

# Coastal Villages Region Fund

Pollock Provides



2008 Annual Report



# Financial Overview

## Notes

**Auditor:** KPMG LLP prepared the audited report upon which the financial information presented in this annual report is based.

**Compensation to Key CVRF Employees:** The CVRF Board of Directors continues to set aggressive goals and objectives for CVRF and therefore seeks to hire, retain, and motivate the highest caliber employees at every level of operation. In 2008, the top five highest paid employees earned the following in salary: Executive Director Morgen Crow (\$375,000), Fisheries Manager Joe Hall (\$210,000), Operations Director Trevor McCabe (\$183,000), Investments Director Richard Monroe (\$151,000), and Finance Director Larry Warner (\$135,000). A total of \$529,000 was also paid by CVRF subsidiary Sea Boats Crab LLC to Kris Poulsen and Associates, LLC (Kristian E. Poulsen and Edward Poulsen) to manage crab vessels and crab quota. The Board follows Rebuttable Presumption of Reasonableness guidelines in determining the compensation for its Executive Director, a process which includes comparisons with compensation levels at other similar companies. In 2008, the CVRF Board unanimously approved an annual bonus for Executive Director Morgen Crow in the amount of \$350,000, in recognition of CVRF's highly successful efforts to employ region residents and deliver economic opportunity to the CVRF region, as well as its successful royalty negotiations, and its impressive continued returns on investments made by CVRF with Mr. Crow's guidance. In 2008, the following bonuses were also paid to key CVRF staff: Fisheries Manager Joe Hall (\$50,000) and Finance Director Larry Warner (\$30,000).

**Board Compensation Policy and 2008 Board Fees:** CVRF board members receive a daily stipend during meetings and an additional monthly stipend for the CVRF-related work that occurs between CVRF meetings. The CVRF Board compensation policy was adopted in June of 2004 after consultation by CVRF with independent experts and the policy stipulates that any changes must be approved by an independent body as well. The CVRF board compensation policy is consistent with Rebuttable Presumption of Reasonableness guidelines. During 2008, CVRF paid its board members a total of \$279,000 in stipends and benefits.

**Related Party Transactions:** CVRF board members disclosed the following related-party transactions in 2008:

Community	Board Member	Relations	Community	Board Member	Relations	Community	Board Member	Relations
Chefornak	Walter Tirchick	No	Kongiganak	James Lewis	No	Oscarville	Frank Berezkin	No
Chevak	Andrew Boyscout	No	Kwigillingok	Oscar Evon	No	Platinum	John Bright	No
Eek	Johnny Hawk	No	Mekoryuk	Daniel Olrun Sr.	No	Quinhagak	Wassilie Bavilla	No
	Walter Brown	No	Napakiak	Nicholas Paul	No	Scammon Bay	Homer Hunter Jr.	No
Goodnews Bay	Evan S. Evan	No		Richard Jung	No		Sanky Ulak	No
Hooper Bay	Eric Olson Sr.	No	Napaskiak	Helen Kaganak	No	Toksook Bay	Harry Tulik	No
	Edgar Hoelscher	No	Newtok	Peter John	No	Tuntutuliak	Gabriel Olick	No
Kipnuk	Timothy Samson	No	Nightmute	Paul Tulik	No	Tununak	Felix Albert	No

**Legal Proceedings Involving Directors:** CVRF was not engaged in any litigation with any of its directors during 2008.

**Professional Fees:** In 2008, CVRF paid the following fees for professional services: (1) \$480,853 in legal fees; (2) \$153,260 in consulting fees; and (3) \$115,278 in accounting fees.

**Auditor Relationship:** CVRF did not have any disagreements with its auditors in either 2007 or 2008. CVRF received non-audit services from its auditor (KPMG) in 2008, paying KPMG a total of \$106,918 to prepare CVRF's 2008 tax returns.

**Committees:** The CVRF Bylaws create a CVRF executive committee consisting of seven members: the CVRF President, Vice President, Secretary, Treasurer and three at-large CVRF board members. The CVRF executive committee is authorized in the Bylaws to exercise all authority of the full CVRF Board in managing CVRF except for the selection of CVRF officers and executive committee members. The CVRF Bylaws also authorize the President, with approval of a majority of the CVRF board, to appoint other CVRF committees with such functions, powers and duties as determined by the President and CVRF board. Using this authority, CVRF has established a Policy Committee to make recommendations to the board on CVRF policies, including as related to: investments, employee compensation, in-region fisheries, donations, artwork, board travel, participant eligibility, and other matters. CVRF has additionally established a Scholarship Committee (to select recipients of CVRF scholarships), a Finance Committee (to advise the board on budgeting and financial matters) and a Loan Committee (to select recipients of loans to resident fishermen for vessels and gear). During 2008, CVRF committees met on the following dates:

Committee	Meeting Dates	Members/Attendees
CVRF Executive Committee	January 30, 2008	Oscar Evon, Timothy Samson, Eric Olson Sr., Paul Tulik, Wassilie Bavilla, Gabriel Olick, Nicholas Paul
	February 19, 2008	Oscar Evon, Timothy Samson, Eric Olson Sr., Paul Tulik, Wassilie Bavilla, Gabriel Olick, Nicholas Paul
	March 4, 2008	Oscar Evon, Timothy Samson, Eric Olson Sr., Paul Tulik, Wassilie Bavilla, Gabriel Olick, Nicholas Paul
	April 11, 2008	Oscar Evon, Timothy Samson, Paul Tulik, Evan S. Evan, Daniel Olrun, Gabriel Olick, Wassilie Bavilla
	July 7, 2008	Oscar Evon, Timothy Samson, Paul Tulik, Evan S. Evan, Daniel Olrun, Gabriel Olick, Wassilie Bavilla
	July 11, 2008	Oscar Evon, Timothy Samson, Paul Tulik, Evan S. Evan, Daniel Olrun, Gabriel Olick, Wassilie Bavilla
	July 30, 2008	Oscar Evon, Timothy Samson, Paul Tulik, Evan S. Evan, Daniel Olrun, Gabriel Olick, Wassilie Bavilla
	August 20, 2008	Oscar Evon, Timothy Samson, Paul Tulik, Evan S. Evan, Daniel Olrun, Gabriel Olick, Wassilie Bavilla
	September 18, 2008	Oscar Evon, Timothy Samson, Paul Tulik, Evan S. Evan, Daniel Olrun, Gabriel Olick, Wassilie Bavilla
	October 15, 2008	Oscar Evon, Timothy Samson, Paul Tulik, Evan S. Evan, Daniel Olrun, Gabriel Olick, Wassilie Bavilla
	December 15, 2008	Oscar Evon, Timothy Samson, Paul Tulik, Evan S. Evan, Daniel Olrun, Gabriel Olick, Wassilie Bavilla
	December 17, 2008	Oscar Evon, Timothy Samson, Paul Tulik, Evan S. Evan, Daniel Olrun, Gabriel Olick, Wassilie Bavilla
CVRF Policy Committee	July 29, 2008	Oscar Evon, Timothy Samson, Wassilie Bavilla, Paul Tulik
	August 20, 2008	Oscar Evon, Timothy Samson, Wassilie Bavilla, Paul Tulik
CVS	December 16, 2008	Evan S. Evan, Felix Albert, Gabriel Olick, Timothy Samson, Oscar Evon
CVP	March 4, 2008	Johnny Hawk, Timothy Samson, Oscar Evon
	December 16, 2008	Oscar Evon, Timothy Samson, Richard Jung
CVC	December 16, 2008	Oscar Evon, Timothy Samson, Richard Jung
CVRF Scholarship Committee	July 30, 2008	Oscar Evon, Timothy Samson, Dawson Hoover



# Financial Overview

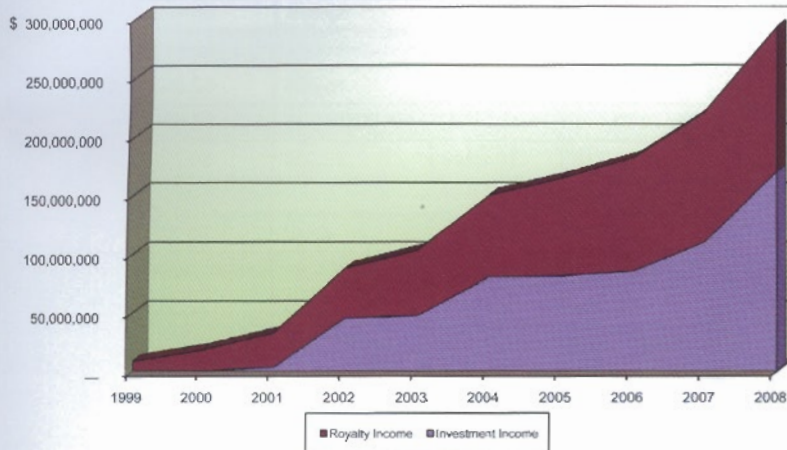
## 10-Year Cumulative Earnings & Benefits

### 10-YEAR CUMULATIVE EARNINGS & BENEFITS

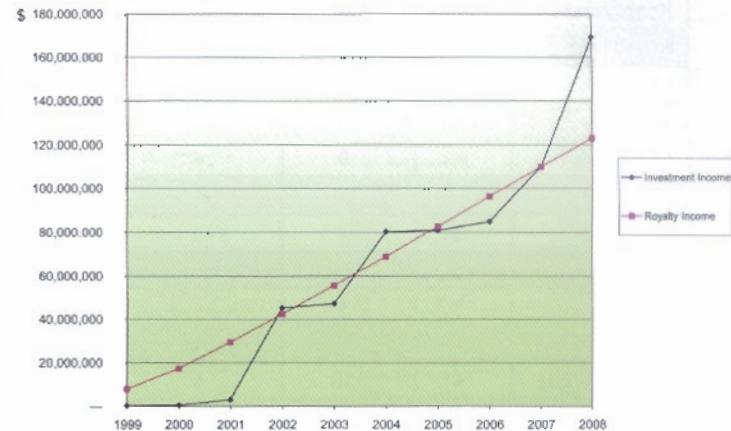
The success of CVRF's investment strategies over the past 10 years have resulted in significant additional benefits to our communities beyond CDQ quota royalty benefits.

### EARNINGS & BENEFITS

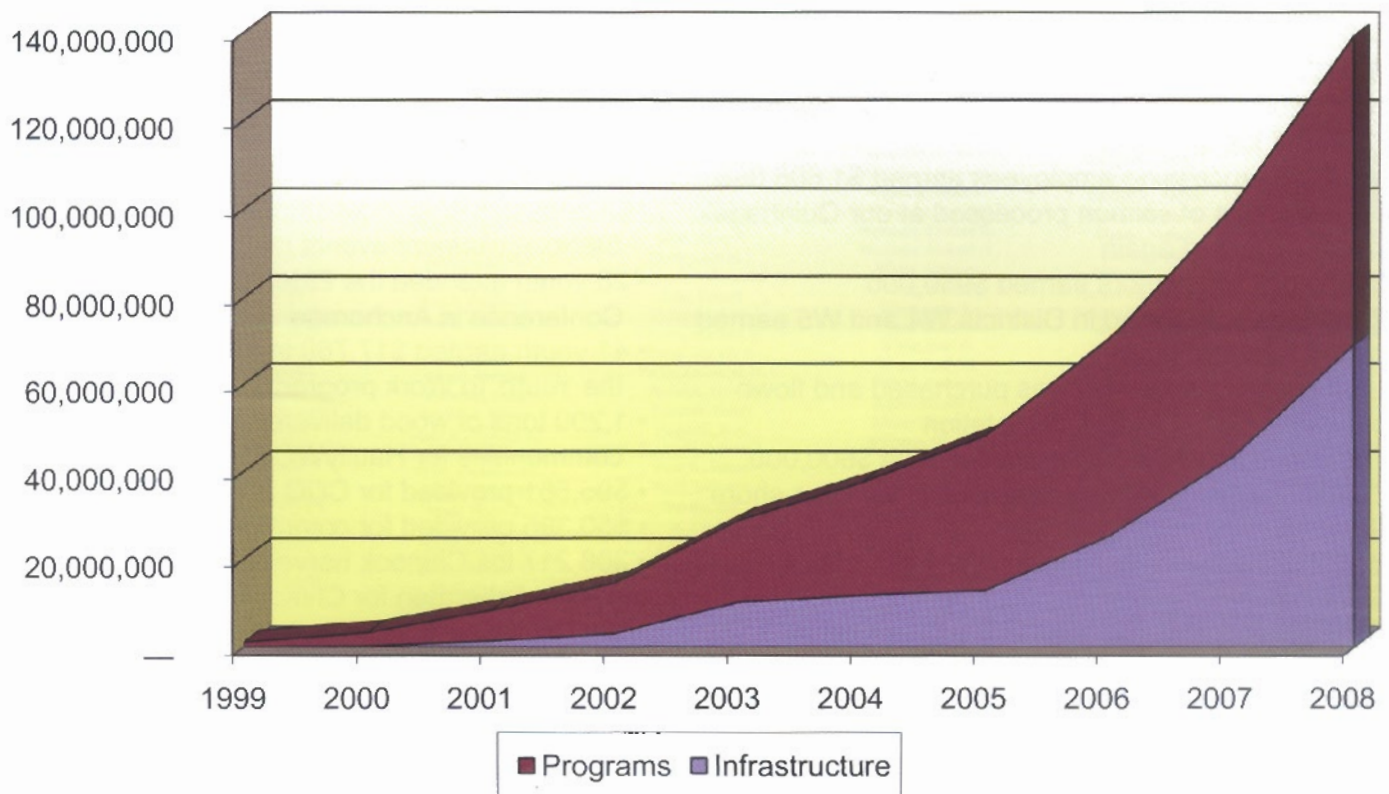
Cumulative Cash Earned by Source



Cash Earned by Source



Cumulative Benefits to CVRF Region

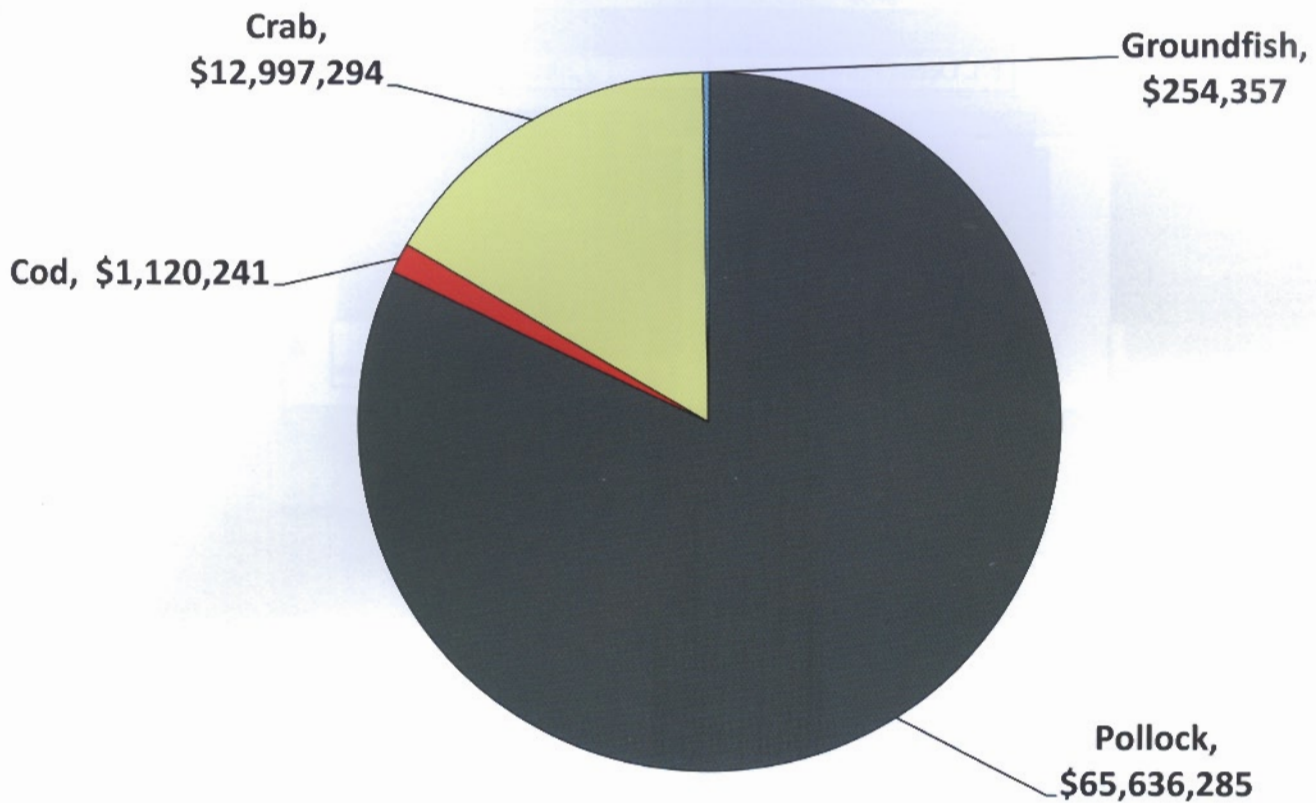




# Financial Overview

## Importance of Pollock

*Pollock continued to provide the substantial majority of CVRF royalty income and CVRF investment income in 2008.*



	Royalty	Investment
Pollock	12%	88%
Cod	65%	35%
Crab	33%	67%
Groundfish	99%	1%

# Financial Overview

## Statement of Financial Position

### COASTAL VILLAGES REGION FUND AND SUBSIDIARIES

Consolidated Statement of Financial Position  
December 31, 2008 and 2007

Assets	2008	2007
Current assets:		
Cash and cash equivalents	\$ 26,362,290	2,438,812
Investments in marketable securities	2,536,976	2,804,768
Investments in marketable securities - pledged	—	—
Accrued interest on investments	—	—
Other receivables less allowance for doubtful accounts of \$60,000	4,953,692	2,869,104
Short-term notes receivable	36,092	317,657
Short-term notes receivable from affiliated parties less allowance \$26,754 in 2006	404,157	612,434
Deposits	8,194	2,630
Prepaid expense	251,487	181,103
Inventory	794,102	136,747
Total current assets	35,346,990	9,363,255
Noncurrent assets:		
Buildings & leasehold improvements	7,950,122	7,684,195
Vessels	19,081,138	18,930,314
Equipment	3,924,151	3,456,862
Accumulated depreciation	(9,023,438)	(7,100,647)
Organization costs, net	—	—
Notes receivable less allowance for of \$177,419	—	249,234
Notes receivable from affiliated parties	875,566	784,095
Restricted cash – on deposit for operation of fishing plants	81,000	70,000
Investments in individual fishing quotas	35,332,253	30,461,485
Investments in fishing affiliates	5,282,760	30,188,561
Total noncurrent assets	63,503,552	84,724,099
Total assets	\$ 98,850,542	94,087,354
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 4,096,794	2,302,997
Security deposits	21,258	24,973
Deferred revenue	—	24,710
Accrued payroll liabilities	492,357	262,694
Short-term portion of notes payable	139,058	9,133,815
Total current liabilities	4,749,467	11,749,189
Noncurrent liabilities-		
Long-term portion of note payable	2,719,674	2,791,272
Total liabilities	7,469,141	14,540,461
Accumulated distributions of unconsolidated fishing affiliate in excess of investment	22,740,894	—
Net assets:		
Unrestricted net assets	68,540,507	79,471,893
Temporarily restricted net assets	100,000	75,000
Total net assets	68,640,507	79,546,893
Total liabilities and net assets	\$ 98,850,542	94,087,354



# Financial Overview

## Statement of Activities

### COASTAL VILLAGES REGION FUND AND SUBSIDIARIES

#### Consolidated Statements of Activities

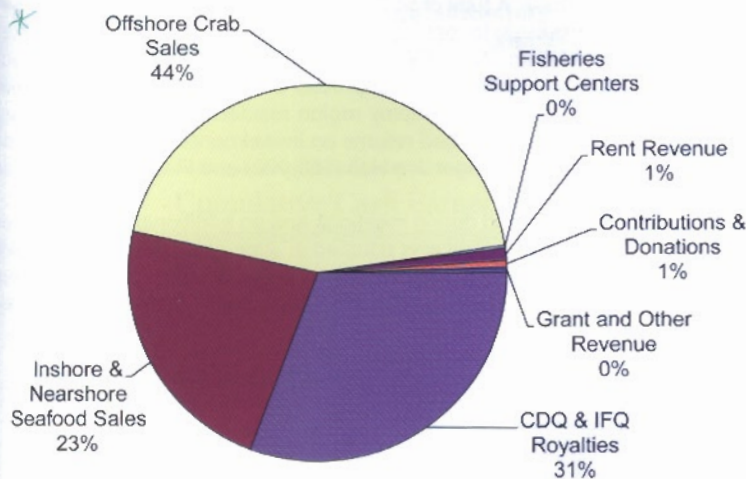
Years Ended December 31, 2008 and 2007

	2008	2007
Revenue:		
CDQ Royalties	\$ 13,079,912	13,582,598
Onshore & nearshore sales	10,034,804	6,877,464
Offshore sales	19,400,272	13,951,996
Grant revenue	65,468	25,264
Interest income	326,888	99,337
Unrealized investment gains (losses)	(495,012)	135,000
Realized investment gains		224,989
IFQ lease fees	440,420	1,099,078
Landing tax restricted for programs and projects that are in accordance with Alaska statutes	100,000	75,000
Fisheries Support Centers	104,494	79,637
Donations for scholarships	257,617	250,000
Rent revenue	465,257	494,094
Gain or Loss on sale of assets	92,178	—
Other	104,926	498,732
Total revenue	43,977,224	37,393,189
Expenses:		
Programs and projects	67,366,594	44,946,987
General and administrative	4,076,523	3,655,102
Net assets released from restrictions	(75,000)	—
Total expenses	71,368,117	48,602,089
Change in net assets before equity in income of affiliates	(27,465,893)	(11,208,900)
Equity in income of affiliates	16,559,507	4,553,395
Change in net assets	(10,906,386)	(6,655,505)
Net assets at beginning of the year	79,471,893	86,202,398
Net assets at end of the year	\$ 68,565,507	79,546,893

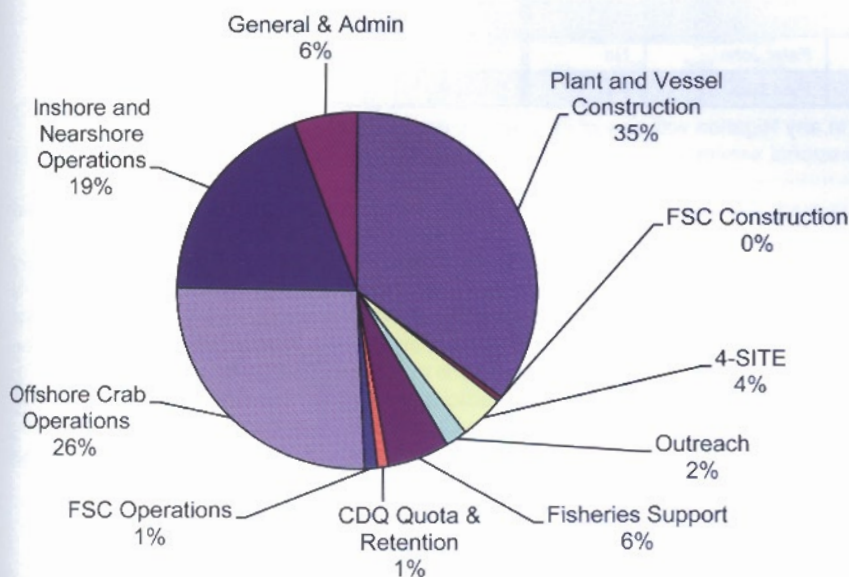
# Financial Overview

## General and Administrative Expenses

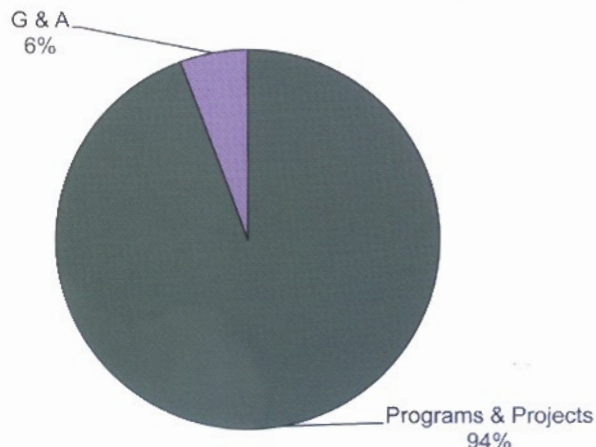
### Total Revenue by Category



### Total Expenses by Category



### General and Administrative Expenses as a percentage of total expenses



### COASTAL VILLAGES REGION FUND G&A Expenses Detail For the Twelve Months Ending December 31, 2008

G&A expense detail	Total
Advertising	\$26,021
Bad debt expense	460,358
Bank charges	2,204
Board stipends	302,494
Board travel	222,298
CDQ fisheries facilities grant	75,000
Computer expense	16,539
Construction expense	1,686
Depreciation expense	252,764
Donations & contributions	52,833
Dues, permits, taxes & license	(48,634)
Electric fees	28,110
Elevator contract	12,198
Employee education assistance	12,926
Fire protection / inspection	10,176
Freight	7,622
Fuel	56,806
HVAC contract	4,548
Insurance	170,060
Interest expense	114,865
Interior plants and foliage	2,970
Internet fees	6,446
Janitorial	33,207
Landscaping	2,803
Management fee expense	34,435
Mapping grant expenses	50,395
Meals and food expenses	31,856
Misc. expense	7,938
Payroll	1,237,382
Per diem	105,315
Printing and production costs	5,121
Professional fees and services	128,292
Quickbooks fees	1,432
Real estate taxes	72,074
Refuse	5,035
Rental expenses	50,007
Repairs and maintenance	56,034
Security	5,772
Sewer & water	2,891
Snow Removal / Sweeping	21,092
Stipends	1,225
Supplies	60,393
Tax expense	18,906
Telephone	28,497
Training	18,072
Transportation and parking	78,463
Travel expenses	229,346
Vehicle expense	250
<b>Total Expenses</b>	<b>4,076,523</b>

Note: The bad debt expense is an estimated amount of non-collectible fisherman and fuel loans.



# 2008 Opportunities

People					Dollars					
VILLAGE	CVS Fisher Count	Employee Count	Scholarship/ Training	Tax Refund Assisted	TOTAL	CVS Fisher Earnings	Employee Earnings	Scholarship/ Training	Tax Refund Amount	TOTAL
Chefornak	28	35	7	160	230	139,781	258,065	57,495	110,920	\$ 566,261
Chevak	2	50	12	332	396	3,280	534,283	51,167	205,302	794,033
Eek	33	5	1	66	105	174,737	30,786	2,500	22,471	230,494
Goodnews Bay	19	3	1	87	110	181,254	12,723	4,500	55,354	253,831
Hooper Bay	5	64	16	317	402	6,452	423,097	91,838	177,279	698,666
Kipnuk	21	25	5	142	193	51,910	74,881	21,923	63,450	212,165
Kongiganak	9	36	5	175	225	25,325	271,085	39,876	86,494	422,779
Kwigillingok	1	15	16	135	167	1,664	90,674	81,077	60,413	233,828
Mekoryuk	32	16	3	115	166	458,642	116,161	15,864	52,842	643,509
Napakiak	22	11	2	185	220	40,148	53,759	7,887	98,675	200,469
Napaskiak	20	9	6	160	195	33,718	103,249	20,959	88,286	246,212
Newtok	11	26	-	205	242	27,568	174,757	-	99,094	301,419
Nightmute	8	4	1	122	135	61,236	3,506	4,750	74,218	143,709
Oscarville	1	-	-	-	1	1,266	-	-	-	1,266
Platinum	1	1	-	27	29	10,074	44,400	-	22,737	77,210
Quinhagak	81	51	6	344	482	633,260	359,225	24,605	193,436	1,210,527
Scammon Bay	-	18	4	117	139	-	44,347	29,240	71,316	144,903
Toksook Bay	36	29	9	237	311	317,711	122,739	35,656	151,309	627,415
Tuntutuliak	40	3	5	133	181	102,195	12,659	28,840	85,455	229,149
Tununak	27	30	3	170	230	77,523	119,505	16,096	109,330	322,454
TOTAL	397	431	102	3,229	4,159	2,347,744	2,849,902	534,273	1,828,381	\$ 7,560,300

## 2008 Highlights

- 460 salmon permit holders earned a total of \$1,631,316 (3,540,164 lbs of Salmon)
- 180 halibut fishermen earned a total of \$1,159,515 (391,703 lbs of Halibut)
- 360 CVS processing employees earned \$1,605,866
- 2.3 million lbs of salmon processed at our Quinhagak plant – a record again
- Quinhagak processors earned \$950,000
- Fishermen who fished in Districts W4 and W5 earned over \$1 million
- 1.7 million lbs of salmon was purchased and flown out of the Bethel "Buy & Fly" station
- Fishermen in district W1 earned almost \$600,000
- 7 CVRF tugs and barges operated in our near-shore fisheries
- 93 CVRF residents earned \$1,452,405 for American Seafoods processors
- 127 Fisheries-Related Jobs that paid a total of \$1,385,854
- \$534,273 awarded in scholarships and training to 102 residents
- 50 Marine Safety Kit & 100 Life Jacket recipients
- 19 Community Liaisons and 14 Mechanic/Welders positions in the Region
- 65 households as recipients of the Heating Oil program
- 3,233 residents benefitted from the Tax Assistance Program (\$1,892,151 in returns!)
- Dozens of high school students assisted during State tournament events in Anchorage
- 20 youth attended the Elder and Youth Conference in Anchorage
- 41 youth earned \$17,760 in three communities in the Youth To Work program
- 1,200 tons of wood delivered to CVRF communities for HaullyWOOD
- \$95,561 provided for CDQ Project Fund
- \$50,395 provided for community mapping project
- 308,217 lbs Chinook harvested and \$224,903 paid to fishermen for Chinook
- \$441,461 spent on upgrades and repairs to our vessel/tender fleet
- \$24,574,281 spent on construction of the Goodnews Bay Regional Processing Plant

**POLLOCK PROVIDES!**



# Coastal Villages Region Fund

Notes to accompany CVRF Financials 2008

## **Private Inurement & Related Uses:**

Page 28: Trevor McCabe \$183,000 as operations director; Morgan Crow \$375,000 as ex-director – plus annual bonus of \$350,000? Consulting fees to unknown parties of \$153,260.

Page 30: 93 residents earning \$1,452,405 for American Seafood Processors – could contain individual high payments to managers?, but unknown.

Page 27: Board stipends and travel combined of \$575,000.

## **Processing Plant & Fishing Investments:**

Page 30: Goodnews Bay plant cost \$24.57 million.

Page 25: shows investments in fishing affiliates dropped from \$30.2 to \$5.3 million.

Page 26: Programs and projects up from \$44.9 mln to \$67.4 million.

## **Cash & Debts:**

Page 25: note cash and equivalents went up from \$2.4 to \$26.4 million.

Notes payable dropped from \$9.1 to \$.1 million... a payoff of debt; while long-term notes stayed even.

Not sure how to interpret “Accumulated distributions of unconsolidated fishing affiliate in excess of investment” of \$22,740,894. And there’s no schedule of the “Unrestricted net assets” – a huge amount each year.

## **Royalties and Investment Income:**

Page 24: For pollock, 88% of the income comes from investments, while 12% from royalties.

And for Crab, 67% from investments, 35% from royalties.

Page 26: “Offshore Crab Sales” help generate \$19.4 million in income. What is meant by offshore for crab?

Contrast these insights with the reduced rights of others who have to compete against non-profits at relative disadvantage in paying for quotas, and it helps show the possible losses from non-CDQ persons resulting from losing out on those investment opportunities.