

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

Financial Statements  
and Supplementary Information

Years Ended June 30, 2012 and 2011

(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.  
Anchorage, Alaska

We have audited the accompanying statements of financial position of Prince William Sound Regional Citizens' Advisory Council, Inc. (the Council) as of June 30, 2012 and 2011, 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, 2012 and 2011, 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Mikunda, Cottrell & Co.*

Anchorage, Alaska  
September 27, 2012

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

Statements of Financial Position

June 30, 2012 and 2011

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 3,207,885	3,094,803
Accounts receivable	1,676	693
Due from grantors	16,626	75,811
Prepaid expenses and other assets	<u>105,670</u>	<u>49,487</u>
Total current assets	3,331,857	3,220,794
Equipment, net of accumulated depreciation	<u>14,138</u>	<u>35,472</u>
Total assets	\$ <u><u>3,345,995</u></u>	<u><u>3,256,266</u></u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	323,319	294,027
Accrued liabilities	186,888	180,985
Deferred revenue	<u>1,624,118</u>	<u>1,630,863</u>
Total current liabilities	<u>2,134,325</u>	<u>2,105,875</u>
Net assets - unrestricted:		
Board designated	350,000	350,000
Undesignated	<u>861,670</u>	<u>800,391</u>
Total net assets	<u>1,211,670</u>	<u>1,150,391</u>
Total liabilities and net assets	\$ <u><u>3,345,995</u></u>	<u><u>3,256,266</u></u>

See accompanying notes to financial statements.

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

Statements of Activities  
Years Ended June 30, 2012 and 2011

	Unrestricted	
	2012	2011
Revenues:		
Alyeska Pipeline Service Company	\$ 3,254,726	3,209,885
U.S. Fish and Wildlife Service grants	116,713	75,811
Donations	12,950	-
Interest	2,970	2,606
Alaska Sealife Center	-	2,000
Miscellaneous	4,958	1,363
Total revenues	3,392,317	3,291,665
Expenses:		
Program services:		
Committees	123,295	110,990
Projects	2,173,463	1,944,276
Council	124,454	147,093
Supporting services - general and administrative	909,826	901,460
Total expenses	3,331,038	3,103,819
Change in net assets	61,279	187,846
Unrestricted net assets, beginning of year	1,150,391	962,545
Unrestricted net assets, end of year	\$ 1,211,670	1,150,391

See accompanying notes to financial statements.

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

Statements of Cash Flows  
Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 61,279	187,846
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	21,334	20,230
(Increase) decrease in assets:		
Accounts receivable	(983)	548
Due from grantors	59,185	(42,071)
Prepaid expenses and other assets	(56,183)	(8,347)
Increase (decrease) in liabilities:		
Accounts payable	29,292	14,101
Accrued liabilities	5,903	26,854
Deferred revenue	<u>(6,745)</u>	<u>42,256</u>
Net cash provided by operating activities	113,082	241,417
 Cash flows from investing activities - purchase of equipment	 <u>-</u>	 <u>(21,269)</u>
 Net increase in cash and cash equivalents	 113,082	 220,148
 Cash and cash equivalents, beginning of year	 <u>3,094,803</u>	 <u>2,874,655</u>
 Cash and cash equivalents, end of year	 \$ <u>3,207,885</u>	 <u>3,094,803</u>

See accompanying notes to financial statements.



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

Notes to Financial Statements

June 30, 2012 and 2011

(1) **Summary of Significant Accounting Policies**

**Organization and Purpose of Business**

The Prince William Sound Regional Citizens' Advisory Council, Inc. (Council) is a 501(c)(3) 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 tank operations, and the environmental impacts of crude-oil transportation in Prince William Sound.

In order to accomplish the goals of OPA 90 and the contract with Alyeska, the Council operates the following committees:

Terminal Operations and Environmental Monitoring (TOEM)  
Oil Spill Prevention and Response (OSPR)  
Port Operations and Vessel Traffic Systems (POVTS)  
Scientific Advisory (SAC)  
Information and Education (IEC)

**Contract**

In September 2010, the Council and Alyeska renegotiated the funding level under their contract. The funding level for the fiscal year beginning July 1, 2011 was \$3,254,726. The funding level for the fiscal year beginning July 1, 2012, is based on the prior year amount adjusted by the Anchorage Consumer Price Index. The funding for the following year will also be based on the prior year amount adjusted by the Anchorage Consumer Price Index. Funding payments are made by Alyeska 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 27, 2012, the date on which the financial statements were issued.

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

Notes to Financial Statements, continued

(2) **Cash and Cash Equivalents**

Cash and cash equivalents consist of the following at June 30, 2012 and 2011:

	2012		2011	
	<u>Book</u>	<u>Bank</u>	<u>Book</u>	<u>Bank</u>
Checking accounts	\$ 3,228	3,228	5,255	5,255
Repurchase agreement	3,204,157	3,204,938	3,089,048	3,114,919
Petty cash	<u>500</u>	<u>-</u>	<u>500</u>	<u>-</u>
	<u>\$ 3,207,885</u>	<u>3,208,166</u>	<u>3,094,803</u>	<u>3,120,174</u>

Balances in checking accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Balances in the repurchase agreement are collateralized by securities under the repurchase agreement with First National Bank of Alaska.

(3) **Operating Leases**

In June of 2009, the Council negotiated a new five-year noncancelable lease for office space in Anchorage, Alaska. 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, Alaska, with one six-year renewal option. In May 2012, the Council negotiated a new six-year noncancelable lease for this office space. The future minimum lease payments under these office space leases at June 30, 2012 are:

Year ending <u>June 30</u>	<u>Amount</u>
2013	\$ 130,380
2014	132,024
2015	62,532
2016	64,408
2017	65,374

Rental expense for office space for the years ended June 30, 2012 and 2011 totaled \$129,585 and \$125,707, respectively.

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

Notes to Financial Statements, continued

**Operating Leases, continued**

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:

Year ending <u>June 30</u>	<u>Amount</u>
2013	\$ 23,736
2014	24,937
2015	21,452
2016	1,574
2017	1,574
Thereafter	1,180

Lease expense for these leases for the years ended June 30, 2012 and 2011 totaled \$23,752 and \$23,060, respectively.

(4) **Equipment**

Equipment consists of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Equipment	\$ 141,673	141,673
Less accumulated depreciation	<u>(127,535)</u>	<u>(106,201)</u>
	<u>\$ 14,138</u>	<u>35,472</u>

Depreciation expense totaled \$21,334 and \$20,230 for the years ended June 30, 2012 and 2011, respectively.

(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**

Alyeska Pipeline Service Company (Alyeska) conducted a contract compliance audit of the Council for the three-year period from July 1, 2007 to June 30, 2010. Alyeska contested expenses of approximately \$182,000. In March 2012, the Council and Alyeska, by mutual agreement, resolved all outstanding audit issues, including an agreement to a one-time reduction of \$56,071 to Alyeska's contract payment due on July 1, 2012.

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

Notes to Financial Statements, continued

**Contingencies, continued**

Alyeska has the right to audit the Council's performance of services during the contract term and for a one year period thereafter.

Expenses pursuant to grants are subject to audits by governmental agencies or their representatives. Any disallowed claims, including amounts already collected, are recorded and treated as liabilities.

(7) **Board Designated Net Assets**

In January 2010 the Board of Directors adopted a "net asset stabilization policy" wherein a minimum of \$350,000 in net assets is held for extraordinary or unplanned events or the purchase of capital assets. Expenditure of these net assets requires board approval.

**SUPPLEMENTARY INFORMATION**

**PRINCE WILLIAM SOUND  
REGIONAL CITIZENS' ADVISORY COUNCIL, INC.**  
Schedule of Functional Expenses  
Year Ended June 30, 2012

	Program Services			Supporting Services	Total
	Committees	Projects	Council	General and Admin- istrative	
Salaries	\$ 53,470	1,104,580	-	491,607	1,649,657
Payroll taxes	4,131	85,851	-	35,435	125,417
Employee health insurance	2,171	27,305	-	10,396	39,872
Rent	-	800	-	128,785	129,585
Utilities	726	4,710	778	21,888	28,102
Conference calls	5,127	661	1,449	-	7,237
Supplies	-	9,782	192	13,661	23,635
Equipment leases	-	-	-	23,752	23,752
Software	-	-	-	995	995
Internet access	-	-	2,505	12,957	15,462
Equipment	-	3,847	84	16,092	20,023
Dues and subscriptions	-	14,626	-	668	15,294
Accounting	-	-	-	13,963	13,963
Legal fees	-	298	5,329	9,017	14,644
Professional services	-	63,051	19,356	4,584	86,991
Advertising	-	2,441	403	23	2,867
Education	875	12,896	250	1,267	15,288
Printing and reproduction	44	16,761	282	123	17,210
Postage and delivery	-	472	-	10,840	11,312
Conferences and conventions	1,427	14,079	2,414	3,890	21,810
Equipment maintenance	-	1,300	338	39,995	41,633
Insurance	505	10,521	4,100	16,417	31,543
Library	-	1,104	951	624	2,679
Depreciation	-	5,899	-	15,435	21,334
Miscellaneous	-	3,703	-	343	4,046
Stipends	-	9,024	-	-	9,024
Contract expense	-	685,784	-	8,000	693,784
Travel	41,180	81,012	64,821	28,198	215,211
Business meals	-	33	-	871	904
Meeting expense	13,639	12,923	21,202	-	47,764
Totals	\$ <u>123,295</u>	<u>2,173,463</u>	<u>124,454</u>	<u>909,826</u>	<u>3,331,038</u>

**PRINCE WILLIAM SOUND  
REGIONAL CITIZENS' ADVISORY COUNCIL, INC.**  
Schedule of Functional Expenses  
Year Ended June 30, 2011

	Program Services			Supporting Services	Total
	Committees	Projects	Council	General and Admin- istrative	
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
Totals	\$ <u>110,990</u>	<u>1,944,276</u>	<u>147,093</u>	<u>901,460</u>	<u>3,103,819</u>