



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

Financial Statements
Years Ended June 30, 2019 and 2018

(With Independent Auditor's Report Thereon)

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

Financial Statements
Years Ended June 30, 2019 and 2018

(With Independent Auditor's Report Thereon)

Prince William Sound Regional
Citizens' Advisory Council, Inc.

Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statement of Functional Expenses FY19	6
Statement of Functional Expenses FY18	7
Statements of Cash Flows	8
Notes to Financial Statements	9-14



Tel: 907-278-8878
Fax: 907-278-5779
www.bdo.com

3601 C Street, Suite 600
Anchorage, AK 99503

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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

In 2019, Prince William Sound Regional Citizens' Advisory Council, Inc. adopted the provisions of Accounting Standards Codification 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. Our opinion is not modified in respect to this matter.

BDO USA, LLP

Anchorage, Alaska
November 13, 2019

Financial Statements

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

Statements of Financial Position

<i>June 30,</i>	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,519,451	\$ 3,397,295
Accounts receivable	7,040	1,022
Prepaid expenses and other assets	61,652	62,825
Total Current Assets	1,588,143	3,461,142
Equipment, net of accumulated depreciation	158,968	16,704
Total Assets	\$ 1,747,111	\$ 3,477,846
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 208,899	\$ 158,074
Accrued liabilities	219,014	227,936
Deferred revenue	-	1,824,066
Total Current Liabilities	427,913	2,210,076
Commitments and Contingencies (Note 8)		
Net Assets		
Without Donor Restrictions		
Designated for equipment	158,968	16,704
Designated for future capital purchases	35,426	228,000
Board designated for emergency reserve	400,000	400,000
Undesignated	684,804	623,066
Total without donor restrictions	1,279,198	1,267,770
With donor restrictions	40,000	-
Total Net Assets	1,319,198	1,267,770
Total Liabilities and Net Assets	\$ 1,747,111	\$ 3,477,846

See accompanying notes to financial statements.

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

Statements of Activities

<i>Years Ended June 30,</i>	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions
Revenues and Support				
Alyeska Pipeline Service Company	\$ 3,648,133	\$ -	\$ 3,648,133	\$ 3,629,983
Interest	38,822	-	38,822	18,342
City of Valdez Grant	-	40,000	40,000	-
Miscellaneous	8,243	-	8,243	7,779
In Kind Donation of Buoys	100,000	-	100,000	-
Total Revenues	3,795,198	40,000	3,835,198	3,656,104
Expenses				
Program services:				
Committees	136,143	-	136,143	145,027
Projects	2,460,682	-	2,460,682	2,410,208
Council	179,739	-	179,739	149,187
Supporting services - general and administrative	1,007,206	-	1,007,206	995,040
Total Expenses	3,783,770	-	3,783,770	3,699,462
Change in net assets	11,428	40,000	51,428	(43,358)
Net Assets, beginning of year	1,267,770	-	1,267,770	1,311,128
Net Assets, end of year	\$ 1,279,198	\$ 40,000	\$ 1,319,198	\$ 1,267,770

See accompanying notes to financial statements.

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

Statement of Functional Expenses

<i>Year Ended June 30, 2019</i>	Program Services			Supporting Services	Total
	Committees	Projects	Council	General and Admin- istrative	
Salaries	\$ 51,800	\$ 1,291,972	\$ -	\$ 586,862	\$ 1,930,634
Contract expense	-	600,993	-	-	600,993
Travel	45,554	76,658	112,663	11,697	246,572
Professional services	1,642	114,396	31,517	7,668	155,223
Payroll taxes	4,239	101,004	-	42,948	148,191
Rent	-	400	-	140,016	140,416
Legal fees	-	121,863	7,149	7,168	136,180
Employee health insurance	7,065	51,844	-	24,709	83,618
Meeting expense	18,510	12,392	23,064	-	53,966
Equipment maintenance	-	1,950	-	46,628	48,578
Insurance	357	8,958	2,459	23,733	35,507
Utilities	484	7,495	2	16,012	23,993
Equipment	-	-	-	19,115	19,115
Conferences and conventions	2,962	13,944	-	-	16,906
Dues and subscriptions	-	16,541	-	60	16,601
Accounting	-	-	-	15,800	15,800
Internet access	-	-	381	15,292	15,673
Equipment leases	-	-	-	15,451	15,451
Supplies	-	4,288	184	9,095	13,567
Printing and reproduction	142	12,373	267	-	12,782
Depreciation	-	3,516	-	7,233	10,749
Software	-	-	-	9,130	9,130
Postage and delivery	-	1,114	-	7,212	8,326
Stipends	-	8,025	75	-	8,100
Conference calls	3,388	488	1,820	-	5,696
Business meals	-	3,623	-	113	3,736
Education	-	1,298	-	262	1,560
Library	-	370	-	753	1,123
Recruitment	-	802	-	-	802
Advertising	-	562	158	-	720
Miscellaneous	-	3,813	-	249	4,062
Totals	\$ 136,143	\$ 2,460,682	\$ 179,739	\$ 1,007,206	\$ 3,783,770

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.**

Statements of Cash Flows

<i>Years Ended June 30,</i>	2019	2018
Cash Flows for Operating Activities		
Change in net assets	\$ 51,428	\$ (43,358)
Adjustments to reconcile change in net assets to net cash for operating activities:		
Depreciation	10,749	12,988
Loss on disposal of equipment	-	84,449
In-kind donation of equipment	(100,000)	-
(Increase) decrease in assets:		
Accounts receivable	(6,018)	2,172
Prepaid expenses and other assets	1,173	(3,724)
Increase (decrease) in liabilities:		
Accounts payable	50,825	(156,514)
Accrued liabilities	(8,922)	26,934
Deferred revenue	(1,824,066)	9,075
Net cash for operating activities	(1,824,831)	(67,978)
Cash Flows for Investing Activities		
Purchase of equipment	(53,013)	(8,781)
Decrease in cash and cash equivalents	(1,877,844)	(76,759)
Cash and Cash Equivalents, beginning of year	3,397,295	3,474,054
Cash and Cash Equivalents, end of year	\$ 1,519,451	\$ 3,397,295
Supplemental Disclosure of Noncash Information -		
Donation of equipment	\$ 100,000	\$ -

See accompanying notes to financial statements.

Prince William Sound Regional Citizens' Advisory Council, Inc.

Notes to Financial Statements
June 30, 2019 and 2018

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 2020 will be \$3,757,577. The funding levels for subsequent years are adjusted by the change in the Anchorage Consumer Price Index. Alyeska makes contract payments on or about July 1 and January 1 of each year. 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 (with and without restrictions) 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. In-kind donations of services and equipment are recognized when received. Services and equipment are valued based on fair market value.

Prince William Sound Regional Citizens' Advisory Council, Inc.

Notes to Financial Statements

Equipment

Equipment with a cost equal to or exceeding \$5,000 is recorded at cost or fair value on the date of donation 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.

Functional Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions. All general and administrative expenses not specifically identifiable to a program are recorded in the general and administrative function.

Expenses are reported in one of four functions: Programs and Projects, Board of Directors, Committees and Committee Support, and General and Administrative.

Programs and Projects comprise expenses directly related to specific programs or projects approved by the Board of Directors as well as the salary and related costs of project managers. Board of Directors expenses are primarily related to holding board meetings and the costs associated with board-only subcommittees. Committees and Committee support costs are related to the technical committee meetings and workshops as well as a portion of the wages and related payroll costs of project manager assistants. General and Administrative costs are for administrative staff and expenses related to the operation of offices in Anchorage and Valdez.

Salaries and wages of the Executive Director and the Director of Administration are allocated based upon the estimated time each devotes to each 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.

Prince William Sound Regional Citizens' Advisory Council, Inc.

Notes to Financial Statements

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 November 13, 2019, the date on which the financial statements were available to be issued.

Liquidity and Availability

Pursuant to the terms of a "Repurchase" agreement with First National Bank Alaska (FNBA), available cash held at the bank is swept into an interest-bearing instrument at the end of each banking day. Funds are then available to the organization the following banking day. This arrangement provides maximum liquidity to the organization, not only to meet its current obligations, but also to have cash available in the event of a significant oil spill event in the Prince William Sound Region. The funds are secured by a portion of a U.S. Government Agency bond. Funds held in the repurchase agreement account at June 30, 2019 and 2018 totaled \$1,515,271 and \$3,392,867, respectively.

In addition to funds on hand, Alyeska Pipeline Service Company makes contract payments on or about July 1 and January 1 of each year, thus providing sufficient funds for the organization to execute its next fiscal year's operational plans. Any monies received for contributions with donor restrictions are received in advance and held until restrictions are met and associated costs are incurred.

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 lease results. The guidance is effective for the Council for the fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Management is currently evaluating the impact of their pending adoption of the new standard on the financial statements.

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

Notes to Financial Statements

2. Cash and Cash Equivalents

Cash and cash equivalents consist of the following at June 30, 2019 and 2018:

	2019		2018	
	Book	Bank	Book	Bank
Checking accounts	\$ 3,880	\$ 3,880	\$ 4,128	\$ 4,128
Repurchase agreement	1,515,271	1,554,369	3,392,867	3,459,822
Petty cash	300	-	300	-
	\$ 1,519,451	\$ 1,558,249	\$ 3,397,295	\$ 3,463,950

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, 2019 are:

<i>Year Ending June 30,</i>	Amount
2020	\$ 139,777
2021	140,803
2022	141,844
2023	142,990
2024	71,411

Rental expense for office space for the years ended June 30, 2019 and 2018 totaled \$140,016 and \$137,952, respectively.

In March 2015, the Council entered into two five-year operating leases for copy machines expiring March 2020. In addition to lease payments, the Council pays a per copy charge. The future minimum lease payments are:

<i>Year Ending June 30,</i>	Amount
2020	\$ 5,072
2021	-

Lease expense, including per copy charges, for these leases for the years ended June 30, 2019 and 2018 totaled \$15,451 and \$16,593, respectively.

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

Notes to Financial Statements

4. Equipment

Equipment consists of the following at June 30, 2019 and 2018:

	2019	2018
Equipment	\$ 114,983	\$ 129,449
Weather stations and buoy	158,255	-
Less accumulated depreciation	(114,270)	(112,745)
	\$ 158,968	\$ 16,704

Depreciation expense totaled \$10,749 and \$12,988 for the years ended June 30, 2019 and 2018, respectively.

5. Net Assets

Net assets with restrictions

A grant in the amount of \$40,000 was received from the City of Valdez to assist with the operating and maintenance costs associated with weather buoys. The grant requires the buoys to be in use for a minimum of five years and is reported in net assets with donor restrictions. These net assets will be released from restrictions over the course of the five-year period, beginning in 2020, as the weather buoys were not yet fully operational at June 30, 2019.

Board designated net assets - net asset stabilization

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 set at \$400,000 for extraordinary or unplanned events. Expenditure of these net assets requires Board approval.

Board designated net assets - capital purchases and equipment

The amount reported in designated net assets for future capital purchases is determined based on budgeted amounts less amounts spent in the current fiscal year or modifications made by the Board of Directors. The amount carries forward as funds to be spent in future years. In addition, the Council designates the amount held in long-term equipment assets at net book value.

6. Miscellaneous Revenue

Miscellaneous revenue consists of the following for the years ended June 30, 2019 and 2018:

	2019	2018
Capital credits	\$ 7,656	\$ 6,907
Other	587	872
	\$ 8,243	\$ 7,779

Prince William Sound Regional Citizens' Advisory Council, Inc.

Notes to Financial Statements

7. 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, 2019 and 2018.

8. 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, 2019 and 2018, the Council had outstanding contracts where work was not yet complete, and costs not yet incurred of \$449,630 and \$473,199, 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.