



FISCAL YEAR 2021 EARNINGS RESERVE FINANCIAL PERFORMANCE REPORT

For the Fiscal Year Ended June 30, 2021

Combined Results: All Asset Classes

Table 1: Gross Income, Expenses and Net Income for All Asset Classes

Earnings Reserve Only	2017	2018	2019	2020	2021	5 Year Average
Gross Income	\$ 74,682,023	\$ 74,012,913	\$ 74,349,811	\$ 75,923,454	\$ 87,301,653	\$ 77,253,971
Expenses	\$ 25,135,019	\$ 23,603,975	\$ 25,318,605	\$ 24,392,845	\$ 22,567,528	\$ 24,203,594
Overhead	\$ 4,102,676	\$ 4,050,911	\$ 4,081,092	\$ 4,049,717	\$ 4,328,021	\$ 4,122,483
Total Expenses	\$ 29,237,695	\$ 27,654,886	\$ 29,399,697	\$ 28,442,562	\$ 26,895,549	\$ 28,326,078
Net Income	\$ 45,444,328	\$ 46,358,027	\$ 44,950,114	\$ 47,480,892	\$ 60,406,104	\$ 48,927,893
Net Income Ratio (%)	60.9	62.6	60.5	62.5	69.2	63.1

Financial performance from land management in FY21 was well above average due to higher gross income and lower expenses. The percentage of the gross income that was realized by the beneficiaries also increased, as indicated by the higher net income ratio. It was an excellent year for IDL's trust land management.

Gross income increased by more than \$11.3 million compared to FY20 while total expenses decreased by over \$1.5 million, improving net income by more than \$12.9 million.

Gross income exceeded the five year average by over \$10 million due to timber harvest volume exceeding the recent average. Net income was more than \$11.4 million higher than the five year average due to higher gross income and lower expenses.

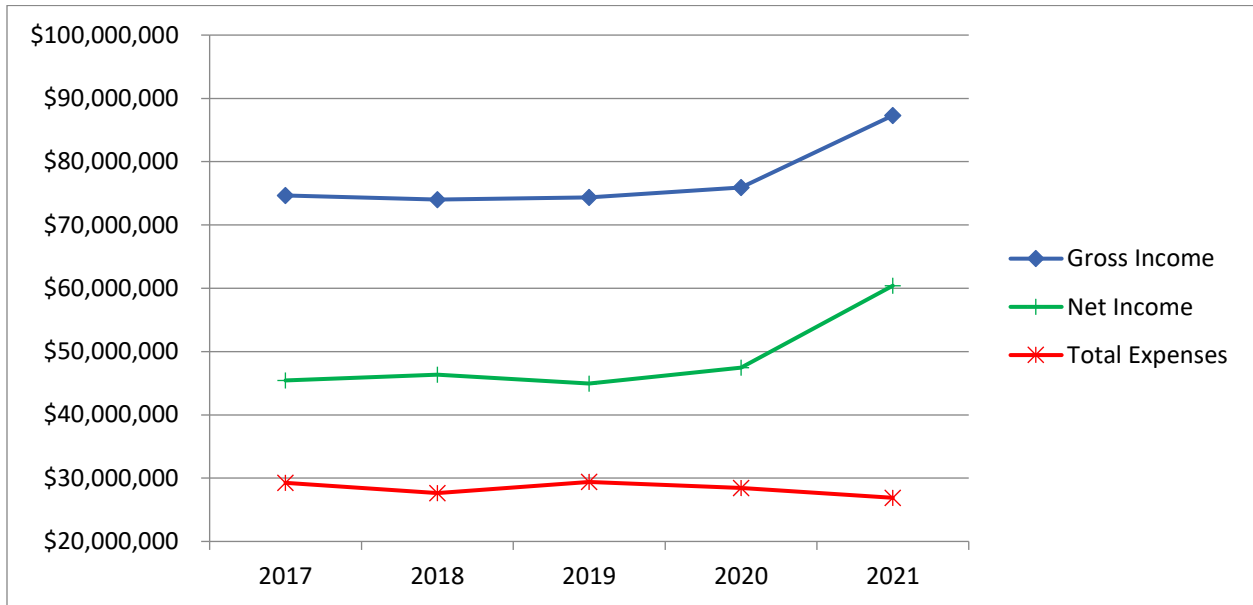
Overhead expenses increased by nearly 7% versus FY20 while other expenses decreased by about 8% resulting in the overall reduction in expenses detailed above.

Net income ratio (69.2%) improved over FY20 and exceeded the 5 year average. At 63.1% the rolling five year average remains well below the "Moonshot" goal of 69% by 2025. However, **the FY21 results did exceed the moonshot goal**, indicating that with increased timber revenue from implementation of the Forest Asset Management Plan plus increased leasing income the goal could be achieved.

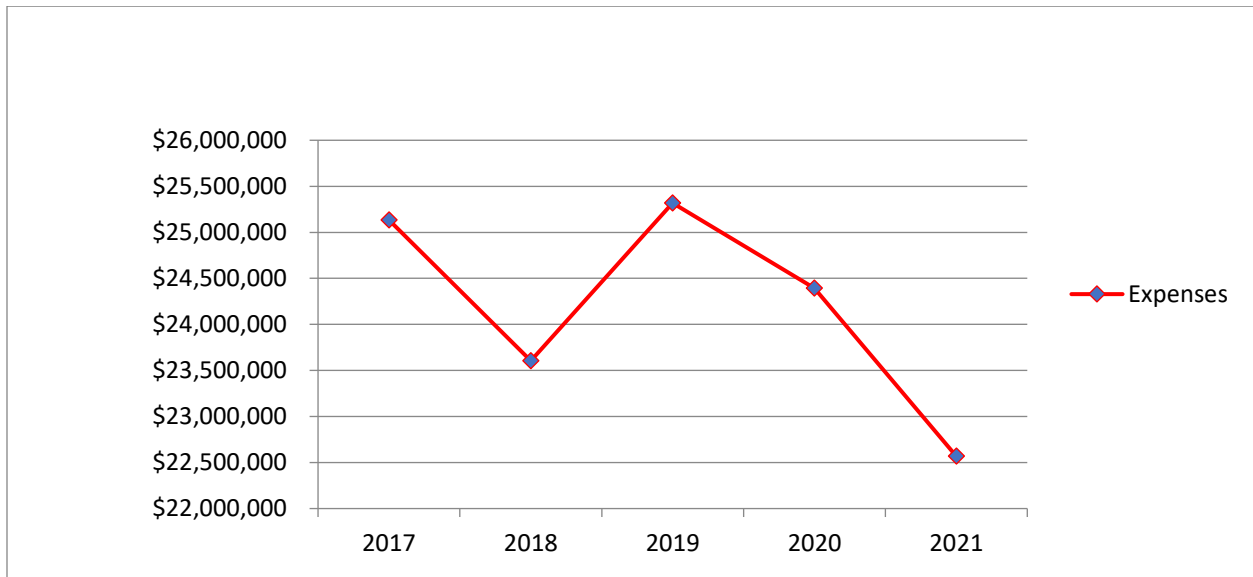
Please Note: *Permanent fund revenue (mostly from mineral extraction) is not included in the data above, consistent with past methodology, because the income statement includes only earnings reserve revenue. Expenses for those activities are included because they are paid from earnings reserve. This affects the overall financial performance as calculated from income statement data. Increased mineral revenue would directly benefit the permanent fund.*

Combined Results: All Asset Classes (continued)

Gross Income, Net Income, & Total Expenses – All Asset Classes

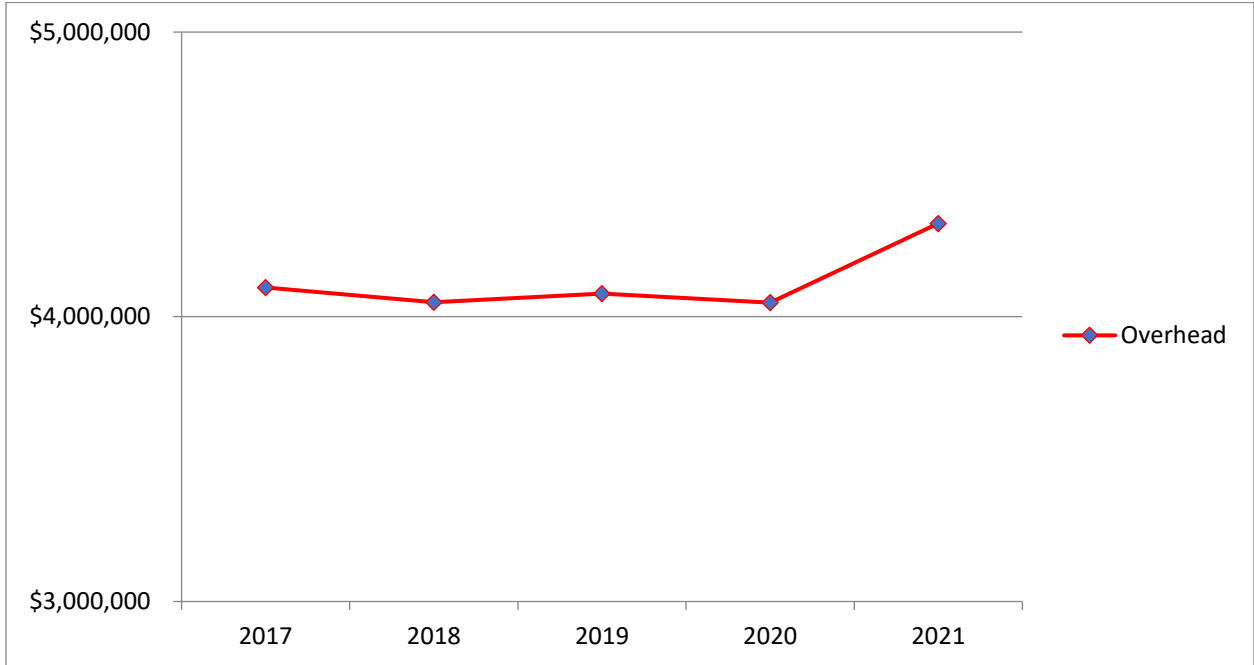


Expenses (No Overhead) – All Asset Classes

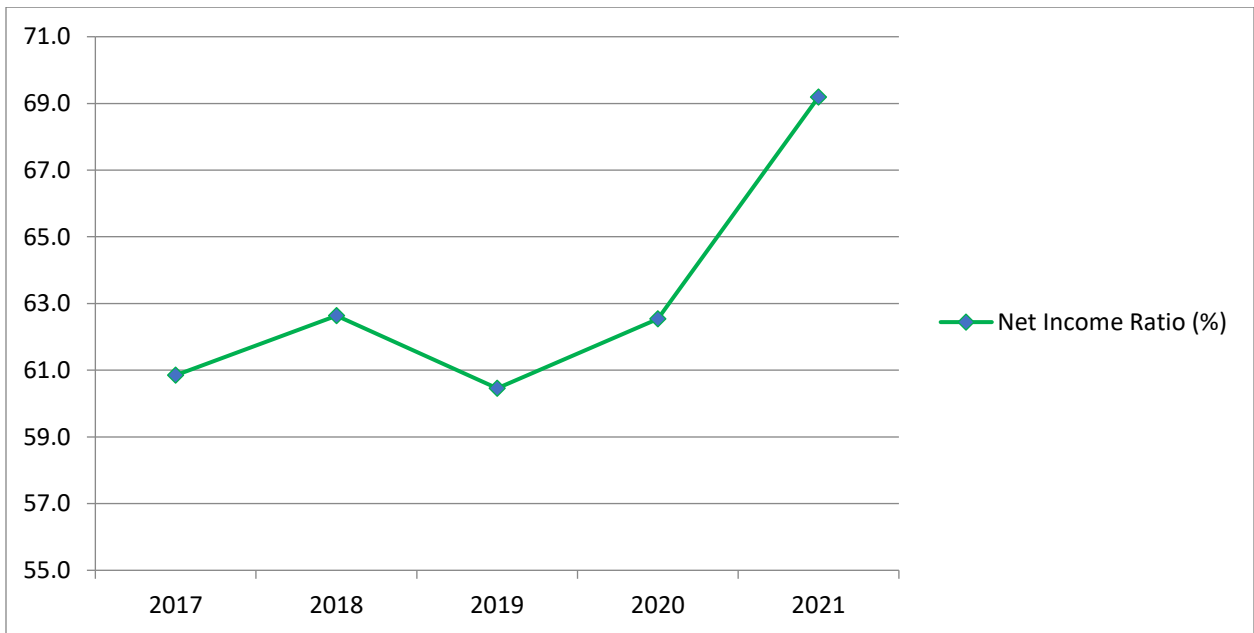


Combined Results: All Asset Classes (continued)

Overhead – All Asset Classes



Net Income Ratio (%) – All Asset Classes



Results: Timberland

Table 2: Gross Income, Expenses and Net Income for Timberland

Timberland	FY2017	FY 2018	FY 2019	FY2020	FY 2021	5 Year Average
Gross Income	\$ 64,549,022	\$ 66,220,267	\$ 67,616,485	\$ 69,289,869	\$ 81,342,279	\$ 69,803,584
Expenses	\$ 20,492,008	\$ 18,972,206	\$ 20,222,468	\$ 19,103,411	\$ 18,013,702	\$ 19,360,759
Overhead	\$ 3,549,142	\$ 3,625,997	\$ 3,715,782	\$ 3,699,283	\$ 3,605,086	\$ 3,639,058
Total Expenses	\$ 24,041,150	\$ 22,598,203	\$ 23,938,251	\$ 22,802,693	\$ 21,618,788	\$ 22,999,817
Net Income	\$ 40,507,872	\$ 43,622,064	\$ 43,678,235	\$ 46,487,176	\$ 59,723,491	\$ 46,803,767
Net Income Ratio (%)	62.8	65.9	64.6	67.1	73.4	66.7

Gross income for the timberland asset class increased by over \$12 million from FY20 to FY21 and exceeded the five year average by \$11.5 million. The income comes mostly from timber sales sold over a period of several years (timber sales can be under contract for several years prior to harvest). The above average income in FY21 is a result of strong stumpage prices for volume under contract and higher than average harvest volume during the year.

Expenses were \$1.2 million lower than the five year average while overhead applied to the timberland asset class was slightly below the five year average.

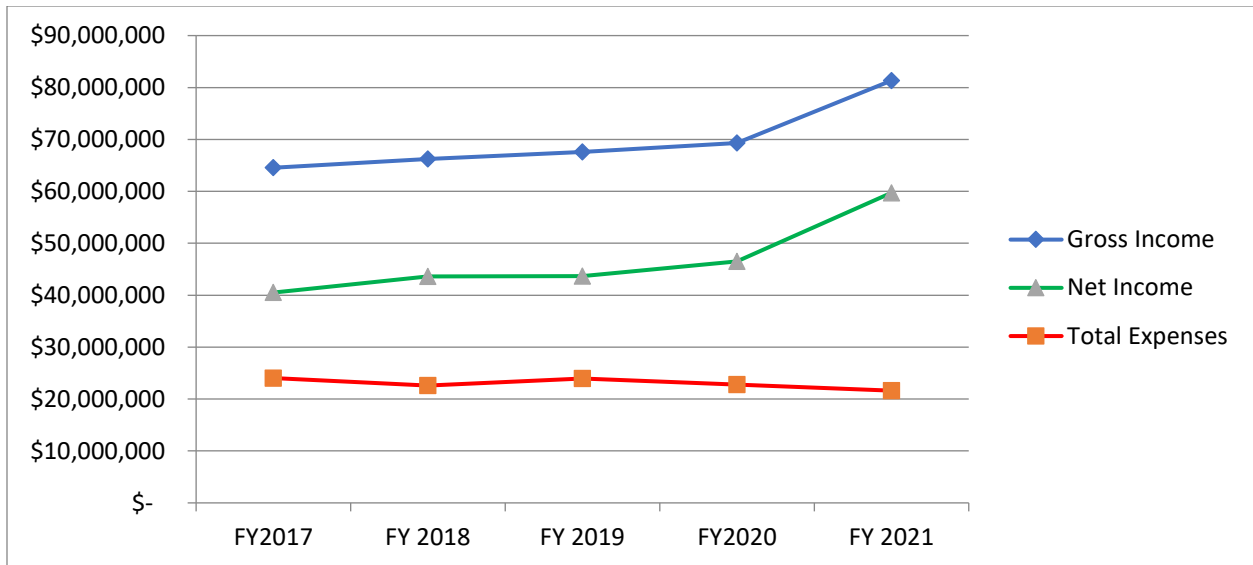
Net income from timberland increased by more than \$12 million in FY21 and exceeded the five year average by more than \$12.9 million. At 73.4%, the net income ratio improved by 6.3% in FY21 and exceeded the 5 year average by 6.7%. To reach the moonshot goal of 69% by 2025 for the combined asset classes the timberland asset class must continue to perform at a high level.

For FY21 the timberland asset class produced 93% of the total gross income and 99% of the total net income. For comparison, when endowment leasing revenue peaked in FY14 (over \$16.8 million gross) timberland produced 81.2% of the total gross revenue and 81.3% of the total net income. The increasing annual timber sale volume under the current forest asset management plan will continue to increase the percentage of gross revenue and net income generated by the timberland asset class without additional non-timber leasing revenue.

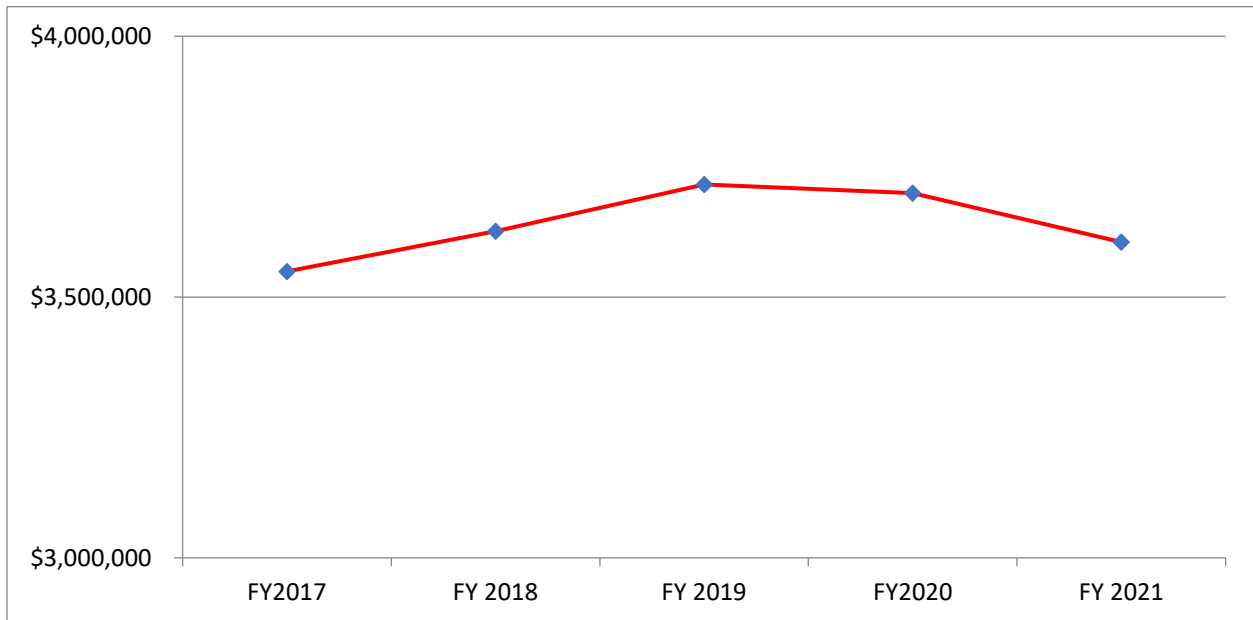
(Please see the graphs on pages 5-6 related to results for the timberland asset class)

Results: Timberland (continued)

Gross Income, Net Income, & Total Expenses - Timberland

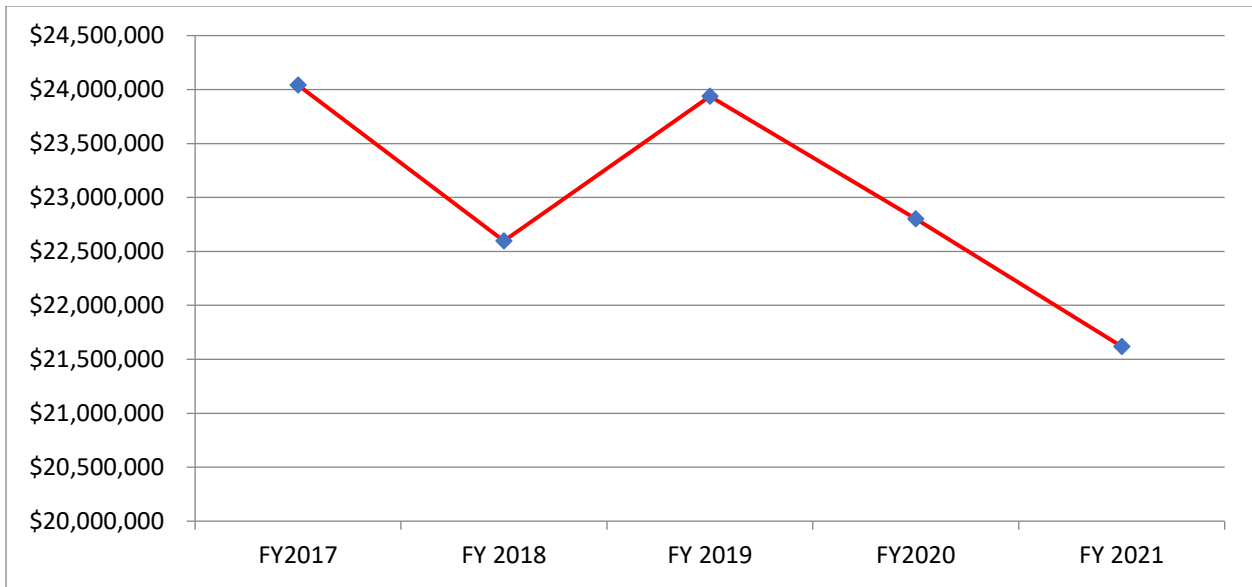


Overhead - Timberland

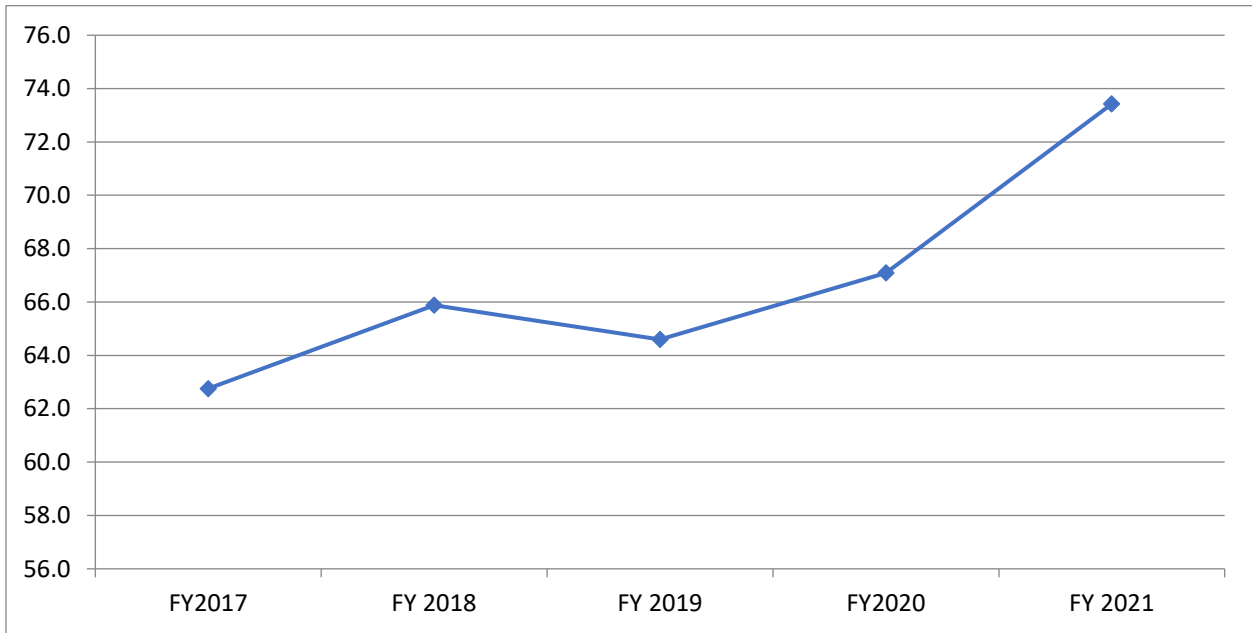


Results: Timberland (continued)

Total Expenses - Timberland



Net Income Ratio (%) - Timberland



Results: Endowment Leasing (non-timber)

Table 3: Gross Income, Expenses and Net Income for Endowment Leasing

Endowment Leasing	FY2017	FY 2018	FY 2019	FY2020	FY 2021	5 Year Average
Gross Income						
Farmland	\$ 458,670	\$ 425,596	\$ 410,887	\$ 406,708	\$ 519,974	\$ 444,367
Rangeland	\$ 2,976,094	\$ 2,943,898	\$ 3,163,480	\$ 3,264,098	\$ 2,813,994	\$ 3,032,313
Residential RE	\$ 4,233,735	\$ 2,958,648	\$ 1,978,606	\$ 1,826,413	\$ 1,592,820	\$ 2,518,044
Commercial RE	\$ 2,361,550	\$ 1,359,490	\$ 1,015,541	\$ 1,061,604	\$ 933,951	\$ 1,346,427
Oil & Gas	\$ 28,022	\$ 26,431	\$ 45,438	\$ 13,133	\$ 8,983	\$ 24,401
Minerals	\$ 74,930	\$ 78,583	\$ 119,373	\$ 61,629	\$ 89,652	\$ 84,833
Total Gross Income	\$ 10,133,001	\$ 7,792,646	\$ 6,733,325	\$ 6,633,585	\$ 5,959,374	\$ 7,450,386
Expenses						
Farmland	\$ 126,315	\$ 179,245	\$ 142,474	\$ 174,085	\$ 196,764	\$ 163,777
Rangeland	\$ 1,845,425	\$ 1,466,667	\$ 1,834,653	\$ 1,939,096	\$ 1,850,292	\$ 1,787,227
Residential RE	\$ 1,009,358	\$ 1,556,314	\$ 1,906,411	\$ 2,030,624	\$ 1,289,324	\$ 1,558,406
Commercial RE	\$ 1,216,044	\$ 922,396	\$ 646,795	\$ 519,685	\$ 598,309	\$ 780,646
Oil & Gas	\$ 89,972	\$ 154,620	\$ 147,809	\$ 91,935	\$ 114,425	\$ 119,752
Minerals	\$ 355,896	\$ 352,528	\$ 417,995	\$ 534,008	\$ 504,710	\$ 433,027
Expenses (Total)	\$ 4,643,010	\$ 4,631,770	\$ 5,096,137	\$ 5,289,434	\$ 4,553,824	\$ 4,842,835
Overhead						
Farmland	\$ 25,050	\$ 23,180	\$ 22,277	\$ 21,465	\$ 26,248	\$ 23,644
Rangeland	\$ 162,670	\$ 160,821	\$ 171,758	\$ 172,586	\$ 274,836	\$ 188,534
Residential RE	\$ 231,219	\$ 161,140	\$ 107,272	\$ 96,396	\$ 305,213	\$ 180,248
Commercial RE	\$ 128,972	\$ 74,043	\$ 55,058	\$ 56,030	\$ 4,182	\$ 63,657
Oil & Gas	\$ 1,532	\$ 1,450	\$ 2,473	\$ 705	\$ 15,272	\$ 4,286
Minerals	\$ 4,092	\$ 4,280	\$ 6,472	\$ 3,253	\$ 97,184	\$ 23,056
Total Overhead	\$ 553,535	\$ 424,914	\$ 365,309	\$ 350,435	\$ 722,935	\$ 483,426
Total Expenses						
Farmland	\$ 151,365	\$ 202,425	\$ 164,751	\$ 195,551	\$ 223,012	\$ 187,421
Rangeland	\$ 2,008,095	\$ 1,627,488	\$ 2,006,411	\$ 2,111,682	\$ 2,125,128	\$ 1,975,761
Residential RE	\$ 1,240,577	\$ 1,717,454	\$ 2,013,682	\$ 2,127,020	\$ 1,594,537	\$ 1,738,654
Commercial RE	\$ 1,345,016	\$ 996,439	\$ 701,853	\$ 575,715	\$ 602,491	\$ 844,303
Oil & Gas	\$ 91,504	\$ 156,070	\$ 150,282	\$ 92,640	\$ 129,697	\$ 124,039
Minerals	\$ 359,988	\$ 356,808	\$ 424,467	\$ 537,261	\$ 601,894	\$ 456,084
Total Expenses	\$ 5,196,545	\$ 5,056,684	\$ 5,461,446	\$ 5,639,869	\$ 5,276,759	\$ 5,326,261
Net Income						
Farmland	\$ 307,305	\$ 223,171	\$ 246,136	\$ 211,158	\$ 296,962	\$ 256,946
Rangeland	\$ 967,999	\$ 1,316,410	\$ 1,157,068	\$ 1,152,416	\$ 688,866	\$ 1,056,552
Residential RE	\$ 2,993,158	\$ 1,241,194	\$ (35,076)	\$ (300,607)	\$ (1,717)	\$ 779,390
Commercial RE	\$ 1,016,534	\$ 363,051	\$ 313,688	\$ 485,889	\$ 331,460	\$ 502,124
Oil & Gas	\$ (63,482)	\$ (129,639)	\$ (104,844)	\$ (79,508)	\$ (120,714)	\$ (99,637)
Minerals	\$ (285,059)	\$ (278,225)	\$ (305,094)	\$ (475,632)	\$ (512,242)	\$ (371,250)
Total Net Income	\$ 4,936,455	\$ 2,735,962	\$ 1,271,879	\$ 993,716	\$ 682,615	\$ 2,124,125
Net Income Ratio (%)	52.7	40.9	25.6	23.6	22.4	33.1

Results: Endowment Leasing (continued)

Total gross income decreased by about \$675,000 year over year as the long term decline continued with FY21 gross income at about 80% of the 5 year average. Gross income has declined by about \$10.8 million since leasing revenue peaked in FY14. The decline was predictable given the disposition of revenue producing assets in the commercial and residential real estate asset classes. FY21 income included higher than expected income from communication sites and an extra annual payment from the Tamarack commercial recreation lease.

Expenses in FY21 were more than \$700,000 lower than in FY20. Overhead expenses applied to the endowment leasing asset classes more than doubled in FY21 to over \$722,000. This is due in part to a change to an FTE-based methodology for overhead allocation.

Total expenses for endowment leasing decreased by about \$363,000 year over year and were a little below the five year average. The forecast for FY22 indicates lower total expenses for the endowment leasing asset classes as enterprise system development costs decrease. The forecast also calls for increased gross income from endowment leasing.

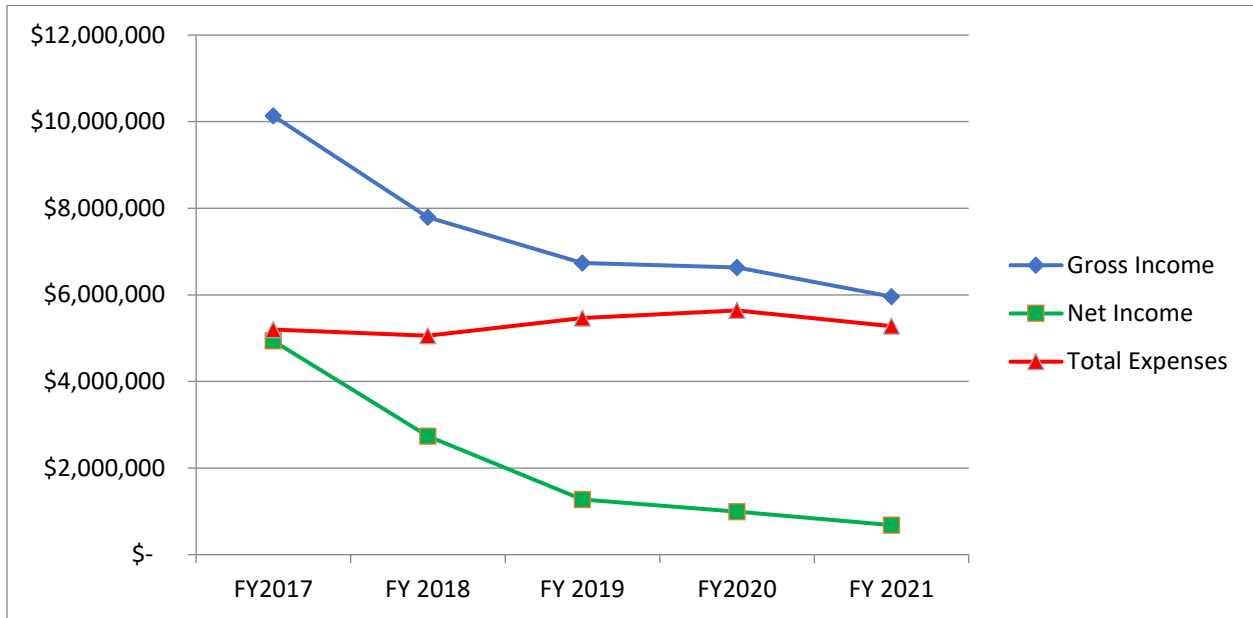
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Net income from endowment leasing was down about 31% in FY21 compared to FY20 and totaled about 32% of the five year average. As a result the net income ratio for the endowment leasing (non-timber) asset classes has decreased to 22.4%, a significant change from the net income ratio of 69.6% achieved in FY14 at the peak of revenue.

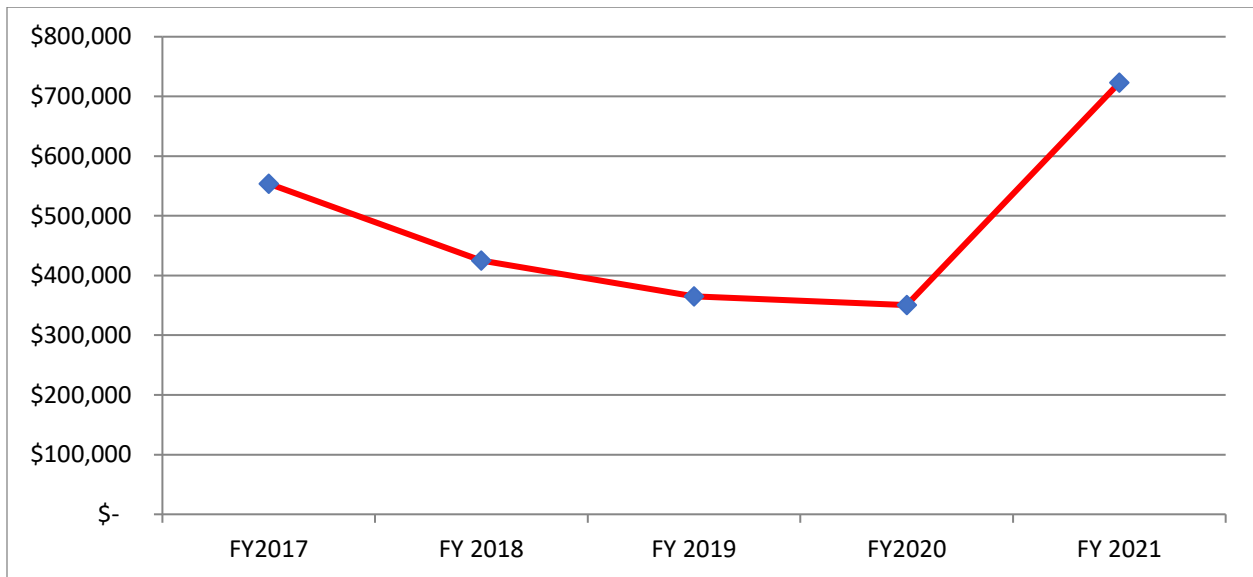
Revenue increases are necessary for the endowment leasing programs and future expenses must be closely monitored. Any significant investments would be difficult without affecting overall profitability in the absence of increased revenue. Considering only earnings reserve revenue and expenses, the endowment leasing programs produced net income of less than \$700,000 during FY 21. Increasing revenue through new leasing opportunities has been challenging at best. However, IDL has plans to seek increased leasing revenue through activities such as commercial ground leasing and renewable energy.

Results: Endowment Leasing (continued)

Gross Income, Net Income, & Total Expenses – Endowment Leasing

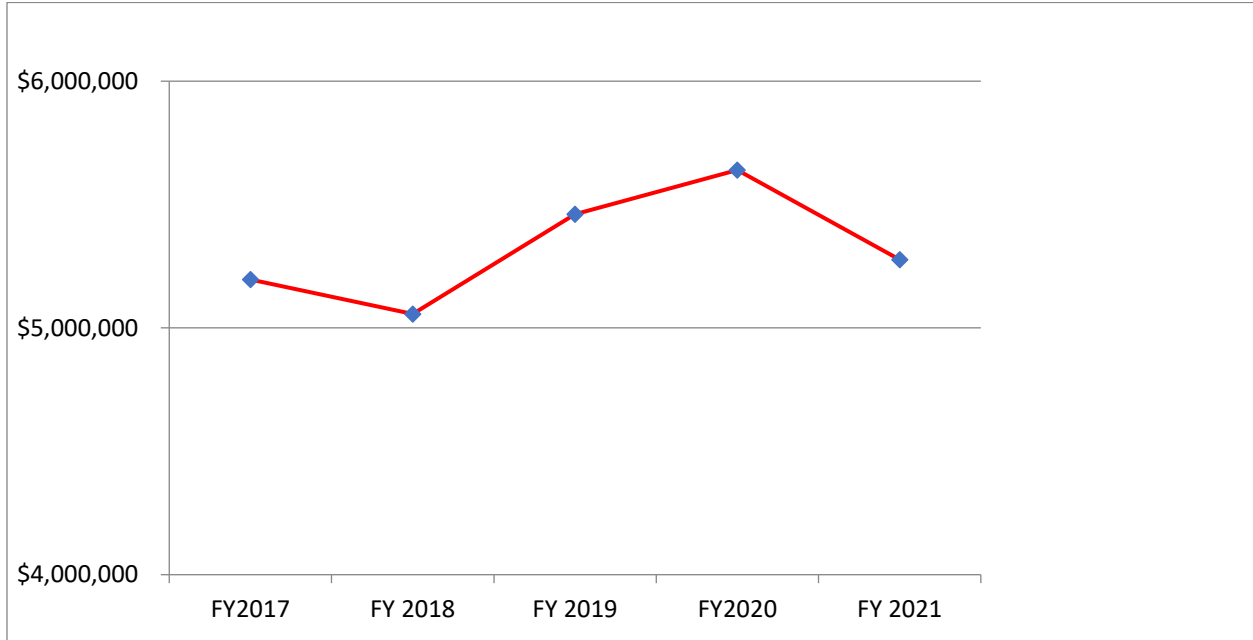


Overhead – Endowment Leasing

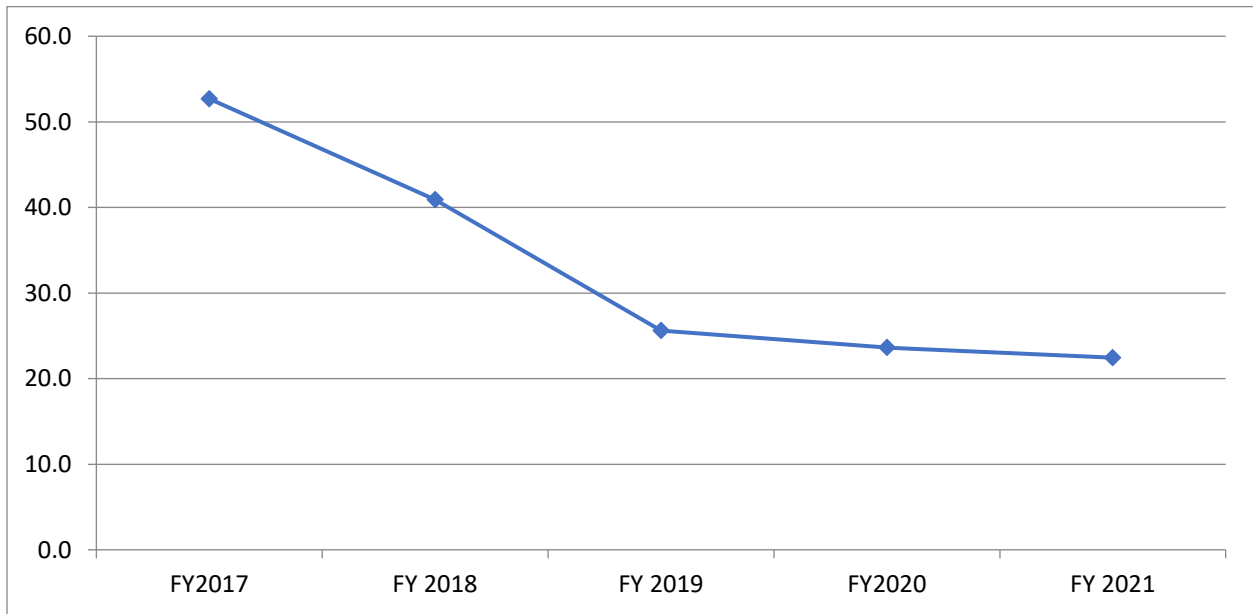


Results: Endowment Leasing (continued)

Total Expenses – Endowment Leasing



Net Income Ratio (%) – Endowment Leasing (No Minerals/Oil & Gas)



Minerals/Oil & Gas net income ratio would be negative since the revenue goes to the permanent fund