PIPELINE SAFETY TRUST

FINANCIAL STATEMENTS

Years Ended March 31, 2009 (Reviewed)

and 2008 (Audited)

With

Accountant's Review Report

PIPELINE SAFETY TRUST

CONTENTS

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An Independently Owned Member of the RSM McGladrey Network

ACCOUNTANT'S REVIEW REPORT

The Board of Directors
Pipeline Safety Trust

We have reviewed the accompanying statement of financial position of the Pipeline Safety Trust (a not-for-profit corporation) as of March 31, 2009 and the related statements of activities and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All of the information included in these financial statements is the representation of the management of Pipeline Safety Trust.

A review consists principally of inquiries of Pipeline Safety Trust personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements for the year ended March 31, 2009, in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The 2008 financial statements of Pipeline Safety Trust were audited by us, and our opinion on those financial statements in our report, dated August 1, 2008, was unqualified, but we have not performed any auditing procedures since that date.

Larson Gross PLLC

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July 13, 2009

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Pipeline Safety Trust

STATEMENTS OF FINANCIAL POSITION

March 31, 2009 (Reviewed) and 2008 (Audited)

(See Accountant's Review Report)

ASSETS

	2009	2008
Current assets		
Cash	$ 22,784	$ 28,651
Prepaid expenses	283	1,111
Certificates of deposit	179,511	153,886
Interest and dividends receivable	16,733	7,653
Total current assets	219,311	191,301
Investments		
Marketable securities	2,966,988	4,212,838
Furniture and equipment, net	4,847	4,712
Total assets	$3,191,146	$ 4,408,851

LIABILITIES AND NET ASSETS

	2009	2008
Current liabilities		
Accounts payable	$ 1,315	$ 1,260
Accrued liabilities	6,299	3,150
Total current liabilities	7,614	4,410
Net assets - unrestricted	3,183,532	4,404,441
Total liabilities and net assets	$3,191,146	$ 4,408,851

The accompanying notes are an integral part of these statements.

Pipeline Safety Trust

STATEMENTS OF ACTIVITIES

Years Ended March 31, 2009 (Reviewed) and 2008 (Audited)

(See Accountant's Review Report)

	2009	2008
Revenue		
Investment loss	$ (1,060,903)	$ (355,126)
Interest from savings accounts	7,418	8,948
Program service fees	35,600	32,700
Contributions	28,515	31,545
Total revenue	(989,370)	(281,933)
Operating expenses		
Program services	192,370	203,162
Supporting services	38,829	38,457
Fundraising	340	1,987
Total operating expenses	231,539	243,606
Decrease in net assets	(1,220,909)	(525,539)
Net assets - beginning of year	4,404,441	4,929,980
Net assets - end of year	$ 3,183,532	$ 4,404,441

The accompanying notes are an integral part of these statements.

Pipeline Safety Trust

STATEMENTS OF CASH FLOWS

Years Ended March 31, 2009 (Reviewed) and 2008 (Audited)

(See Accountant's Review Report)

	2009	2008
Cash flows from operating activities		
Decrease in net assets	$ (1,220,909)	$ (525,539)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	2,070	1,737
Net realized and unrealized loss on investments	1,241,091	578,355
In-kind contribution of computer equipment	-	(1,995)
(Increase) decrease in current assets		
Prepaid expenses	828	(86)
Interest and dividends receivable	(9,080)	18,086
Increase (decrease) in current liabilities		
Accounts payable	55	1,260
Accrued liabilities	3,149	(2,917)
Net cash provided by operating activities	17,204	68,901
Cash flows from investing activities		
Withdrawals from investment funds	155,894	205,155
Investment in certificates of deposit	(25,625)	(26,520)
Reinvested interest and dividends, net	(151,135)	(217,922)
Purchase of equipment	(2,205)	-
Net cash used by investing activities	(23,071)	(39,287)
Cash flows from financing activities		
Checks in excess of bank balance, net change	-	(963)
Net cash used by financing activities	-	(963)
Net increase (decrease) in cash	(5,867)	28,651
Cash - beginning of year	28,651	-
Cash - end of year	$ 22,784	$ 28,651

The accompanying notes are an integral part of these statements.

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, 2009 and 2008, 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 value as measured by SFAS No. 157. 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 fair 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.

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 $24,964 and $24,418 for the years ended March 31, 2009 and 2008, 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 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 value as of March 31, 2009 and 2008.

	2009	2008
Fixed income investments	$1,360,018	$1,137,151
Equity investments		
Common stocks	1,248,110	1,501,128
Preferred stocks	46,350	141,000
Real estate investment trusts	286,558	331,850
Mutual funds	-	549,851
Money market funds	25,952	551,858
Total	$2,966,988	$4,212,838

Investment income (loss) consists of the following:

	2009	2008
Dividends and interest	$ 180,188	$ 223,229
Net realized and unrealized loss on investments	(1,241,091)	(578,355)
Total	$(1,060,903)	$ (355,126)

NOTE 3 - FAIR VALUE MEASUREMENTS

FASB Statement No. 157, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides 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 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described as follows:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Trust has the ability to access

Level 2 — Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. At March 31, 2009, all investments are measured at quoted prices in active markets for identical assets.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Trust believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 3 - FAIR VALUE MEASUREMENTS - (Continued)

The following table sets forth by level, within the fair value hierarchy, the Trust's assets at fair value as of March 31, 2009:

Assets at Fair Value as of March 31, 2009	Level 1	Level 2	Level 3	Total
Money market fund	$ 25,952	$ -	$ -	$ 25,952
U.S government bonds	485,235	-	-	485,235
Corporate bonds	874,783	-	-	874,783
Common stocks	1,248,110	-	-	1,248,110
Preferred stock	46,350	-	-	46,350
Real estate investment trusts	286,558	-	-	1,360,018
Total assets at fair value	$ 2,966,988	$ -	$ -	$ 2,966,988

NOTE 4 - FURNITURE AND EQUIPMENT

Furniture and equipment consists of the following at March 31, 2009 and 2008:

	2009	2008
Office furniture	$ 750	$ 750
Computer equipment	10,767	8,482
	11,517	9,232
Less accumulated depreciation	(6,670)	(4,520)
	$ 4,847	$ 4,712

NOTE 5 - FUNCTIONAL CLASSIFICATION OF EXPENSES

Operating expenses by functional classification for the years ended March 31, 2009 and 2008 are as follows:

	Program Services	Supporting Services	Fund Raising	Total 2009	Total 2008
Salaries and wages	$ 71,613	$ 3,523	$ 246	$ 75,382	$ 86,142
Payroll taxes	6,137	302	21	6,460	6,077
Employee benefits	15,294	752	53	16,099	15,435
Investment fees	-	20,767	-	20,767	23,470
Professional fees	15,579	8,200	-	23,779	21,630
Rent	4,620	243	-	4,863	4,315
Supplies	194	10	-	204	449
Telephone and utilities	2,505	132	-	2,637	2,604
Depreciation	2,043	107	-	2,150	1,737
Insurance	1,971	103	-	2,074	2,693
Travel and entertainment	18,621	4,655	-	23,276	30,377
Conferences & conventions	51,944	-	-	51,944	41,555
Dues and subscriptions	808	-	-	808	722
Education and training	-	-	-	-	244
Office expenses	1,017	34	20	1,071	4,518
Fundraising fees	-	-	-	-	1,550
Miscellaneous	24	1	-	25	88
	$ 192,370	$ 38,829	$ 340	$231,539	$243,606

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

NOTE 6 - 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, 2009 and 2008, the Trust's total contributions to the plan were $3,703 and $4,349, respectively.

NOTE 7 - 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 8 - COMMITMENTS AND CONTINGENCIES

The Trust entered into a service contract for professional services to be performed subsequent to year end. The contract expires March 31, 2010. Amounts due under contract for the year ending March 31, 2010 are $7,200.

NOTE 9 - RECENT ACCOUNTING PRONOUNCEMENTS

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement 109. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return including positions that the organization is exempt from income taxes or not subject to income taxes on unrelated business income. If there are changes in net assets as a result of application of FIN 48 these will be accounted for as an adjustment to the opening balance of retained earnings. Additional disclosures about the amounts of such liabilities will be required also. The Trust presently recognizes income tax positions based on management's estimate of whether it is reasonably possible that a liability has been incurred for unrecognized income tax benefits by applying FASB Statement No. 5, Accounting for Contingencies. The Trust has elected to defer the application of Interpretation 48 in accordance with FASB Staff Position (FSP) FIN 48-3. This FSP defers the effective date of Interpretation 48 for nonpublic enterprises, such as Pipeline Safety Trust included within its scope to the annual financial statements for fiscal years beginning after December 15, 2008. The Trust will be required to adopt FIN 48 in its 2010 fiscal year financial statements. Management has not assessed the impact of FIN 48 on its financial position and results of operations and has not determined if the adoption of FIN 48 will have a material effect on its financial statements.

In February 2008, the FASB issued FSP FAS 157-2, Effective Date of FASB Statement No. 157, which delays the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Management has not assessed the impact on its financial position and results of operations and has not determined if the adoption of the delayed items of SFAS No. 157 will have a material effect on its financial statements.