	\$ 9,746	\$ 6,775

The difference between the federal statutory rate of 10% and the Trust's effective rate primarily arises from permanent differences such as dividends received deduction.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at December 31, 2016 and 2015 are presented below.

	2016	2015
Capital loss carryover	\$ 18,305	\$ 7,100
Unrealized holding losses on marketable securities	(7,777)	9,984
	\$ 10,528	\$ 17,084

### 6. Other Comprehensive Loss

Accumulated other comprehensive income consists of the following at December 31, 2016 and 2015:

	2016	2015
Unrealized holding gains on marketable securities	\$ 118,267	\$ 78,874
Unrealized holding losses on marketable securities	(40,587)	(177,812)
Income tax benefit (expense)	(7,777)	9,984
<b>Total Accumulated Other Comprehensive Loss</b>	<b>\$ 69,903</b>	<b>\$ (88,954)</b>

# Ahtna Hwt-anene (People's) Trust

## Notes to Financial Statements

Changes in accumulated other comprehensive income for the year ending December 31, 2016 are as follows:

	2016	2015
Decrease in net unrealized loss	\$ 176,617	\$ (98,938)
Income tax effect	(17,760)	9,984
<b>Total Changes in Accumulated Other Comprehensive Loss</b>	<b>\$ 158,857</b>	<b>\$ (88,954)</b>

Reclassification adjustments are made to the unrealized holding gains and losses arising during the year for gains and losses realized on available-for-sale securities to avoid double counting the gains and losses in comprehensive loss. The reclassification adjustments are as follows:

<i>December 31, 2016</i>	Before Tax Amount	Tax Benefit (Expense)	Net of Tax Amount
Unrealized holding gains arising during the period	\$ 291,576	\$ (29,255)	\$ 262,321
Less - reclassification adjustment for gains realized in net income	(114,959)	11,495	(103,464)
<b>Net Unrealized Holding Loss</b>	<b>\$ 176,617</b>	<b>\$ (17,760)</b>	<b>\$ 158,857</b>

<i>December 31, 2015</i>	Before Tax Amount	Tax Benefit (Expense)	Net of Tax Amount
Unrealized holding loss arising during the period	\$ (173,258)	\$ 17,416	\$ (155,842)
Less - reclassification adjustment for losses realized in net income	74,320	(7,432)	66,888
<b>Net Unrealized Holding Loss</b>	<b>\$ (98,938)</b>	<b>\$ 9,984</b>	<b>\$ (88,954)</b>

### 7. Custodial and Investment Management Fees

The Trust utilizes Baird Financial for its custodian and investment management functions. For the years ending December 31, 2016 and 2015, respectively the combined custodian, asset management and consultant fees were 1.15% and 1.25% basis points on the fund's fair value for equities, .50% and 1.25% per annum for ETF's/Mutual Funds and .50% and .75% for fixed income investments. Total investment fees were \$33,084 and \$41,613 for the years ending December 31, 2016 and 2015.

### 8. Subsequent Events

The Trust has evaluated subsequent events through April 19, 2017, the date these financial statements were available to be issued.