

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

Financial Statements
and Supplementary Information

June 30, 2004 and 2003

(With Independent Auditor's Report Thereon)

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

Table of Contents

	<u>Page</u>
<u>Independent Auditor's Report</u>	1
<u>Financial Statements</u>	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5-8
<u>Additional Information</u>	
Schedule of Functional Expenses	9

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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, 2004 and 2003, 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 audit.

We conducted our audit 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 audit provides 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, 2004 and 2003, 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 page 9 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.

September 10, 2004

**PRINCE WILLIAM SOUND
REGIONAL CITIZENS' ADVISORY COUNCIL, INC.**
Statements of Financial Position
June 30, 2004 and 2003

<u>Assets</u>	<u>2004</u>	<u>2003</u>
Current assets:		
Cash and cash equivalents	\$ 939,127	972,044
Accounts receivable	5,855	1,726
Due from grantor	14,103	10,000
Prepaid expenses and other assets	<u>43,763</u>	<u>45,042</u>
Total current assets	1,002,848	1,028,812
 Equipment, fixtures, and leasehold improvements, net of accumulated depreciation	 <u>15,170</u>	 <u>15,786</u>
Total assets	\$ <u><u>1,018,018</u></u>	<u><u>1,044,598</u></u>

<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	162,788	230,793
Accrued liabilities	<u>141,012</u>	<u>128,064</u>
Total current liabilities	303,800	358,857
 Net assets - unrestricted	 <u>714,218</u>	 <u>685,741</u>
Total liabilities and net assets	\$ <u><u>1,018,018</u></u>	<u><u>1,044,598</u></u>

See accompanying notes to financial statements.

PRINCE WILLIAM SOUND
REGIONAL CITIZENS' ADVISORY COUNCIL, INC.
 Statements of Activities
 Years Ended June 30, 2004 and 2003

	Unrestricted	
	2004	2003
Revenues:		
Alyeska Pipeline Service Company	\$ 2,713,706	2,656,550
Interest	15,954	18,714
Grants	133,881	44,450
Programs	5,000	135,000
Miscellaneous	3,191	3,268
Total revenues	2,871,732	2,857,982
Expenses:		
Committees	94,498	117,449
Projects	1,891,833	1,793,718
General and administrative	697,992	677,474
Council	158,932	153,811
Total expenses	2,843,255	2,742,452
Change in net assets	28,477	115,530
Unrestricted net assets, beginning of year	685,741	570,211
Unrestricted net assets, end of year	\$ 714,218	685,741

See accompanying notes to financial statements.

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

Statements of Cash Flows
Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Change in net assets	\$ 28,477	115,530
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	9,816	8,147
(Increase) decrease in assets:		
Accounts receivable	(4,129)	3,932
Due from grantor	(4,103)	51,100
Prepaid expenses and other assets	1,279	4,026
Increase (decrease) in liabilities:		
Accounts payable	(68,005)	76,859
Accrued liabilities	12,948	39,803
Deferred revenue	<u>-</u>	<u>(35,000)</u>
Net cash provided (used) by operating activities	<u>(23,717)</u>	<u>264,397</u>
 Cash flows from investing activities - purchase of equipment	 <u>(9,200)</u>	 <u>(12,963)</u>
 Net increase (decrease) in cash and cash equivalents	 (32,917)	 251,434
 Cash and cash equivalents, beginning of year	 <u>972,044</u>	 <u>720,610</u>
 Cash and cash equivalents, end of year	 <u>\$ 939,127</u>	 <u>972,044</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2004 and 2003

(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 its Prince William Sound Tanker Spill Prevention and Response Plan (Plan), 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 Plan's goals, the Council has established the following programs in 2004 and 2003:

Projects:

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

Contract

On March 14, 2002, the Council and Alyeska amended their contract. The amended contract, effective January 1, 2002, provides the Council with \$2,630,248 in year one, 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. 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. The more significant accounting and reporting policies and estimates applied in the preparation of the accompanying financial statements are discussed below.

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

Notes to Financial Statements, continued

Summary of Significant Accounting Policies, continued

Revenue Recognition

Revenues from Alyeska are deemed to be earned on the regularly scheduled payment date, as defined by the contracts 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.

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 May of 2001, the Council entered into a five-year noncancelable operating lease for office space in Valdez, with one five-year renewal option. The future minimum lease payments under these office space leases at June 30, 2004 are:

<u>Year ending</u> <u>June 30</u>	<u>Amount</u>
2005	\$ 105,696
2006	99,528
2007	59,928
2008	61,728
2009	61,728

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

Notes to Financial Statements, continued

Operating Leases, continued

Rental expense for office space for the years ended June 30, 2004 and 2003 totaled \$105,412 and \$104,426, respectively.

In fiscal year 2003, the Council entered into a five-year noncancelable operating lease for a copy machine. The future minimum lease payments are:

Year ending <u>June 30</u>	<u>Amount</u>
2005	\$ 7,781
2006	7,781
2007	7,781
2008	1,945

Lease expense for the copy machine for the year ended June 30, 2004 and 2003, respectively, totaled \$7,781 and \$5,835.

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

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

	<u>2004</u>	<u>2003</u>
Equipment	\$ 22,162	12,963
Fixtures	66,596	66,595
Leasehold improvements	<u>28,923</u>	<u>28,923</u>
	117,681	108,481
Less accumulated depreciation	<u>(102,511)</u>	<u>(92,695)</u>
	<u>\$ 15,170</u>	<u>15,786</u>

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

Notes to Financial Statements, continued

(4) **Grant and Program Revenues**

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

	<u>2004</u>	<u>2003</u>
Grant revenue:		
U.S Fish and Wildlife service grants	\$ 90,726	38,900
Alaska Division of Emergency Services	27,605	-
Alaska Conservation Foundation	10,000	-
National Oceanic & Atmospheric Administration	<u>5,550</u>	<u>5,550</u>
Total grant revenue	\$ <u>133,881</u>	<u>44,450</u>
Program revenue:		
Alaska Sea Life Center	\$ 5,000	-
Prince William Sound Community College	-	35,000
Oil Spill Recovery Institute	<u>-</u>	<u>100,000</u>
Total program revenue	\$ <u>5,000</u>	<u>135,000</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.