

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

Financial Statements
and Supplementary Information

Years Ended June 30, 2010 and 2009

(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, 2010 and 2009, 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, 2010 and 2009, 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 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.

Anchorage, Alaska
September 9, 2010

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

Statements of Financial Position

June 30, 2010 and 2009

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 2,874,655	865,730
Accounts receivable	1,241	2,062
Due from grantors	33,740	23,697
Prepaid expenses and other assets	41,140	47,703
Total current assets	<u>2,950,776</u>	<u>939,192</u>
Equipment, net of accumulated depreciation	<u>34,433</u>	<u>9,421</u>
Total assets	\$ <u>2,985,209</u>	<u>948,613</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	279,926	179,124
Accrued liabilities	154,131	146,321
Deferred revenue	1,588,607	3,500
Total current liabilities	<u>2,022,664</u>	<u>328,945</u>
Net assets - unrestricted	<u>962,545</u>	<u>619,668</u>
Total liabilities and net assets	\$ <u>2,985,209</u>	<u>948,613</u>

See accompanying notes to financial statements.

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

Statements of Activities
Years Ended June 30, 2010 and 2009

	Unrestricted	
	2010	2009
Revenues:		
Alyeska Pipeline Service Company	\$ 3,149,872	3,061,011
Interest	2,070	6,032
Grants	66,802	41,697
Miscellaneous	2,581	1,578
Total revenues	3,221,325	3,110,318
Expenses:		
Program services:		
Committees	120,643	103,133
Projects	1,796,039	2,031,175
Council	149,319	164,252
Supporting services - general and administrative	812,447	979,361
Total expenses	2,878,448	3,277,921
Change in net assets	342,877	(167,603)
Unrestricted net assets, beginning of year	619,668	787,271
Unrestricted net assets, end of year	\$ 962,545	619,668

See accompanying notes to financial statements.

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

Statements of Cash Flows
Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 342,877	(167,603)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	17,720	17,774
(Increase) decrease in assets:		
Accounts receivable	821	(587)
Due from grantors	(10,043)	25,079
Prepaid expenses and other assets	6,563	2,888
Increase (decrease) in liabilities:		
Accounts payable	100,802	7,403
Accrued liabilities	7,810	(16,494)
Deferred revenue	<u>1,585,107</u>	<u>-</u>
Net cash provided (used) by operating activities	2,051,657	(131,540)
 Cash flows from investing activities - purchase of equipment	 <u>(42,732)</u>	 <u>-</u>
 Net increase (decrease) in cash and cash equivalents	 2,008,925	 (131,540)
 Cash and cash equivalents, beginning of year	 <u>865,730</u>	 <u>997,270</u>
 Cash and cash equivalents, end of year	 \$ <u><u>2,874,655</u></u>	 <u><u>865,730</u></u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2010 and 2009

(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 June 2007, the Council and Alyeska renegotiated the funding level under their contract. The new funding level, effective January 1, 2008, provided the Council with a base amount of \$2,947,107. The amount is 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.

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.

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

Notes to Financial Statements, continued

Summary of Significant Accounting Policies, continued

Equipment and Fixtures

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.

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.

The Council applies the provisions of Topic 740 of the FASB Accounting Standards Codification relating to accounting for uncertainty in income taxes. The Council annually reviews its return and positions taken in accordance with the recognition standards. The Council believes that it has no uncertain tax positions taken in accordance with the recognition standards that would require disclosure or adjustment in these financial statements.

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.

Fair Value Measurements

The Council measures certain items in these financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, that is, other than in a forced liquidation or distress sale.

The Council's financial assets and liabilities carried at fair value have been classified based on a hierarchy as defined in generally accepted accounting standards and are generally measured using the market approach or the income approach.

Subsequent Events

The Council has evaluated subsequent events through September 9, 2010, the date on which the financial statements were issued.

**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 June of 2009, the Council negotiated a new five-year noncancelable lease for this office space. This lease has one five-year renewal option. 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, 2010 are:

Year ending <u>June 30</u>	<u>Amount</u>
2011	126,315
2012	129,724
2013	67,848
2014	69,492

Rental expense for office space for the years ended June 30, 2010 and 2009 totaled \$122,831 and \$119,241, respectively.

In February 2010, the Council entered into two five-year noncancelable operating leases for copy machines. The future minimum lease payments are:

Year ending <u>June 30</u>	<u>Amount</u>
2011	\$ 19,092
2012	19,092
2013	19,092
2014	19,092
2015	12,728

Lease expense for the copy machines for the years ended June 30, 2010 and 2009 was \$19,631 and \$24,596, respectively.

(3) **Equipment**

A summary of equipment at June 30 follows:

	<u>2010</u>	<u>2009</u>
Equipment	\$ 120,404	77,672
Less accumulated depreciation	<u>(85,971)</u>	<u>(68,251)</u>
	<u>\$ 34,433</u>	<u>9,421</u>

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

Notes to Financial Statements, continued

Equipment, continued

Depreciation expense totaled \$17,720 and \$17,774 for the years ended June 30, 2010 and 2009, respectively.

(4) **Grant and Program Revenues**

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

	<u>2010</u>	<u>2009</u>
U.S. Fish and Wildlife Service grants	\$ 66,802	23,697
PWS Science Center Oil Spill Recovery	-	10,000
Alaska Sealife Center	<u>-</u>	<u>8,000</u>
Total grant revenue	<u>\$ 66,802</u>	<u>41,697</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, 2010

	<u>Program Services</u>			<u>Supporting Services</u>	<u>Total</u>
	<u>Committees</u>	<u>Projects</u>	<u>Council</u>	<u>General and Admin- istrative</u>	
Salaries	\$ 40,014	999,203	-	405,716	1,444,933
Payroll taxes	3,335	76,914	-	32,359	112,608
Employee health insurance	1,697	17,178	-	13,681	32,556
Rent	-	400	-	122,431	122,831
Utilities	651	7,131	763	20,418	28,963
Conference calls	4,641	1,196	2,320	1,343	9,500
Supplies	-	4,926	582	10,145	15,653
Equipment leases	-	-	-	22,759	22,759
Software	-	-	-	10,567	10,567
Internet access	-	-	2,681	10,771	13,452
Equipment	-	1,753	2,198	11,753	15,704
Dues and subscriptions	-	9,199	-	404	9,603
Accounting	-	-	-	11,595	11,595
Legal fees	-	753	8,729	10,116	19,598
Professional services	163	56,988	17,946	4,910	80,007
Advertising	-	616	280	931	1,827
Education	331	2,388	-	3,829	6,548
Printing and reproduction	-	14,940	475	454	15,869
Postage and delivery	-	-	-	8,745	8,745
Conferences and conventions	1,319	12,519	204	-	14,042
Equipment maintenance	-	1,000	-	18,257	19,257
Insurance	435	14,579	4,100	16,431	35,545
Library	-	354	4	564	922
Relocation expense	-	-	-	35,000	35,000
Depreciation	-	5,899	-	11,821	17,720
Miscellaneous	-	2,314	-	362	2,676
Stipends	50	-	-	-	50
Contract expense	-	459,590	-	11,320	470,910
Travel	47,667	96,112	80,839	15,093	239,711
Business meals	-	94	116	672	882
Meeting expense	20,340	9,993	28,082	-	58,415
Totals	\$ <u>120,643</u>	<u>1,796,039</u>	<u>149,319</u>	<u>812,447</u>	<u>2,878,448</u>

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

Schedule of Functional Expenses
Year Ended June 30, 2009

	Program Services			Supporting Services	Total
	Committees	Projects	Council	General and Admin- istrative	
Salaries	\$ 34,348	1,064,338	-	567,456	1,666,142
Payroll taxes	2,470	76,522	-	40,798	119,790
Employee health insurance	2,494	8,730	-	8,730	19,954
Rent	-	-	-	119,241	119,241
Utilities	673	10,353	753	21,556	33,335
Conference calls	4,087	1,549	1,934	-	7,570
Supplies	-	10,095	491	14,489	25,075
Equipment leases	-	-	-	27,770	27,770
Software	-	-	-	5,229	5,229
Internet access	-	-	2,582	10,693	13,275
Equipment	-	4,620	1,348	22,908	28,876
Dues and subscriptions	-	9,324	-	2,239	11,563
Accounting	-	-	-	9,489	9,489
Legal fees	-	24,997	6,596	22,845	54,438
Contract labor	-	-	-	4,859	4,859
Professional services	300	50,814	17,523	11,917	80,554
Advertising	-	4,451	650	143	5,244
Education	-	982	50	2,877	3,909
Printing and reproduction	284	24,073	266	266	24,889
Postage and delivery	-	-	-	9,778	9,778
Conferences and conventions	512	16,107	-	229	16,848
Equipment maintenance	-	-	37	24,342	24,379
Insurance	487	18,086	4,100	20,273	42,946
Library	-	520	-	742	1,262
Depreciation	-	-	-	17,774	17,774
Miscellaneous	-	2,313	-	477	2,790
Stipends	25	-	-	-	25
Contract expense	13,435	589,432	-	-	602,867
Travel	27,357	97,472	106,986	9,460	241,275
Business meals	280	250	32	2,365	2,927
Meeting expense	16,381	16,147	20,904	416	53,848
Totals	\$ <u>103,133</u>	<u>2,031,175</u>	<u>164,252</u>	<u>979,361</u>	<u>3,277,921</u>