



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

**Financial Statements**  
Years Ended June 30, 2020 and 2019

(With Independent Auditor's Report Thereon)

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

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Financial Statements  
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# Prince William Sound Regional Citizens' Advisory Council, Inc.

## Contents

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	<u>Page</u>
Independent Auditor's Report	1-2
<b>Financial Statements</b>	
Statements of Financial Position	4
Statements of Activities	5
Statement of Functional Expenses FY20	6
Statement of Functional Expenses FY19	7
Statements of Cash Flows	8
Notes to Financial Statements	9-16



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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, 2020 and 2019, 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, 2020 and 2019, 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 2, 2020

## Financial Statements

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

**Statements of Financial Position**

<i>June 30,</i>	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,731,423	\$ 1,519,451
Accounts receivable	-	7,040
Prepaid expenses and other assets	63,527	61,652
<b>Total Current Assets</b>	<b>1,794,950</b>	<b>1,588,143</b>
Equipment, net of accumulated depreciation	159,540	158,968
<b>Total Assets</b>	<b>\$ 1,954,490</b>	<b>\$ 1,747,111</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 207,162	\$ 208,899
Accrued liabilities	260,441	219,014
<b>Total Current Liabilities</b>	<b>467,603</b>	<b>427,913</b>
<b>Commitments and Contingencies (Note 8)</b>		
<b>Net Assets</b>		
Without Donor Restrictions		
Designated for equipment	159,540	158,968
Designated for future capital purchases	25,000	35,426
Board designated for emergency reserve	400,000	400,000
Undesignated	870,440	684,804
Total without donor restrictions	1,454,980	1,279,198
With donor restrictions	31,907	40,000
<b>Total Net Assets</b>	<b>1,486,887</b>	<b>1,319,198</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,954,490</b>	<b>\$ 1,747,111</b>

*See accompanying notes to financial statements.*

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

**Statements of Activities**

<i>Years Ended June 30,</i>	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and Support</b>						
Alyeska Pipeline Service Company	\$ 3,757,577	\$ -	\$ 3,757,577	\$ 3,648,133	\$ -	\$ 3,648,133
Interest	21,499	-	21,499	38,822	-	38,822
City of Valdez Grant	-	-	-	-	40,000	40,000
Miscellaneous	8,147	-	8,147	8,243	-	8,243
In Kind Donation of Buoys	-	-	-	100,000	-	100,000
<b>Total Revenues and Support</b>	<b>3,787,223</b>	<b>-</b>	<b>3,787,223</b>	<b>3,795,198</b>	<b>40,000</b>	<b>3,835,198</b>
<b>Net assets released from restrictions</b>	<b>8,093</b>	<b>(8,093)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Revenues</b>	<b>3,795,316</b>	<b>(8,093)</b>	<b>3,787,223</b>	<b>3,795,198</b>	<b>40,000</b>	<b>3,835,198</b>
<b>Expenses</b>						
Program services:						
Committees and Committee Support	203,687	-	203,687	136,143	-	136,143
Programs and Projects	2,295,583	-	2,295,583	2,460,682	-	2,460,682
Board of Directors	249,471	-	249,471	179,739	-	179,739
Supporting services -						
general and administrative	870,793	-	870,793	1,007,206	-	1,007,206
<b>Total Expenses</b>	<b>3,619,534</b>	<b>-</b>	<b>3,619,534</b>	<b>3,783,770</b>	<b>-</b>	<b>3,783,770</b>
Change in net assets	175,782	(8,093)	167,689	11,428	40,000	51,428
<b>Net Assets, beginning of year</b>	<b>1,279,198</b>	<b>40,000</b>	<b>1,319,198</b>	<b>1,267,770</b>	<b>-</b>	<b>1,267,770</b>
<b>Net Assets, end of year</b>	<b>\$ 1,454,980</b>	<b>\$ 31,907</b>	<b>\$ 1,486,887</b>	<b>\$ 1,279,198</b>	<b>\$ 40,000</b>	<b>\$ 1,319,198</b>

*See accompanying notes to financial statements.*



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

**Statement of Functional Expenses**

<i>Year Ended June 30, 2020</i>	Program Services			Supporting Services	Total
	Committees and Committee Support	Programs and Projects	Board of Directors	General and Admin- istrative	
Salaries	124,373	1,300,458	122,345	465,791	2,012,967
Contract expense	-	527,692	-	-	527,692
Travel	41,307	38,406	68,349	5,687	153,749
Payroll taxes	8,748	97,515	7,762	34,770	148,795
Rent	-	400	-	139,775	140,175
Professional services	726	99,860	20,741	8,117	129,444
Employee health insurance	10,217	55,073	-	29,070	94,360
Legal fees	-	59,966	9,696	1,941	71,603
Equipment maintenance	-	9,853	-	50,049	59,902
Meeting expense	14,694	8,416	16,340	-	39,450
Depreciation	-	25,712	-	11,576	37,288
Insurance	891	9,367	3,342	20,365	33,965
Utilities	477	7,629	-	15,978	24,084
Internet access	-	-	487	17,325	17,812
Accounting	-	-	-	16,550	16,550
Dues and subscriptions	-	14,104	-	-	14,104
Supplies	-	3,060	254	10,451	13,765
Equipment leases	-	-	-	13,295	13,295
Equipment	-	730	-	12,221	12,951
Conferences and conventions	2,254	9,694	-	-	11,948
Printing and reproduction	-	10,220	80	-	10,300
Postage and delivery	-	1,924	-	7,113	9,037
Software	-	-	-	8,561	8,561
Stipends	-	8,150	75	-	8,225
Miscellaneous	-	4,430	-	412	4,842
Business meals	-	1,927	-	44	1,971
Recruitment	-	-	-	1,049	1,049
Education	-	740	-	250	990
Library	-	257	-	403	660
<b>Totals</b>	<b>203,687</b>	<b>2,295,583</b>	<b>249,471</b>	<b>870,793</b>	<b>3,619,534</b>

*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 and Committee Support	Programs and Projects	Board of Directors	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
Miscellaneous	-	3,813	-	249	4,062
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
<b>Totals</b>	<b>\$ 136,143</b>	<b>\$ 2,460,682</b>	<b>\$ 179,739</b>	<b>\$ 1,007,206</b>	<b>\$ 3,783,770</b>

*See accompanying notes to financial statements.*

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

**Statements of Cash Flows**

<i>Years Ended June 30,</i>	2020	2019
<b>Cash Flows from (for) Operating Activities</b>		
Change in net assets	\$ 167,689	\$ 51,428
Adjustments to reconcile change in net assets to net cash for operating activities:		
Depreciation	37,288	10,749
In-kind donation of equipment	-	(100,000)
(Increase) decrease in assets:		
Accounts receivable	7,040	(6,018)
Prepaid expenses and other assets	(1,875)	1,173
Increase (decrease) in liabilities:		
Accounts payable	(1,737)	50,825
Accrued liabilities	41,427	(8,922)
Deferred revenue	-	(1,824,066)
<b>Net cash from (for) operating activities</b>	<b>249,832</b>	<b>(1,824,831)</b>
<b>Cash Flows for Investing Activities</b>		
Purchase of equipment	(37,860)	(53,013)
Increase (Decrease) in cash and cash equivalents	211,972	(1,877,844)
<b>Cash and Cash Equivalents, beginning of year</b>	<b>1,519,451</b>	<b>3,397,295</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 1,731,423</b>	<b>\$ 1,519,451</b>
<b>Supplemental Disclosure of Noncash Information -</b>		
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, 2020 and 2019

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### 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. Funding for FY-2020 was \$3,757,577. The Council and Alyeska have finalized contract rates for fiscal years 2021, 2022, and 2023. The FY-2021 amount will be \$3,663,638. The FY-2022 amount will be \$3,757,577 adjusted by the change in the Urban Alaska Consumer Price Index for all Urban Consumers from the preceding calendar year. The amount for FY-2023 will be the FY-2022 amount adjusted by the Urban Alaska Consumer Price Index for all Urban Consumers. Contract payments for each fiscal year are made in two installments, once on or about July 1 and again on or about January 1. The contract between the Council and Alyeska will continue as long as oil flows 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 Organization's accounting records are maintained on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other assets and liabilities. Financial statement presentation follows the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 958, Not-for-Profit Entities. Under ASC 958, the Council is required to report information regarding its financial position and activities based on the existence or absence of grantor or donor-imposed restrictions. Accordingly, net assets of the Council and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to grantor or donor-imposed stipulations.

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

## Notes to Financial Statements

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- Net Assets With Donor Restrictions - Net assets that are restricted by the donor, grantor, or other outside party. Some donor-imposed restrictions are temporary in nature, such as those that either expire by the passage of time or can be fulfilled and removed by the actions of the Organization. Revenues associated with these resources are earned when the Organization undertakes the necessary action or other restrictions are met. When donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

### ***Estimates***

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 on cash and investments and capital credits are recognized when earned.

Contributions without donor restrictions are recognized as revenue when received. Grant or donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. In accordance with ASC Sub-Topic 958-605, *Revenue Recognition*, the Council must determine whether a contribution, or promise, is conditional or unconditional. A contribution is considered to be conditional if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable stipulations that limit discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Council should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Unconditional promises to give are reported at fair value when received and recognized as revenues in the period in which the promise is made, and as assets, decreases in liabilities, or expenses depending upon the form of the benefit to be received. Conditional promises are considered unconditional if the possibility that the condition will not be met is remote. Conditional promises to give that are contingent upon meeting substantive conditions are recognized in the period in which the conditions are met. Conditional promises to give and indications of intentions to give are reported at the fair value at the date the gift is received.

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

## Notes to Financial Statements

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In-kind donations of services and equipment are recognized as contributions at fair market value. Donor restricted contributions whose restrictions are met within the same period they are received are reported as contributions without donor restrictions in the accompanying 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 ASC 740 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, Director of Administration, Executive Assistant, Project Manager Assistants, and Administrative Assistants are allocated based on 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

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### ***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 2, 2020, 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, 2020 and 2019 totaled \$1,647,356 and \$1,515,271, 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***

#### ***Revenue from Contracts with Customers (Topic 606)***

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for the Company until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application.

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

## Notes to Financial Statements

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On May 20, 2020, the FASB decided to postpone the effective date for private companies to fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021. The Council will evaluate the effect that adoption of this new standard will have on the Company's financial statements.

### *Leases (Topic 842)*

In February 2016, the FASB issued ASU 2016-02, which supersedes the current lease guidance under Leases (Topic 840) and makes several changes, such as requiring an entity to recognize a right-of-use ("ROU") asset and corresponding lease obligation on the balance sheet, classified as financing or operating, as appropriate. The update is effective for private companies for annual and interim reporting periods beginning after December 15, 2019 and should be adopted under the modified retrospective approach.

In July 2018, the FASB issued ASU 2018-10 "Codification Improvements to Topic 842, Leases" to add clarity to certain areas within ASU 2016-02 and ASU 2018-11 "Targeted Improvements", to add an additional and optional transition method to adopt the new leases standard by allowing recognition of a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. In December 2018, the FASB issued ASU 2018-20 "Narrow-Scope Improvements for Lessors" to add clarity to lessors accounting for sales taxes and other similar taxes collected from lessees, accounting for variable payments for contracts with lease and non-lease components, and accounting for certain lessor costs. The effective date and transition requirements of these updates will be the same as ASU 2016-02.

On July 17, 2019, the FASB decided to postpone the effective date for private companies for twelve months pending a public comment period. On May 20, 2020, the FASB decided to postpone the effective date for private companies to fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. The Council will evaluate the effect that adoption of this new standard will have on the Council's financial statements.

## 2. Cash and Cash Equivalents

Cash and cash equivalents consist of the following at June 30, 2020 and 2019:

	2020		2019	
	Book	Bank	Book	Bank
Checking accounts	\$ 83,767	\$ 83,767	\$ 3,880	\$ 3,880
Repurchase agreement	1,647,356	1,701,562	1,515,271	1,554,369
Petty cash	300	-	300	-
	<u>\$ 1,731,423</u>	<u>\$ 1,785,629</u>	<u>\$ 1,519,451</u>	<u>\$ 1,558,249</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.



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

**Notes to Financial Statements**

**3. Operating Leases**

The Council holds two leases for office space. The first lease is in Anchorage, Alaska and expires on June 30, 2024. The second lease is in Valdez, Alaska and expires on June 30, 2026. Future minimum lease payments under these office space leases at June 30, 2020 are:

<i>Year Ending June 30,</i>	Amount
2021	\$ 140,803
2022	141,844
2023	142,901
2024	142,901
2025	71,489
Thereafter (2026)	71,489

Rental expense for office space for the years ended June 30, 2020 and 2019 totaled \$139,775 and \$140,016, respectively.

The Council has operating leases for copy machines that expire in March 2025. 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
2021	\$ 6,343
2022	6,343
2023	6,343
2024	6,343
2025	4,229

Lease expense, including per copy charges, for these leases for the years ended June 30, 2020 and 2019 totaled \$13,295 and \$15,451, respectively.

**4. Equipment**

Equipment consists of the following at June 30, 2020 and 2019:

	2020	2019
Equipment	\$ 114,983	\$ 114,983
Leasehold improvements	13,340	-
Weather stations and buoy	182,776	158,255
Less accumulated depreciation	(151,559)	(114,270)
	<b>\$ 159,540</b>	<b>\$ 158,968</b>

Depreciation expense totaled \$37,288 and \$10,749, for the years ended June 30, 2020 and 2019, respectively.

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

**Notes to Financial Statements**

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**5. Net Assets**

*Net assets with donor 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. Net assets with donor restrictions related to this grant are \$31,907 and \$40,000 at June 30, 2020 and 2019, respectively, with \$8,093 released from restrictions for the year ended June 30, 2020.

*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. Net assets related to this designation are \$25,000 and \$35,426 at June 30, 2020 and 2019, respectively. In addition, the Council designates the amount held in long-term equipment assets at net book value which were \$159,540 and \$158,968 at June 30, 2020 and 2019, respectively.

**6. Miscellaneous Revenue**

Miscellaneous revenue consists of the following for the years ended June 30, 2020 and 2019:

	2020	2019
Capital credits	\$ 8,147	\$ 7,656
Other	-	587
	<u>\$ 8,147</u>	<u>\$ 8,243</u>

**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, 2020 and 2019.

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

## Notes to Financial Statements

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### 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, 2020 and 2019, the Council had outstanding contracts where work was not yet complete, and costs not yet incurred of \$449,806 and \$449,630, 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.

### 9. Subsequent Events

#### *Impact of COVID-19 Pandemic*

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

While the disruption is currently expected to be temporary, the extent of the impact of COVID-19 on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 will impact its financial condition, liquidity or results of operations is uncertain and therefore, the related financial impact and duration thereof cannot be reasonably estimated at this time; however, the impact is presumed to be significant.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property.

As of the date of issuance of the financial statements, the Council has not opted to implement any of the CARES Act provisions or pursue related loan opportunities.