

PIPELINE SAFETY TRUST

FINANCIAL STATEMENTS

Years Ended March 31, 2008 and 2007

With

Independent Auditor's Report

PIPELINE SAFETY TRUST

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Pipeline Safety Trust

We have audited the accompanying statements of financial position of the Pipeline Safety Trust (a not-for-profit corporation) as of March 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. 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 of material misstatement. 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 audits provide 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 the Pipeline Safety Trust as of March 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Bellingham, Washington
August 1, 2008

Pipeline Safety Trust

STATEMENTS OF FINANCIAL POSITION

March 31, 2008 and 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Current assets		
Cash	\$ 28,651	\$ -
Prepaid expenses	1,111	1,025
Certificates of deposit	153,886	127,366
Interest and dividends receivable	7,653	25,739
Total current assets	<u>191,301</u>	<u>154,130</u>
Investments		
Marketable securities	4,212,838	4,778,425
Furniture and equipment, net	<u>4,712</u>	<u>4,454</u>
Total assets	<u><u>\$ 4,408,851</u></u>	<u><u>\$ 4,937,009</u></u>

LIABILITIES AND NET ASSETS

Current liabilities		
Checks in excess of bank balance	\$ -	\$ 962
Accounts payable	1,260	-
Accrued liabilities	3,150	6,067
Total current liabilities	<u>4,410</u>	<u>7,029</u>
Net assets - unrestricted	<u>4,404,441</u>	<u>4,929,980</u>
Total liabilities and net assets	<u><u>\$ 4,408,851</u></u>	<u><u>\$ 4,937,009</u></u>

Pipeline Safety Trust

STATEMENTS OF ACTIVITIES

Years Ended March 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenue		
Investment income (loss)	\$ (355,126)	\$ 323,083
Interest from savings accounts	8,948	2,456
Program service fees	32,700	22,300
Contributions	31,545	32,427
Total revenue	<u>(281,933)</u>	<u>380,266</u>
Operating expenses		
Program services	203,162	217,121
Supporting services	38,457	38,501
Fundraising	1,987	404
Total operating expenses	<u>243,606</u>	<u>256,026</u>
Increase (decrease) in net assets	(525,539)	124,240
Net assets - beginning of year	<u>4,929,980</u>	<u>4,805,740</u>
Net assets - end of year	<u><u>\$ 4,404,441</u></u>	<u><u>\$ 4,929,980</u></u>

Pipeline Safety Trust

STATEMENTS OF CASH FLOWS

Years Ended March 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (525,539)	\$ 124,240
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	1,737	1,205
Net realized and unrealized (gain) loss on investments	578,355	(165,327)
In-kind contribution of computer equipment	(1,995)	-
(Increase) decrease in current assets		
Prepaid expenses	(86)	(741)
Interest and dividends receivable	18,086	(289)
Increase (decrease) in current liabilities		
Accounts payable	1,260	(1,017)
Accrued liabilities	(2,917)	1,275
	<u>68,901</u>	<u>(40,654)</u>
Net cash provided (used) by operating activities	68,901	(40,654)
Cash flows from investing activities		
Withdrawals from investment funds	205,155	270,000
Investment in certificates of deposit	(26,520)	(102,366)
Reinvested interest and dividends, net	(217,922)	(134,533)
Purchase of furniture and equipment	-	(1,331)
	<u>(39,287)</u>	<u>31,770</u>
Net cash provided (used) by investing activities	(39,287)	31,770
Cash flows from financing activities		
Checks in excess of bank balance, net change	(962)	962
	<u>(962)</u>	<u>962</u>
Net cash provided (used) by financing activities	(962)	962
Net increase (decrease) in cash	28,651	(7,922)
Cash - beginning of year	-	7,922
Cash - end of year	<u>\$ 28,651</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

Pipeline Safety Trust

NOTES TO FINANCIAL STATEMENTS

March 31, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business - The Pipeline Safety Trust (the Trust) was incorporated in July 2003 as a not-for-profit corporation in the state of Washington. The Trust was organized to promote fuel transportation safety through education and advocacy, by increasing access to information, and by building partnerships with residents, safety advocates, government, and industry, that result in safer communities and a healthier environment.

In June 2003, as a result of the 1999 Olympic Pipe Line explosion, the U.S. District Court ordered that four million dollars of the criminal fines imposed as a result of the tragedy be provided to the Pipeline Safety Trust. It is the Board of Directors' intent to maintain the contributed assets as a \$4 million endowment with the income earned from the contributed assets to be used to support the mission of the Trust.

Classification of net assets - The Trust's financial statements report information regarding its financial position and activities according to three classes of net assets based on externally imposed restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. As of March 31, 2008 and 2007, the Trust did not have any temporarily or permanently restricted net assets.

Cash equivalents - The Trust considers all short-term, highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments and marketable securities - Investments and marketable securities are carried at fair market value. Donated items are recorded at fair market value at the date of the contribution; purchased items are initially recorded at cost. Investments are evaluated and adjusted to current market value.

Furniture and equipment - Furniture and equipment are recorded at cost or, if acquired as a donation, at fair market value at the date donated. It is the Trust's policy to capitalize expenditures for these items in excess of \$500. Lesser amounts are expensed. Depreciation is provided using straight-line methods based upon the estimated economic useful lives of the assets. Repair and maintenance expenditures that do not extend useful life are expensed as incurred.

Pipeline Safety Trust

NOTES TO FINANCIAL STATEMENTS

March 31, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Donated equipment usage and services - Equipment usage and services are donated to the Trust by an agency of the U. S. government. Such contributed amounts totaling \$24,418 and \$24,200 for the years ended March 31, 2008 and 2007, respectively, were recorded at fair market value at the date of donation, and have been included in revenue and expenses for that year.

Federal income tax - The Trust is a non-profit organization under Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal income tax. The Trust received a determination letter from the Internal Revenue Service on its organization status as a publicly supported organization under Section 509(a)(1), as of December 17, 2003.

Use of estimates - The preparation of financial statements in conformity with a comprehensive basis of accounting other than generally accepted accounting principles requires management to make estimates and assumptions. Such estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - INVESTMENTS

Investments consist of U.S. Government Bonds, common and preferred stocks, real estate investment trusts, mutual funds, and cash. The investment is intended to provide investment income to be used to support the mission of the Trust. The securities are reported at fair market value as of March 31, 2008 and 2007.

	<u>2008</u>	<u>2007</u>
Fixed income investments	\$ 1,137,151	\$ 1,761,433
Equity investments		
Common stocks	1,501,128	1,713,870
Preferred stocks	141,000	37,500
Real estate investment trusts	331,850	345,235
Mutual funds	549,851	779,733
Money market funds	<u>551,858</u>	<u>140,654</u>
Total	<u>\$ 4,212,838</u>	<u>\$ 4,778,425</u>

Investment income (loss) consists of the following:

Dividends and interest	\$ 223,229	\$ 157,756
Net realized and unrealized gain (loss) on investments	<u>(578,355)</u>	<u>165,327</u>
Total	<u>\$ (355,126)</u>	<u>\$ 323,083</u>

Pipeline Safety Trust

NOTES TO FINANCIAL STATEMENTS

March 31, 2008 and 2007

NOTE 3 - FURNITURE AND EQUIPMENT

Furniture and equipment consists of the following at March 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Office furniture	\$ 750	\$ 750
Computer equipment	<u>8,482</u>	<u>6,487</u>
	9,232	7,237
Less accumulated depreciation	<u>(4,520)</u>	<u>(2,783)</u>
	<u>\$ 4,712</u>	<u>\$ 4,454</u>

NOTE 4 - FUNCTIONAL CLASSIFICATION OF EXPENSES

Operating expenses by functional classification for the years ended March 31, 2008 and 2007 are as follows:

	Program	Supporting	Fund	<u>Total</u>	
	<u>Services</u>	<u>Services</u>	<u>Raising</u>	<u>2008</u>	<u>2007</u>
Salaries and wages	\$ 81,835	\$ 4,026	\$ 281	\$ 86,142	\$ 78,175
Payroll taxes	5,773	284	20	6,077	7,383
Employee benefits	14,664	721	50	15,435	15,328
Investment fees	-	23,470	-	23,470	22,934
Professional fees	15,330	6,300	-	21,630	37,939
Rent	4,100	215	-	4,315	3,328
Supplies	427	22	-	449	621
Telephone and utilities	2,474	130	-	2,604	2,405
Depreciation	1,651	86	-	1,737	1,205
Insurance	2,559	134	-	2,693	1,023
Travel and entertainment	27,452	2,925	-	30,377	41,401
Conferences & conventions	41,555	-	-	41,555	39,401
Dues and subscriptions	722	-	-	722	247
Equipment rental and maintenance	-	-	-	-	178
Education and training	244	-	-	244	498
Office expenses	4,293	139	86	4,518	3,921
Fundraising fees	-	-	1,550	1,550	-
Miscellaneous	<u>83</u>	<u>5</u>	<u>-</u>	<u>88</u>	<u>39</u>
	<u>\$ 203,162</u>	<u>\$ 38,457</u>	<u>\$ 1,987</u>	<u>\$243,606</u>	<u>\$256,026</u>

Certain costs have been allocated between program and supporting services based on estimates of management.

Pipeline Safety Trust

NOTES TO FINANCIAL STATEMENTS

March 31, 2008 and 2007

NOTE 5 - RETIREMENT PLAN

The Trust sponsors the Pipeline Safety Trust Retirement Plan, a SEP-IRA plan covering all employees. The Trust is obligated to contribute 5% of employee gross wages on a quarterly basis to the plan. For the years ended March 31, 2008 and 2007, the Trust's total contributions to the plan were \$4,349 and \$5,054, respectively.

NOTE 6 - RISKS AND UNCERTAINTIES

The Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported on the statements of financial position.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

The Trust entered into various service contracts for professional services to be performed subsequent to year end. The contracts expire between June 1, 2008 and March 31, 2009. Amounts due under contract for the year ending March 31, 2009 are \$12,950.