Prince William Sound Regional Citizens' Advisory Council, Inc.

Financial Statements and Supplementary Information

Years Ended June 30, 2013 and 2012

(With Independent Auditor's Report Thereon)

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

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Independent Auditor's Report

Board of Directors
Prince William Sound Regional Citizens' Advisory Council, Inc.
Anchorage, Alaska

We have audited the accompanying financial statements of Prince William Sound Regional Citizens' Advisory Council, Inc. which comprise the Statement of Financial Position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2012 financial statements and supplementary information of Prince William Sound Regional Citizens' Advisory Council, Inc. were audited by other auditors, whose report dated September 27, 2012 expressed an unmodified opinion on those statements.

Independent Auditor's Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2013 statements as a whole. The 2013 supplementary information presented in the following section of this report 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.

BDO USA, LLP

Anchorage, Alaska
September 23, 2013

Financial Statements

Prince William Sound Regional Citizens' Advisory Council, Inc.

Statements of Financial Position

June 30,	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	$ 3,176,684	$ 3,207,885
Accounts receivable	803	1,676
Due from grantors	23,800	16,626
Prepaid expenses and other assets	74,351	105,670
Total current assets	3,275,638	3,331,857
Equipment, net of accumulated depreciation	20,985	14,138
Total Assets	$ 3,296,623	$ 3,345,995
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 253,025	$ 323,319
Accrued liabilities	183,309	186,888
Deferred revenue	1,722,631	1,624,118
Total current liabilities	2,158,965	2,134,325
Net assets - unrestricted:		
Board designated	350,000	350,000
Undesignated	787,658	861,670
Total net assets	1,137,658	1,211,670
Total Liabilities and Net Assets	$ 3,296,623	$ 3,345,995

See accompanying notes to financial statements.

Prince William Sound Regional Citizens' Advisory Council, Inc.

Statements of Activities

Years Ended June 30,	Unrestricted 2013	Unrestricted 2012
Revenues:		
Alyeska Pipeline Service Company	$ 3,303,457	$ 3,254,726
U.S. Fish and Wildlife Service grants	56,574	116,713
Interest	3,019	2,970
Miscellaneous	3,210	4,958
Total revenues	3,366,260	3,392,317
Expenses:		
Program services:		
Committees	119,076	123,295
Projects	2,281,955	2,173,463
Council	112,364	124,454
Supporting services - general and administrative	926,877	909,826
Total expenses	3,440,272	3,331,038
Change in net assets	(74,012)	61,279
Unrestricted Net Assets, beginning of year	1,211,670	1,150,391
Unrestricted Net Assets, end of year	$ 1,137,658	$ 1,211,670

See accompanying notes to financial statements.

Prince William Sound Regional Citizens' Advisory Council, Inc.

Statements of Cash Flows

Years Ended June 30,	2013	2012
Cash Flows from Operating Activities		
Change in net assets	$ (74,012)	$ 61,279
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	15,009	21,334
(Increase) decrease in assets:		
Accounts receivable	873	(983)
Due from grantors	(7,174)	59,185
Prepaid expenses and other assets	31,319	(56,183)
Increase (decrease) in liabilities:		
Accounts payable	(70,294)	29,292
Accrued liabilities	(3,579)	5,903
Deferred revenue	98,513	(6,745)
Net cash (used) provided by operating activities	(9,345)	113,082
Cash Flows from Investing Activities		
Purchase of equipment	(21,856)	-
Net (decrease) increase in cash and cash equivalents	(31,201)	113,082
Cash and Cash Equivalents, beginning of year	3,207,885	3,094,803
Cash and Cash Equivalents, end of year	$ 3,176,684	$ 3,207,885

See accompanying notes to financial statements.

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.

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 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 23, 2013, the date on which the financial statements were issued.

2. Cash and Cash Equivalents

Cash and cash equivalents consist of the following at June 30, 2013 and 2012:

	2013		2012	
	Book	Bank	Book	Bank
Checking accounts	$ 2,821	$ 2,821	$ 3,228	$ 3,228
Repurchase agreement	3,173,363	3,186,019	3,204,157	3,204,938
Petty cash	500	-	500	-
	$ 3,176,684	$ 3,188,840	$ 3,207,885	$ 3,208,166

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, 2013 are:

Year Ending June 30,	Amount
2014	$ 132,024
2015	62,532
2016	64,408
2017	65,374
2018	66,335

Rental expense for office space for the years ended June 30, 2013 and 2012 totaled $130,380 and $129,585, respectively.

In February 2010, the Council entered into two five-year noncancelable operating leases for copy machines. The Council entered into a 66 and 69 month lease for postage meters in February 2011 and in July 2011, respectively. The future minimum lease payments are:

Year Ending June 30,	Amount
2014	$ 23,974
2015	16,956
2016	2,918
2017	1,798
2018	1,180

Lease expense for these leases for the years ended June 30, 2013 and 2012 totaled $30,079 and $23,752, respectively.

4. Equipment

Equipment consists of the following at June 30, 2013 and 2012:

	2013	2012
Equipment	$ 163,529	$ 141,673
Less accumulated depreciation	(142,544)	(127,535)
	$ 20,985	$ 14,138

Depreciation expense totaled $15,009 and $21,334 for the years ended June 30, 2013 and 2012, 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. There were no employer contributions made to the plan during the years ended June 30, 2013 and 2012.

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.

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

	Program Services			Supporting Services	
Year Ended June 30, 2013	Committees	Projects	Council	General and Admin-istrative	Total
Salaries	$ 54,689	$ 1,162,292	$ -	$ 511,827	$ 1,728,808
Payroll taxes	4,415	90,569	-	37,286	132,270
Employee health insurance	2,374	26,112	-	9,495	37,981
Rent	-	-	-	130,380	130,380
Utilities	744	3,971	807	21,642	27,164
Conference calls	5,495	641	1,605	-	7,741
Supplies	-	6,925	309	14,070	21,304
Equipment leases	-	-	-	30,079	30,079
Software	-	-	-	6,459	6,459
Internet access	-	-	2,854	14,186	17,040
Equipment	-	-	-	8,393	8,393
Dues and subscriptions	140	14,242	-	349	14,731
Accounting	-	-	-	13,772	13,772
Legal fees	-	504	3,751	2,611	6,866
Professional services	1,150	62,209	20,672	4,781	88,812
Advertising	-	2,461	132	4,011	6,604
Education	-	7,769	-	1,794	9,563
Printing and reproduction	-	12,688	-	542	13,230
Postage and delivery	-	-	-	10,735	10,735
Conferences and conventions	1,143	14,421	415	1,895	17,874
Equipment maintenance	-	1,325	-	40,604	41,929
Insurance	486	10,514	4,100	19,236	34,336
Library	-	967	135	62	1,164
Depreciation	-	1,503	-	13,506	15,009
Miscellaneous	-	7,030	-	290	7,320
Stipends	75	8,675	-	-	8,750
Contract expense	-	733,272	-	-	733,272
Travel	33,410	100,714	59,615	28,161	221,900
Business meals	-	2,418	-	711	3,129
Meeting expense	14,955	10,733	17,969	-	43,657
Totals	$ 119,076	$ 2,281,955	$ 112,364	$ 926,877	$ 3,440,272

Prince William Sound Regional Citizens' Advisory Council, Inc.

Schedule of Functional Expenses

	Program Services			Supporting Services	
Year Ended June 30, 2012	Committees	Projects	Council	General and Administrative	Total
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	$ 123,295	$ 2,173,463	$ 124,454	$ 909,826	$ 3,331,038