

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

Financial Statements  
and Supplementary Information

Years Ended June 30, 2006 and 2005

(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, 2006 and 2005, 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 audits.

We conducted our audits 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 audits provide 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, 2006 and 2005, 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 pages 10 and 11 are 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 15, 2006

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

Statements of Financial Position

June 30, 2006 and 2005

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Current assets:		
Cash and cash equivalents	\$ 1,003,621	2,167,378
Accounts receivable	1,324	2,848
Due from grantors	11,947	46,077
Prepaid expenses and other assets	<u>46,682</u>	<u>57,065</u>
Total current assets	1,063,574	2,273,368
 Equipment, fixtures, and leasehold improvements, net of accumulated depreciation	 <u>14,945</u>	 <u>7,782</u>
 Total assets	 \$ <u>1,078,519</u>	 <u>2,281,150</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable	160,996	113,972
Accrued liabilities	141,603	159,279
Deferred revenue	<u>1,000</u>	<u>1,406,037</u>
Total current liabilities	303,599	1,679,288
 Net assets - unrestricted	 <u>774,920</u>	 <u>601,862</u>
 Total liabilities and net assets	 \$ <u>1,078,519</u>	 <u>2,281,150</u>

See accompanying notes to financial statements.

**PRINCE WILLIAM SOUND  
REGIONAL CITIZENS' ADVISORY COUNCIL, INC.**  
Statements of Activities  
Years Ended June 30, 2006 and 2005

	Unrestricted	
	2006	2005
Revenues:		
Alyeska Pipeline Service Company	\$ 2,845,833	2,778,316
Interest	66,917	34,769
Grants	65,502	91,075
Miscellaneous	6	3,128
Total revenues	2,978,258	2,907,288
Expenses:		
Program services:		
Committees	126,369	113,223
Projects	1,745,213	2,002,630
Supporting services:		
General and administrative	794,480	746,595
Council	139,138	157,196
Total expenses	2,805,200	3,019,644
Change in net assets	173,058	(112,356)
Unrestricted net assets, beginning of year	601,862	714,218
Unrestricted net assets, end of year	\$ 774,920	601,862

See accompanying notes to financial statements.

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

Statements of Cash Flows  
Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Change in net assets	\$ 173,058	(112,356)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	5,955	7,388
(Increase) decrease in assets:		
Accounts receivable	1,524	3,007
Due from grantor	34,130	(31,974)
Prepaid expenses and other assets	10,383	(13,302)
Increase (decrease) in liabilities:		
Accounts payable	47,024	(48,816)
Accrued liabilities	(17,676)	18,267
Deferred revenue	<u>(1,405,037)</u>	<u>1,406,037</u>
Net cash provided (used) by operating activities	(1,150,639)	1,228,251
 Cash flows from investing activities - purchase of equipment	 <u>(13,118)</u>	 <u>-</u>
 Net increase (decrease) in cash and cash equivalents	 (1,163,757)	 1,228,251
 Cash and cash equivalents, beginning of year	 <u>2,167,378</u>	 <u>939,127</u>
 Cash and cash equivalents, end of year	 \$ <u>1,003,621</u>	 <u>2,167,378</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2006 and 2005

(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 the Oil Pollution Act of 1990 (OPA 90), 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 OPA 90's goals, the Council has established the following programs in 2006 and 2005:

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 a base amount of \$2,744,558 plus an additional \$67,516 as an inflation adjustment in year one. The amount will be 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.

**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 contract 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 March of 2006, the Council entered into a six-year noncancelable operating lease for office space in Valdez, with one six-year renewal option. The future minimum lease payments under these office space leases at June 30, 2006 are:

Year ending <u>June 30</u>	<u>Amount</u>
2007	\$ 115,488
2008	117,566
2009	119,242
2010	59,238
2011	61,012



**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, 2006 and 2005 totaled \$108,788 and \$105,696, respectively.

In fiscal year 2006, the Council entered into five-year noncancelable operating leases for two copy machines. The future minimum lease payments are:

Year ending <u>June 30</u>	<u>Amount</u>
2007	\$ 13,150
2008	13,150
2009	13,150
2010	13,150
2011	6,182

Lease expense for the copy machines for the years ended June 30, 2006 and 2005 was \$16,970 and \$16,760, respectively.

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

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

	<u>2006</u>	<u>2005</u>
Equipment	\$ 35,280	22,162
Fixtures	-	66,596
Leasehold improvements	<u>-</u>	<u>28,923</u>
	32,280	117,681
Less accumulated depreciation	<u>(20,335)</u>	<u>(109,899)</u>
	<u>\$ 14,945</u>	<u>7,782</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 revenue for the years ended June 30 follows:

	<u>2006</u>	<u>2005</u>
Grant revenue:		
U.S. Fish and Wildlife Service grants	\$ 48,652	57,335
Resources for Environmental Activists (ISAR)	10,850	8,740
National Park Service	6,000	-
Alaska Division of Homeland Security and Emergency Management	<u>          -</u>	<u>25,000</u>
Total grant revenue	\$ <u>65,502</u>	<u>91,075</u>

(6) **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.

**SUPPLEMENTARY INFORMATION**

**PRINCE WILLIAM SOUND  
REGIONAL CITIZENS' ADVISORY COUNCIL, INC.**  
Schedule of Functional Expenses  
Year Ended June 30, 2006

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Committees</u>	<u>Projects</u>	<u>General and Admin- istrative</u>	<u>Council</u>	
Salaries	\$ 50,215	863,534	406,441	-	1,320,190
Payroll taxes	3,653	68,658	29,079	-	101,390
Rent	-	-	108,788	-	108,788
Utilities	1,517	10,317	21,972	918	34,724
Conference calls	4,046	3,849	-	2,074	9,969
Supplies	30	11,793	15,882	2,086	29,791
Equipment lease	-	-	20,864	-	20,864
Software	-	-	10,391	25	10,416
Internet access	-	-	10,611	2,470	13,081
Equipment	-	8,237	27,949	2,135	38,321
Dues and subscriptions	2,941	4,851	1,104	-	8,896
Accounting	-	-	5,940	-	5,940
Legal fees	-	31,301	46,991	6,200	84,492
Contract labor	-	975	578	-	1,553
Professional services	10,000	35,215	11,206	13,149	69,570
Advertising	2,289	7,159	266	279	9,993
Education	-	3,602	1,500	-	5,102
Printing and reproduction	190	16,274	132	251	16,847
Postage and delivery	-	-	7,829	-	7,829
Conferences and conventions	878	13,402	975	582	15,837
Equipment maintenance	-	6,017	9,637	-	15,654
Insurance	927	15,957	18,617	4,696	40,197
Library	200	1,454	328	300	2,282
Depreciation	-	-	5,955	-	5,955
Miscellaneous	-	3,960	509	-	4,469
Contract expense	10,870	522,358	7,525	-	540,753
Travel	34,319	108,756	19,935	75,840	238,850
Business meals	28	635	3,476	-	4,139
Meeting expense	4,266	6,909	-	28,133	39,308
Totals	\$ <u>126,369</u>	<u>1,745,213</u>	<u>794,480</u>	<u>139,138</u>	<u>2,805,200</u>

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

Schedule of Functional Expenses

Year Ended June 30, 2005

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