

APICDA



Annual Report

07



BOARD OF DIRECTORS

Gilda Shellikoff
False Pass
Chair



Justine Gundersen
Nelson Lagoon
Secretary &
Treasurer



Pete Crandall
Financial Industry
Board Member



Mark Snigaroff
Atka
Board Member



Hugh Pelkey
Akutan
Vice Chair



Emil Berikoff
Unalaska
Board Member



Patrick Pletnikoff
St. George
Board Member



Arnold Dushkin
Nikolski
Board Member



Rick Lauber
Fishing Industry
Board Member



July 31, 2008

Dear APICDA Community and Community Residents:

The year 2007 marked the first full year of operations under the new provisions of the Coast Guard Marine Transportation Act of 2006. This Act provides APICDA and the other CDQ organizations the financial and regulatory stability needed to support sustainable and diversified local economies in Western Alaska.



The board and staff worked together to complete our strategic plan, and significant changes were made to our management team to position APICDA to execute that plan.

I'm proud to report that 2007 was our most successful year ever in production and sales, which in turn supported good jobs in our communities and a significant community dividend.

Looking ahead, we are concerned about the record price of fuel and its potential impact on our communities and our operations – in fact, fuel was the primary use of the community dividend in 2007. The board of directors has agreed that energy needs in our communities are as important as the development of infrastructure, since a stable economy depends on both.

I believe we have the right team in place to meet our challenges, and find opportunities, for the benefit of our communities for many years to come.

A handwritten signature in black ink that reads 'Gilda M. Shellikoff'.

Gilda Shellikoff, Chair
Board of Directors



To the APICDA Community:

We are pleased to submit this annual report of APICDA's operations in 2007.

APICDA continues to become stronger and more efficient, both in our financial performance and in our operations and management. The personnel changes we made in several key positions contributed to our success and position us well for the future.

The strategic plan we completed with the board marked a new approach to planning that addresses the long-term needs of our communities, both for direct investment and for income generation. We have an aggressive development program planned in our communities for 2008-09, and we will continue to invest in successful business ventures outside of our communities, such as our Ocean Prowler, Prowler LLC, Starbound and Golden Dawn LLC subsidiaries.

We continue to monitor the natural resources that we rely upon for APICDA's success. Pollock stocks have declined, as predicted, however, fish stocks are in good shape overall. We have been careful to diversify our investments across a number of species and geographic areas.

As the benefits of the Coast Guard Marine Transportation Act of 2006 begin to be realized, we are working diligently with the other CDQ groups on important policy and development issues to protect the interests of APICDA's communities and to ensure that our communities realize the economic benefits that the CDQ program is intended to provide.

We appreciate the support and involvement of the board, our communities and their residents, and the experience and skill of our management team.

Larry Cotter
Chief Executive Officer

Joe Kyle
Chief Operating Officer
Chief Financial Officer

2007 HIGHLIGHTS



- Completed processing of Area 4B halibut quota by the end of July
- Facilitated beach cleanup in St George
- Employed 121 APICDA residents with a payroll of \$2,227,638
- Invested \$2,353,650 in scholarships, internship programs, and grants for schools and community programs
- Initiated feasibility studies and business planning for a seafood plant and an adventure tourism lodge in St. George
- Contributed \$ 600,000 in grant money to the six member communities as a community dividend
- Long term reserve account worth \$ 11,468,286 at year's end
- Increased consolidated net worth by \$6.2 million to \$47 million
- Purchased F/V NIGHTRIDER for service in St. George
- Promoted Jeff Kashevarof and Ken Smith to head up AJV's harvesting and processing activities, respectively
- Invested over \$ 100,000 for infrastructure improvements at Ugludax Lodge
- Built two storage buildings and completed hardening the boat pad and grounds for the Nelson Lagoon Storage company
- For the second year, granted \$ 100,000 to Aleutia for salmon product development and operating expenses
- Invested more than \$ 2.9 million for the construction phase of Bering Pacific Seafoods in False Pass



APICDA SUBSIDIARIES



Atka Pride Seafoods

50/50 partnership between APICDA Joint Ventures and the Atka Fishermen's Association, organized as a Subchapter C corporation. The plant, located in Atka, Alaska, processes approximately 500,000 pounds per year of halibut and sablefish in H&G and fillet product forms.

F/V Barbara J. LLC

50/50 partnership between APICDA Joint Ventures and Trident Seafoods. Managed by Trident, this crab vessel fishes for various species of crab and Pacific cod, and serves as a tender.

Bering Pacific Seafoods

100% owned and operated by APICDA Joint Ventures, this plant is currently under construction in False Pass, Alaska. It is expected to be operational for the 2008 fishing season, and will focus on processing Pacific cod, sablefish, halibut, and salmon.

F/V Farwest Leader LLC

50/50 partnership between APICDA Joint Ventures and Trident Seafoods. Managed by Trident, this crab vessel fishes for various species of crab and Pacific cod, and serves as a tender.

F/V Golden Dawn LLC

50/50 partnership between APICDA Joint Ventures and Trident Seafoods. Managed by Trident, this trawl-catcher vessel fishes primarily for pollock in the Bering Sea.

Kayux Development

50/50 partnership between APICDA Joint Ventures and the Tanaq Corporation. This company is poised to participate in any upland development associated with commercial activities in Tract I, Zapadni Bay Harbor on St. George Island.

APICDA SUBSIDIARIES



Nelson Lagoon Storage Company LLC

50/50 partnership between APICDA Joint Ventures and the native village of Nelson Lagoon (Council). The storage company operates as a gear and vessel storage business in Nelson Lagoon to support the summer salmon fishery.

Ocean Prowler LLC

20/20/60 partnership between APICDA Joint Ventures (20%), Coastal Villages Region Fund (20%) and a partnership comprised of John Winther, Bart Eaton, and Jerry Kennedy (60%). Managed by John Winther and Jerry Kennedy, the F/LL Ocean Prowler is a catcher processor that fishes for Pacific cod and sablefish.

Prowler LLC

20/20/60 partnership between APICDA Joint Ventures (20%), Coastal Villages Region Fund (20%) and a partnership comprised of John Winther, Bart Eaton, and Jerry Kennedy (60%). Managed by John Winther and Jerry Kennedy, the F/L/L Prowler and the F/L/L Bering Prowler are catcher processors that fish for Pacific cod and sablefish.

Puffin Seafoods LLC

50/50 partnership between APICDA Joint Ventures and the St. George Fishermen's Association. The company is the business entity necessary for the halibut fishery on St. George Island to take place, and serves as an administrative vehicle for the local fleet to pursue the halibut CDQ fishery in Area 4C.

Starbound LLC

APICDA Joint Ventures owns 20% of this pollock catcher-processor with Aleutian Spray Fisheries, who serves as the managing partner. This vessel harvests and processes approximately 65% of APICDA's pollock CDQ quota.

Ugludax Lodge LLC

50/50 partnership between APICDA Joint Ventures and the Chaluka Corporation. The company operates the Lodge in Nikolski on Umnak Island as a high end, sport fish and hunting destination.



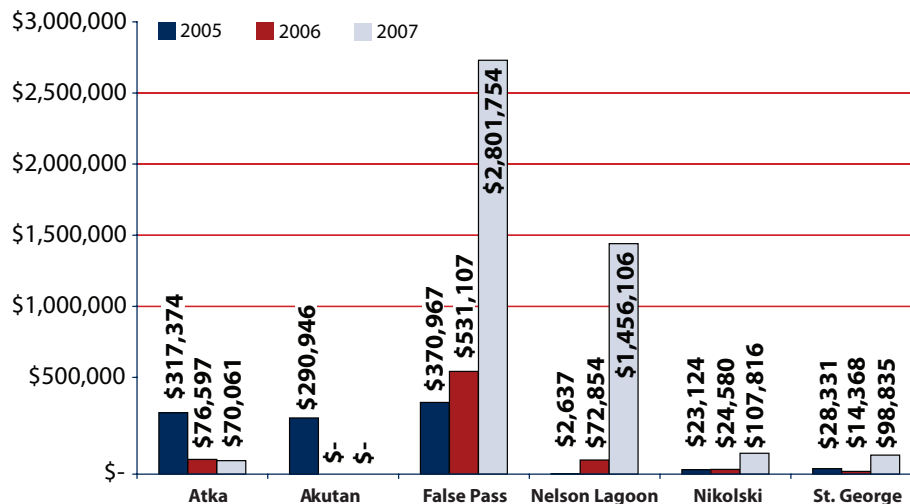
**2007 CDQ IN-REGION
EMPLOYMENT**

	Individuals	Wages
Management/Admin	9	\$416,284
Board Members	10	\$117,548
Community Liaisons	7	\$81,000
CDQ A/B Season	3	\$62,911
Other Fishing	50	\$1,193,554
Internships	4	\$21,840
Other Employment	38	\$334,501
TOTALS	121	\$2,227,638

**2007 APICDA TRAINING &
EDUCATION EXPENDITURES**

		Individuals	Expenditures
SCHOLARSHIPS	Post Secondary	48	\$191,915
VOC-TECH CLASSES	Basic	4	\$7,944
OTHER TRAINING	Fisheries Related	15	\$22,990
	CDQ Staff/Board	9	\$7,804
	Other	5	\$9,973
OTHER EXPENDITURES	School Grants (Community Schools)	7	\$76,083
TOTAL		88	\$316,708

COMMUNITY INFRASTRUCTURE



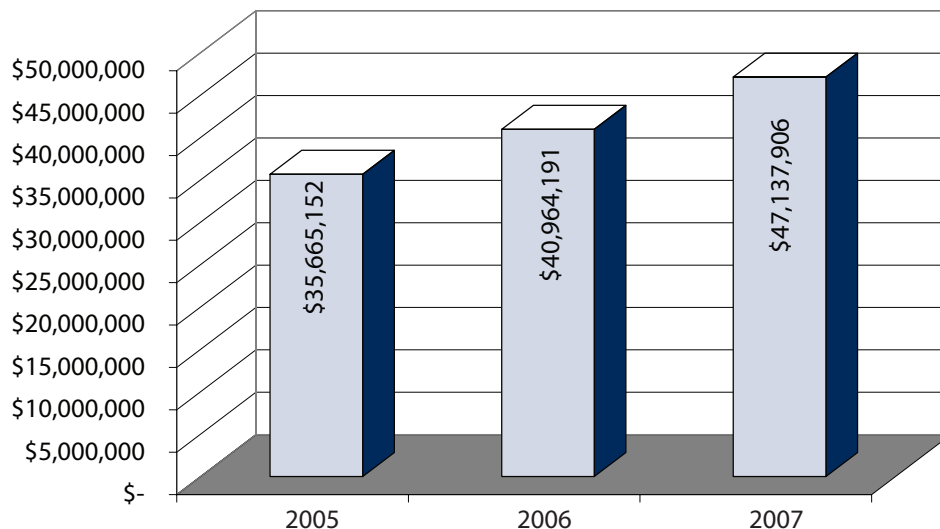
CONSOLIDATED FINANCIALS FOR 2007



To comply with state and federal regulations, APICDA undergoes a financial and managerial audit each year, and the results are shared with state and federal regulators. The 2007 audit began January 2008 and was concluded in mid May of 2008 by the Anchorage-based accounting firm of Altman, Rogers & Co. The board and management place a great deal of faith and reliance with the Altman, Rogers & Co. findings as a measure of our overall corporate health. Management takes their recommendations as direction to improve managerial and accounting practices, and tries to implement them as quickly as possible. The Altman, Rogers & Co. annual audit is a critical component in our corporate governance processes, and we are extremely grateful for the professional, diligent, and forthright manner in which it is conducted each year.

Altman, Rogers & Co. completed 35-page “Audit and Report on Consolidated Financial Statements and Supplementary Information” is on file in the APICDA corporate office in Juneau, Alaska. Management compressed the financial information depicted below from that audit and report for 2007.

APICDA CONSOLIDATED NET WORTH





CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2007 AND 2006

ASSETS

Current assets:

	2007	2006
Cash and cash equivalents	\$ 3,267,684	3,871,036
Short term investments	17,110,730	14,005,068
Accounts receivable:	602,795	294,203
Notes receivable affiliates - current	98,400	165,403
Related party note receivable - current	4,988	5,172
Note receivable - current	131,000	-
Interest receivable	41,410	15,403
Advances due from affiliated companies - current	405,500	1,691,000
Inventory	4,731	10,672
Prepaid expenses	320,162	411,439
Total current assets	<u>21,987,400</u>	<u>20,469,396</u>

Investments:

Investments in Out of Region Entities	11,022,105	10,552,076
Investment Partnerships with In-Region Entities	2,228,266	1,876,760
Total investments	<u>13,250,371</u>	<u>12,428,836</u>

Property and equipment, net	9,851,460	6,796,508
Intangible assets, net	2,188,018	2,303,853
Non-current loans receivable	1,392,809	1,044,661
Total assets	<u>48,670,058</u>	<u>\$ 43,043,254</u>

LIABILITIES AND UNRESTRICTED NET ASSETS

Current liabilities:

Notes payable - current	462,479	461,649
Accounts payable	120,118	270,360
Accrued payroll and related liabilities	110,515	81,699
Taxes payable	3,780	6,256
Unearned deposits	40,200	-
Total current liabilities	<u>737,092</u>	<u>819,964</u>

Notes payable, non-current	<u>795,060</u>	<u>1,259,099</u>
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Total liabilities	<u>1,532,152</u>	<u>2,079,063</u>
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Unrestricted net assets:

Designated:		
Minority interests		
Net assets	(668,211)	(516,793)
Contributed capital	1,795,000	1,795,000
Long-term reserves	11,468,286	10,074,151
Total designated net assets	<u>12,595,075</u>	<u>11,352,358</u>

Undesignated net assets	<u>34,542,831</u>	<u>29,611,833</u>
Total unrestricted net assets	<u>47,137,906</u>	<u>40,964,191</u>

Total liabilities and unrestricted net assets	<u>\$ 48,670,058</u>	<u>43,043,254</u>
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CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2007 AND 2006

CHANGES IN UNRESTRICTED NET ASSETS**Revenues and support:**

	2007	2006
Royalties	\$ 8,836,842	8,431,917
Interest	328,527	261,122
Gain on sale/disposition of property and equipment	1,205	70,605
Net realized and unrealized gains on investments	689,021	1,037,812
Nazan Bay Inn	23,850	46,100
Profit (Loss) on Out of Region Investments	3,251,456	2,063,888
Profit (Loss) on In-Region Partnership Investments	351,617	(2,102)
Fishing income	2,251,323	1,987,322
Software sales	13,750	12,500
Billed Labor	435,125	217,044
Fish tax donation	82,500	102,000
Loss on dissolution of partnership	(168,480)	-
Other income	156,342	125,981
Total revenues and support	<u>16,253,078</u>	<u>14,354,189</u>

Expenses:

Programs:

Community development:

Grants for Education (Scholarships/Vocational)	246,708	286,622
Grants for projects	1,900,419	898,426
Community outreach	206,523	169,370
Total community development	<u>2,353,650</u>	<u>1,354,418</u>

Operations:

Crew	\$ 1,084,020	862,215
Labor	1,685,296	1,391,225
Boat supplies, maintenance and repairs	852,404	671,774
Travel and transportation	167,884	58,586
Nazan Bay Inn expenses	35,075	22,510
Insurance	133,856	111,664
Licenses, taxes and fees	134,558	145,701
Asset impairment	26,680	502,763
Miscellaneous	13,534	31,454
Total operations	<u>4,133,307</u>	<u>3,797,892</u>
Total program expenses	<u>6,486,957</u>	<u>5,152,310</u>

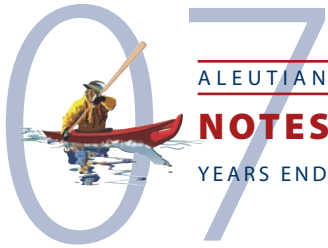
General and administrative:

Travel and transportation	170,859	196,047
Labor	1,330,995	1,303,452
Office expense	399,947	371,195
Management fees	99,029	76,911
Directors' fees and per diem	329,986	335,698
Insurance	86,828	84,930
Professional fees	445,723	349,752
Licenses, taxes and fees	79,851	79,000
Repairs and maintenance	41,686	56,707
Miscellaneous	75,024	434,496
Total general and administrative	<u>3,059,928</u>	<u>3,288,188</u>

Interest and depreciation expense:

Interest	97,748	125,669
Depreciation	434,730	488,982
Total interest and depreciation	<u>532,478</u>	<u>614,651</u>
Total expenses	<u>10,079,363</u>	<u>9,055,149</u>

Increase in unrestricted net assets	6,173,715	5,299,040
Unrestricted net assets, beginning of year	<u>40,964,191</u>	<u>35,665,151</u>
Unrestricted net assets, end of year	<u>\$ 47,137,906</u>	<u>40,964,191</u>
Minority interest in change in unrestricted net assets	<u>\$ 151,418</u>	<u>105,786</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

YEARS ENDED DECEMBER 31, 2007 AND 2006

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Description of Business**

Aleutian Pribilof Island Community Development Association ("APICDA") is an Alaskan nonprofit corporation formed in September 1992 for the benefit of various southwestern Alaska villages for the purpose of participating in the Alaska Community Development Quota ("CDQ") program established by the Federal Government. Under the CDQ program, eligible communities apply periodically for a portion of the harvestable pollock fishery in the coastal waters of Alaska. During 2006, the U.S. Congress extended the CDQ rights for all species indefinitely and established the allocation percentage for all species at 2002 levels until 2012.

Principles of Consolidation

In 1994, APICDA formed two wholly owned for profit subsidiaries, APICDA Joint Ventures, Inc. ("AJV"), and APICDA Management Corporation ("AMC"). On January 1, 1996, AMC was renamed as APICDA Vessels, Inc. ("AVI") and APICDA's investment in AVI was transferred to AJV.

AJV is a 100% owner of AVI and Bering Pacific Seafoods, L.L.C. ("BPS"), and a 50% owner of Puffin Seafoods, L.L.C. and Ugludax Lodge, L.L.C.

In accordance with accounting principles generally accepted in the United States of America, APICDA, AJV, AVI, BPS, Puffin Seafoods, L.L.C. and Ugludax Lodge, L.L.C. have been consolidated for the year ended December 31, 2007 and 2006. The consolidated entity is referred to as the APICDA in these financial statements. All significant intercompany balances and transactions have been eliminated in consolidation.

Operations

Aleutian Pribilof Island Community Development Association (APICDA) promotes local economic development in the Bering Sea/Aleutian Islands area of Alaska including fisheries development and protection. APICDA evaluates requests for assistance and distributes grants or other forms of financial assistance.

APICDA received a community development quota of approximately 28,793 metric tons, which represents approximately 15.5% of Alaska's CDQ reserve.

APICDA has entered into agreements with seafood processors whereby APICDA receives royalty payments for the utilization of the CDQ by processors. Under the agreements, the royalty is calculated using fixed rates, applied to round weights caught, and percentages applied to gross revenues from pollock and pollock roe produced, plus additional amounts if average sale prices exceed amounts defined in the agreement. The majority of consolidated revenues result from royalties generated by the use of the CDQ.

APICDA is a 25% owner of Cannon Fish Co., which is a seafood processing and marketing company based in Seattle, Washington. APICDA accounts for this investment by the equity method. The APICDA's participation in Cannon Fish Co. was terminated during the year ended December 31, 2007.

APICDA Joint Ventures, Inc. is a 50% owner of Atka Pride Seafoods, Inc. ("APS"), located in Atka, Alaska, which purchases and processes fish for resale; a 50% owner of Puffin Seafoods, L.L.C., which operates as a fish handling facility in St. George, Alaska; a 25% owner of Golden Dawn, L.L.C., a vessel engaged in commercial fishing in Alaska; a 20% owner of Prowler, L.L.C. and a 20% owner of Ocean Prowler, L.L.C., which are vessels engaged in commercial fishing in Alaska; a 50% owner of Nelson Lagoon Storage Company, L.L.C., which stores fishing gear and vessels in Nelson Lagoon, Alaska; a 50% owner of Kayux Development, L.L.C., which is a harbor operating on Tract I in the City of St. George, Alaska; a 100% owner of Bering Pacific Seafoods, L.L.C. ("BPS"), located in False Pass, Alaska, which purchases and processes fish for resale; a 50% owner of Ugludax, L.L.C., which operates a fishing lodge in Nikolski, a 20% owner of Starbound, L.L.P., a vessel engaged in fish processing; a 15% owner of MUM Alaska, which operates hunting and fishing lodges throughout Alaska; a 50% owner in the Barbara J., L.L.C., a vessel engaged in commercial fishing in Alaska. On December 31, 2006 MUM Alaska was dissolved.

APICDA Joint Ventures, Inc. is a 100% owner of APICDA Vessels, Inc. (AVI), which purchases fishing vessels that are leased to fishermen in various southwestern Alaska villages. AVI is a 50% owner of Farwest Leader, L.L.C., a vessel engaged in commercial fishing in Alaska. AVI accounts for its investment in Farwest Leader, L.L.C. by the equity method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006



AJV accounts for its investments in Atka Pride Seafoods, Inc., Golden Dawn, L.L.C., Prowler, L.L.C., Ocean Prowler, L.L.C., Kayux Development, L.L.C., Nelson Lagoon Storage Company, L.L.C., Barbara J., L.L.C. and Starbound, L.L.P. by the equity method. All other companies are consolidated.

Cash and Cash Equivalents

APICDA, for the purpose of the Statement of Cash Flows, considers cash and cash equivalents to include amounts in demand deposits and short-term investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and that present an insignificant risk of changes in value due to changes in interest rates or other factors. APICDA maintains a number of checking, savings and time certificate of deposit accounts for each one of its consolidated companies. These accounts are held with Wells Fargo bank and Key Bank and are insured up to \$100,000 per bank by FDIC. Amounts in excess of \$100,000 are uninsured. All deposits with Key Bank were fully insured at December 31, 2007 and 2006. The APICDA's uninsured cash balance held at Wells Fargo bank at December 31, 2007 and 2006 were \$3,303,009 and \$4,705,300, respectively.

Trade Accounts Receivable and Other Receivables

APICDA uses the reserve for bad debt method of valuing doubtful accounts receivable which is based on historical experience, coupled with a review of the current status of existing receivables. The balance of the reserve for doubtful accounts, deducted against trade accounts receivable to properly reflect the realizable value, is \$157,011 and \$165,381 at December 31, 2007 and 2006, respectively.

Inventory

Inventory consists primarily of retail merchandise. Inventory is stated at the lower of cost (the first-in, first-out method) or market.

Prepaid Items

Payments made to vendors for services that are applicable to future accounting periods are recorded as prepaid items.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided by the straight-line method over the estimated useful lives of the assets, generally five, seven, or ten years. Expenditures for major

additions, renewals and betterments are capitalized and maintenance, repairs, minor additions and renovations are charged to expense. Gains or losses upon asset disposal are recorded as revenue.

Revenue Recognition

Royalty revenue from applying fixed rates to round weights caught or finished product is recognized at the time of harvest. Royalty revenue resulting from CDQ species and CDQ roe sold, and from the variable rate based on product mix and related market price, is recognized when these products are sold and the amount of royalty is determined to be measurable and collectible.

Income from leasing fishing vessels which is calculated as a percentage of the lessee's sales, is recognized in the period such sales occur.

Community Development Quota

The fair value of the CDQ quota received by APICDA is not considered to be determinable within reasonable limits. Accordingly, no value is assigned to the receipt of the quota in the financial statements.

Income Taxes

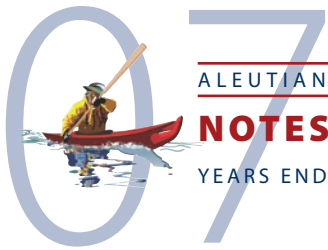
On July 27, 1993, APICDA was granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code, effective September 29, 1992. APICDA believes that none of its activities subject it to taxation of unrelated business taxable income. However, all subsidiaries conduct activities, which are subject to federal and state taxation (See Note XIV).

Reclassification

Certain prior year balances have been reclassified to conform to the current year presentation.

Impairment of Long-Lived Assets

APICDA evaluates the recoverability of its long-lived assets, primarily fixed assets, in accordance with Statement of Financial Accounting Standards No. 144, (SFAS 144), "Accounting for the Impairment of Long-Lived Assets." SFAS 144 requires recognition of impairment of long-lived assets in the event the net book value of such assets exceeds the estimated future undiscounted cash flows attributable to such assets. During 2006, APICDA determined that a dock was impaired. An impairment loss of \$502,763 was recorded.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006



2. INVESTMENTS

Investments are stated at fair value and are as follows at December 31, 2007 and 2006:

	Fair Value	
	2007	2006
Money market funds	\$ 5,468,575	886,213
Time certificates of deposit	550,574	-
Marketable securities	6,442,768	9,022,878
Mortgage and asset-backed securities	1,780,797	1,633,341
Closed end funds	212,718	203,245
Government bonds	2,655,298	2,259,391
	<u>\$ 17,110,730</u>	<u>14,005,068</u>

The following schedule summarizes the investment return for the years ended December 31, 2007 and 2006:

	Unrestricted	
	2007	2006
Interest and dividends	\$ 328,527	261,122
Net realized and unrealized gains	689,021	1,037,812
Total investment return	<u>\$ 1,017,548</u>	<u>1,298,934</u>

3. NOTES RECEIVABLE

Notes receivable at December 31 are comprised of the following:

	2007	2006
Notes receivable for cash advances to affiliated in-region partnerships and tribal entities	1,002,239	644,755
Notes receivable for advances on the purchase of fishing skiffs and gear	89,530	108,341
Notes receivable for advances on the purchase, of privately held IFQ	315,269	363,126
Notes receivable from related party board member for advances on the purchase of IFQ	70,809	82,514
Total notes receivable from affiliates and non-affiliates	<u>1,608,847</u>	<u>1,198,736</u>
Less current portion of notes receivable from affiliates and non-affiliates	<u>(234,388)</u>	<u>(170,575)</u>
Long-term notes receivable from affiliates and non-affiliates	\$ <u>1,374,459</u>	<u>1,028,161</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

**4. ADVANCES DUE FROM AFFILIATED NON-CONSOLIDATED COMPANIES**

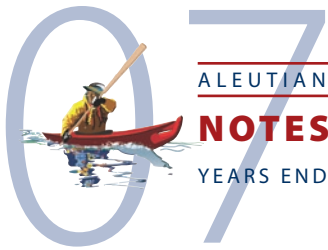
Advances receivable at December 31 are comprised of the following:

	2007	2006
Advances due from Kayux Development, L.L.C., non-interest bearing	\$ 18,350	16,500
Advances due from APS non-interest bearing	<u>405,500</u>	<u>1,675,500</u>
Total non-consolidated	423,850	1,692,000
Advances due from APICDA Joint Ventures – non-interest bearing	<u>-</u>	<u>15,500</u>
Total all advances	423,850	1,707,500
Less current portion	<u>(405,500)</u>	<u>(1,691,000)</u>
Long-term advances	<u>\$ 18,350</u>	<u>16,500</u>

5. PROPERTY AND EQUIPMENT

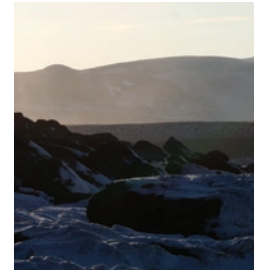
Property and equipment at December 31 are comprised of the following:

	2007	2006
Property and equipment being depreciated:		
Office equipment	\$ 588,018	542,011
Fishing vessels and gear	2,288,510	2,732,459
Electronic equipment	129,870	97,518
Deck gear	184,671	170,840
Safety gear	50,282	34,950
Automobiles	235,240	193,153
Machinery	634,511	782,532
Buildings and infrastructures	<u>4,503,740</u>	<u>3,953,128</u>
Total property and equipment being depreciated	8,614,842	8,506,591
Less accumulated depreciation	<u>(3,554,596)</u>	<u>(3,390,679)</u>
Net property and equipment	5,060,246	5,115,912
Property and equipment not being depreciated:		
Construction in progress	3,955,890	1,001,724
Equipment being held for resale	156,452	
Land and land improvements	<u>678,872</u>	<u>678,872</u>
Total property and equipment not being depreciated	<u>4,791,214</u>	<u>1,680,596</u>
	<u>\$ 9,851,460</u>	<u>6,796,508</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006



6. INTANGIBLE ASSETS

Other assets consist of intangible assets:

	2007	2006
Intangible assets balances by asset at December 31 are:		
Individual fishing quota shares	\$ 1,653,807	1,653,807
Less accumulated amortization and impairment	(919,363)	(919,363)
Catch history rights	70,500	80,500
Less accumulated amortization	(21,600)	(32,256)
Land use rights	1,495,000	1,495,000
Less accumulated amortization	(261,576)	(211,752)
CDQ use rights	300,000	300,000
Less accumulated amortization and impairment	(128,750)	(128,750)
Aleutia advertising rights	-	66,667
	<u>\$ 2,188,018</u>	<u>2,303,853</u>

7. RELATED PARTY TRANSACTIONS

Related Party Note Receivable

During 2003 AJV extended a loan in the amount of \$95,567 to one of its Board members. The note is non-interest bearing and is payable in annual payments equal to 20% of the total ex-vessel value of the halibut IFQ harvested and sold during each calendar year. The balance due at December 31, 2007 is \$70,809, of which \$4,988 is classified as current and \$65,821 classified as non-current. The entire unpaid principal balance is payable in full in November 2014.

8. NOTES PAYABLE

Notes payable consists of the following:

Loan payable to Vanna AS due in full July 1, 2008 interest is 4.00%. The original amount of the loan was \$500,000. Principle balance due at December 31, 2007 is \$ 83,335, all of which is classified as current.

Loan payable to Key Bank due in full November 15, 2009 interest is 6.32%. The original amount of the loan was \$2,500,000. Principle balance due at December 31, 2007 is \$714,280, of which \$357,144 is classified as current and \$357,136 is classified as non-current.

Mortgage payable to Wells Fargo Bank due in full December 31, 2035 interest is 7.5%. The original amount of the loan was \$304,857. Principle balance due at December 31, 2007 is \$259,560, of which \$22,000 is classified as current and \$237,560 is classified and non-current.

Grant from the Alaska Science and Technology Foundation is to be repaid in the following manner: Repayment shall equal five percent of the grantee's gross receipts which arise from the project to which the grant was related to, when 1/2 the amount of the grant has been repaid. The original amount of the grant was \$140,000. Principal balance due at December 31, 2007 is \$133,576, which is classified as non-current. Also included is a note finance charge of \$66,788, which at December 31, 2007 is classified as long-term notes payable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

**8. NOTES PAYABLE, CONTINUED**

	2007	2006
Total notes payable	\$ 1,257,539	1,720,748
Less current portion of notes payable	<u>(462,479)</u>	<u>(461,649)</u>
Long-term portion of notes payable	<u>\$ 795,060</u>	<u>1,259,099</u>

Annual maturities of long-term debt for the five years subsequent to fiscal year 2007 are as follows:

2008	\$ 462,479
2009	379,074
2010	23,000
2011	24,000
2012	25,000
Thereafter	<u>343,986</u>
Totals notes payable	1,257,539
Less: current portion	<u>(462,479)</u>
	<u>\$ 795,060</u>

9. LONG-TERM RESERVES

At December 31, 2006, the Board designated \$10,074,151 of unrestricted net assets for long-term reserves. At December 31, 2007, the Board designated \$11,468,286 of unrestricted net assets for long-term reserves. All of this amount is held in investments.

10. GRANTS

APICDA provides financial assistance to organizations in southwestern Alaska for purposes of economic development and fisheries related development and protection. The amount of this financial assistance, which is classified as grants for scholarships and grants for projects on the statement of activities, for the years ended December 31, is comprised of the following:

	2007	2006
Community infrastructure projects	\$ 1,300,419	11,428
Fisherman's associations	120,000	140,000
School districts	76,083	41,988
College internships	4,603	1,162
Scholarships	191,915	207,956
Supplemental Education – Vocational Education	54,794	78,796
Community dividends	600,000	-
Other projects and grants	<u>5,836</u>	<u>651,400</u>
	<u>\$ 2,353,650</u>	<u>1,132,730</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006



11. ROYALTY INCOME

Under the CDQ program, eligible communities apply periodically for a portion of the harvestable fisheries in the coastal waters of Alaska. The program includes all species, and is not scheduled to expire until 2012. IFQ and CDQ royalty income, by species, received by APICDA for the years ended December 31, 2007 and 2006, is as follows:

	2007	2006
Pollock Base	\$ 3,648,300	3,943,063
Pollock Roe	1,669,549	1,877,783
Pacific Cod	957,364	840,898
Atka Mackerel	59,049	68,127
Pacific Ocean Perch	47,602	42,524
Rock Sole	42,828	20,233
Sablefish	102,397	7,213
Yellowfin Sole	154,582	129,551
Flathead Sole	1,978	2,768
Opilio	190,374	135,493
Red King	736,204	499,501
Brown King	49,802	-
Bairdi	21,202	-
Market share fees	1,151,190	848,070
Other	4,421	16,693
	<u>\$ 8,836,842</u>	<u>8,431,917</u>

12. INCOME TAXES

APICDA is subject to income tax only on its income from the activities of its for-profit subsidiaries, AVI, AJV, BPS, Puffin Seafoods, L.L.C., and Ugludax Lodge, L.L.C. APICDA had no income tax expense for the years ended December 31, 2007 and 2006.

The significant types of temporary differences and carryforwards that give rise to deferred taxes are Federal and State net operating loss carry forwards and accumulated depreciation.

The components of the net deferred income taxes are as follows:

	Federal	2007 State	Total
Noncurrent deferred tax asset	\$ 6,354,450	1,657,621	8,012,071
Valuation allowance	<u>(6,354,450)</u>	<u>(1,657,621)</u>	<u>(8,012,071)</u>
Total noncurrent deferred tax asset	<u>\$ -</u>	<u>-</u>	<u>-</u>
	Federal	2006 State	Total
Noncurrent deferred tax asset	\$ 6,686,839	1,803,417	8,490,256
Valuation allowance	<u>(6,686,839)</u>	<u>(1,803,417)</u>	<u>(8,490,256)</u>
Total noncurrent deferred tax asset	<u>\$ -</u>	<u>-</u>	<u>-</u>

A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. APICDA has established a valuation allowance primarily for net operating losses ("NOLs") for federal and Alaska State income tax. As of December 31, 2007 and 2006, APICDA has remaining NOLs of approximately \$19,859,818 and \$19,969,894, respectively, for Federal income tax purposes and \$18,845,023 and \$19,438,010, respectively, for Alaska state income tax purposes. The NOLs, if not utilized, will begin to expire in 2014.

13. LEASES

Operating Leases

AVI, a wholly owned subsidiary of AJV, as lessor, has operating leases for its several fishing vessels and related equipment and gear to fishermen in the Atka, Alaska community. The operating leases run for the fishing season and provide for AVI to receive as lease income a minimum of twenty-five percent of the fishermen's fish sales. Related lease income for the years ended December 31, 2007 and 2006 was \$772,977 and \$562,329, respectively. The property and equipment subject to these leases and included in Property and Equipment in the accompanying statements of financial position at December 31, are as follows:

	2007	2006
Vessels and gear	\$ 1,985,654	2,276,211
Electronic equipment	119,710	97,518
Deck gear	184,671	170,840
Safety gear	<u>40,597</u>	<u>34,950</u>
	2,330,632	2,579,519
Accumulated depreciation	<u>(1,175,989)</u>	<u>(1,297,639)</u>
	<u>\$ 1,154,643</u>	<u>1,281,880</u>



BOARD OF DIRECTORS NOTES

In addition to the financial information provided in this annual report, the Board of Directors wish to make known to the residents of APICDA communities certain information regarding corporate governance. The board exercises broad oversight of its management team through board and committee meetings. Generally the board meets four times a year to review the financial health of APICDA, to receive reports on current operations, and to review plans for future programmatic changes. The Executive Committee meets with top management, generally on a monthly basis, to monitor the corporation's business, provide recommendations, and to approve or disapprove planned actions by management that do not require action by the full board. In addition, the board appoints several committees (see inset) to oversee specific corporate functions. The Budget & Audit Committee reviews annual budgets prior to submission to the full board, and monitors management's performance against budget throughout the budget year. The other committees meet on a regular basis to review new proposals and management performance. Reports are made to the full board.

APICDA compensates its Directors \$400 per day for meeting attendance fees. In addition, the directors receive a \$300 a month honorarium as compensation for time expended on corporate affairs through emails, phone conversations, and correspondence review. The board, noting the extreme time demands placed on the Chairs of APICDA and APICDA Joint Ventures, authorized each \$2,500 per month in compensation. Travel and per diem for board members are paid at the published rates for federal employees.

Disclosures are made if any officers, directors, or key employees are related to any professional service providers the corporation utilizes. There were no such relationships in 2007. APICDA also discloses any pending litigation between the corporation and any former officers, directors, or key employees. No such litigation is pending.

The board is mindful of its responsibility to ensure its management team is professional, competent, responsive, and fully supportive of its goals and priorities. The board highly values its management team. Salaries are set based on those parameters and at levels comparable to other companies in the industry. Chief Executive Officer (CEO) Larry Cotter received \$250,000 in salary during calendar year 2007. Chief Operating Officer (COO) and Chief Financial Officer (CFO) Joe Kyle received \$250,000 in salary during calendar year 2007. Controller Rob Smith was paid \$101,592 in 2007. Construction Manager Shawn Hansen received \$98,074 in salary during 2007. Rounding out the top five highly compensated individuals was Business Development Specialist Everette Anderson, who was paid \$92,912. In addition, the board compensates top management with performance bonuses each year. These bonuses, which may vary in amount from year to year, serve to recognize meritorious performance and to provide further incentives for top management to strive for excellence as it pursues the corporation's goals and objectives. The CEO and COO/CFO were awarded \$75,000 for their performances in 2007 based on the outstanding revenues received, performance improvements at each operating entity, and the restructuring after two top managers departed the company. In other bonuses, the Construction Manager received \$15,000; the Controller \$10,000; and the Business Development Specialist \$7,000.

APICDA COMMITTEES 2007

Executive Committee

Gilda Shellikoff - False Pass
Hugh Pelky - Akutan
Justine Gundersen - Nelson Lagoon

Financial Investment Committee

Pete Crandall - Juneau
Hugh Pelkey - Akutan
Gilda Shellikoff - False Pass

Training & Education Committee

Emil Berikoff - Unalaska
Hugh Pelkey - Akutan
Arnold Dushkin - Nikolski

Policy & Procedures Committee

Rick Lauber - Juneau
Justine Gundersen - Nelson Lagoon
Gilda Shellikoff - False Pass
Gail Schubert - Anchorage

Budget & Audit Committee

Justine Gundersen - Nelson Lagoon
Pete Crandall - Juneau
Gilda Shellikoff - False Pass
Rick Lauber - Juneau

Business Investments Committee

Rick Lauber - Juneau
Pete Crandall - Juneau
Gilda Shellikoff - False Pass



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