



Prince William Sound Regional Citizens' Advisory Council, Inc.

Financial Statements
Years Ended June 30, 2023 and 2022

(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

Opinion

We have audited the financial statements of Prince William Sound Regional Citizens' Advisory Council, Inc. (Council), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Council as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, P.C.

Anchorage, Alaska
November 6, 2023

Financial Statements

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

Statements of Financial Position

<i>June 30,</i>	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,655,898	\$ 3,450,088
Accounts receivable	7,070	22,801
Prepaid expenses and other assets	27,643	50,819
Total Current Assets	3,690,611	3,523,708
Operating lease right-of-use asset	273,565	-
Equipment, net of accumulated depreciation	100,883	96,247
Total Assets	\$ 4,065,059	\$ 3,619,955
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 149,163	\$ 219,072
Accrued liabilities	226,508	241,818
Obligation under operating lease, current portion	150,318	-
Contract liabilities	2,107,247	1,949,170
Total Current Liabilities	2,633,236	2,410,060
Obligation under operating lease, long-term portion	123,247	-
Total Liabilities	2,756,483	2,410,060
Net Assets		
Without Donor Restrictions		
Designated for equipment	100,883	96,247
Designated for future capital purchases	15,000	65,000
Board designated for emergency reserve	400,000	400,000
Undesignated	785,420	633,865
Total without donor restrictions	1,301,303	1,195,112
With donor restrictions	7,273	14,783
Total Net Assets	1,308,576	1,209,895
Total Liabilities and Net Assets	\$ 4,065,059	\$ 3,619,955

See accompanying notes to financial statements.

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

Statements of Activities

<i>Years Ended June 30,</i>	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support						
Alyeska Pipeline Service Company	\$ 3,898,340	\$ -	\$ 3,898,340	\$ 3,716,244	\$ -	\$ 3,716,244
Grant income	-	-	-	20,000	-	20,000
Interest	59,042	-	59,042	3,198	-	3,198
Miscellaneous	7,201	-	7,201	2,497	-	2,497
Total Revenues and Support	3,964,583	-	3,964,583	3,741,939	-	3,741,939
Net assets released from restrictions	7,510	(7,510)	-	8,548	(8,548)	-
Total Revenues	3,972,093	(7,510)	3,964,583	3,750,487	(8,548)	3,741,939
Expenses						
Program services:						
Committees and Committee Support	200,722	-	200,722	141,140	-	141,140
Programs and Projects	2,472,217	-	2,472,217	2,585,255	-	2,585,255
Board of Directors	287,312	-	287,312	182,017	-	182,017
Supporting services - general and administrative	905,651	-	905,651	972,975	-	972,975
Total Expenses	3,865,902	-	3,865,902	3,881,387	-	3,881,387
Change in net assets	106,191	(7,510)	98,681	(130,900)	(8,548)	(139,448)
Net Assets, beginning of year	1,195,112	14,783	1,209,895	1,326,012	23,331	1,349,343
Net Assets, end of year	\$ 1,301,303	\$ 7,273	\$ 1,308,576	\$ 1,195,112	\$ 14,783	\$ 1,209,895

See accompanying notes to financial statements.

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

Statement of Functional Expenses

<i>Year Ended June 30, 2023</i>	Program Services			Supporting Services		Total
	Committees and Committee Support	Programs and Projects	Board of Directors	General and Admin- istrative		
Salaries	\$ 118,783	\$ 1,434,140	\$ 108,469	\$ 492,200	\$ 2,153,592	
Contract expense	-	485,505	-	-	485,505	
Travel	42,680	50,343	108,179	4,523	205,725	
Professional services - other	-	112,489	21,588	38,779	172,856	
Payroll taxes	9,186	113,372	7,899	37,317	167,774	
Rent	-	1,120	-	148,947	150,067	
Employee health insurance	6,913	60,491	-	1,728	69,132	
Professional services - legal	-	53,393	6,998	7,989	68,380	
Equipment maintenance	-	32,254	-	34,746	67,000	
Meeting expenses	18,413	15,688	26,895	-	60,996	
Depreciation and amortization	-	31,225	2,481	11,273	44,979	
Insurance	840	3,180	3,534	17,105	24,659	
Internet access	-	5,119	-	19,090	24,209	
Professional services - accounting	-	-	-	23,683	23,683	
Utilities	549	9,003	-	14,030	23,582	
Dues and subscriptions	-	13,709	-	6,719	20,428	
Equipment	-	6,980	-	7,675	14,655	
Supplies	263	4,588	473	8,160	13,484	
Software	-	773	-	12,028	12,801	
Conferences and conventions	2,172	9,429	-	700	12,301	
Equipment leases	-	-	-	9,096	9,096	
Employee telephone stipends	125	7,239	112	1,024	8,500	
Printing and reproduction	371	7,615	-	462	8,448	
Postage and delivery	-	1,777	76	3,811	5,664	
Stipends	-	3,000	-	-	3,000	
Education	-	-	-	1,973	1,973	
Business meals	427	1,188	143	29	1,787	
Library	-	1,379	-	-	1,379	
Advertising	-	688	170	100	958	
Recruitment	-	-	-	914	914	
Moving and relocation	-	637	-	-	637	
Miscellaneous	-	5,893	295	1,550	7,738	
Totals	\$ 200,722	\$ 2,472,217	\$ 287,312	\$ 905,651	\$ 3,865,902	

See accompanying notes to financial statements.

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

Statement of Functional Expenses

<i>Year Ended June 30, 2022</i>	Program Services			Supporting Services		Total
	Committees and Committee Support	Programs and Projects	Board of Directors	General and Admin- istrative		
Salaries	\$ 122,159	\$ 1,404,950	\$ 113,649	\$ 505,877	\$ 2,146,635	
Contract expense	-	614,552	-	-	614,552	
Payroll taxes	8,799	111,423	7,796	37,046	165,064	
Professional services	-	111,697	16,879	37,216	165,792	
Rent	-	400	-	141,844	142,244	
Legal fees	-	70,040	7,230	4,344	81,614	
Employee health insurance	7,873	56,932	-	13,922	78,727	
Equipment maintenance	-	11,362	-	57,886	69,248	
Research contributions	-	67,555	-	-	67,555	
Travel	393	26,567	23,487	2,545	52,992	
Depreciation	-	30,192	-	13,420	43,612	
Insurance	812	9,391	3,221	14,912	28,336	
Equipment	-	1,856	-	23,223	25,079	
Utilities	515	9,298	-	14,460	24,273	
Software	-	-	-	22,649	22,649	
Internet access	-	-	466	18,439	18,905	
Supplies	-	4,123	126	13,291	17,540	
Accounting	-	-	-	16,790	16,790	
Dues and subscriptions	99	11,199	-	4,667	15,965	
Stipends	-	13,650	-	-	13,650	
Conferences and conventions	490	10,529	-	-	11,019	
Equipment leases	-	-	-	9,719	9,719	
Meeting expense	-	1,372	8,143	-	9,515	
Printing and reproduction	-	7,421	780	414	8,615	
Postage and delivery	-	1,203	-	4,555	5,758	
Moving and relocation	-	3,075	-	-	3,075	
Recruitment	-	25	-	2,577	2,602	
Education	-	-	-	944	944	
Library	-	(33)	-	1,035	1,002	
Advertising	-	768	120	-	888	
Business meals	-	511	-	194	705	
Miscellaneous	-	5,197	120	11,006	16,323	
Totals	\$ 141,140	\$ 2,585,255	\$ 182,017	\$ 972,975	\$ 3,881,387	

See accompanying notes to financial statements.

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

Statements of Cash Flows

<i>Years Ended June 30,</i>	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 98,681	\$ (139,448)
Adjustments to reconcile change in net assets to net cash from (for) operating activities:		
Depreciation	44,979	43,612
Noncash operating lease expense	26,790	-
(Increase) decrease in assets:		
Accounts receivable	15,731	(20,001)
Prepaid expenses and other assets	23,176	23,634
Increase (decrease) in liabilities:		
Accounts payable	(69,909)	(33,115)
Accrued liabilities	(15,310)	(34,971)
Contract liabilities	158,077	91,048
Obligation under operating lease	(26,790)	-
Net cash from (for) operating activities	255,425	(69,241)
Cash Flows for Investing Activities		
Purchase of equipment	(49,615)	(7,742)
Increase (decrease) in cash and cash equivalents	205,810	(76,983)
Cash and Cash Equivalents, beginning of year	3,450,088	3,527,071
Cash and Cash Equivalents, end of year	\$ 3,655,898	\$ 3,450,088
Supplemental Disclosure of Noncash Information		
ROU assets added at adpotion of new standard	\$ 273,565	\$ -

See accompanying notes to financial statements.

Prince William Sound Regional Citizens' Advisory Council, Inc.

Notes to Financial Statements June 30, 2023 and 2022

1. Organization and 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 fiscal year 2023 was \$3,898,340. The Council and Alyeska have finalized contract rates for fiscal years 2024, 2025, and 2026. The fiscal year 2024 amount will be \$4,214,495. The fiscal year 2025 amount will be \$4,214,495 adjusted by the change in the Urban Alaska Consumer Price Index for all Urban Consumers from the preceding calendar year. 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 Council'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

- 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 Council. Revenues associated with these resources are earned when the Council 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.

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.

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

In accordance with ASC Topic 606, *Revenue from Contracts with Customers*, revenue is recognized when control of the promised goods or services is transferred to customers in an amount that reflects the consideration the Council expects to be entitled to receive in exchange for those goods and services.

Revenues from exchange transactions are recognized as performance obligations are satisfied, which in most cases are as related costs are incurred. Revenue from nonexchange transactions (contributions) may be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments). Revenues from conditional nonexchange transactions are recognized when the barrier is satisfied. In addition, the Council has elected the simultaneous release option for conditional contributions that are also subject to purpose restrictions. Under this option, net assets without donor restrictions will include the donor-restricted contributions for which the purpose restrictions are met in the same reporting period as the revenue is recognized.

Alyeska Contract

The contract between Alyeska and the Council follows the Council's fiscal year end of July 1st through June 30th with a CPI adjustment each subsequent year of the contract. The council provides monitoring services for Alyeska throughout the year and revenue is recognized over time. Payments are regularly scheduled, as defined by the contract between Alyeska and the Council for and near July and January of the year services are to be provided. If payment is received in June prior to the services being provided a contract liability exists and revenue recognition is deferred to the subsequent year. During the fiscal year ending June 30, 2023 there was a contract liability in the amount of \$2,107,247 due to early payment of the Alyeska Contract. Interest on cash and investments and capital credits are recognized when earned.

Prince William Sound Regional Citizens' Advisory Council, Inc.

Notes to Financial Statements

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation within that contract and recognized as revenue when, or as, the performance obligation is satisfied. The Council's contract includes the performance obligation to provide advice to Alyeska on the safe operation of the Valdez Marine Terminal and transportation of oil in the Prince William Sound. Although there might be multiple tasks performed by the Council, the Council provides significant integration services with one overarching goal. Therefore, the contract is considered to have one performance obligation.

Contract Liabilities

The Council may receive payment in advance that exceeds the revenue earned to date resulting in contract liabilities. Contract liabilities typically are not considered a significant financing component because they are used to meet the working capital demands and protect the Council from the customer failing to adequately complete some or all of its obligations under the contract. Contract liabilities are reported on the balance sheet on a net contract basis at the end of each reporting period.

Contribution Revenue

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.

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.

Prince William Sound Regional Citizens' Advisory Council, Inc.

Notes to Financial Statements

Leases

The Council has operating leases for office facilities and real property. The Council determines if an arrangement contains a lease at inception based on whether the Council has the right to control the asset during the contract period and other facts and circumstances. If the arrangement is a lease, the Council determines whether the lease should be classified as an operating or a finance lease. The Council recognizes a right-of-use ("ROU") asset and a lease liability based on the present value of the future minimum lease payments over the lease term at the commencement date. The Council has made an accounting policy election to not include operating leases with a lease term of twelve months or less.

ROU assets represent the right to use an underlying asset for the lease term and the lease liabilities represent the liability to make lease payments arising from the lease. ROU assets and lease liabilities are generally recognized at the commencement date based on the present value of discounted lease payments over the lease term. As the Council's leases do not provide an implicit rate, the Council uses the current market rates for marketable commercial real estate property in Anchorage, Alaska, based on the information available at the commencement date in determining the present value of discounted lease payments.

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.

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 6, 2023, 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 Council the following banking day. This arrangement provides maximum liquidity to the Council, 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, 2023 and 2022 totaled \$3,574,703 and \$3,322,578, 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.

Recently Adopted Accounting Pronouncements

Leases (Topic 842)

On February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). This update, along with ASU 2019-10, Codification Improvements to Topic 842: Leases, ASU 2019-11, Leases (Topic 842): Targeted Improvements and ASU 2019-20, Leases (Topic 842): Narrow-Scope Improvements for Lessors, establishes a comprehensive leasing standard. These updates require the recognition of lease assets and lease liabilities on the statements of financial position and disclosure of key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. Short-term leases, 12 months or less, are exempt under the guidance and are not capitalized on the statements of financial position. The guidance also expands the required quantitative and

Prince William Sound Regional Citizens' Advisory Council, Inc.

Notes to Financial Statements

qualitative lease. The Organization implemented ASU 2016-02, 2019-10, 2019-11, and 2019-20 during the year ended December 31, 2022.

The Council elected to adopt a package of practical expedients available under the transition guidance with the new standard. This package includes the following: of adoption and relief from having to reevaluate the classification of leases in effect at the point of adoption.

Upcoming Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments, which changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, contract assets recognized as a result of applying ASC 606, loans and certain other instruments, entities will be required to use a new forward looking "expected loss" model that generally will result in earlier recognition of credit losses than under today's incurred loss model. The revised effective date is for annual periods beginning after December 15, 2022, and should be adopted using a modified retrospective approach, which applies a cumulative-effect adjustment to net assets as of the beginning of the first reporting period in which the guidance is effective. A prospective approach is required for debt securities for which an other-than-temporary impairment had been recognized before the effective date and loans and debt securities acquired with deteriorated credit quality. Early adoption is permitted. Management is currently evaluating the effect that adoption of this new standard will have on the Organization's financial statements.

2. Cash and Cash Equivalents

Cash and cash equivalents consist of the following at June 30, 2023 and 2022:

	2023		2022	
	Book	Bank	Book	Bank
Checking accounts	\$ 80,895	\$ 185,000	\$ 185,000	\$ 185,000
Repurchase agreement	3,574,703	3,574,703	3,264,788	3,322,578
Petty cash	300	-	300	-
	\$ 3,655,898	\$ 3,759,703	\$ 3,450,088	\$ 3,507,578

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.

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

Notes to Financial Statements

3. Equipment

Equipment consists of the following at June 30, 2023 and 2022:

	2023	2022
Equipment	\$ 161,844	\$ 137,313
Leasehold improvements	13,340	13,340
Weather stations and buoy	207,861	182,776
Less accumulated depreciation	(282,162)	(237,182)
	<u>\$ 100,883</u>	<u>\$ 96,247</u>

Depreciation expense totaled \$44,979 and \$43,612, for the years ended June 30, 2023 and 2022, respectively.

4. 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 \$7,273 and \$14,783 at June 30, 2023 and 2022, respectively, with \$7,510 and \$8,548 released from restrictions for the years ended June 30, 2023 and 2022, respectively.

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 \$15,000 and \$65,000 at June 30, 2023 and 2022, respectively. In addition, the Council designates the amount held in long-term equipment assets at net book value which were \$100,883 and \$96,247 at June 30, 2023 and 2022, respectively.

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**Prince William Sound Regional
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Notes to Financial Statements

5. Miscellaneous Revenue

Miscellaneous revenue consists of the following for the years ended June 30, 2023 and 2022:

	2023	2022
Capital credits	\$ 7,172	\$ 2,432
Other	29	65
	\$ 7,201	\$ 2,497

6. 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.

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.

Other information related to operating leases is as follows:

Future minimum lease payments under these office space leases at June 30, 2023 are:

Year Ending June 30,

2024	\$	150,318
2025		78,907
2026		72,562
Thereafter		-
Less: interest		(28,222)
Total operating lease liabilities	\$	273,565

The remaining lease term and discount rate were as follows:

	June 30, 2023
Remaining lease term (in years)	2.5
Discount rate	7.85%

Rental expense for office space for the years ended June 30, 2023 and 2022 totaled \$148,947 and \$141,844, respectively. Copy machine lease expense, including per copy charges, for these leases for the years ended June 30, 2023 and 2022 totaled \$9,096 and \$9,719, respectively.

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, 2023 and 2022.

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, 2023 and 2022, the Council had outstanding contracts where work was not yet complete, and costs not yet incurred of \$400,833 and \$492,699, 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.

In the ordinary course of business, the Council may be involved in legal actions, claims, employee matters, and disputes incidental to its operations. While the ultimate results of these items cannot be predicted with certainty, management does not expect at this time the resolution of them to have a material adverse effect on the Corporation's financial position, results of operations or its liquidity.