



Prince William Sound Regional Citizens' Advisory Council, Inc.

Financial Statements
Years Ended June 30, 2018 and 2017

(With Independent Auditor's Report Thereon)

**Prince William Sound Regional
Citizens' Advisory Council, Inc.**

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Prince William Sound Regional
Citizens' Advisory Council, Inc.

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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 Statements of Financial Position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years 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 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 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.

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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

Anchorage, Alaska
October 8, 2018

Financial Statements

**Prince William Sound Regional
Citizens' Advisory Council, Inc.**

Statements of Financial Position

<i>June 30,</i>	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,397,295	\$ 3,474,054
Accounts receivable	1,022	3,194
Prepaid expenses and other assets	62,825	59,101
Total Current Assets	3,461,142	3,536,349
Equipment, net of accumulated depreciation	16,704	105,360
Total Assets	\$ 3,477,846	\$ 3,641,709
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 158,074	\$ 314,588
Accrued liabilities	227,936	201,002
Deferred revenue	1,824,066	1,814,991
Total Current Liabilities	2,210,076	2,330,581
Commitments and Contingencies (Note 7)		
Net Assets - unrestricted:		
Board designated	400,000	400,000
Undesignated	867,770	911,128
Total Net Assets	1,267,770	1,311,128
Total Liabilities and Net Assets	\$ 3,477,846	\$ 3,641,709

See accompanying notes to financial statements.

**Prince William Sound Regional
Citizens' Advisory Council, Inc.**

Statements of Activities

<i>Years Ended June 30,</i>	Unrestricted	
	2018	2017
Revenues and Support		
Alyeska Pipeline Service Company	\$ 3,629,983	\$ 3,615,521
Interest	18,342	3,933
Marine Fire Fighting Symposium donations	-	12,000
Miscellaneous	7,779	5,324
Total Revenues	3,656,104	3,636,778
Expenses		
Program services:		
Committees	145,027	140,824
Projects	2,410,208	2,372,099
Council	149,187	188,042
Supporting services - general and administrative	995,040	998,364
Total Expenses	3,699,462	3,699,329
Change in net assets	(43,358)	(62,551)
Unrestricted Net Assets, beginning of year	1,311,128	1,373,679
Unrestricted Net Assets, end of year	\$ 1,267,770	\$ 1,311,128

See accompanying notes to financial statements.

**Prince William Sound Regional
Citizens' Advisory Council, Inc.**

Statement of Functional Expenses

<i>Year Ended June 30, 2018</i>	Program Services			Supporting Services	Total
	Committees	Projects	Council	General and Admin- istrative	
Salaries	\$ 56,810	\$ 1,200,268	\$ -	\$ 596,227	\$ 1,853,305
Contract expense	-	624,669	-	-	624,669
Travel	41,037	102,008	85,470	6,304	234,819
Professional services	2,954	104,822	27,385	22,800	157,961
Payroll taxes	4,509	92,662	-	43,347	140,518
Rent	-	800	-	137,952	138,752
Loss on disposal of equipment	-	84,449	-	-	84,449
Employee health insurance	6,445	44,007	-	26,910	77,362
Meeting expense	23,531	14,808	21,770	-	60,109
Legal fees	-	50,671	7,945	607	59,223
Equipment maintenance	-	1,000	-	37,460	38,460
Insurance	524	11,136	3,295	20,365	35,320
Utilities	471	9,091	5	14,161	23,728
Supplies	-	8,111	20	10,145	18,276
Conferences and conventions	3,479	14,278	-	-	17,757
Equipment leases	-	-	-	16,593	16,593
Accounting	-	-	-	15,650	15,650
Dues and subscriptions	-	15,520	-	60	15,580
Internet access	-	-	381	13,858	14,239
Depreciation	-	3,074	-	9,914	12,988
Postage and delivery	-	483	-	8,567	9,050
Conference calls	5,267	1,174	2,429	-	8,870
Software	-	-	-	8,420	8,420
Printing and reproduction	-	8,099	49	15	8,163
Stipends	-	7,450	-	-	7,450
Business meals	-	3,394	-	218	3,612
Equipment	-	94	-	2,981	3,075
Education	-	1,015	-	598	1,613
Library	-	111	-	1,459	1,570
Advertising	-	810	438	-	1,248
Recruitment	-	1,035	-	-	1,035
Miscellaneous	-	5,169	-	429	5,598
Totals	\$ 145,027	\$ 2,410,208	\$ 149,187	\$ 995,040	\$ 3,699,462

See accompanying notes to financial statements.

**Prince William Sound Regional
Citizens' Advisory Council, Inc.**

Statement of Functional Expenses

<i>Year Ended June 30, 2017</i>	Program Services			Supporting Services	Total
	Committees	Projects	Council	General and Admin- istrative	
Salaries	\$ 56,303	\$ 1,073,881	\$ -	\$ 592,497	\$ 1,722,681
Contract expense	-	835,442	22,300	-	857,742
Travel	44,377	115,392	102,309	11,767	273,845
Rent	-	-	-	135,912	135,912
Payroll taxes	4,482	83,957	-	41,824	130,263
Professional services	668	91,594	27,542	7,292	127,096
Meeting expense	19,552	24,143	19,669	-	63,364
Employee health insurance	5,694	32,796	-	24,281	62,771
Equipment maintenance	-	1,000	-	39,266	40,266
Insurance	426	8,156	4,976	19,504	33,062
Utilities	394	14,182	-	13,983	28,559
Equipment	-	2,232	-	22,192	24,424
Supplies	-	10,628	201	10,988	21,817
Equipment leases	-	-	-	18,460	18,460
Printing and reproduction	-	17,337	494	-	17,831
Conferences and conventions	3,160	14,317	-	-	17,477
Depreciation	-	3,074	-	13,911	16,985
Dues and subscriptions	-	15,135	-	55	15,190
Legal fees	-	6,008	8,129	613	14,750
Accounting	-	-	-	14,425	14,425
Internet access	-	-	381	11,706	12,087
Postage and delivery	-	176	-	9,894	10,070
Software	-	-	-	8,231	8,231
Conference calls	5,603	815	1,762	-	8,180
Education	-	5,225	-	342	5,567
Miscellaneous	-	4,330	26	316	4,672
Stipends	-	4,471	-	-	4,471
Business meals	165	3,926	-	42	4,133
Advertising	-	1,858	253	-	2,111
Recruitment	-	880	-	640	1,520
Library	-	1,144	-	223	1,367
Totals	\$ 140,824	\$ 2,372,099	\$ 188,042	\$ 998,364	\$ 3,699,329

See accompanying notes to financial statements.

**Prince William Sound Regional
Citizens' Advisory Council, Inc.**

Statements of Cash Flows

<i>Years Ended June 30,</i>	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ (43,358)	\$ (62,551)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	12,988	16,985
Loss on disposal of equipment	84,449	-
(Increase) decrease in assets:		
Accounts receivable	2,172	(168)
Prepaid expenses and other assets	(3,724)	9,854
Increase (decrease) in liabilities:		
Accounts payable	(156,514)	90,686
Accrued liabilities	26,934	3,073
Deferred revenue	9,075	1,814,991
Net cash from (for) operating activities	(67,978)	1,872,870
Cash Flows for Investing Activities		
Purchase of equipment	(8,781)	(36,837)
Increase (decrease) in cash and cash equivalents	(76,759)	1,836,033
Cash and Cash Equivalents, beginning of year	3,474,054	1,638,021
Cash and Cash Equivalents, end of year	\$ 3,397,295	\$ 3,474,054

See accompanying notes to financial statements.

Prince William Sound Regional Citizens' Advisory Council, Inc.

Notes to Financial Statements June 30, 2018 and 2017

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

The Council and Alyeska periodically review the funding level under their contract. The current contract rate addendum is in effect through the fiscal year 2020. The funding level for fiscal year 2019 will be \$3,648,133. The funding levels for subsequent years are adjusted by the change in the Anchorage Consumer Price Index. Funding payments are made by Alyeska twice a year, on the first business day 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

Equipment

Equipment 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 and 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 October 8, 2018, the date on which the financial statements were available to be issued.

Prince William Sound Regional Citizens' Advisory Council, Inc.

Notes to Financial Statements

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The standard also requires lessors to treat a lease as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a financing. If the lessor doesn't convey risks and rewards or control, an operating leases results. The guidance is effective for the Council for the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Management is currently evaluating the impact of their pending adoption of the new standard on their consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. ASU 2016-14 amends the current reporting model and enhances disclosures. Net assets will be reported in two categories: *net assets with donor restrictions* and *net assets without donor restrictions*, with additional disclosure of expirations of restrictions on gifts used to acquire or construct long-lived assets. If the direct method is used for the cash flow statement, the indirect method reconciliation will no longer be required to be presented. The financial statements will be required to present amounts of expenses by both their natural classification and functional classification. The standard also provides for enhanced disclosures related to board designations, appropriations, and similar actions, the composition of *net assets with donor restrictions*, management of liquid resources, and availability of financial assets to meet cash needs, methods used to allocate costs between functions, and additional information related to underwater endowment funds. The new standard will require the reporting of investment returns net of external and direct expenses, and no longer requires disclosure of those netted expenses. The guidance is effective for the Council for the fiscal years beginning after December 15, 2017. Management is currently evaluating the impact of their pending adoption of the new standard on their financial statements.

2. Cash and Cash Equivalents

Cash and cash equivalents consist of the following at June 30, 2018 and 2017:

	2018		2017	
	Book	Bank	Book	Bank
Checking accounts	\$ 4,128	\$ 4,128	\$ 4,644	\$ 4,644
Repurchase agreement	3,392,867	3,459,822	3,469,110	3,511,315
Petty cash	300	-	300	-
	<u>\$ 3,397,295</u>	<u>\$ 3,463,950</u>	<u>\$ 3,474,054</u>	<u>\$ 3,515,959</u>

Prince William Sound Regional Citizens' Advisory Council, Inc.

Notes to Financial Statements

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 2014, the Council negotiated a five-year noncancelable lease for office space in Anchorage, Alaska. In May 2018, the Council entered into a five-year noncancelable operating lease for office space in Valdez, Alaska. The future minimum lease payments under these office space leases at June 30, 2018 are:

<i>Year Ending June 30,</i>	<i>Amount</i>
2019	\$ 140,016
2020	68,366
2021	69,392
2022	70,433
2023	71,489

Rental expense for office space for the years ended June 30, 2018 and 2017 totaled \$137,952 and \$135,912, respectively.

In March 2015, the Council entered into two five-year operating leases for copy machines. In addition to lease payments, the Council pays a per copy charge. The future minimum lease payments are:

<i>Year Ending June 30,</i>	<i>Amount</i>
2019	\$ 6,762
2020	5,072

Lease expense, including per copy charges, for these leases for the years ended June 30, 2018 and 2017 totaled \$16,593 and \$18,460, respectively.

4. Equipment

Equipment consists of the following at June 30, 2018 and 2017:

	2018	2017
Equipment	\$ 129,449	\$ 205,117
Less accumulated depreciation	(112,745)	(99,757)
	\$ 16,704	\$ 105,360

Depreciation expense totaled \$12,988 and \$16,985 for the years ended June 30, 2018 and 2017, respectively.

**Prince William Sound Regional
Citizens' Advisory Council, Inc.**

Notes to Financial Statements

5. Miscellaneous Revenue

Miscellaneous revenue consists of the following for the years ended June 30, 2018 and 2017:

	2018	2017
Capital credits	\$ 6,907	\$ 3,905
Other	872	1,419
	<u>\$ 7,779</u>	<u>\$ 5,324</u>

6. 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, 2018 and 2017.

7. Commitments and Contingencies

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

The Council enters into contracts for various projects. At June 30, 2018 and 2017, the Council had outstanding contracts where work was not yet complete and costs not yet incurred of \$473,199 and \$448,072, respectively.

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.

8. Board Designated Net Assets

The Board of Directors has adopted a "net asset stabilization policy" wherein net assets are held for extraordinary or unplanned events or the purchase of capital assets. The current approved balance in the designated net assets is \$400,000. Expenditure of these net assets requires Board approval.