

**PRINCE WILLIAM SOUND REGIONAL  
CITIZENS' ADVISORY COUNCIL, INC.**

Financial Statements  
and Supplementary Information

June 30, 2005 and 2004

(With Independent Auditor's Report Thereon)

**PRINCE WILLIAM SOUND  
REGIONAL CITIZENS' ADVISORY COUNCIL, INC.**

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## Independent Auditor's Report

To the Council Members  
Prince William Sound  
Regional Citizens' Advisory Council, Inc.

We have audited the accompanying statements of financial position of Prince William Sound Regional Citizens' Advisory Council, Inc. (Council) as of June 30, 2005 and 2004, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Prince William Sound Regional Citizens' Advisory Council, Inc. as of June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on page 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

*Mikunda, Cottrell & Co.*

September 2, 2005

**PRINCE WILLIAM SOUND  
REGIONAL CITIZENS' ADVISORY COUNCIL, INC.**  
Statements of Financial Position  
June 30, 2005 and 2004

	<u>Assets</u>	
	<u>2005</u>	<u>2004</u>
Current assets:		
Cash and cash equivalents	\$ 2,167,378	939,127
Accounts receivable	2,848	5,855
Due from grantor	46,077	14,103
Prepaid expenses and other assets	<u>57,065</u>	<u>43,763</u>
Total current assets	2,273,368	1,002,848
 Equipment, fixtures, and leasehold improvements, net of accumulated depreciation	 <u>7,782</u>	 <u>15,170</u>
 Total assets	 \$ <u>2,281,150</u>	 <u>1,018,018</u>

<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	113,972	162,788
Accrued liabilities	159,279	141,012
Deferred revenue	<u>1,406,037</u>	<u>-</u>
Total current liabilities	1,679,288	303,800
 Net assets - unrestricted	 <u>601,862</u>	 <u>714,218</u>
 Total liabilities and net assets	 \$ <u>2,281,150</u>	 <u>1,018,018</u>

See accompanying notes to financial statements.

**PRINCE WILLIAM SOUND  
REGIONAL CITIZENS' ADVISORY COUNCIL, INC.**

Statements of Activities  
Years Ended June 30, 2005 and 2004

	Unrestricted	
	2005	2004
Revenues:		
Alyeska Pipeline Service Company	\$ 2,778,316	2,713,706
Interest	34,769	15,954
Grants	91,075	133,881
Programs	-	5,000
Miscellaneous	3,128	3,191
Total revenues	2,907,288	2,871,732
Expenses:		
Program services:		
Committees	113,223	94,498
Projects	2,002,630	1,891,833
Supporting services:		
General and administrative	746,595	697,992
Council	157,196	158,932
Total expenses	3,019,644	2,843,255
Change in net assets	(112,356)	28,477
Unrestricted net assets, beginning of year	714,218	685,741
Unrestricted net assets, end of year	\$ 601,862	714,218

See accompanying notes to financial statements.

**PRINCE WILLIAM SOUND  
REGIONAL CITIZENS' ADVISORY COUNCIL, INC.**

Statements of Cash Flows  
Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Change in net assets	\$ (112,356)	28,477
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	7,388	9,816
(Increase) decrease in assets:		
Accounts receivable	3,007	(4,129)
Due from grantor	(31,974)	(4,103)
Prepaid expenses and other assets	(13,302)	1,279
Increase (decrease) in liabilities:		
Accounts payable	(48,816)	(68,005)
Accrued liabilities	18,267	12,948
Deferred revenue	<u>1,406,037</u>	<u>-</u>
Net cash provided (used) by operating activities	1,228,251	(23,717)
 Cash flows from investing activities - purchase of equipment	 <u>-</u>	 <u>(9,200)</u>
 Net increase (decrease) in cash and cash equivalents	 1,228,251	 (32,917)
 Cash and cash equivalents, beginning of year	 <u>939,127</u>	 <u>972,044</u>
 Cash and cash equivalents, end of year	 \$ <u>2,167,378</u>	 <u>939,127</u>

See accompanying notes to financial statements.

**PRINCE WILLIAM SOUND  
REGIONAL CITIZENS' ADVISORY COUNCIL, INC.**

Notes to Financial Statements

June 30, 2005 and 2004

(1) **Summary of Significant Accounting Policies**

**Organization and Purpose of Business**

The Prince William Sound Regional Citizens' Advisory Council, Inc. (Council) is a not-for-profit corporation consisting of representatives throughout Prince William Sound and the Gulf of Alaska. After the Exxon Valdez oil spill and in accordance with its Prince William Sound Tanker Spill Prevention and Response Plan (Plan), Alyeska Pipeline Service Company (Alyeska) entered into a contract with the Council to provide funds for oversight, monitoring, assessment and evaluation of oil spill prevention, safety and response plans, terminal and oil tanker operations, and the environmental impacts of oil-related operations in Prince William Sound.

In order to accomplish the Plan's goals, the Council has established the following programs in 2005 and 2004:

Projects:

- Terminal Operations and Environmental Monitoring
- Oil Spill Prevention and Response
- Port Operations and Vessel Traffic Systems
- Scientific Advisory

**Contract**

In December 2004, the Council and Alyeska renegotiated the funding level under their contract. The new funding level, effective January 1, 2005, provides the Council with \$2,744,558 in year one, adjusted for inflation annually in the subsequent two years, for operations, technical studies and expert support. Funding occurs twice a year on the first business days of January and July. The contract will continue as long as oil continues to flow through the Trans-Alaska Pipeline System. Any unspent and unencumbered Alyeska-provided funds remaining at the termination of this contract shall be returned to Alyeska.

**Basis of Presentation**

The accompanying financial statements are prepared on the accrual basis of accounting. In preparing the financial statements, management is required to make estimates that affect the reported amounts of assets and liabilities as of the date of the statement of financial position and activities and changes in net assets for the period. Actual results could differ from those estimates. The more significant accounting and reporting policies and estimates applied in the preparation of the accompanying financial statements are discussed below.

**PRINCE WILLIAM SOUND  
REGIONAL CITIZENS' ADVISORY COUNCIL, INC.**

Notes to Financial Statements, continued

**Summary of Significant Accounting Policies, continued**

**Revenue Recognition**

Revenues from Alyeska are deemed to be earned on the regularly scheduled payment date, as defined by the contracts between Alyeska and the Council. Interest, grant and program revenue are recognized when they are earned.

**Equipment, Fixtures and Leasehold Improvements**

Equipment and fixtures, with a cost equal to or exceeding \$5,000, are recorded at cost and depreciated by the straight-line method over their estimated useful life, which is generally three to five years. Leasehold improvements are recorded at cost and depreciated over the life of the lease.

**Income Taxes**

The Council has received a favorable determination from the Internal Revenue Service and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

**Administrative Expenses**

All general and administrative expenses not specifically identifiable to a program are recorded in the general and administrative function.

**Cash Equivalents**

For purposes of the statement of cash flows, short-term investments with a maturity of three months or less are considered to be cash equivalents. Cash and cash equivalents include cash on hand, checking accounts, savings accounts, and repurchase agreements.

2) **Operating Leases**

Beginning in fiscal year 1999, the Council entered into a five-year noncancelable operating lease for office space in Anchorage, with two five-year renewal options. In June of 2004, the Council exercised the first renewal option on this lease. In May of 2001, the Council entered into a five-year noncancelable operating lease for office space in Valdez, with one five-year renewal option. The future minimum lease payments under these office space leases at June 30, 2005 are:

<u>Year ending June 30</u>	<u>Amount</u>
2006	\$ 99,528
2007	59,928
2008	61,728
2009	61,728



**PRINCE WILLIAM SOUND  
REGIONAL CITIZENS' ADVISORY COUNCIL, INC.**

Notes to Financial Statements, continued

**Operating Leases, continued**

Rental expense for office space for the years ended June 30, 2005 and 2004 totaled \$105,696 and \$105,412, respectively.

In fiscal year 2001, the Council entered into a five-year noncancelable operating lease for a copy machine. A second five-year noncancelable copier lease was negotiated in fiscal year 2003. The future minimum lease payments are:

Year ending <u>June 30</u>	<u>Amount</u>
2006	\$ 15,409
2007	7,896
2008	2,632

Lease expense for the copy machines for the years ended June 30, 2005 and 2004 was \$16,760 and \$16,104, respectively.

(3) **Equipment, Fixtures and Leasehold Improvements**

A summary of equipment, fixtures and leasehold improvements at June 30 follows:

	<u>2005</u>	<u>2004</u>
Equipment	\$ 22,162	22,162
Fixtures	66,596	66,596
Leasehold improvements	<u>28,923</u>	<u>28,923</u>
	117,681	117,681
Less accumulated depreciation	<u>(109,899)</u>	<u>(102,511)</u>
	\$ <u>7,782</u>	<u>15,170</u>

(4) **Deferred Revenue**

Deferred revenue at June 30, 2005 is comprised of a payment received from Alyeska for the year commencing July 1, 2005.

**PRINCE WILLIAM SOUND  
REGIONAL CITIZENS' ADVISORY COUNCIL, INC.**

Notes to Financial Statements, continued

(5) **Grant and Program Revenues**

A summary of grant and program revenue for the years ended June 30 follows:

	<u>2005</u>	<u>2004</u>
Grant revenue:		
U.S Fish and Wildlife service grants	\$ 57,335	90,726
Resources for Environmental Activists (ISAR)	8,740	-
Alaska Division of Homeland Security and Emergency Management	25,000	27,605
Alaska Conservation Foundation	-	10,000
National Oceanic & Atmospheric Administration	<u>-</u>	<u>5,550</u>
Total grant revenue	<u>\$ 91,075</u>	<u>133,881</u>

(6) **Litigation with Alyeska**

On May 26, 2005, the Council filed a complaint against Alyeska in response to Alyeska's notice of arbitration in regards to a disputed contract issue. Alyeska claims that this \$25,000 project is not allowed under the funding contract between the Council and Alyeska. The Council's potential liability would include the project cost of \$25,000 and a minimal amount of other project-related expenses, not expected to exceed a total of \$30,000. There is no liability recorded as no probable outcome can be determined.

(7) **Contingencies**

Expenses pursuant to grants are subject to audits by governmental agencies or their representatives. Any disallowed claims, including amounts already collected would become a liability.

**PRINCE WILLIAM SOUND  
REGIONAL CITIZENS' ADVISORY COUNCIL, INC.**

Schedule of Functional Expenses

Year Ended June 30, 2005

(with comparative totals for 2004)

	Program Services		Supporting Services		Totals	
	Committees	Projects	General and Admin- istrative	Council	2005	2004
Salaries	\$ 48,049	810,185	409,195	-	1,267,429	1,184,407
Payroll taxes	3,843	62,300	29,393	-	95,536	90,217
Internship	-	-	-	-	-	7,500
Rent	-	-	105,696	-	105,696	105,412
Utilities	1,408	10,302	20,242	2,015	33,967	36,757
Conference calls	4,597	3,917	-	3,330	11,844	14,407
Supplies	32	6,589	15,430	1,919	23,970	28,213
Equipment lease	-	-	20,206	-	20,206	20,710
Software	-	-	8,993	370	9,363	6,380
Internet access	-	-	9,766	3,775	13,541	10,856
Equipment	-	4,299	17,664	1,490	23,453	25,209
Dues and subscriptions	2,426	3,126	2,520	213	8,285	6,724
Accounting	-	-	6,605	-	6,605	5,940
Legal fees	-	41,558	10,880	7,176	59,614	51,761
Contract labor	-	-	5,185	-	5,185	3,821
Professional services	3,595	82,395	2,132	18,789	106,911	61,895
Advertising	776	6,035	2,395	249	9,455	4,431
Education	-	3,320	860	-	4,180	4,476
Printing and reproduction	286	15,845	168	543	16,842	18,556
Postage and delivery	-	150	7,829	-	7,979	9,762
Conferences and conventions	1,970	22,216	-	350	24,536	16,651
Equipment maintenance	-	15	5,443	-	5,458	5,416
Insurance	743	9,956	15,176	5,693	31,568	31,694
Library	-	1,891	549	419	2,859	1,739
Depreciation	-	-	7,388	-	7,388	9,817
Miscellaneous	-	2,758	2,217	-	4,975	2,654
Contract expense	10,714	735,106	20,705	-	766,525	795,857
Travel	28,612	167,579	15,567	84,941	296,699	246,474
Business meals	-	370	4,266	109	4,745	3,330
Meeting expense	6,172	12,718	125	25,815	44,830	32,189
Totals	\$ <u>113,223</u>	<u>2,002,630</u>	<u>746,595</u>	<u>157,196</u>	<u>3,019,644</u>	<u>2,843,255</u>