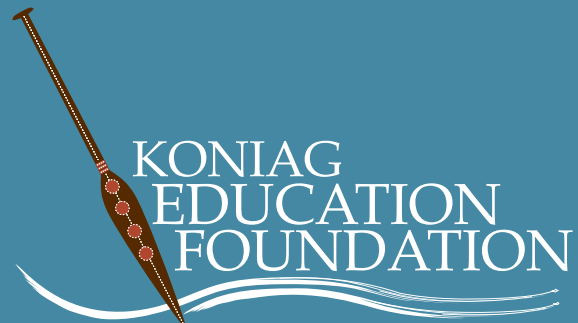


Koniag Education Foundation  
FY 2010 Annual Report



Photo Courtesy of Bruce Nelson



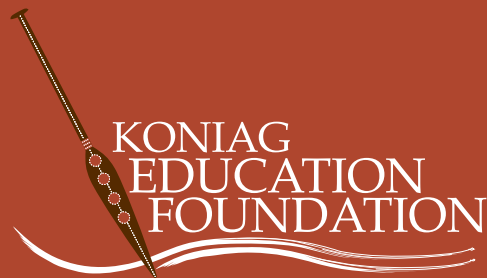
**TO HELP OUR PEOPLE ACHIEVE THEIR POTENTIAL THROUGH EDUCATION.**

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## KEF MISSION

The KEF Board of Directors continues to reaffirm the mission of KEF in all of its decision-making and long-term planning: **To help our people achieve their potential through education.** The Board also continues to look to the future with a long-term vision: **All Shareholders and descendants are educated to the level they desire.** The Board objectives have not changed: **Meet our financial needs through a growing endowment; provide ongoing support services to scholarship recipients to overcome barriers to educational goals; continue to help fund a variety of educational opportunities; and cooperate with other entities to optimize benefits to Shareholders and descendants.**

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## FY 2010—YEAR IN REVIEW

Kodiak Island is home to the great Kodiak bear, a strong salmon industry, legendary beauty and a vibrant Native culture. The Koniag Education Foundation funds and supports the education and future of the Alutiiq people and their communities.

In FY 2010, the Koniag Education Foundation (KEF) financially supported **137** Koniag Shareholders and descendants as they pursued secondary education or training that would enhance their careers. The total amount awarded in the form of scholarships or grants was **\$183,590**. Of KEF's total expenses in FY 2010 (\$539,406), student scholarships and services accounted for 88 percent (\$477,021) of our total budget as a calculation of time spent on student services and scholarships paid. KEF's general overhead decreased between FY 2009 and FY 2010, from \$110,483 to \$62,385. This decrease was due to the receipt of a Department of Education grant for Alaska Native Education. The grant supplements KEF's Student Recruitment and Retention Programs and provided funding to hire a third full-time employee.

KEF is dedicated to using our resources to enhance the success of our students, and the receipt of federal funds allowed KEF to increase the level of student

networking and support provided through our Student Mentorship program. This program pairs mentees (freshmen or sophomores) with mentors (junior or seniors) to decrease drop-out rates. When compared to statewide statistics for Alaska Native drop-out rates, KEF's students have higher-than-average rates of completion because we support our students throughout their educational careers.

KEF is growing as the number of Shareholders and descendants applying for scholarships increases.

Although most of KEF's scholarship recipients attend traditional four-year colleges, KEF also awards funding to Shareholders and descendants interested in developing their careers or moving into new fields of work. In FY 2010, KEF awarded \$28,500 in Career Development grants for career enhancement courses and certifications. The majority of these grants were for CDL and HAZWOPER certifications. Koniag, Inc. donated additional funds in FY 2010 to the Career Development category. FY 2010 is Tyan Hayes' sixth year as KEF's executive director. She is a Koniag, Inc. descendant from Kodiak Island who graduated in 2000 from the University of Alaska Anchorage with a bachelor's degree in business management.

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### *G*reetings Friends,

I am very proud to inform you that on Jan. 27, 2010, I enlisted in the U.S. Army as a geospatial engineer. I hold a degree in geography from Southern Oregon University and my application was personally approved by the Pentagon.

I will report for active duty on May 3, 2010. On that date I will go to Fort Jackson, S.C., for nine weeks of basic training.

Upon graduation, I will continue with advanced training at the National Geospatial Intelligence College at Fort Belvoir, Va., for 21 weeks. I will be learning from the best in the field and performing a most important job for our nation and troops. The efforts of so many, including you, allowed me to move with strength and determination into this new chapter of my life.

Thank you,  
Jordon Lindsey



# FISCAL YEAR 2010 BOARD AND FINANCIAL HIGHLIGHTS

- At KEF's Annual Meeting held May 14, 2009, the following individuals were appointed to the KEF Board of Directors: Tony Cange, Judy Fulp, Janissa Johnson and Steve Parsons.
- Following the Annual Meeting, the KEF Board conducted its regular quarterly Board meeting and elected the following Board executives: Ed Ward, president; Michael Pestrikoff, vice president; and Tony Cange, secretary/treasurer. At this meeting, KEF's Board also amended the previously approved FY 2010 budget to include an additional \$43,000 in scholarship funds from Koniag, Inc. The Board held a strategic planning session facilitated by Laurie Wolf, vice president of the Foraker Group. The session reconfirmed the goals of KEF for the new fiscal year: ensure financial resilience; secure organizational Board structure for efficiency and engagement; appropriately increase staff capacity as funds become available; strengthen external communications to clarify role/benefit in community; strengthen/evaluate/clarify collaborations to strengthen purpose and value; maximize scholarship programs; and determine dashboard metrics for effectiveness and efficiency.
- Prior to the August Board meeting, Roger McCracken resigned his Board seat. At the Aug. 20, 2009 Board meeting, Uwe Gross was appointed to the vacant seat. KEF is moving forward on donor partnerships with ExxonMobil and Trident Seafoods.
- In September 2009, KEF was notified of receipt of the Federal Department of Education grant award for \$700,000 over three years. KEF had hired grant writer Alisha Drabek to write the grant. Upon notice of the grant award, KEF began advertising for a student tracking coordinator and hired Koniag Shareholder Laura Galliher to fill this grant-funded position.
- The Board met on Nov. 19, 2009. Kurt Martens, KEF investment manager, presented information to the Board that endowment losses incurred in FY 2009 had been recovered and the portfolio was moving in a positive direction. The Board approved a budget revision to allow for incoming federal funds through KEF's grant award. The net effect of the budget revision increased KEF's budget for FY 2010 and decreased the amount of funds to be withdrawn from the endowment by \$28,000.
- At KEF's February 2010 Board meeting, the Board approved the budget for FY 2011.
- In FY 2010, KEF increased efforts in the Student Recruitment and Retention Program through federal funds, including collaboration with the Kodiak Island Borough School District to present information to students during the Kodiak College and Career Fair, as well as at other rural student gatherings. Iluhi and Laura launched the Student Mentorship Program for its second year in 2010 and received positive feedback from student participants. Seventy percent KEF's student population returned their student surveys, the majority of whom reported positive responses. The grant allowed for the purchase of culturally relevant materials to be mailed to students, along with study guides for the upcoming school year.
- In FY 2010, Koniag, Inc. sponsored two Angayuk (partner) Scholarship/ Internships. Peter Boskofsky and Meg Neilsen interned at Koniag subsidiaries over the summer. Upon completion of their internships, each student received \$10,000 in scholarship money for the upcoming school year. Students intern each summer to help fund their education. This program is intended to engage Koniag's students and foster involvement in the business aspects of Koniag, Inc.
- KEF operated on a limited budget during FY 2010. Expenses were reduced without compromising KEF's mission and student support program funding or cutting staff. Through federal grant funds, KEF's Student Recruitment and Retention Programs were funded 100 percent.
- In FY 2009, KEF's endowment declined by approximately 22 percent due to the downturn in the economy. In response, KEF kept its budget as tight as possible. KEF Investment Manager Leonard Martens was successful in minimizing losses and speeding asset recovery. In the attached Audited Financials, you will see KEF assets decreased

from \$5.7 million at the end of FY 2008 below the principle to \$4 million at the end of FY 2009 and rebounded to \$5.2 million by the end of FY 2010, recovering the principle and continuing to grow. The continued effectiveness of KEF's funding of student scholarships and services can be reviewed in the

## KEF DONORS

Donor support helps build strong communities and economies, thus reducing social ills such as suicide, alcoholism, domestic violence, depression, unemployment and poverty. KEF's donors are not asked to support overhead expenses or pay out scholarships; rather, they are asked to partner with KEF to help develop opportunities for students who need encouragement and support as they continue their education.

KEF's goals are to fund post-secondary education, prepare the Alutiiq people for employment and grow the endowment to offer larger, more meaningful scholarship amounts in the future for a growing number of students.

In FY 2010, KEF's largest corporate donors were Koniag, Inc., Clarus Technologies, ExxonMobil, Keybank and Alaska USA. The largest individual contributors were: Will and Jill Anderson, Chris and Nancy Johnson, Lynn and Terri Johnson, Roger and Barbra McCracken, Thomas Panamaroff, Brent and Patricia Parsons and Greg and Jill Young.

In the U.S., non-profits traditionally receive 6 percent of their funding from government sources, 14 percent from corporations and businesses and 80 percent from individuals. FY 2010 was KEF's first year to receive government funding. KEF was also the only Alaska Native Regional Education Foundation to receive government funding. That funding accounted for 22 percent of KEF's total income. In FY 2010, donations from Koniag, Inc. accounted for 34 percent of KEF's income and interest from our endowment comprised 41 percent. The remaining 3 percent was made up of other corporate and individual donations.

KEF awards all scholarships from the endowment, paying out not more than 5 percent of the value of the endowment each budgetary year. In an average year, KEF's endowment grows approximately 8 percent

supplemental audit on the final page of this report. KEF continues to offer the maximum level of support to our students by keeping our overhead as minimal as possible.

to 9 percent. As the cost of living and inflation are calculated at approximately 3 percent, KEF is able to draw from the interest of the endowment without depleting the value of the portfolio.

As a private, non-profit foundation, it is typical for the parent company to be the primary donor. Prior to FY 2010, KEF relied almost solely on donations from Koniag, Inc. for operating funds. Since receipt of federal funds for the Student Recruitment and Retention Program, KEF has a more diverse breakout of contributors.

KEF endeavors to become a stand-alone entity that is not reliant on annual donations from Koniag, Inc., but incorporates donations from its constituency base and other corporate donors to comprise a large part of its operating costs. To truly prosper, the Foundation must expand its base of individual donors and corporate contributors.

Growing KEF's donor base is a multi-faceted process. Exploring partnerships with corporate entities, pursuing federal funding and encouraging Koniag Shareholders and descendants (KEF alumni) to contribute to KEF are the areas on which the Board wishes to focus during the upcoming year. There are many student success stories; people who, through education, have improved their lives, the lives of their families and the communities in which they live. (Student success stories can be found on our website.) KEF must tell these stories and relate them to the industries and corporations interested in hiring well-educated and well-trained Alaska Natives. In FY 2010, KEF worked to get these stories out to the Pacific Seafood Processors Association, Trident Seafoods and ExxonMobil. Due to the economic downturn and uncertainty in the markets, KEF operated in a relationship-building phase with potential donors during this time period as well.

When KEF applied to the Department of Education for a federal grant for Alaska Native Education, we were not confident we would receive the grant. In fact, the Department of Education had never awarded money to an Alaska Native Regional Foundation. However, with an outline for a Student Recruitment/ Retention Program that focused on student networking and peer-to-peer mentorship, KEF stood out from the other applicants.

Since receiving the funding in September 2009, KEF has built a database and website that facilitates better tracking of students and encourages communication and discussions about topics relevant to Alaska Natives

and postsecondary education. The Student Recruitment/ Retention Program is overseen by the executive director, but it is managed in large part by members of the KEF staff, including Iluhi Schimetta, program manager; Laura Galliher, student tracking coordinator; and Christina Fisch, office/scholarship manager. KEF submitted our first annual report to the Department of Education at the end of FY 2010 and we are moving forward with the implementation of these grant-funded student support programs. Through grant funding, KEF encourages collaboration and support between students with the long-term goal of decreasing dropout rates.

## ANE GRANT EVALUATION COMMITTEE AND SUPER-MENTORS

In order for the Alaska Native Education (ANE) grant to be managed successfully, the following educators and professionals have joined to create the ANE Grant Evaluation Committee: Alisha Drabek, Judy Fulp, Dr. Charles Iliff, Dr. Gordon Pullar, Theresa Schneider and Dr. Malia Villegas. These individuals determine best practices and ensure KEF is working in the best interest of the students while fulfilling the obligations of the grant.

The Mentorship Program funded through the grant matches underclassmen (mentees) with upperclassmen (mentors) at the college level for a peer-to-peer mentorship. The program offers encouragement, support and insight from students

with more experience in the college setting to those students who are just beginning their post-secondary education. The next level of mentorship occurs with “super-mentors.” Super-mentors are individuals in their final years of college, pursuing post-graduate degrees or working in professional fields. Super-mentors offer guidance to three mentees each. KEF would like to thank those individuals who volunteered to be super-mentors in the pilot year of the Mentorship Program: Loren Anderson, Peter Boskofsky, Greg Cushing, LaRita Laktonen, Jacquelyn Madsen, Alicia Parsons, Don Poulos, John Sikes, Esther Stevens, Flora Teo and Andrea VanRavensway.

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## INTERN UPDATE

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### Peter Boskofsky

Second year student at Gonzaga University School of Law, and recipient of the Koniag Angayuk scholarship/intership.

As a recipient of the Koniag Angayuk Internship Scholarship, Peter Boskofsky will be interning with Koniag, Inc. legal advisor Bill Timme. Peter, whose father is from Afognak Island, grew up in the village of Chignik Lake.

Peter has taught English in Taiwan and Korea. Through working at the Alutiiq Museum developing its language program, he is one of the few people able to speak and teach the Alutiiq language. Peter is currently studying law at Gonzaga University and hopes to return to Alaska to work on Alaska Native issues.

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## INTERN UPDATE

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### Margaret Nielsen

Student at the George Washington University Law School, and recipient of the Koniag Angayuk scholarship/intership.

Margaret Nielsen graduated with honors from the University of Virginia. She is attending George Washington University Law School and hopes to build a career in environmental or non-profit law.

Most recently, Meg worked as an executive search research intern for Spencer Stuart in Washington, D.C. She will be interning with the Coalition for Government Procurement through Koniag subsidiary Koniag Development Corporation.

To learn more about KEF students and their stories, please visit our website at: [www.koniageducation.org](http://www.koniageducation.org).

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## KEF HISTORY AND BOARD OF DIRECTORS

The Koniag Education Foundation (KEF) Board is comprised of 11 members who volunteer their time, ideas and resources to guide and oversee the Foundation's mission and direction. The Koniag, Inc. Board of Directors created KEF as a non-profit corporation in 1993. Koniag established KEF to ensure Shareholders and descendants interested in pursuing a post-secondary education could apply for scholarships and receive careful consideration of their requests from a dedicated staff.

KEF's Board of Directors sets the direction of the Foundation. Koniag, Inc.'s Board of Directors are the voting membership of KEF, ad infinitum. The Koniag Board has also furnished at least one member to serve as a director on the Foundation's Board since its inception. Currently, Lois Fields and Michael Pestrikoff serve as both KEF and Koniag Board members.

It is important that KEF plan for future needs resulting from increasing numbers of Koniag Shareholders and descendants, as well as the increasing cost of post-secondary education. As the industries that rely on natural resources such as fishing, logging and farming become less lucrative, a post-secondary education becomes necessary to compete in the job market.

KEF's management team is dedicated to investing in the future of the Alutiiq people and the communities in which they live by building a sustainable Foundation. KEF is fortunate to have an active and dedicated Board of Directors who serve on a strictly voluntary basis and support KEF with monetary donations. The FY 2010 Board of Directors is composed of the following individuals:



*Ed Ward,  
President*

**Edward Ward** resides in Anchorage, Alaska. He is serving his third term as a KEF Board member and is the current president. Ed is the general manager for Karluk Wilderness Adventures (KWA), a wholly-owned subsidiary of Koniag, Inc. He is responsible for the launch, operation and maintenance of KWA as well as the management of facilities on Karluk Lake, Karluk River and Sturgeon River lands. Ed is a Koniag Shareholder and holds a master's degree in business administration.



*Mike Pestrikoff,  
Vice-President*

**Michael Pestrikoff** resides in Eagle River, Alaska, and has served as a KEF Board member since 2004. Mike is a Koniag, Inc. Shareholder and a member of Koniag, Inc.'s Board of Directors. He is employed by Alyeska Pipeline as a senior engineer. Mike also serves on the Board of the Alaska Native Science and Engineering Program through the University of Alaska.



*Will Anderson,  
Member*

**William Anderson, Jr.** resides in Kodiak, Alaska, and has served on the KEF Board since 1997, including a stint as president. Will has worked for companies such as Boeing and Afognak Native Corp. As the current president of Koniag, Inc., Will brings extensive business and financial experience to KEF. He is dedicated to the future of Koniag's Shareholders and descendants and works to preserve the cultural and financial well-being of the Alutiiq people. Will's family is from Afognak Island.



*Tony Cange,  
Secretary & Treasury*

**Anthony Cange** resides in Anchorage, Alaska, and began his Board membership in FY 2007. He serves as the current secretary/treasurer. A previous KEF scholarship recipient and Koniag Shareholder, Tony is president of Aleut Corp. subsidiary Aleut Real Estate, LLC. He is experienced in the areas of finances and grants and oversees lands and real estate in Adak and Anchorage.



*Lorena Skonberg,  
Member*

**Lorena Skonberg** resides in Anchorage, Alaska, and is a Koniag Shareholder. Lorena served on the Koniag Shareholder committee and benefits KEF with her understanding of Alaska Native entities through her experience working for the Alaska Native Tribal Health Consortium. Lorena's family is from the village of Ouzinkie on Kodiak Island.



*Judy Fulp,  
Member*

**Judy Fulp** resides in Kodiak, Alaska, and is a long-time resident and educator for the Kodiak Island Borough School District. She holds a master's degree in education. Judy is active in the Kodiak community, writes for the Kodiak Daily Mirror and serves on the Kodiak Borough Assembly.



*Laurie Fagnani,  
Member*

**Laurie Fagnani** resides in Anchorage, Alaska, and has been on the KEF Board since 2002. Laurie is owner and president of MSI Communications, a full-service advertising and marketing firm. Her marketing knowledge and networking expertise are valuable assets to KEF. Laurie serves on the Anchorage Convention and Visitors Bureau Board and donates many hours of her time to KEF's marketing and database work.



*Janissa Johnson,  
Member*

**Janissa Johnson** resides in Anchorage, Alaska. She grew up in the rural Kodiak village of Larsen Bay and received her bachelor's degree in business from the University of Alaska, Anchorage. Janissa is familiar with Alaska Native issues and regional Native corps., having previously worked for Koniag, KEF and Alutiiq. She currently works for Arctic Slope Regional Corp.



*Uwe Gross,  
Member*

**Uwe Gross** resides in Wickenburg, Ariz., and is in his sixth term of membership on the KEF Board. Uwe retired as Koniag, Inc.'s CEO, a position he held for 19 years. He was instrumental in rebuilding Koniag, Inc. and his leadership contributed to the establishment of KEF as a non-profit. Uwe also serves on the Board of Directors for the Wickenburg Hospital.



Lois Fields,  
Member

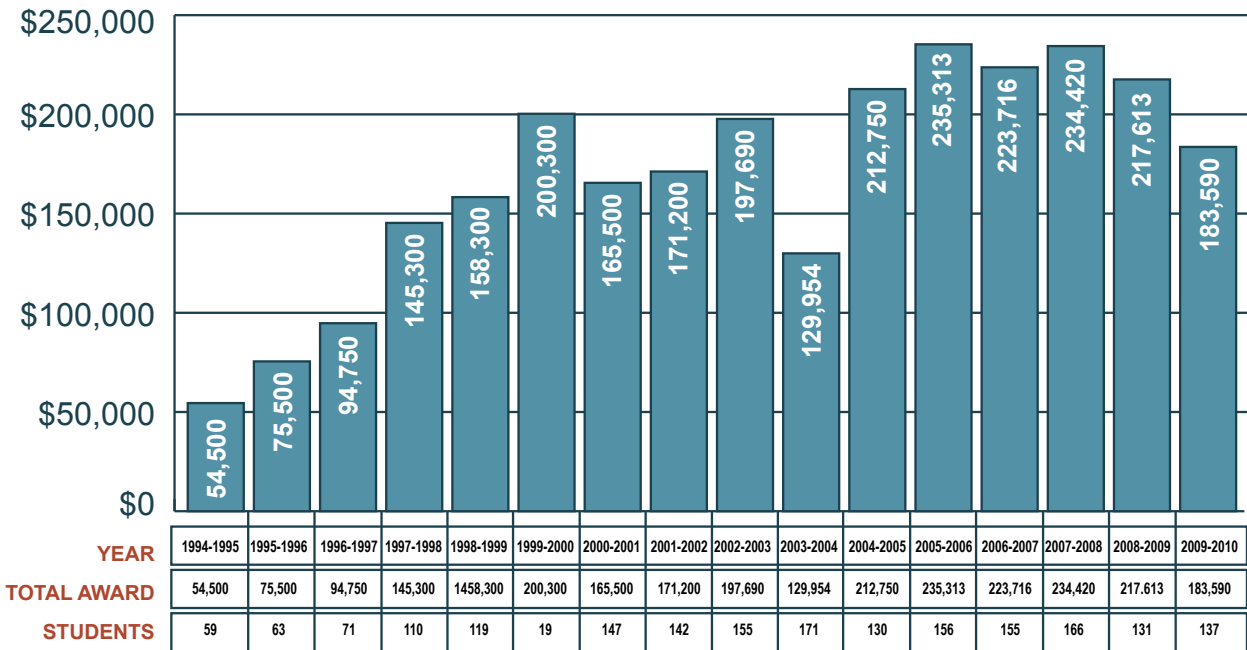
**Lois Fields** resides in Camas, Wash., and has served on the KEF board since 2008. Lois currently serves on the Koniag, Inc. Board of Directors and is an expert in the areas of linguistics and language. She has extensive experience in international trade after having worked for the U.S. Customs Service for 30 years in the area of commercial importation. Lois holds a bachelor's degree in Russian, a master's degree in Slavic linguistics and a master's degree in public administration.



Stephen Parsons,  
Member

**Stephen Parsons** resides in Fairfax, Va., and works as the senior environmental protection specialist for the Engineering and Environment Division of the Export-Import Bank of the U.S. in Washington, D.C. Steve has extensive experience working with government agencies and holds a bachelor's degree in geology science from the University of Washington. Steve's technological expertise, background in government work and passion for the Alutiiq people make him a valuable asset to KEF's Board.

## AMOUNTS AWARDED 1994-2010



### FY 2010 Graduates

- Linda Barnes, esthetician
- Charlene McDonald, nurse/anesthetist
- Annie May Peterson-Lewis, nursing
- Todd Pulis, finance
- Gordon Pullar, Jr., master's degree in rural development
- Cliff Sheehan, welding
- Malia Villegas, PhD. in culture, communities and education
- Chelsea Wilmott, nursing
- Shawn Wolkoff, medical assistant
- Meghan Woodman, kinesiology

## CURRENT STATUS OF KEF

KEF is focused on meeting the following needs:

- Provision of educational encouragement and financial support for the Alutiiq people to meet needs of differing degrees in rural and urban areas coupled with identification of employment opportunities.
- Active recruitment of students to post-secondary education coupled with peer-to-peer mentorship and student networking programs to increase student retention rates and decrease drop-out rates.
- Identification of opportunities for remote village students to identify paths of success and sources of support and funding.

Without outreach and support from KEF, many of our students would not be able to afford college, and would be unaware of the opportunities that exist for them beyond their communities.

Over the past 16 years, KEF has awarded \$2.7 million in scholarships and educational funding to Shareholders and descendants while preserving the value of our endowment. In addition to assisting students through scholarships, KEF staff allocated 88 percent of their time and effort to services for students - assisting them with their applications, answering questions and visiting campuses and villages to discuss opportunities. The dollar value of staff support of students in FY 2010, coupled with scholarship dollars, was \$477,021 from a total budget of \$539,406 - an increase over 2009 due to federal funding. This funding provides real opportunities for individuals to pursue education and obtain employment, which translates into better living and working conditions for Shareholders and descendants.

KEF operates at maximum efficiency. Each of our Board members has diverse business, education and/or marketing experience. Many are also Alaska Native Shareholders from the Kodiak region.



Because KEF has an established endowment and operates on a limited budget, financials are stable and sustainable, with an overhead to direct services ratio of 12 to 88. This means that 88 cents of every dollar donated to KEF are applied directly to scholarships and services provided to students. The calculation of time spent directly on student

benefits is comprised of: time spent with students, funding for students, student resources and supplies, and working to support students. KEF demonstrates these time distinctions through a budget breakout as illustrated in the audited financials included as a supplement in this report.

## CRITICAL SUCCESS FACTORS

- Strong leadership from an active and involved Board of Directors composed of knowledgeable, dedicated individuals and a hard-working, motivated and dedicated staff.
- Maintaining a strict use policy for the KEF endowment to provide long-term scholarships and support to an exponentially growing number of Shareholders and descendants through good decision-making regarding the growth of the endowment and withdrawals from investments.
- The continued financial support of Koniag, Inc. is essential. Koniag's annual donations are provisions of a substantial benefit to Shareholders that demonstrate a value that is not just monetary, but an investment in the future leadership and direction of the individuals and communities that Koniag pledges to support.
- Increase of the endowment to \$10 million in order to be self-sustaining, with a return of 8 percent to 10 percent.
- Development of a broad base of individual, corporate and Shareholder/alumni donors to meet the future goal of fully funding Shareholders and descendants throughout the life of their education.
- An increased focus on large, long-term donors to help grow the endowment and fund programs targeting student recruitment and retention in meaningful ways.
- A continued partnership with local and national entities who offer educational support at middle school and junior high-school levels.

KONIAG EDUCATION FOUNDATION  
Financial Statements and Supplementary Information  
Years ended March 31, 2010 and 2009



INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Koniag Education Foundation  
Anchorage, Alaska

We have audited the accompanying statements of financial position of Koniag Education Foundation (a non-profit Corporation), as of March 31, 2010 and 2009, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Koniag Education Foundation, as of March 31, 2010 and 2009, and its activities and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information included in the accompanying schedules of student programs and services is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Sramek-Hightower, CPAs*

June 22, 2010

2525 "C" Street, Suite 100 • Anchorage, Alaska 99503 • (907) 563-6722 • Fax: (907) 561-4341

KONIAG EDUCATION FOUNDATION  
 Statements of Financial Position  
 Years ended March 31, 2010 and 2009

<b>ASSETS</b>		
	<b>2010</b>	<b>2009</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 20,240	\$ 44,155
Grant receivable	29,219	-
Prepaid expense	6,430	1,584
Prepaid federal excise tax	1,308	557
<b>Total current assets</b>	<b>57,197</b>	<b>46,296</b>
Furniture and equipment, net of accumulated depreciation	11,083	6,326
Investments	5,231,976	3,911,257
	<b>\$ 5,300,256</b>	<b>\$ 3,963,879</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 26,421	\$ 2,953
Payroll taxes payable	4,154	2,452
Scholarships payable	-	5,133
<b>Total current liabilities</b>	<b>30,575</b>	<b>10,538</b>
<b>Net assets</b>		
Unrestricted	5,269,681	3,953,341
	<b>\$ 5,300,256</b>	<b>\$ 3,963,879</b>

See accompanying notes and auditors' report.

KONIAG EDUCATION FOUNDATION  
Statement of Activities  
Years ended March 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>Support and revenue</b>		
Investment income (loss), net	\$ 1,498,974	\$ (1,405,756)
Contributions, net of refunds	226,412	149,306
Grant revenue	123,085	-
Raffle and fundraising income	<u>7,275</u>	<u>21,514</u>
<b>Total support and revenues</b>	<u>1,855,746</u>	<u>(1,234,936)</u>
<b>Program services</b>		
Scholarships, net of forfeitures	183,590	217,613
Student programs and services	<u>293,431</u>	<u>157,177</u>
<b>Total program services</b>	477,021	374,790
<b>Management and general</b>		
Salaries and payroll taxes	19,727	56,473
Investment management fees	14,870	19,977
Professional fees	6,191	9,796
Donations	3,075	-
Office supplies and postage	3,054	1,971
Rent	1,767	346
Insurance	1,708	1,771
Federal excise tax	1,474	2,661
Education	1,465	439
Directors fees	1,437	566
Taxes and licenses	1,343	70
Employee benefits	1,208	6,337
Depreciation expense	923	1,100
Dues and subscriptions	860	245
Travel and seminars	752	3,216
Computer and network maintenance	750	2,475
Bank charges	613	634
Raffle prizes	572	341
Telephone	536	-
Recognition and awards	60	128
Advertising and marketing	-	1,897
Miscellaneous expense	<u>-</u>	<u>40</u>
<b>Total management and general</b>	<u>62,385</u>	<u>110,483</u>
<b>Total expenses</b>	<u>539,406</u>	<u>485,273</u>
<b>Increase (decrease) in unrestricted net assets</b>	1,316,340	(1,720,209)
<b>Unrestricted net assets, beginning of year</b>	<u>3,953,341</u>	<u>5,673,550</u>
<b>Unrestricted net assets, end of year</b>	<u>\$ 5,269,681</u>	<u>\$ 3,953,341</u>

See accompanying notes and auditors' report.

KONIAG EDUCATION FOUNDATION  
 Statements of Cash Flow  
 Years ended March 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Change in net assets	\$ 1,316,340	\$ (1,720,209)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities		
Depreciation expense	11,543	4,782
Net realized and unrealized (gains) losses on investment securities reported at fair value	(1,406,865)	1,691,831
Changes in assets and liabilities:		
Grant receivable	(29,219)	-
Prepaid expense	(4,846)	3,463
Prepaid federal excise tax	(751)	1,461
Accounts payable	23,468	(5,650)
Payroll taxes payable	1,702	(1,424)
Scholarships payable	(5,133)	441
Deposits	-	(2,500)
Net cash provided (used) by operating activities	<u>(93,761)</u>	<u>(27,805)</u>
Cash flows from investing activities		
Purchase of furniture and equipment	(16,300)	(2,825)
Proceeds from sales of long-term investment securities	476,400	881,589
Purchases of long-term investment securities	<u>(390,254)</u>	<u>(856,751)</u>
Net cash provided (used) by investing activities	<u>69,846</u>	<u>22,013</u>
Increase (decrease) in cash and cash equivalents	(23,915)	(5,792)
Cash and cash equivalents, beginning of year	<u>44,155</u>	<u>49,947</u>
Cash and cash equivalents, end of year	<u>\$ 20,240</u>	<u>\$ 44,155</u>

See accompanying notes and auditors' report.

KONIAG EDUCATION FOUNDATION  
Notes to Financial Statement  
Years ended March 31, 2010 and 2009

1. Nature of Activities and Significant Accounting Policies

This summary of significant accounting policies of Koniag Education Foundation (the Foundation) is presented to aid in understanding the Foundation's financial statements. The financial statements and notes are the representations of the Foundation's management, which is responsible for their integrity and objectivity. The accounting principles conform to accounting principles generally accepted in the United States of America.

Nature of Foundation

Koniag Education Foundation is a non-profit corporation, incorporated under the laws of the State of Alaska for the specific purpose of providing education scholarships and grants to encourage post secondary education and career development for all Alaska Natives enrolled under Section 5 of the Alaska Native Claims Settlement Act in the Koniag Region and direct or legally adopted descendants of those original enrollees. The Foundation's primary sources of revenues are investment earnings as well as donations from Koniag, Inc., businesses, and individuals.

Financial Statement Presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers cash equivalents to include checking accounts, savings accounts, and certificates of deposits with initial maturity of three months or less.

Depreciation

Purchased furniture and equipment are recorded at cost. Depreciation is computed over the estimated useful lives of the assets using the straight-line method for financial statement purposes. Estimated useful lives vary from five to seven years.

Concentration of Contributions

During the years ended March 31, 2010 and 2009, the Foundation received cash contributions from Koniag, Inc. totaling \$188,200 and \$120,551, respectively

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Investments

Investments in marketable securities are stated at fair value. All gains and investment income are unrestricted. In accordance with Internal Revenue Service regulations, the Foundation is generally required to distribute at least 5% of its investable assets each year. After considering the long-term expected return on its investment assets and the possible effect of inflation, the Foundation's Board of Directors has established a policy of spending only the required 5% on investable assets annually. The Foundation expects that spending policy to allow its investments to grow at a nominal average rate of 4% annually, which is consistent with the Foundation's objective to maintain the purchasing power of the investment assets as well as to provide additional real growth through investment return.

See auditors' report.

KONIAG EDUCATION FOUNDATION  
Notes to Financial Statement  
Years ended March 31, 2010 and 2009

1. Nature of Activities and Significant Accounting Policies, Continued

Investments, Continued

The Foundation's investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Funds are invested in a well diversified asset mix, which includes primarily of mutual funds, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Therefore, the Foundation expects its investment assets, over time, to produce an average rate of return of approximately 9% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total investment portfolio; investment assets and allocation between asset classes and strategies are managed not to expose the fund to unacceptable levels of risk.

Scholarships Payable

Scholarships payable represents conditional grants that have been expensed and considered payable in the period the conditions are substantially satisfied.

Income Tax Status

The Foundation is exempt from federal income taxes and classified as a private foundation under Section 50 of the Internal Revenue Code (IRC). It is subject to a 2 percent (1 percent if certain requirements are met) federal excise tax on net investment income, including realized gains, as defined by the IRC. The Foundation's Form 990-PF, Federal Return of Private Foundation, for 2006, 2007, 2008, and 2009 are subject to examination by the IRS, generally for three years after they were filed.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Fair Value Measurements

The Foundation adopted Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements (FAS 157), effective April 1, 2009. FAS 157, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Statement 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Statement 157 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Subsequent Events

Management has evaluated subsequent events through July 5, 2010, the date the financial statements were available to be issued.

See auditors' report.

KONIAG EDUCATION FOUNDATION  
Notes to Financial Statement  
Years ended March 31, 2010 and 2009

2. Grant Receivable

In August 2009, the United States Department of Education (DOE) awarded the Foundation a \$700,149 Alaska Native education grant to be applied to the expansion of the Foundation's student recruitment and retention program over a 36 month period beginning September 1, 2009. The grant is paid to the Foundation on an expense reimbursement basis. As of March 31, 2010, the amount due from the DOE totaled \$29,219.

3. Investments

The Foundation invests in premium investment grade mutual funds from companies located throughout the United States. Fair values for investments are determined by reference to quoted market prices. Fair values and unrealized gains and losses are summarized as follows:

<u>March 31, 2010</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gains (Losses)</u>
Money Market Funds	\$ 140,189	\$ 140,189	\$ -
Mutual Funds	<u>5,067,797</u>	<u>5,091,787</u>	<u>23,990</u>
	<u>\$ 5,207,986</u>	<u>\$ 5,231,976</u>	<u>\$ 23,990</u>
<u>March 31, 2009</u>			
Money Market Funds	\$ 68,847	\$ 68,847	\$ -
Mutual Funds	<u>5,260,439</u>	<u>3,842,410</u>	<u>(1,418,029)</u>
	<u>\$ 5,329,286</u>	<u>\$ 3,911,257</u>	<u>\$ (1,418,029)</u>

The following schedule summarizes the investments earnings and its classification in the statement of activities for the year ended:

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 163,434	\$ 286,075
Net realized and unrealized gains (losses)	<u>1,335,522</u>	<u>(1,691,831)</u>
Total unrestricted investment earnings (losses)	<u>\$ 1,498,956</u>	<u>\$ (1,405,756)</u>

4. Furniture and Equipment

At March 31, 2010 and 2009, furniture and equipment consists of the following:

	<u>2010</u>	<u>2009</u>
Office equipment	\$ 43,671	\$ 27,372
Less accumulated depreciation	<u>(32,588)</u>	<u>(21,046)</u>
	<u>\$ 11,083</u>	<u>\$ 6,326</u>

See auditors' report.

KONIAG EDUCATION FOUNDATION  
Notes to Financial Statement  
Years ended March 31, 2010 and 2009

5. Concentrations of Credit Risk

During the years ended March 31, 2010 and 2009, the Foundation may have had money deposited with financial institutions which exceed the Federal Deposit Insurance Corporation's insurance limits of \$100,000 to \$250,000.

6. Operating Lease

The Foundation leases office space under a sublease that expires March 31, 2011. Monthly lease payments total \$2,128. Rent expense for the year ended March 31, 2010 and 2009 totaled \$22,084 and \$6,924, respectively.

7. Fair Value Measurements

The following table presents the carrying amounts and estimated fair values of the Foundation's financial instruments at March 31, 2010 and 2009. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties:

	Carrying Amount	Fair Value
<u>March 31, 2010</u>		
<u>Financial assets:</u>		
Cash and cash equivalents	\$ 20,240	\$ 20,240
Grant receivable	\$ 29,219	\$ 29,219
Investments	\$ 5,231,976	\$ 5,231,976
<u>Financial liabilities:</u>		
Accounts payable	\$ 26,421	\$ 26,421
Payroll taxes payable	\$ 4,154	\$ 4,154
<u>March 31, 2009</u>		
<u>Financial assets:</u>		
Cash and cash equivalents	\$ 44,155	\$ 44,155
Investments	\$ 3,911,257	\$ 3,911,257
<u>Financial liabilities:</u>		
Accounts payable	\$ 2,953	\$ 2,953
Payroll taxes payable	\$ 2,452	\$ 2,452
Scholarships payable	\$ 5,133	\$ 5,133

The carrying amounts shown in the table are included in the financial statements under the indicated captions. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- *Cash and cash equivalents, grant receivable, accounts payable, payroll taxes payable, and scholarships payable:* The carrying amounts approximate fair value because of the short duration of these instruments.

See auditors' report.

KONIAG EDUCATION FOUNDATION  
Notes to Financial Statement  
Years ended March 31, 2010 and 2009

7. Fair Value Measurements, Continued

- *Investments:* The fair values of securities are based on quoted market prices at the reporting date for those or similar investments.

The Foundation adopted Statement 157 on April 1, 2009, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Statement 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobserved inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The following table sets forth the balances of investments measured at fair value on a recurring basis at March 31, 2010:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments	\$ 5,231,976	-	-	\$ 5,231,976

8. Unrestricted Net Assets

There are no donor restrictions on the Foundation's net assets. However, at March 31, 2010 and 2009, the Foundation's directors have chosen to designate unrestricted net assets for educational purposes.

See auditors' report.

KONIAG EDUCATION FOUNDATION  
 Supplementary Information  
 Schedules of Students Program and Services  
 Years Ended March 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Salaries and payroll taxes	\$ 146,431	\$ 84,709
Advertising and marketing	24,172	1,897
Professional fees	22,168	12,602
Student development and resources	21,068	-
Rent	20,317	6,578
Employee benefits	13,893	2,716
Computer and network maintenance	13,545	8,288
Depreciation expense	10,619	3,682
Travel and seminars	8,351	10,767
Telephone	6,160	5,927
Office supplies and postage	5,401	6,599
Insurance	1,246	1,147
Recognition and awards	60	429
Fundraising expense	-	6,210
Directors fees	-	1,894
Education	-	1,470
Raffle prizes	-	1,142
Dues and subscriptions	-	820
Miscellaneous expense	-	300
	<u>\$ 293,431</u>	<u>\$ 157,177</u>

**See accompanying notes and auditors' report.**

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**KONIAG EDUCATION FOUNDATION  
BOARD OF DIRECTORS - ENDING FY 2009**

Edward Ward—President Executive, Committee & Ex-Officio on all Committees

Michael Pestrikoff—Vice President, Executive & Policy/Bylaw Committees

Anthony Cange—Secretary/Treasurer, Executive & Finance Committees

William Anderson, Jr., Finance & Policy/Bylaw Committees

Laurie Fagnani, Development & Nominating Committees

Lois Fields, Scholarship & Development Committees

Judy Fulp, Nominating & Scholarship Committees

Uwe Gross, Finance & Audit Committees

Janissa Johnson, Audit & Policy/Bylaw Committees

Stephen Parsons, Scholarship & Development Committees

Lorena Skonberg, Audit & Nominating Committees

**DEVELOPMENT COMMITTEE MEMBERS**

Roger McCracken—McCracken Properties

Don Poulos—ICRC Solutions

Jerome Selby—Kodiak Island Borough Mayor

**STAFF**

Tyan Hayes, Executive Director

Iluhi Schimetka, Program Manager

Laura Galliher, Student Tracking Coordinator

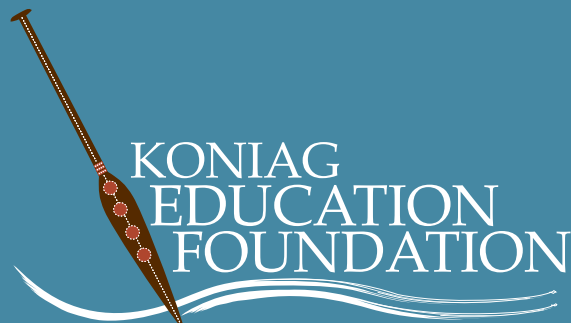
Chris Fisch, Scholarship and Office Manager

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Koniag Education Foundation  
FY 2010 Annual Report

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TO HELP OUR PEOPLE ACHIEVE THEIR POTENTIAL THROUGH EDUCATION.