

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

Financial Statements  
and Supplementary Information

Years Ended June 30, 2011 and 2010

(With Independent Auditor's Report Thereon)

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**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, 2011 and 2010, 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, 2011 and 2010, 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 20, 2011

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

Statements of Financial Position  
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 3,094,803	2,874,655
Accounts receivable	693	1,241
Due from grantors	75,811	33,740
Prepaid expenses and other assets	<u>49,487</u>	<u>41,140</u>
Total current assets	3,220,794	2,950,776
Equipment, net of accumulated depreciation	<u>35,472</u>	<u>34,433</u>
Total assets	\$ <u>3,256,266</u>	<u>2,985,209</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	294,027	279,926
Accrued liabilities	180,985	154,131
Deferred revenue	<u>1,630,863</u>	<u>1,588,607</u>
Total current liabilities	2,105,875	2,022,664
Net assets - unrestricted	<u>1,150,391</u>	<u>962,545</u>
Total liabilities and net assets	\$ <u>3,256,266</u>	<u>2,985,209</u>

See accompanying notes to financial statements.

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

Statements of Activities  
Years Ended June 30, 2011 and 2010

	Unrestricted	
	2011	2010
Revenues:		
Alyeska Pipeline Service Company	\$ 3,209,885	3,149,872
U.S. Fish and Wildlife Service grants	75,811	66,802
Interest	2,606	2,070
Alaska Sealife Center	2,000	-
Miscellaneous	1,363	2,581
Total revenues	3,291,665	3,221,325
Expenses:		
Program services:		
Committees	110,990	120,643
Projects	1,944,276	1,796,039
Council	147,093	149,319
Supporting services - general and administrative	901,460	812,447
Total expenses	3,103,819	2,878,448
Change in net assets	187,846	342,877
Unrestricted net assets, beginning of year	962,545	619,668
Unrestricted net assets, end of year	\$ 1,150,391	962,545

See accompanying notes to financial statements.

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

Statements of Cash Flows  
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 187,846	342,877
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	20,230	17,720
(Increase) decrease in assets:		
Accounts receivable	548	821
Due from grantors	(42,071)	(10,043)
Prepaid expenses and other assets	(8,347)	6,563
Increase (decrease) in liabilities:		
Accounts payable	14,101	100,802
Accrued liabilities	26,854	7,810
Deferred revenue	<u>42,256</u>	<u>1,585,107</u>
Net cash provided by operating activities	241,417	2,051,657
 Cash flows from investing activities - purchase of equipment	 <u>(21,269)</u>	 <u>(42,732)</u>
 Net increase in cash and cash equivalents	 220,148	 2,008,925
 Cash and cash equivalents, beginning of year	 <u>2,874,655</u>	 <u>865,730</u>
 Cash and cash equivalents, end of year	 \$ <u><u>3,094,803</u></u>	 <u><u>2,874,655</u></u>

See accompanying notes to financial statements.



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

Notes to Financial Statements

June 30, 2011 and 2010

(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 September 2010, the Council and Alyeska renegotiated the funding level under their contract. The funding level for the period January 1 to June 30, 2011 is \$1,624,778. The funding level for the year beginning July 1, 2011, is \$3,198,019 adjusted by the Anchorage Consumer Price Index for the prior calendar year. The amounts for the subsequent two years are based upon the prior year amount adjusted by the Anchorage Consumer Price Index. 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 20, 2011, 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 Council intends to continue leasing office space after the expiration of these leases. The future minimum lease payments under these office space leases at June 30, 2011 are:

<u>Year ending June 30</u>	<u>Amount</u>
2012	\$ 118,362
2013	67,848
2014	69,492

Rental expense for office space for the years ended June 30, 2011 and 2010 totaled \$125,707 and \$122,831, respectively.

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

<u>Year ending June 30</u>	<u>Amount</u>
2012	\$ 21,996
2013	20,826
2014	20,436
2015	14,072

Lease expense for the copy machines for the years ended June 30, 2011 and 2010 was \$23,060 and \$19,631, respectively.

(3) **Equipment**

A summary of equipment at June 30 follows:

	<u>2011</u>	<u>2010</u>
Equipment	\$ 141,673	120,404
Less accumulated depreciation	(106,201)	(85,971)
	<u>\$ 35,472</u>	<u>34,433</u>

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

Notes to Financial Statements, continued

**Equipment, continued**

Depreciation expense totaled \$20,230 and \$17,720 for the years ended June 30, 2011 and 2010, respectively.

(4) **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.

(5) **Contingencies**

During the foregoing calendar year 2010 and fiscal year 2011, Alyeska Pipeline Service Company (Alyeska) conducted a contract compliance audit of the Council for the three year period July 1, 2007 to June 30, 2010. Alyeska has contested expenses of approximately \$182,000. The Council and Alyeska are continuing to work on resolving outstanding issues and because the outcome is not known, the Council has not recorded any contingent liability. Based upon the expressed preference of both parties, the Council's expectation is that these contested items will be resolved via some negotiation process and the final liability, if any, will be less than the stated amount.

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.

(6) **Related Parties**

During the foregoing fiscal year 2011, the services of a board member-owned business were used on two occasions. In the first instance the services consisted of a two-day vessel charter so that the Council could observe and facilitate observation by state and federal regulators and spill contingency plan holders of remotely occurring activities during an unannounced oil spill drill in Prince William Sound. In the second instance, a charter was used to transport staff and volunteers to permit close-up water side viewing of SERVS spill response assets and the marine terminal waterfront facilities following a Council familiarization tour of the Valdez Marine Terminal. The combined cost of these two services was \$17,000.

**SUPPLEMENTARY INFORMATION**

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

Schedule of Functional Expenses  
Year Ended June 30, 2011

	<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	\$ 50,717	1,040,747	-	487,632	1,579,096
Payroll taxes	3,896	80,354	-	37,499	121,749
Employee health insurance	-	17,462	-	8,723	26,185
Rent	-	-	-	125,707	125,707
Utilities	701	6,138	698	21,521	29,058
Conference calls	4,190	397	1,999	-	6,586
Supplies	-	3,653	335	15,000	18,988
Equipment leases	-	-	-	23,060	23,060
Software	-	-	-	9,530	9,530
Internet access	-	-	2,104	13,953	16,057
Equipment	-	-	-	13,602	13,602
Dues and subscriptions	-	13,550	165	1,873	15,588
Accounting	-	-	-	13,945	13,945
Legal fees	-	175	5,661	9,728	15,564
Professional services	-	88,101	19,456	3,030	110,587
Advertising	-	2,960	144	-	3,104
Education	195	2,140	-	2,846	5,181
Printing and reproduction	-	14,586	328	63	14,977
Postage and delivery	-	-	-	9,564	9,564
Conferences and conventions	2,855	17,432	1,584	999	22,870
Equipment maintenance	-	1,000	56	31,910	32,966
Insurance	441	10,186	4,100	16,096	30,823
Library	-	224	-	148	372
Depreciation	-	5,898	-	14,332	20,230
Miscellaneous	-	3,648	-	293	3,941
Stipends	-	4,424	-	-	4,424
Contract expense	-	526,671	-	2,337	529,008
Travel	25,890	94,739	88,460	36,652	245,741
Business meals	-	1,136	171	1,417	2,724
Meeting expense	22,105	8,655	21,832	-	52,592
<b>Totals</b>	<b>\$ 110,990</b>	<b>1,944,276</b>	<b>147,093</b>	<b>901,460</b>	<b>3,103,819</b>

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

Schedule of Functional Expenses  
Year Ended June 30, 2010

	Program Services			Supporting Services	Total
	Committees	Projects	Council	General and Admin- istrative	
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>