Larson Gross
ASSURANCE

Pipeline Safety Trust

Financial Statements with
Independent Auditor's Report

Years Ended March 31, 2025 and 2024

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Pipeline Safety Trust

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Independent Auditor's Report

To the Board of Directors
Pipeline Safety Trust
Bellingham, Washington

Report on the Audit of the Financial Statements

Opinion
We have audited the accompanying financial statements of Pipeline Safety Trust (a nonprofit organization), which comprise the statements of financial position as of March 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pipeline Safety Trust as of March 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pipeline Safety Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pipeline Safety Trust's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pipeline Safety Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pipeline Safety Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2025 on our consideration of Pipeline Safety Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pipeline Safety Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pipeline Safety Trust's internal control over financial reporting and compliance.

Larson Gross Assurance, PLLC

Bellingham, Washington
December 18, 2025

Pipeline Safety Trust

Statements of Financial Position

March 31, 2025 and 2024

	2025	2024
Assets		
Current assets		
Cash	$ 357,173	$ 321,836
Grants receivable	-	172,902
Total current assets	357,173	494,738
Investments	5,429,753	5,462,360
Operating lease right-of-use assets	49,321	89,635
Security deposit	3,000	3,000
Total assets	$ 5,839,247	$ 6,049,733
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 8,314	$ 12,154
Accrued liabilities	55,019	75,420
Deferred grant revenue	184,383	171,977
Current portion – operating lease liabilities	33,910	32,296
Total current liabilities	281,626	291,847
Operating lease liabilities, net of current portion	17,344	59,554
Total liabilities	298,970	351,401
Net assets		
Without donor restrictions		
Undesignated	1,490,277	1,648,332
Board-designated	4,050,000	4,050,000
Total net assets	5,540,277	5,698,332
Total liabilities and net assets	$ 5,839,247	$ 6,049,733

The accompanying notes are an integral part of these financial statements.

Pipeline Safety Trust

Statements of Activities

For the Years Ended March 31, 2025 and 2024

	2025	2024
Support and revenue without donor restrictions		
Government grant revenue	$ 1,036,877	$ 975,067
Contributions	227,562	165,585
Investment return, net	97,393	1,028,560
Program service fees	74,022	79,863
Other revenue	2,298	2,308
In-kind contributions	200	-
Total support and revenue without donor restrictions	1,438,352	2,251,383
Expenses		
Program services	1,459,931	1,306,812
Management and general	116,011	104,303
Fundraising	20,465	17,790
Total expenses	1,596,407	1,428,905
Change in net assets without donor restrictions	(158,055)	822,478
Net assets without donor restrictions – beginning of year	5,698,332	4,875,854
Net assets without donor restrictions – end of year	$ 5,540,277	$ 5,698,332

The accompanying notes are an integral part of these financial statements.

Pipeline Safety Trust

Statements of Functional Expenses

For the Years Ended March 31, 2025 and 2024

	2025				2024			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 701,966	$ 37,740	$ 15,096	$ 754,802	$ 603,274	$ 32,434	$ 12,974	$ 648,682
Employee benefits	96,062	5,165	2,066	103,293	86,936	4,674	1,870	93,480
Payroll taxes	62,304	3,350	1,340	66,994	57,558	3,095	1,238	61,891
Total payroll and related	860,332	46,255	18,502	925,089	747,768	40,203	16,082	804,053
Professional fees	231,513	57,878	-	289,391	213,018	53,255	-	266,273
Conferences and conventions	141,979	-	-	141,979	137,835	-	-	137,835
Travel and entertainment	117,394	6,179	-	123,573	113,255	5,961	-	119,216
Lease	51,710	2,780	1,112	55,602	49,166	2,643	1,057	52,866
Telephone and utilities	25,452	1,368	547	27,367	22,261	1,197	479	23,937
Office expenses	10,983	590	236	11,809	4,713	253	101	5,067
Information technology	10,650	561	-	11,211	9,089	478	-	9,567
Miscellaneous	6,779	231	-	7,010	6,402	135	-	6,537
Insurance	3,139	169	68	3,376	3,305	178	71	3,554
	$ 1,459,931	$ 116,011	$ 20,465	$ 1,596,407	$ 1,306,812	$ 104,303	$ 17,790	$ 1,428,905

The accompanying notes are an integral part of these financial statements.

Pipeline Safety Trust

Statements of Cash Flows

For the Years Ended March 31, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Change in net assets without donor restrictions	$ (158,055)	$ 822,478
Adjustments to reconcile change in net assets without donor restrictions to net cash from operating activities:		
Net realized and unrealized gain on investments	(21,460)	(959,308)
Noncash lease (income) expense	(282)	711
Change in operating assets and liabilities:		
Grants receivable	172,902	(146,230)
Accounts payable	(3,840)	10,251
Accrued liabilities	(20,401)	34,245
Deferred grant revenue	12,406	160,444
Net cash from operating activities	(18,730)	(77,409)
Cash flows from investing activities		
Proceeds from sales of investments withdrawn from investment account	130,000	260,000
Reinvested interest and dividends, net of fees	(75,933)	(69,252)
Net cash from investing activities	54,067	190,748
Net change in cash	35,337	113,339
Cash – beginning of year	321,836	208,497
Cash – end of year	$ 357,173	$ 321,836

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of activities – The Pipeline Safety Trust (the Trust) was incorporated in July 2003 as a not-for-profit corporation in the State of Washington. The Trust is organized to promote pipeline 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 Pipeline explosion in Bellingham, Washington, the U.S. District Court ordered that $4 million of the criminal fines imposed as a result of the tragedy be provided to the Trust. It is the Board of Directors' intent to maintain the $4 million contributed assets to function as an endowment with the income earned to be dedicated to support the mission of the Trust.

Basis of accounting – The Trust prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; accordingly, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of presentation – Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control is classified as net assets without donor restrictions.
>
> *Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions that will be met either by actions of the Trust or the passage of time, including contributions that have been restricted by the donor that stipulate the resources be maintained in perpetuity, but permit the Trust to use or expend part or all of the income derived from the donated assets for either specific or unspecific purposes. The Trust had no net assets with donor restrictions as of March 31, 2025 or 2024.

Support and revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor stipulated purpose has been fulfilled, or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets. Contributions that are restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the contributions are recognized.

Cash – Cash consists of cash in a bank for statement of cash flows purposes. The Trust maintains its cash in bank accounts that may exceed federally insured limits at times during the year. The Trust has not experienced any losses in these accounts, and does not believe it is exposed to any significant credit risk.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies – (Continued)

Investments – Investments are recorded at fair value, all of which are measured using Level 1 inputs, which are defined as quoted market prices in active markets for identical investments. Changes in fair value are included in the change in net assets. Cash held in investment accounts is reported as investments.

Contributions – Contribution revenue is recognized in the period received or when an unconditional promise to give is made, whichever is earlier. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

In-kind contributions – Donated services are recorded at their estimated fair value at the date of receipt. Donated services are recognized if services received (a) create or enhance nonfinancial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not donated. Donations of supplies, equipment, and other goods are recorded at their estimated fair value on the date of receipt.

Government grant revenue – Government grant revenue includes cost-reimbursement grants from the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA). Revenues are recognized as related expenditures are incurred. Generally, funding becomes unconditional when the related expenditure is made. Revenue from government agencies is subject to audit, which could result in adjustments to revenue. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. During the years ended March 31, 2025, and 2024, no such adjustments were made. Grant receipts in advance of being earned are recorded as deferred grant revenue and revenue recognized in advance of grant receipts or billing are recognized as grants receivable.

Revenue recognition – For contracts that are within the scope of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606*, Revenue from Contracts with Customers*, the Trust performs the following five steps: (1) identify the contract(s); (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; (5) recognize revenue when (or as) the entity satisfied a performance obligation.

The Trust identifies a contract with a customer when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable.

Program service fees – Program service fees revenue is derived from conferences and is recognized at a point in time when the conferences take place.

Leases – The Trust determines if an arrangement contains a lease at inception based on whether it has the right to control the asset during the contract period and other facts and circumstances. The Trust elected not to record right-of-use assets and lease liabilities for leases with an initial term of 12 months or less and recognizes lease expense on a straight-line basis over the lease term.

For leases with a term greater than 12 months, the Trust records a lease liability based on the present value of lease payments over the expected lease term. The Trust calculates the present value of lease payments using a risk-free discount rate determined using a period comparable with that of the lease term.

Note 1 – Nature of Activities and Summary of Significant Accounting Policies – (Continued)

Leases – (Continued) – The Trust records a corresponding right-of-use asset based on the lease liability, adjusted for any lease incentives received and any initial direct costs paid to the lessor prior to the lease commencement date. After the initial recognition, the lease liability is measured as the present value of the unpaid lease payments using the discount rate determined when the lease was initially recognized. The right-of-use asset, unless previously impaired, is measured as the amount of the lease liability adjusted for: (a) prepaid or accrued lease payments, (b) the remaining balance of any lease incentives received, (c) unamortized initial direct costs, and (d) any current impairment of the right-of-use asset.

Functional allocation of expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited on a reasonable basis that is consistently applied. Salaries, payroll taxes, and employee benefits are allocated on the basis of estimates of time and effort. All other allocated expenses are allocated based on estimates of usage utilizing square footage, mileage, and other metrics.

Federal income tax – The Trust is a nonprofit entity exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Use of estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events – In preparing these financial statements, the Trust has evaluated events and transactions for potential recognition or disclosure through December 18, 2025, the date the financial statements were available to be issued.

Note 2 – Availability and Liquidity of Financial Assets

Financial assets available for general expenditures within one year consist of the following as of March 31:

	2025	2024
Financial assets at year-end:		
Cash	$ 357,173	$ 321,836
Grants receivable	-	172,902
Investments	5,429,753	5,462,360
Total financial assets	5,786,926	5,957,098
Less amounts not available to be used within one year:		
Board-designated amounts	(4,050,000)	(4,050,000)
Financial assets available to meet general expenditures within one year	$ 1,736,926	$ 1,907,098

The Board intends to maintain the investment principal as a restricted balance indefinitely and is not available for general expenditure within one year.

Note 2 – Availability and Liquidity of Financial Assets – (Continued)

However, the board-designated amounts could be made available, if necessary. As part of the Trust's liquidity management plan, cash in excess of daily requirements may be invested in equity investments, mutual funds, and money market accounts. Investing in certain mutual funds is permitted with Board approval.

Note 3 – Investments

Investments consist of the following as of March 31:

	2025	2024
Common stock	$ 4,095,131	$ 4,304,713
Fixed income mutual funds	1,113,072	1,127,403
Cash and money market accounts	221,550	30,244
Total investments	$ 5,429,753	$ 5,462,360

The components of investment return were as follows for the years ended March 31:

	2025	2024
Interest and dividends, net	$ 75,933	$ 69,252
Net realized and unrealized gain	21,460	959,308
Total investment return, net	$ 97,393	$ 1,028,560

Note 4 – Grant Agreements

Grant revenue and contributions included the following during the years ended March 31:

	2025		
	Funds Received	Grant Revenue	Deferred Revenue (Receivable)
Carbon Advocacy Project – $250,000	$ 171,979	$ 171,979	$ -
Carbon Advocacy Project – $150,000	150,000	31,398	118,602
2022 PHMSA – $1,000,000	116,829	116,829	-
2023 PHMSA – $1,000,000	850,000	784,219	65,781
2024 PHMSA – $1,000,000	135,828	135,828	-
Total	$ 1,288,808	$ 1,240,253	$ 184,383

Note 4 – Grant Agreements – (Continued)

	2024		
	Funds Received	Grant Revenue	Deferred Revenue (Receivable)
Carbon Advocacy Project – $25,000	$ 25,000	$ 25,000	$ -
Carbon Advocacy Project – $250,000	250,000	78,023	171,977
Carbon Advocacy Project – $30,000	30,000	30,000	-
2020 PHMSA – $89,297	-	13,059	(39,731)
2021 PHMSA – $1,000,000	-	11,533	-
2022 PHMSA – $1,000,000	750,000	883,171	(133,171)
2023 PHMSA – $1,000,000	67,304	67,304	-
Total	$ 1,122,304	$ 1,108,090	$ (925)

Note 5 – Retirement Plan

Effective October 1, 2024, the Trust discontinued its Simplified Employee Pension (SEP) IRA plan and implemented a 403(b) retirement plan. The Trust sponsors the Pipeline Safety Trust Retirement Plan, a 403(b) plan covering all employees. Under the plan, the Trust is obligated to contribute 5% of eligible employee gross wages on a semi-monthly basis.

For the year ended March 31, 2025, the Trust contributed $17,080 to the 403(b) plan. Prior to discontinuing the SEP IRA and implementing the 403(b) plan, contributions to the SEP IRA totaled $14,532 for the year ended March 31, 2025, and $25,724 for the year ending March 31, 2024.

Note 6 – Leases

The Trust leases its office facility under and operating lease expiring during September 2026. Monthly payments through September 2025 are $2,828 then increased to $2,899 through September 2026.

Maturities of lease liabilities are as follows for the years ending March 31:

2026	$ 34,362
2027	17,394
Total lease payments	51,756
Less imputed interest	(502)
Total lease liabilities	51,254
Less current portion	(33,910)
Long-term portion	$ 17,344

Note 6 – Leases – (Continued)

A summary of lease costs and related information follows for the years ended March 31:

	2025	2024
Lease costs		
Operating lease costs	$ 33,215	$ 33,215
Short-term lease costs	22,387	19,651
	$ 55,602	$ 52,866
Other information		
Weighted average remaining lease term (in years) – operating leases	1.5	2.8
Weighted average discount rate – operating leases	1.37%	1.40%
Cash paid for amount included in the measurement of lease liabilities operating cash flows	$ 33,522	$ 32,706

Note 7 – Board-Designated Net Assets

Board-designated net assets consist of the following as of March 31:

	2025	2024
Endowment reserve	$ 4,000,000	$ 4,000,000
Operating reserve	50,000	50,000
	$ 4,050,000	$ 4,050,000

Note 8 – Endowment

As described in Note 1, the endowment fund is board-designated to function as an endowment with income earned to be dedicated to supporting the mission of the Trust. All endowment net assets are classified as without donor restrictions, given the absence of donor restrictions that the funds must be held in perpetuity.

Interpretation of relevant law – The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was enacted by Washington State as of July 2009. The Board of Trustees applies UPMIFA to all the Trust's board-designated endowment funds. UPMIFA eliminates the historic dollar value threshold, an amount below which an organization could not spend from the fund and establishes a set of prudent management and investment standards for boards to follow when managing endowment funds. Under UPMIFA, the trust may spend as much of an endowment fund as it considers prudent, regardless of whether the fund is below its historic dollar value.

Note 8 – Endowment – (Continued)

For any funds with donor restrictions, the donor's intent that the fund be perpetual in nature must still be considered and the fund managed accordingly. In accordance with UPMIFA, the Trust considers the following factors in making a determination to appropriate or accumulate endowment funds with donor restrictions:

- Duration and preservation of the fund
- Purposes of the Trust and the donor-restricted endowment fund
- General economic conditions
- Possible effects of inflation and deflation
- Expected total return from income and the appreciation of investments
- Other resources of the Trust
- Investment policies of the Trust

During the years ended March 31, 2025 and 2024, investment return related to the endowment of $97,393 and $1,028,560, respectively, was approved by the board for general operating expenditures.

Return objectives and risk parameters – The Trust has adopted investment policies for endowment assets that attempt to provide support of program needs in perpetuity. The Trust has developed investment guidelines which have been designed to allow flexibility in the management oversight process to capture investment opportunities as they may occur, while at the same time setting forth reasonable risk control parameters to ensure prudence and care in the execution of the investment program. The investment objective of the Trust is striking a balance between cash flow for operating expenses, capital preservation, and growth of principal. Generating cash flow for operating expenses is the key objective of the portfolio. Beyond the cash needed for operating expenses, growth of capital is desired to ensure that Trust is capable of supporting its mission with stable or increasing income over the years.

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, the Trust seeks an annual average annual return of 8%. The target asset allocation for endowment investments is 5-50% equity, 20-40% fixed income and 0-10% real estate investment trust. The purpose of the equity investments is to provide a means to increase or to at least maintain the purchasing power and grow the asset base of the investment account over the long term.

Spending policy and how the investment objectives relate to spending policy – The Trust will withdraw funds from the investment account on a regular basis for operating expenses. The Board of Directors will determine and approve the amount for withdrawal. The Trust anticipates it will withdraw 4-6% of the value of its assets annually. Should the portfolio fall below $4 million, management and the Board of Directors would determine if the long-term viability of the Trust was endangered and whether a revision or suspension of withdrawal amounts or change in investment strategy is needed.

Note 9 – Commitments and Contingencies

A substantial portion of the Trust's revenue are from federal grants. In the event these grants were discontinued or materially restricted; certain activities of the Trust could also be restricted. Entitlement to the federal grant resources is generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. All federal grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the Trust. As of the date of this report, the Trust estimates that no material liabilities will result from such audits.