

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

Financial Statements
and Supplementary Information

Years Ended June 30, 2008 and 2007

(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, 2008 and 2007, 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, 2008 and 2007, 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 11, 2008

**PRINCE WILLIAM SOUND
REGIONAL CITIZENS' ADVISORY COUNCIL, INC.**
Statements of Financial Position
June 30, 2008 and 2007

	<u>Assets</u>	
	<u>2008</u>	<u>2007</u>
Current assets:		
Cash and cash equivalents	\$ 997,270	1,030,163
Accounts receivable	1,475	7,952
Due from grantors	48,776	89,183
Prepaid expenses and other assets	<u>50,591</u>	<u>74,006</u>
Total current assets	1,098,112	1,201,304
Equipment, net of accumulated depreciation	<u>27,195</u>	<u>45,698</u>
Total assets	\$ <u>1,125,307</u>	<u>1,247,002</u>

	<u>Liabilities and Net Assets</u>	
Current liabilities:		
Accounts payable	171,721	151,876
Accrued liabilities	162,815	189,413
Deferred revenue	<u>3,500</u>	<u>3,500</u>
Total current liabilities	338,036	344,789
Net assets - unrestricted	<u>787,271</u>	<u>902,213</u>
Total liabilities and net assets	\$ <u>1,125,307</u>	<u>1,247,002</u>

See accompanying notes to financial statements.

**PRINCE WILLIAM SOUND
REGIONAL CITIZENS' ADVISORY COUNCIL, INC.**
Statements of Activities
Years Ended June 30, 2008 and 2007

	Unrestricted	
	2008	2007
Revenues:		
Alyeska Pipeline Service Company	\$ 2,969,210	2,913,349
Interest	46,184	75,437
Grants	101,987	151,371
Miscellaneous	5,490	35,737
Total revenues	3,122,871	3,175,894
Expenses:		
Program services:		
Committees	130,112	127,818
Projects	2,099,227	2,022,166
Supporting services:		
General and administrative	831,011	758,508
Council	177,463	140,109
Total expenses	3,237,813	3,048,601
Change in net assets	(114,942)	127,293
Unrestricted net assets, beginning of year	902,213	774,920
Unrestricted net assets, end of year	\$ 787,271	902,213

See accompanying notes to financial statements.

**PRINCE WILLIAM SOUND
REGIONAL CITIZENS' ADVISORY COUNCIL, INC.**
Statements of Cash Flows
Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (114,942)	127,293
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	18,503	11,639
(Increase) decrease in assets:		
Accounts receivable	6,477	(6,628)
Due from grantors	40,407	(77,236)
Prepaid expenses and other assets	23,415	(27,324)
Increase (decrease) in liabilities:		
Accounts payable	19,845	(9,120)
Accrued liabilities	(26,598)	47,810
Deferred revenue	-	2,500
Net cash provided (used) by operating activities	<u>(32,893)</u>	<u>68,934</u>
Cash flows from investing activities - purchase of equipment	<u>-</u>	<u>(42,392)</u>
Net increase (decrease) in cash and cash equivalents	(32,893)	26,542
Cash and cash equivalents, beginning of year	<u>1,030,163</u>	<u>1,003,621</u>
Cash and cash equivalents, end of year	\$ <u>997,270</u>	<u>1,030,163</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2008 and 2007

(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 operates the following committees:

Projects:

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

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, 2008 are:

Year ending <u>June 30</u>	<u>Amount</u>
2009	\$ 119,242
2010	59,238
2011	61,012
2012	52,111

Rental expense for office space for the years ended June 30, 2008 and 2007 totaled \$117,566 and \$115,488, 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>
2009	\$ 13,150
2010	13,150
2011	5,183

Lease expense for the copy machines for the years ended June 30, 2008 and 2007 was \$13,150 and \$13,150, respectively.

(3) **Equipment**

A summary of equipment at June 30 follows:

	<u>2008</u>	<u>2007</u>
Equipment	\$ 77,672	77,672
Less accumulated depreciation	(50,477)	(31,974)
	<u>\$ 27,195</u>	<u>45,698</u>

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

Notes to Financial Statements, continued

(4) **Grant and Program Revenues**

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

	<u>2008</u>	<u>2007</u>
U.S. Fish and Wildlife Service grants	\$ 75,987	33,983
Pacific Environment	-	11,188
National Park Service	-	6,000
U.S. Department of Transportation hazardous materials emergency preparedness grant	26,000	-
Alaska Department of Natural Resources	<u>-</u>	<u>100,200</u>
Total grant revenue	\$ <u>101,987</u>	<u>151,371</u>

(5) **403(b) Plan**

The Council sponsors a defined contribution plan under Internal Revenue Code Section 403(b). The plan covers all employees who meet eligibility requirements. Employees can contribute to the plan by electing to have specified amounts withheld from their pay.

(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, 2008

	<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	\$ 41,690	1,016,136	447,964	-	1,505,790
Payroll taxes	3,447	77,447	33,260	-	114,154
Rent	-	-	117,566	-	117,566
Utilities	673	10,213	24,307	625	35,818
Conference calls	2,795	2,267	-	933	5,995
Supplies	-	10,362	17,226	2,295	29,883
Equipment lease	-	-	26,562	-	26,562
Software	-	-	10,283	-	10,283
Internet access	-	-	10,490	2,510	13,000
Equipment	-	1,601	27,406	3,780	32,787
Dues and subscriptions	3,224	7,327	2,228	-	12,779
Accounting	-	-	6,985	-	6,985
Legal fees	-	43,780	414	5,847	50,041
Contract labor	-	-	6,684	-	6,684
Professional services	10,938	47,641	5,102	17,635	81,316
Advertising	-	7,035	2,976	298	10,309
Education	-	2,700	182	195	3,077
Printing and reproduction	237	11,786	428	426	12,877
Postage and delivery	-	-	9,707	-	9,707
Conferences and conventions	1,493	24,009	400	5,782	31,684
Equipment maintenance	-	-	20,794	-	20,794
Insurance	285	6,948	14,714	4,100	26,047
Library	-	1,085	982	-	2,067
Depreciation	-	-	18,503	-	18,503
Miscellaneous	-	4,339	1,864	-	6,203
Contract expense	14,301	664,264	-	-	678,565
Travel	32,368	150,862	20,443	107,383	311,056
Business meals	32	239	3,330	-	3,601
Meeting expense	18,629	9,186	211	25,654	53,680
Totals	\$ <u>130,112</u>	<u>2,099,227</u>	<u>831,011</u>	<u>177,463</u>	<u>3,237,813</u>

**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>