Managing for Growth

APICDA 2013 Annual Report

Haginaa Kidul - ***Helping to Grow***

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www.apicda.com

An Alaska Seafood Company Serving a Greater Purpose

Dear **APICDA** Community and Community Residents:

I am honored to serve as chair for APICDA. This is my second stint as chair—I was the original chair when the board formed in 1992. I took a few years off in the interim before being elected to the board again to represent my community of Atka. I have been involved in APICDA from the very first day the Aleut communities gathered to discuss the concept of APICDA. My role as chair is one I do not take lightly. I look forward to guiding APICDA, along with the other dedicated board members, as we continue to direct the company.

As a board, our focus is leading the company forward to achieve APICDA's purpose of creating stable local economies in each of our member communities. We have changed significantly over the past twenty-plus years and intend to continue that climb by managing our growth. Strategic investments throughout the past year have positioned APICDA to support year-round seafood operations.

Expanding and improving the plant at False Pass so that it can operate year-round, along with upgrading our vessels, ensure that we will continue to produce a high quality product. The addition of Cannon Fish Company in Seattle allows us to own, manage and control more of the steps in getting our fish to the world market. As we take ownership of the process, we can better achieve benefits to each of our member communities.

What we have done in False Pass needs to be done in one way or another in each of our communities. I and the board understand that entirely.

The successes will build upon successes until we can establish stable local economies in each community. This will take time but we are definitely moving in the right direction. Over my early years on the board and during my most recent service, I have seen steady growth by APICDA. The changes involved in this latest period of growth have been exciting. We will continue to manage our growth to maximize benefits to the region. The culmination of the work to this point sets us up for the next successful stage of growth of APICDA.

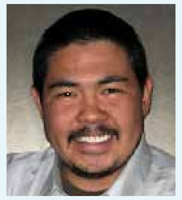
Mark Snigaroff, Chair
Board of Directors
July 1, 2014

APICDA Board of Directors

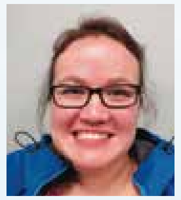
Mark Snigaroff
Atka
Board Chair
Term: 2013-2014

Pete Crandall
Financial Industry
Ex-Officio
Term: 2013-2014

Harvey McGlashan
Akutan
Board Member
Term: 2014-2015



Andrew Lestenkof, Jr.
Nikolski
Vice-Chair
Term: 2014-2015

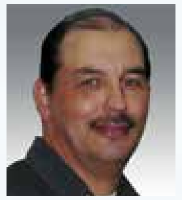


Nikki Hoblet
False Pass
Board Member
Term: 2014-2015

Patrick Pletnikoff
St. George
Board Member
Term: 2013-2014

Justine Gundersen
Nelson Lagoon
Secretary / Treasurer
Term: 2014-2015

Rick Lauber
Fishing Industry
Board Member
Term: 2014-2015



Bill Shaishnikoff
Unalaska
Board Member
Term: 2013-2014

2013 Highlights

- Purchase of the Cannon Fish Company, Seattle.
- Purchase of the assets of TNG Fisheries, LLC, which includes the F/V *Konrad* and the F/V *Exceller.*
- In concert with Alaska Longline, LLC, completed construction of F/LL *Arctic Prowler*, the first major commerical fishing vessel built in Alaska.
- Contributed $600,000 in grants to the six member communities as a community dividend.
- Long-term Reserve Account worth $14.9 million at year's end.
- Employed 86 APICDA residents with a payroll of $1,672,587.
- Invested $330,000 in scholarships, internship programs, school grants and misc. grants.
- Invested $198,000 in communities and community outreach programs.
- Gross Revenue was $42.3 million.
- Paid harvesters $14.5 million for crab, salmon, halibut and sablefish.
- Contributed $356,000 in grants for community infrastructure, community associated miscellaneous donations and other industry related grants.
- Consolidated net worth grew to $66.8 million.
- Invested $8.4 million on projects in the region, including a $7.8 million dollar expansion of the Bering Pacific Seafoods facility.
- Continued expansion of our tourism investments in the APICDA region.
- Provided $228,000 in loans to fishermen and entities in our region.
- Year two of a five-year program to significantly expand the Bering Pacific Seafoods processing facility in False Pass.
- Continued to lead or co-lead activities on solving the energy needs, inclusive of alternative energy projects/studies in the Aleutian region.

To the **APICDA** Community:

I am pleased to present you with our 2013 Annual Report.

APICDA focused on setting the foundation for growth in all aspects of our business. We have upgraded our vessels, improved our fish plants and invested to ensure the quality of our seafood continues to increase. We also added with Cannon Fish Company, a sales force to market seafood sourced from the Aleutians to the whole world.

As we grow, it is inevitable that we must also change. At times change is difficult to adjust to for a company like APICDA which has been managing successfully for the past 20-plus years. We are learning that we cannot simply do things the way we have always done them and expect a new result. We need to look for opportunities to progress and become more efficient.

We have always been good stewards of the resources available to APICDA in achieving our mission. Now that we are fully vertically integrated as a seafood company, we have the opportunity to focus on efficiencies to improve profitability. With profitability comes the ability to continue to invest in the infrastructure needed to sustain future growth. We keep spending time and money to get a harbor built in St. George and Atka because we know they are vital to these communities. Tourism continues to expand operations and provide local jobs for our residents.

We have been looking to expand in all areas of our business so we can position ourselves to best serve our member communities. We have created new departments to help navigate the growth we are experiencing, and have hired highly qualified staff to the organization. APICDA has always been a financially sound company and we have prided ourselves in gaining quality benefits for each of our communities in order to create stable local economies.

Sincerely,

Larry Cotter, Chief Executive Officer

APICDA Subsidiaries:

- **APICDA JOINT VENTURES, INC.**
  A wholly owned profit subsidiary of APICDA formed in 1994. All other for-profit companies of the organization are consolidated under AJV.

- **ALEUTIAN ADVENTURES**
  A wholly owned company within APICDA Joint Ventures. This company controls and operates the assets we need to support our sport hunting and fishing activities in the communities of Atka and Nelson Lagoon. In its third full year of activities, the company is building a solid client base, and expanding tourism opportunities in the region.

- **APICDA VESSELS, INC.**
  A wholly owned subsidiary of APICDA Joint Ventures. This company manages and operates our fishing and support vessels. As of 2012, we own and operate seven vessels: *AP 1, AP 2, Atka Pride, Nightrider, Nikka D, Pogo* and the *Taty Z*.

- **ATKA PRIDE SEAFOODS, INC.**
  A 50/50 partnership between APICDA Joint Ventures and the Atka Fishermen's Association, organized as a Subchapter C corporation. The plant, located in Atka, processes about 500,000 pounds per year of halibut and sablefish in h&g (headed and gutted) and fillet product forms.

- **F/V BARBARA J, LLC**
  A 50/50 partnership between APICDA Joint Ventures and Trident Seafoods. This vessel is operated by Trident Seafoods and fishes for various species of crab and Pacific cod, and serves as a salmon tender.

- **BERING PACIFIC SEAFOODS, LLC**
  100% owned and operated by APICDA Joint Ventures. The plant has operated for four years. The plant, located in False Pass, processes salmon, halibut, and sablefish in h&g and fillet product forms. Management continues to strive to increase the quality, quantity and cost effectiveness of the operation.

- **F/V FARWEST LEADER, LLC**
  A 50/50 partnership between APICDA Joint Ventures and Trident Seafoods. This vessel is operated by Trident Seafoods and fishes for various species of crab and Pacific cod, and serves as a salmon tender.

- **F/V GOLDEN DAWN, LLC**
  A partnership between APICDA Vessels, Aleutian Spray Fisheries and Trident Seafoods (ownership is 25%/25%/50% respectively). Managed by Trident, this trawl catcher vessel fishes primarily for pollock in the Bering Sea.

- **KAYUX DEVELOPMENT, LLC**
  A 50/50 partnership between APICDA Joint Ventures and the St. George 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.

- **NELSON LAGOON STORAGE COMPANY, LLC**
  A 50/50 partnership between APICDA Joint Ventures and the Nelson Lagoon Tribal Council. The company operates as a gear and vessel storage business in Nelson Lagoon to support the summer salmon fishery.

- **ALASKA LONGLINE, LLC**
  A 25/25/25/25 partnership between APICDA Joint Ventures (25%), BJ Ventures, LLC (25%),Wrenchhead, LLC (25%), and Omega-3 Inc. (25%). The fleet of five vessels inclusive of the F/LL *Prowler*, F/VLL *Ocean Prowler*, F/LL *Bering Prowler*, F/LL *Gulf Prowler* and F/LL *Arctic Prowler* are longline catcher processors that fish for Pacific cod and sablefish in the Bering Sea and Gulf of Alaska. In 2011, Alaska Longline commenced the planning/building of a 136 foot freezer longliner to add to their fleet. The F/LL *Arctic Prowler* was built in Ketchikan, Alaska, and christened in October 2013.

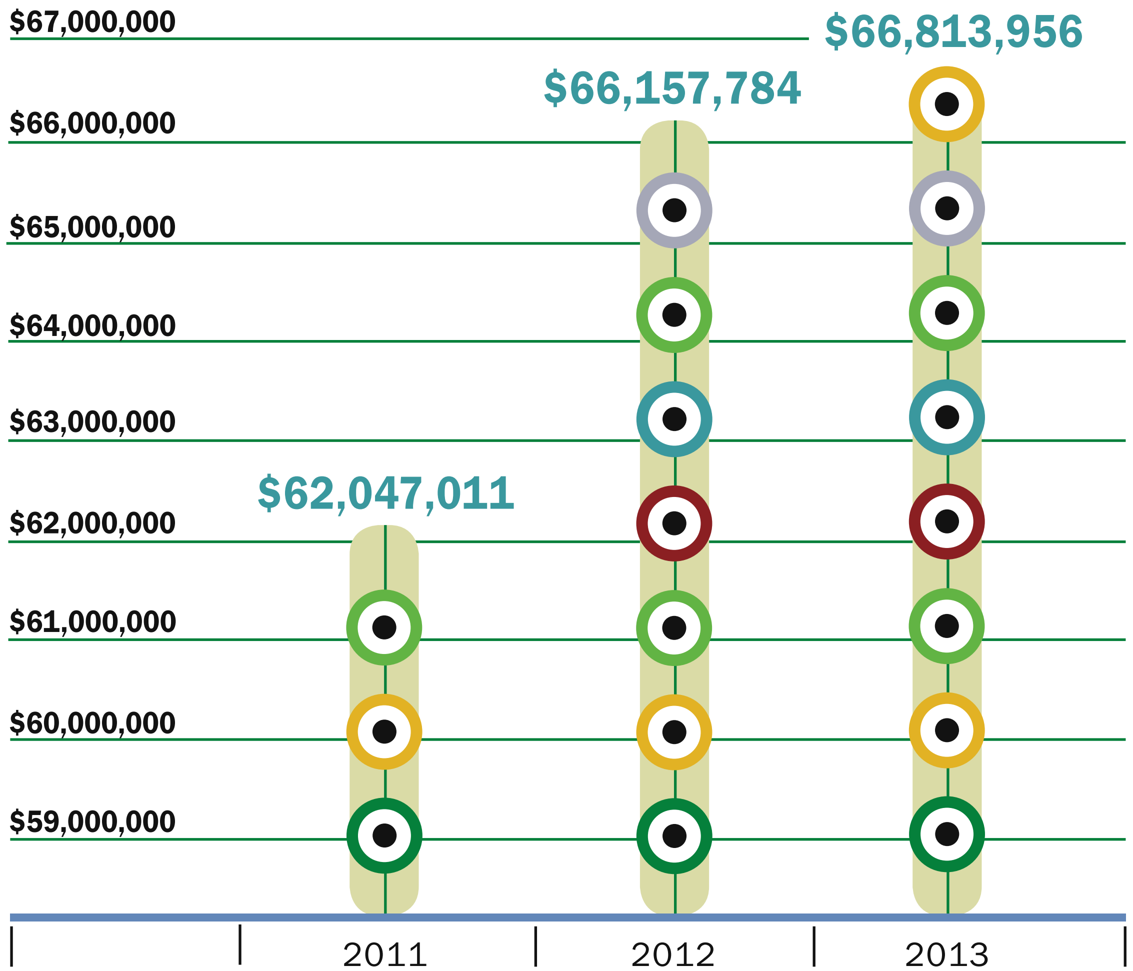
- **STARBOUND, LLC**
  APICDA Joint Ventures owns 20% of this pollock trawl catcher processor. Other partners include Aleutian Spray Fisheries (65%), Barry Ohai (10%) and Karl Bratvold (5%). Aleutian Spray serves as the managing partner. This vessel harvests and processes approximately 80% of APICDA's pollock CDQ quota.

- **TNG FISHERIES, LLC**
  A joint partnership between Bundrant and Ness (B&N) Fisheries 34%, APICDA Joint Ventures 33%, and Aleutian Spray Fisheries 33%. Vessels in this operation fish for various species of groundfish, Pacific cod and salmon. The vessels also serve as salmon tenders.

- **UGLUDAX LODGE, LLC**
  A 50/50 partnership between APICDA Joint Ventures and the Chaluka Corporation. The company operates the Ugludax Lodge in Nikolski on Umnak Island as a high end sport fishing and hunting destination.

- **CANNON FISH COMPANY**
  A wholly owned subsidiary of APICDA Joint Ventures (AJV), Cannon Fish Company (CFC) is a value-added seafood processing and marketing company. CFC focuses on sourcing and marketing premium finfish from around the globe to complement the premium Alaska fish sustainably harvested by our Aleutian fishermen.

APICDA Consolidated Net Worth



2013 CDQ IN-REGION EMPLOYMENT

	Individuals	Wages
Management/Admin	13	$744,296
Board Members	10	$186,260
Community Liaisons	7	$75,000
Other Fishing	31	$455,748
CDQ Partner	3	$39,158
Internships	3	$18,105
Other Employment	21	$154,047
Totals	**88 ***	**$ 1,672,587**

*Includes individuals that may have served in multiple positions

2013 **APICDA** TRAINING & EDUCATION EXPENDITURES

	Individuals	Expenditures
Scholarships		
Emil Berikoff Sr. Memorial Scholarship GPA and WINS	62	$212,292
Supplemental Education Scholarship	10	$28,293
Other Expenditures		
School Grants		$72,000
Miscellaneous Grants		$29,720
Total	**72**	**$342,305**

CONSOLIDATED FINANCIALS FOR **2013**

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 2013 audit began February 2014 and was concluded at the end of June 2014 by the Anchorage-based accounting firm of Altman, Rogers & Co. Altman Rogers found that the APICDA accounting department complied with Generally Accepted Accounting Principles (GAAP) standards.

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.'s complete "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 on the following pages from that audit and report for 2013.

Consolidated Statements of Financial Position
December 31, 2013 and 2012

		2013	2012
Assets:			
Current Assets:			
Cash and cash equivalents	$	4,244,675	8,732,029
Restricted cash		426,711	426,551
Short term investments		14,379,448	12,695,340
Accounts receivable-net		4,772,528	2,349,820
Notes receivable - current - related party		27,780	3,861
Notes receivable - current		48,281	199,497
Deposit on purchases		3,839,381	-
Inventory		15,203,903	5,318,982
Prepaid expenses		710,081	197,831
Total current assets		43,652,788	29,923,911
Investments:			
Investment in Out-of-Region Entities		11,351,647	12,594,034
Investment Partnerships with In-region Entities		772,237	843,839
Total investments		12,123,884	13,437,873
Property and equipment, net		37,385,034	29,415,640
Intangible assets, net		7,173,246	6,885,829
Deferred income tax, non current		1,724,367	586,104
Notes receivable affiliates, net of current portion		1,466,231	1,085,400
Total assets	$	103,525,550	81,334,757
Liabilities and Net Assets			
Current liabilities:			
Notes payable - current		6,767,949	3,164,125
Accounts payable		3,726,263	408,383
Accrued payroll and related liabilities		411,576	319,684
Current pension payable		54,626	52,972
Fish/Crab taxes payable		854,720	640,352
Unearned deposits		32,521	15,621
Total current liabilities		11,847,655	4,601,137
Notes payable, net of current portion		22,205,578	7,692,583
Long term pension payable		2,658,361	2,883,289
Total non current liabilities		24,863,939	10,575,872
Total liabilities		36,711,594	15,177,009
Net assets:			
Controlling interests:			
Temporarily restricted		111,962	93,277
Designated:			
Long term reserves		14,877,536	13,016,306
Undesignated		52,787,320	53,341,791
Noncontrolling interests:			
Contributed capital		1,495,000	1,495,000
Unrestricted/designated		(2,457,862)	(1,788,626)
Total net assets		66,813,956	66,157,748
Total liabilities and net assets	$	103,525,550	81,334,757

See accompanying notes to consolidated financial statements.

Consolidated Statements of Activities
Years Ending December 31, 2013 and 2012

		2013	2012
Changes in unrestricted net assets:			
Revenues:			
Seafood sales:			
Fishing sales	$	16,049,231	3,421,901
Crab sales		12,307,978	15,494,690
Total seafood sales		28,357,209	18,916,591
Other revenue, gains and other support:			
Royalties		9,562,877	11,470,897
Grants		172,829	-
Interest and dividends		358,836	355,086
Net gain on sale of property, equipment, and equity investments		228,289	286,730
Net realized and unrealized gains (losses) on investments		1,653,083	792,173
Nazan Bay Inn		-	82
Equity in profit (loss) of Out-of-Region Investments		969,624	2,150,001
Equity in profit (loss) of In-region Investments		(71,602)	(78,710)
Fishing income		293,211	314,921
Software sales		12,000	-
Halibut income St. George Fishing		167,352	44,894
Tourism income		287,280	214,708
Rental income		118,280	107,567
Charter income		9,900	-
Other income		92,623	412,729
Total revenues, gains, and other support		42,211,791	34,987,669
Net assets released from restrictions		93,277	86,637
Total revenues support and reclassifications		42,305,068	35,074,306
Expenses:			
Programs:			
Community development:			
Grants for Education (Scholarships/Vocational)		240,585	263,945
Grants for projects		956,467	913,455
Community outreach		212,811	191,048
Total community development		1,409,863	1,368,448
Operations:			
Cost of goods sold:			
Fish costs		12,394,004	2,076,020
Crab costs		11,347,744	13,546,082
Total Cost of Goods		23,741,748	15,622,102
Crew		130,658	517,395
Labor		4,239,261	1,888,291
Boat/plant supplies, maintenance and repairs		4,193,396	2,372,921
Distribution operating expenses		56,210	-
Travel and transportation		112,816	124,827
Insurance		100,894	105,083
Nazan Bay Inn		44,018	33,158
Tourism		491,594	353,670
Licenses, taxes and fees		112,457	593,461
Halibut expenses St. George Fishing		223,921	81,313
Miscellaneous		9,762	74,488
Total operations		9,714,987	6,144,607
Total program expenses		34,866,598	23,135,157

Consolidated Statements of Activities
Years Ending December 31, 2013 and 2012

		2013	2012
General and administrative:			
Travel and transportation		476,946	321,989
Labor		2,607,721	3,819,597
Office expense		766,579	623,862
Management fees		151,079	140,778
Directors' fees and per diem		369,900	377,840
Insurance		213,430	165,733
Professional fees		497,733	484,966
Licenses, taxes and fees		266,618	260,376
Repairs and maintenance		148,372	116,769
Miscellaneous		165,926	132,832
Total general and administrative		5,664,304	6,444,742
Interest and depreciation expense:			
Interest		432,004	195,100
Depreciation		1,842,902	1,488,908
Total interest and depreciation		2,274,906	1,684,008
Total expenses		42,805,808	31,263,907
Income tax benefit (expense)		1,138,263	293,698
Increase in unrestricted net assets before non-controlling interests		637,523	4,104,097
Decrease in unrestricted net assets attributable to non-controlling interests		816,085	491,255
Increase in unrestricted net assets		1,453,608	4,595,352
Change in temporarily restricted net assets:			
Contributions		111,962	93,277
Net assets released from restriction		(93,277)	(86,637)
Change in temporarily restricted net assets		18,685	6,640
Total change in net assets	$	656,208	4,110,737

See accompanying notes to financial statements.

Notes to Consolidated Financial Statements
December 31, 2013 and 2012

I. 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, CDQ representative groups apply periodically for a portion of the harvestable ground fishery in the coastal waters of the Bering Sea and Aleutian Islands 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 through 2012. APICDA's percentage of CDQ allocation remains unchanged and has been extended through 2022.

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, LLC. ("BPS"), and a 50% owner of, Ugludax Lodge, LLC and Atka Pride Seafoods (APS).

On July 31, 2013, AJV purchased Cannon Fish Co. (CFC) which operates primarily as a secondary processor and wholesaler of frozen seafood products. AJV is a 100% owner of CFC, thus, CFC is included in the consolidation.

In accordance with accounting principles generally accepted in the United States of America, APICDA, AJV, AVI, BPS, APS, Ugludax Lodge and CFC have been consolidated for the year ended December 31, 2013, whereas, APICDA, AJV, AVI, BPS, APS and Ugludax Lodge have been consolidated for the year ended December 31, 2012. The consolidated entity is referred to as APICDA in these financial statements. All significant intercompany balances and transactions have been eliminated in consolidation.

Operations

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 33,403 metric tons in 2013 and 33,697 metric tons in 2012, which represents approximately 16.9% 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.

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 25% owner of Golden Dawn, LLC, a vessel engaged in commercial fishing in Alaska; a 50% owner of Nelson Lagoon Storage Company, LLC, which stores fishing gear and vessels in Nelson Lagoon, Alaska; a 50% owner of Kayux Development, LLC, which is a harbor operating on Tract I in the City of St. George, Alaska; a 100% owner of Bering Pacific Seafoods, LLC ("BPS"), located in False Pass, Alaska, which purchases and processes fish for resale; a 50% owner of Ugludax, LLC., which operates a fishing lodge in Nikolski, a 20% owner of Starbound, LLC, a vessel engaged in fish processing; a 50% owner in the Barbara J., LLC, a vessel engaged in commercial fishing in Alaska, and during 2011 became a 50% owner of TNG, LLC., which is engaged in commercial fishing in Alaska. During 2012 a portion of the ownership interest in TNG, LLC was sold which reduced AJV's ownership to 33.3%.

In 2009, AJV became a 25% owner of the newly-formed Alaska Longline LLC. As part of the new LLC being formed, Alaska Longline LLC acquired 100% interest in the Prowler LLC and Ocean Prowler LLC.

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, LLC, a vessel engaged in commercial fishing in Alaska. AVI accounts for its investment in Farwest Leader, LLC by the equity method.

AJV accounts for its investments in Golden Dawn, LLC, Alaska Longline LLC, Kayux Development, LLC, Nelson Lagoon Storage Company, LLC, Barbara J., LLC, Starbound, LLC and TNG LLC by the equity method. All other companies are consolidated.

In 2013, AJV acquired Cannon Fish Co. (CFC) which operates primarily as a wholesaler of frozen seafood products. AJV is 100% owner of CFC.

Basis of Accounting

APICDA's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when they are earned. Liabilities and expenses are recorded when incurred.

APICDA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Within the unrestricted net asset class there is designated and undesignated. Designated are unrestricted net assets the board earmarks for long term reserves. Undesignated is the amount of unrestricted net assets that have not been earmarked by the board for a specific purpose. At years ended December 31, 2013 and 2012, APICDA did not have any net assets that were classified as permanently restricted.

Unrestricted net assets represent that portion of net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets are resources restricted by the donor, grantor, or other outside parties whose restrictions expire by the passage of time or can be fulfilled or removed by actions of APICDA. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. As of December 31, 2013 and 2012, temporarily restricted net assets was comprised entirely of landing tax, these contributions cannot be spent until subsequent fiscal year.

Permanently restricted net assets represent the part of the net assets from contributions whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Use of Estimates

The preparation of financial statements in conformity 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.

Fair Value of Financial Instruments

The Company discloses its estimate of the fair value of material financial instruments, including those recorded as assets or liabilities in its financial statements and derivative financial instruments.

The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents, (2) investments, (3) receivables, net, (4) certain other current assets, (5) accounts payable and (6) other current liabilities. The carrying amounts reported in the balance sheets for the above financial instruments closely approximates their fair value due to the short-term nature of these assets and liabilities, except for the Company's investments. The carrying amounts of the Company's investments were determined based on quoted market prices.

The carrying amount of the notes receivable approximates fair value for those financial instruments with interest at variable rates, as those rates approximate current market rates for notes with similar maturities.

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. Included in cash and cash equivalents are certificates of deposits with a total value of $362,164, with a maturity of greater than three months after year end.

Combined deposits for both interest-bearing and non-interest-bearing amounts held by a single financial institution are insured up to $250,000. Amounts in interest-bearing and non-interest bearing accounts in excess of $250,000 are uninsured. The uninsured cash balance held at December 31, 2013 and 2012 were $4,322,051 and $736,855, respectively.

There are certificate of deposits that are restricted by the State of Alaska and cannot be used by APIDCA and Subsidiaries until the state releases the funds. The amount of restricted cash as of December 31, 2013 and 2012 is $426,711 and $426,551, respectively.

Investments

APICDA carries investments at fair value. The change in the fair value is included in the consolidated statement of activities. Investments consist of mutual funds, equity securities, U.S. agency obligations, and corporate debt securities. For purposes of calculating realized gains and losses, cost is determined by the specific identification method on a trade date basis.

Trade Accounts Receivable, Other Receivables and Notes Receivables

APICDA uses the reserve for bad debt method of valuing doubtful receivables 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 $12,648 and $11,819 at December 31, 2013 and 2012, respectively. The balance of the reserve for doubtful account, deducted against notes receivables to properly reflect the realized value, $89,089 and $89,089 at December 31, 2013 and 2012, respectively. Receivables are charged off when all collection efforts have been exhausted.

Inventory

Inventory consists of retail merchandise and fish to be sold at wholesale. Retail merchandise is stated at cost. Fish is valued at lower of cost or market. Accounting for retail merchandise is on the first in, first out (FIFO) method.

Prepaid Items

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

Intangible Assets

Intangible assets are comprised primarily of fishing rights and permits. APICDA evaluates the recoverability of identifiable intangible assets whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable.

Goodwill represents the excess of cost over fair value of net assets acquired through acquisitions. Goodwill is not amortized and APICDA evaluates goodwill on an annual basis for potential impairment. During 2013, AJV acquired Cannon Fish Co. which resulted in goodwill of $337,241.

In accordance with Accounting Standards Codification (ASC) 250 Intangibles, Goodwill and Others effective January 1, 2002, the Company discontinued amortizing the intangible assets with indefinite lives. The Company reviews the fishing permits for impairment annually on December 31, and more frequently if circumstances warrant. The Company performed the annual review as of December 31, 2013 and 2012 and determined that the fishing permits continue to have indefinite lives and that there was no impairment of these assets.

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 adopted the provisions of Topic 740 of the FASB Accounting Codification relating to accounting for uncertainty in income taxes. The Company's policy is to include penalties and interest associated with income taxes in income tax expense. The prior three years of tax returns remain subject to examination by state and federal taxing agencies. However, all subsidiaries conduct activities, which are subject to federal and state taxation (See Note XV).

Reclassification

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

ALEUTIAN PRIBILOF ISLAND COMMUNITY DEVELOPMENT ASSOCIATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements
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II. INVESTMENTS

Investments are stated at fair value and are as follows at December 31, 2013 and 2012:

	Fair Value 2013	Fair Value 2012
Mutual funds:	$ 2,656,258	2,165,507
Marketable securities	8,901,279	7,460,537
Managed futures	1,347,699	514,940
Government securities	1,474,212	2,554,356
Total investments	$ 14,379,448	12,695,340

The following schedule summarizes the investment return for the years ended December 31, 2013 and 2012:

	Unrestricted 2013	Unrestricted 2012
Interest and dividends	$ 358,836	346,385
Net realized and unrealized gains (losses)	1,653,083	792,173
Investment management fees	(151,079)	(140,078)
Net investment return	$ 1,860,840	998,480

Included in investment related line items in the financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or for certain bonds and preferred stock when carried at the lower of cost or market.

The fair value of an asset is the amount at which the asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale. Fair values are based on quoted market prices when available. The Company does not have investments for which quoted market prices are not available.

The Company's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by generally accepted accounting principles. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement.

For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

- Level 1 – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The following table provides information as of December 31 about the Company's financial assets and liabilities measured at fair value on a recurring basis.

	Total	Level 1	Level 2	Level 3
2013 Investments	$ 14,379,448	11,557,537	2,821,911	–
2012 Investments	$ 12,695,340	9,626,044	3,069,296	–

Given the narrow definition of Level 1 and the organization's investment asset strategy, majority of the organization's investment assets are classified in Level 1. These assets include actively-traded exchange-listed equity securities and mutual funds. Unadjusted quoted prices for these securities are provided to the organization by independent pricing services. Separate account assets in Level 1 primarily include actively-traded institutional and mutual fund investments valued by the respective mutual fund companies.

Changes in investments are presented on the statement of activities as interest, dividends and realized and unrealized gains and losses on investments.

III. NOTES RECEIVABLE

Notes receivable at December 31 are comprised of the following:

	2013	2012
Notes receivable from affiliates	$ 798,822	725,789
Notes receivable from non-affiliates	671,395	575,127
Total notes receivable	1,470,217	1,300,916
Allowance for doubtful notes	(89,089)	(89,089)
Notes receivable, net	1,381,128	1,211,827
Less current portion of notes receivable:		
Affiliates	(13,683)	-
Non-affiliates	(48,281)	(199,497)
Total current portion of notes receivable	(61,964)	(199,497)
Long term notes receivable, net:		
Affiliates	785,139	725,789
Non-affiliates	534,025	286,541
Total long term notes receivable, net	$ 1,319,164	1,012,330

The receivables from affiliates are notes receivables advanced to companies of which APICDA is part owner. The notes receivable from non-affiliates are loans that were made to fishermen in the Aleutian Islands Region of Alaska. All notes receivable as of December 31, 2013 were non-interest bearing. A majority of the non-affiliates notes receivable are guaranteed by the St. George Fishermen's Association. At December 31, 2013, the notes receivable from affiliates was uncollateralized.

IV. ADVANCES DUE FROM AFFILIATED NON-CONSOLIDATED COMPANIES

Advances receivable at December 31 are comprised of the following:

	2013	2012
Advances due from subsidiaries	$ 27,200	25,600
Total all advances	27,200	25,600
Less current portion	---	---
Long-term advances	$ 27,200	25,600

V. PROPERTY AND EQUIPMENT

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

	2013	2012
Property and equipment being depreciated:		
Office equipment	$ 757,273	595,957
Furniture and fixtures	68,997	27,562
Fishing vessels and gear	1,948,682	1,792,553
Electronic equipment	108,722	101,534
Deck gear	198,203	171,576
Safety gear	42,141	42,141
Automobiles	764,069	643,944
Machinery	6,745,053	6,003,137
Fuel tanks	450,678	10,797
Buildings and infrastructures	24,061,867	23,536,781
Total property and equipment being depreciated	35,145,685	32,925,982
Less accumulated depreciation	(9,909,738)	(8,281,775)
Net property and equipment being depreciated	25,235,947	24,644,207
Property and equipment not being depreciated:		
Construction in progress	11,553,015	3,988,561
Land and land improvements	596,072	782,872
Total property and equipment not being depreciated	12,149,087	4,771,433
	$ 37,385,034	29,415,640

VI. INTANGIBLE ASSETS

Other assets consist of intangible assets

	2013	2012
Intangible assets balances by asset at December 31 are:		
Individual fishing quota shares	$ 2,710,003	2,710,003
Less accumulated amortization and impairment	(919,363)	(919,363)
Individual processing quota shares	4,021,985	4,021,985
Catch history rights	110,500	110,500
Less accumulated amortization	(21,600)	(21,600)
Land use rights	1,495,000	1,495,000
Less accumulated amortization	(560,520)	(510,696)
Goodwill – CFC purchase	337,241	-
	$ 7,173,246	6,885,829

VII. RELATED PARTY TRANSACTIONS

Related Party Note Receivable

Loans are extended to numerous residents for the purchase of boats, fishing gear, and fishing quota. Among those loans extended, the following were to members of the indicated board of directors:

Organization	Year	Amount	12/31/2013 Balance
AJV	2003	95,567	51,331
AJV	2010	59,880	41,906
AJV	2012	20,000	14,751
APS	2012	14,085	9,437
APS	2013	16,988	16,539

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VIII. NOTES PAYABLE

Notes payable consists of the following:

Lender	Available/ Borrowed	Balance	Scheduled Payoff
Wells Fargo	$ 787,000	$ 621,786	Aug 2021
Wells Fargo	1,275,000	1,088,478	May 2026
ASTF	140,000	133,576	None
Westward	659,381	403,727	Dec 2023
Merrill Lynch	7,492,000	3,489,464	None
Wells Fargo	5,000,000	4,166,667	Feb 2018
Wells Fargo	6,000,000	4,890,771	None
Wells Fargo	1,350,000	1,238,174	Jun 2027
Wells Fargo	3,000,000	2,900,000	Apr 2018
NW Farm Cr	11,000,000	9,574,096	Aug 2015

There is an additional long term payable due July 2018 for the balance of the purchase of Cannon Fish Company in the amount of $400,000.

	2013	2012
Total notes payable	$ 28,973,527	10,856,708
Less current portion of notes payable	6,767,949	3,164,125
Long-term portion of notes payable	$ 22,205,578	7,692,583

Annual maturities of long-term debt for the five years subsequent to fiscal year 2013 and 2012 are as follows:

	2013	2012
2013	$ -	3,164,125
2014	6,767,949	1,275,751
2015	11,455,168	1,162,242
2016	1,885,067	279,764
2017	1,889,162	281,847
2018	1,360,027	283,983
Thereafter	5,616,154	4,408,996
Totals notes payable	28,973,527	10,856,708
Less: current portion	6,767,949	3,164,125
	$ 22,205,578	7,692,583

IX. LONG-TERM RESERVES

At December 31, 2013, the Board designated $14,877,536 of unrestricted net assets for long-term reserves. This entire amount is held in investments. At December 31, 2012, the Board designated $13,016,306 of unrestricted net assets for long-term reserves. This entire amount is held in investments.

X. PENSION PAYABLE

APICDA has an unfunded non-qualified deferred compensation plan that is established to disburse $95,000 a year for 20 years. The pension payable is computed on a 20 year net present value for the term of the payouts. The 20 year U.S. Government Freddie Mac bond interest rate was used to determine the net present value. There is $1,238,582 in long term payable with a current portion of $54,626. Annual payments of the pension liability for the five years subsequent to fiscal year 2013 are as follows:

Notes payable consists of the following:

2014	54,626	40,374	95,000
2015	56,331	38,669	95,000
2016	58,090	36,910	95,000
2017	59,904	35,096	95,000
2018	61,774	33,226	95,000
Thereafter	1,002,483	232,517	1,235,000
Total	1,293,208	416,792	1,710,000

In 2012, APICDA has accrued an additional liability associated with the future retirement benefits plan that calls for a disbursement of $100,000 annually for 20 years. The pension payable is computed on a 20 year net present value for the term of the payouts. The 20 year U.S. Government Freddie Mac bond interest rate was used to determine the net present value. At December 31, 2013, the balance of the pension liability is $1,419,779, all of which is classified as long term payable as payment of this obligation will commence upon employee's separation from APICDA. At December 31, 2012, the balance of the pension liability was $ 1,590,081, all of which was classified as long term payable. The total pension payable is $2,712,987, $54,626 of which is classified as current.

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XI. 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:

	2013	2012
Community projects	$ 362,704	323,542
Fisherman's associations	120,000	120,000
School districts	72,000	57,920
College internships	14,574	3,041
Scholarships	212,292	196,744
Supplemental Education		
– Vocational Education	28,293	67,201
Community dividends	600,000	600,000
	$ 1,409,863	1,368,448

XII. LEASES

Pursuant to providing financial assistance for various infrastructure projects, APICDA has entered into four operating leases for undeveloped land. The first lease contains initial terms of twenty years and four additional five-year renewal options. The second lease contains an initial term of thirty years with one six-year, and up to four additional five-year renewal options. The third lease contains an initial term of thirty-five years. The fourth lease is a ninety nine year lease.

CFC has a two year lease in Seattle, Washington. The lease was initiated in 2013 and expires on April 30, 2015.

XIII. COMMITMENTS AND CONTINGENCIES

APICDA and APICDA Joint Ventures are guarantors jointly and severally liable with its various partners on $34,851,000 in investments owned by APICDA, APICDA Joint Ventures and their harvesting partners.

XIV. INCOME TAXES

APICDA is subject to income tax only on its income from the activities of its for-profit subsidiaries, AVI, AJV, BPS, Ugludax Lodge, LLC, and Atka Pride Seafoods, Inc.

The income for AVI, AJV, BPS LLC, and Ugludax Lodge, LLC are reported on a consolidated tax return. Atka Pride Seafoods, Inc. files a separate return.

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, 2013 and 2012, APICDA has remaining NOLs of approximately $46,587,813 and $39,817,075, respectively, for Federal income tax purposes and $41,898,002 and $35,287,609, respectively, for Alaska state income tax purposes. The NOLs will begin to expire in 2018.

The provision for income taxes for Atka Pride Seafoods, Inc. consist of the following:

	2013	2012
Current taxes (expense) benefit	$ -	-
Deferred taxes (expense) benefit	1,138,263	293,698
Total provision for income taxes (expense) benefit	$ 1,138,263	293,698

XV. LEASES

Operating Leases

AVI, a wholly owned subsidiary of AJV, as lessor, has operating leases for several fishing vessels and related equipment and gear to fishermen in the regional communities. 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, 2013 and 2012 was $292,306 and $246,001, 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:

	2013	2012
Vessels and gear	$ 1,079,524	1,171,198
Electronic equipment	65,371	67,632
Deck gear	125,709	146,800
Safety gear	16,629	17,114
	1,287,233	1,402,744
Accumulated depreciation	(661,570)	(734,302)
	$ 625,663	668,442

XVI. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 27, 2014, the date which the financial statements became available for issue.

Effective January 1, 2014, APICDA became the sole owner of TNG Fisheries, LLC.

In January 2014, APICDA received an IRS PLR ruling in regards to the income received from the harvesting, processing, marketing and sale of its Program allocations. The income is not considered gross income derived from any unrelated trade or business and, thus, is not unrelated business taxable income within the meaning of 512(a)(1).

APICDA purchased the Sandy River Lodge on February 11, 2014. It is located on the end of the Alaska Peninsula near the community of Nelson Lagoon. The lodge will become a part of APICDA's tourism division Aleutian Adventures, which is currently managing tourism operations focusing on fly-fishing, reindeer hunting, bear hunting and duck hunting in multiple locations throughout the Aleutian region. The lodge represents the next step in APICDA's overall expansion of tourism as a focus for economic development in the region.

APICDA BOARD OF DIRECTOR NOTES:

In addition to the financial information provided in this annual report, the board of directors wishes to make known to the residents of APICDA communities the following 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 $3,000 per month in compensation. Travel and per diem for board members are paid at the published rates for federal employees. APICDA compensated its 9 directors a total of $183,525 in 2013.

In 2013, APICDA and its subsidiaries paid the following professional service fees: $123,657 in legal fees; $31,000 in consultant fees; $125,202 in accounting and auditing fees; $150,012 in reserve fund management fees; and APICDA Joint Ventures, Inc. paid $209,021 in lobby fees (for lobbying activities in both Juneau and Washington D.C.)

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 2013. 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, Chief Operating Officer (COO) John Sevier, Chief Financial Officer (CFO) Robert Smith, were paid $325,000, $200,000 and $150,000 respectively in salary during calendar year 2013. Rounding out the top five compensated employees for the year was Chief Engineer, Jeffery Kashevarof who received $119,825 and Shoreside Operations Manager, Kenneth Smith with a salary of $119,661. 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. Bonuses awarded for 2013 were based, among other things, on the gross revenues received from our CDQ and investments, management improvements with our in-region investments, performance improvements at operating entities, and major acquisitions completed. The CEO was awarded $50,000 and the COO and CFO were awarded $25,000 respectively for their performance in 2013. The Shoreside Operations Manager and the Chief Engineer each received a performance bonus of $2,500 and $250 respectively.

In place of a defined benefit pension for senior management, the board of directors has established a deferred compensation package. The accrual rate varies by employee and no payments are made until the employee has completed five years' vesting and has retired. The payment period is twenty years. CEO Larry Cotter's accrual rate is $5,000 per year of service; CFO Rob Smith and COO John Sevier accrue at $3,000 per year. ■

2013 Committee Membership

Executive Committee
Gilda Shellikoff – *False Pass*
Andrew Lestenkof – *Nikolski*
Justine Gundersen – *Nelson Lagoon*

Financial Investment Committee
Pete Crandall – *Juneau*
Gilda Shellikoff – *False Pass*
Hugh Pelkey – *Akutan*

Training & Education Committee
Harvey McGlashan – *Akutan*
Mark Snigaroff – *Atka*
Patrick Pletnikoff – *St. George*

Policy & Procedures Committee
Rick Lauber – *Juneau*
Justine Gundersen – *Nelson Lagoon*
Gilda Shellikoff – *False Pass*

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*