

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

Financial Statements  
and Supplementary Information

Years Ended June 30, 2007 and 2006

(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, 2007 and 2006, 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, 2007 and 2006, 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.*

Anchorage, Alaska  
September 18, 2007

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

Statements of Financial Position

June 30, 2007 and 2006

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Current assets:		
Cash and cash equivalents	\$ 1,030,163	1,003,621
Accounts receivable	7,952	1,324
Due from grantors	89,183	11,947
Prepaid expenses and other assets	<u>74,006</u>	<u>46,682</u>
Total current assets	1,201,304	1,063,574
 Equipment, fixtures, and leasehold improvements, net of accumulated depreciation	 <u>45,698</u>	 <u>14,945</u>
 Total assets	 \$ <u><u>1,247,002</u></u>	 <u><u>1,078,519</u></u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable	151,876	160,996
Accrued liabilities	189,413	141,603
Deferred revenue	<u>3,500</u>	<u>1,000</u>
Total current liabilities	344,789	303,599
 Net assets - unrestricted	 <u>902,213</u>	 <u>774,920</u>
 Total liabilities and net assets	 \$ <u><u>1,247,002</u></u>	 <u><u>1,078,519</u></u>

See accompanying notes to financial statements.

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

Statements of Activities  
Years Ended June 30, 2007 and 2006

	Unrestricted	
	2007	2006
Revenues:		
Alyeska Pipeline Service Company	\$ 2,913,349	2,845,833
Interest	75,437	66,917
Grants	151,371	65,502
Miscellaneous	35,737	6
Total revenues	3,175,894	2,978,258
Expenses:		
Program services:		
Committees	127,818	126,369
Projects	2,022,166	1,745,213
Supporting services:		
General and administrative	758,508	794,480
Council	140,109	139,138
Total expenses	3,048,601	2,805,200
Change in net assets	127,293	173,058
Unrestricted net assets, beginning of year	774,920	601,862
Unrestricted net assets, end of year	\$ 902,213	774,920

See accompanying notes to financial statements.

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

Statements of Cash Flows  
Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Change in net assets	\$ 127,293	173,058
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	11,639	5,955
(Increase) decrease in assets:		
Accounts receivable	(6,628)	1,524
Due from grantors	(77,236)	34,130
Prepaid expenses and other assets	(27,324)	10,383
Increase (decrease) in liabilities:		
Accounts payable	(9,120)	47,024
Accrued liabilities	47,810	(17,676)
Deferred revenue	<u>2,500</u>	<u>(1,405,037)</u>
Net cash provided (used) by operating activities	68,934	(1,150,639)
 Cash flows from investing activities - purchase of equipment	 <u>(42,392)</u>	 <u>(13,118)</u>
 Net increase (decrease) in cash and cash equivalents	 26,542	 (1,163,757)
 Cash and cash equivalents, beginning of year	 <u>1,003,621</u>	 <u>2,167,378</u>
 Cash and cash equivalents, end of year	 \$ <u><u>1,030,163</u></u>	 <u><u>1,003,621</u></u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2007 and 2006

(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 established the following programs in 2007 and 2006:

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.

In June 2007, the Council and Alyeska renegotiated the funding level under their contract. The new funding level, effective January 1, 2008, provides the Council with a base amount of \$2,947,107. The amount will be adjusted for inflation annually each year 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.

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

Notes to Financial Statements, continued

**Summary of Significant Accounting Policies, continued**

**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.

**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.



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

Notes to Financial Statements, continued

(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>
2008	\$ 117,566
2009	119,242
2010	59,238
2011	61,012
2012	52,111

Rental expense for office space for the years ended June 30, 2007 and 2006 totaled \$115,488 and \$108,788, 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>
2008	\$ 13,150
2009	13,150
2010	13,150
2011	5,183

Lease expense for the copy machines for the years ended June 30, 2007 and 2006 was \$13,150 and \$16,970, respectively.

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

Notes to Financial Statements, continued

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

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

	<u>2007</u>	<u>2006</u>
Equipment	\$ 77,672	35,280
Less accumulated depreciation	<u>(31,974)</u>	<u>(20,335)</u>
	<u>\$ 45,698</u>	<u>14,945</u>

(4) **Grant and Program Revenues**

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

	<u>2007</u>	<u>2006</u>
U.S. Fish and Wildlife Service grants	\$ 33,983	48,652
Pacific Environment	11,188	-
Resources for Environmental Activists (ISAR)	-	10,850
National Park Service	6,000	6,000
Alaska Department of Natural Resources	<u>100,200</u>	<u>-</u>
Total grant revenue	<u>\$ 151,371</u>	<u>65,502</u>

(5) **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, 2007

	<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	\$ 47,060	909,612	407,831	-	1,364,503
Payroll taxes	3,493	68,625	30,614	-	102,732
Rent	-	-	115,488	-	115,488
Utilities	1,099	7,928	23,464	671	33,162
Conference calls	4,037	4,005	-	2,409	10,451
Supplies	-	13,408	18,701	1,012	33,121
Equipment lease	-	-	23,507	-	23,507
Software	-	799	10,778	-	11,577
Internet access	-	-	10,571	2,785	13,356
Equipment	-	2,590	10,186	-	12,776
Dues and subscriptions	3,055	14,556	992	140	18,743
Accounting	-	-	6,300	-	6,300
Legal fees	-	16,482	5,228	6,495	28,205
Contract labor	-	-	10,912	-	10,912
Professional services	2,832	44,969	6,502	14,004	68,307
Advertising	-	18,074	3,000	397	21,471
Education	-	5,957	454	-	6,411
Printing and reproduction	656	11,967	243	387	13,253
Postage and delivery	-	-	8,105	-	8,105
Conferences and conventions	798	10,152	-	400	11,350
Equipment maintenance	-	-	16,463	-	16,463
Insurance	790	15,530	18,371	4,100	38,791
Library	-	820	643	-	1,463
Depreciation	-	-	11,639	-	11,639
Miscellaneous	-	2,552	519	-	3,071
Contract expense	14,601	749,547	125	-	764,273
Travel	33,433	115,295	15,235	85,723	249,686
Business meals	-	211	2,306	-	2,517
Meeting expense	15,964	9,087	331	21,586	46,968
Totals	\$ <u>127,818</u>	<u>2,022,166</u>	<u>758,508</u>	<u>140,109</u>	<u>3,048,601</u>

**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>