PRINCE WILLIAM SOUND REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Financial Statements and Supplementary Information

Years Ended June 30, 2006 and 2005

(With Independent Auditor’s Report Thereon)
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**Independent Auditor’s Report**

Financial Statements

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</tbody>
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Independent Auditor’s Report

To the Council Members
Prince William Sound Regional
Citizens’ Advisory Council, Inc.

We have audited the accompanying statements of financial position of Prince William Sound Regional Citizens’ Advisory Council, Inc. (Council) as of June 30, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Council’s management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 10 and 11 are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Mikunda, Cottrell & Co.

September 15, 2006
PRINCE WILLIAM SOUND
REGIONAL CITIZENS' ADVISORY COUNCIL, INC.
Statements of Financial Position
June 30, 2006 and 2005

<table>
<thead>
<tr>
<th>Assets</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 1,003,621</td>
<td>2,167,378</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>1,324</td>
<td>2,848</td>
</tr>
<tr>
<td>Due from grantors</td>
<td>11,947</td>
<td>46,077</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>46,682</td>
<td>57,065</td>
</tr>
<tr>
<td>Total current assets</td>
<td>1,063,574</td>
<td>2,273,368</td>
</tr>
</tbody>
</table>

| Equipment, fixtures, and leasehold improvements, net of accumulated depreciation | 14,945 | 7,782 |
|---|---|
| Total assets | $ 1,078,519 | 2,281,150 |

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>160,996</td>
<td>113,972</td>
</tr>
<tr>
<td>Accrued liabilities</td>
<td>141,603</td>
<td>159,279</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>1,000</td>
<td>1,406,037</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>303,599</td>
<td>1,679,288</td>
</tr>
<tr>
<td>Net assets - unrestricted</td>
<td>774,920</td>
<td>601,862</td>
</tr>
</tbody>
</table>

| Total liabilities and net assets | $ 1,078,519 | 2,281,150 |

See accompanying notes to financial statements.
PRINCE WILLIAM SOUND
REGIONAL CITIZENS' ADVISORY COUNCIL, INC.
Statements of Activities
Years Ended June 30, 2006 and 2005

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
</tr>
<tr>
<td>Revenues:</td>
<td></td>
</tr>
<tr>
<td>Alyeska Pipeline Service Company</td>
<td>$2,845,833</td>
</tr>
<tr>
<td>Interest</td>
<td>66,917</td>
</tr>
<tr>
<td>Grants</td>
<td>65,502</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>6</td>
</tr>
<tr>
<td>Total revenues</td>
<td>$2,978,258</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
</tr>
<tr>
<td>Program services:</td>
<td></td>
</tr>
<tr>
<td>Committees</td>
<td>126,369</td>
</tr>
<tr>
<td>Projects</td>
<td>1,745,213</td>
</tr>
<tr>
<td>Supporting services:</td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>794,480</td>
</tr>
<tr>
<td>Council</td>
<td>139,138</td>
</tr>
<tr>
<td>Total expenses</td>
<td>$2,805,200</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>173,058</td>
</tr>
<tr>
<td>Unrestricted net assets, beginning of year</td>
<td>601,862</td>
</tr>
<tr>
<td>Unrestricted net assets, end of year</td>
<td>$774,920</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
PRINCE WILLIAM SOUND
REGIONAL CITIZENS' ADVISORY COUNCIL, INC.
Statements of Cash Flows
Years Ended June 30, 2006 and 2005

Cash flows from operating activities:

Change in net assets $ 173,058 (112,356)

Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:

   Depreciation 5,955 7,388

   (Increase) decrease in assets:
   Accounts receivable 1,524 3,007
   Due from grantor 34,130 (31,974)
   Prepaid expenses and other assets 10,383 (13,302)

Increase (decrease) in liabilities:

   Accounts payable 47,024 (48,816)
   Accrued liabilities (17,676) 18,267
   Deferred revenue (1,405,037) 1,406,037

   Net cash provided (used) by operating activities (1,150,639) 1,228,251

Cash flows from investing activities -

   purchase of equipment (13,118) -

Net increase (decrease) in cash and cash equivalents (1,163,757) 1,228,251

Cash and cash equivalents, beginning of year 2,167,378 939,127

Cash and cash equivalents, end of year $ 1,003,621 2,167,378

See accompanying notes to financial statements.
PRINCE WILLIAM SOUND
REGIONAL CITIZENS’ ADVISORY COUNCIL, INC.

Notes to Financial Statements

June 30, 2006 and 2005

(1) Summary of Significant Accounting Policies

Organization and Purpose of Business
The Prince William Sound Regional Citizens’ Advisory Council, Inc. (Council) is a 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 tanker operations, and the environmental impacts of oil-related operations in Prince William Sound.

In order to accomplish the OPA 90’s goals, the Council has established the following programs in 2006 and 2005:

Projects:
- Terminal Operations and Environmental Monitoring
- Oil Spill Prevention and Response
- Port Operations and Vessel Traffic Systems
- Scientific Advisory

Contract
In December 2004, the Council and Alyeska renegotiated the funding level under their contract. The new funding level, effective January 1, 2005, provides the Council with a base amount of $2,744,558 plus an additional $67,516 as an inflation adjustment in year one. The amount will be adjusted for inflation annually in the subsequent two years for operations, technical studies and expert support. Funding occurs twice a year on the first business days of January and July. The contract will continue as long as oil continues to flow through the Trans-Alaska Pipeline System. Any unspent and unencumbered Alyeska-provided funds remaining at the termination of this contract shall be returned to Alyeska.

Basis of Presentation
The accompanying financial statements are prepared on the accrual basis of accounting. In preparing the financial statements, management is required to make estimates that affect the reported amounts of assets and liabilities as of the date of the statement of financial position and activities and changes in net assets for the period. Actual results could differ from those estimates.
Summary of Significant Accounting Policies, continued

Revenue Recognition
Revenues from Alyeska are deemed to be earned on the regularly scheduled payment date, as defined by the contract between Alyeska and the Council. Interest, grant and program revenue are recognized when they are earned.

Equipment, Fixtures and Leasehold Improvements
Equipment and fixtures, with a cost equal to or exceeding $5,000, are recorded at cost and depreciated by the straight-line method over their estimated useful life, which is generally three to five years. Leasehold improvements are recorded at cost and depreciated over the life of the lease.

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.

Administrative Expenses
All general and administrative expenses not specifically identifiable to a program are recorded in the general and administrative function.

Cash Equivalents
For purposes of the statement of cash flows, short-term investments with a maturity of three months or less are considered to be cash equivalents. Cash and cash equivalents include cash on hand, checking accounts, savings accounts, and repurchase agreements.

2) Operating Leases
Beginning in fiscal year 1999, the Council entered into a five-year noncancelable operating lease for office space in Anchorage, with two five-year renewal options. In June of 2004, the Council exercised the first renewal option on this lease. In March of 2006, the Council entered into a six-year noncancelable operating lease for office space in Valdez, with one six-year renewal option. The future minimum lease payments under these office space leases at June 30, 2006 are:

<table>
<thead>
<tr>
<th>Year ending June 30</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$115,488</td>
</tr>
<tr>
<td>2008</td>
<td>117,566</td>
</tr>
<tr>
<td>2009</td>
<td>119,242</td>
</tr>
<tr>
<td>2010</td>
<td>59,238</td>
</tr>
<tr>
<td>2011</td>
<td>61,012</td>
</tr>
</tbody>
</table>
PRINCE WILLIAM SOUND
REGIONAL CITIZENS’ ADVISORY COUNCIL, INC.

Notes to Financial Statements, continued

Operating Leases, continued
Rental expense for office space for the years ended June 30, 2006 and 2005 totaled $108,788 and $105,696, respectively.

In fiscal year 2006, the Council entered into five-year noncancelable operating leases for two copy machines. The future minimum lease payments are:

<table>
<thead>
<tr>
<th>Year ending June 30</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>$13,150</td>
</tr>
<tr>
<td>2008</td>
<td>13,150</td>
</tr>
<tr>
<td>2009</td>
<td>13,150</td>
</tr>
<tr>
<td>2010</td>
<td>13,150</td>
</tr>
<tr>
<td>2011</td>
<td>6,182</td>
</tr>
</tbody>
</table>

Lease expense for the copy machines for the years ended June 30, 2006 and 2005 was $16,970 and $16,760, respectively.

(3) Equipment, Fixtures and Leasehold Improvements
A summary of equipment, fixtures and leasehold improvements at June 30 follows:

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>$35,280</td>
<td>22,162</td>
</tr>
<tr>
<td>Fixtures</td>
<td>-</td>
<td>66,596</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>-</td>
<td>28,923</td>
</tr>
<tr>
<td></td>
<td>32,280</td>
<td>117,681</td>
</tr>
</tbody>
</table>

Less accumulated depreciation (20,335) (109,899)

$14,945 7,782

(4) Deferred Revenue
Deferred revenue at June 30, 2005 is comprised of a payment received from Alyeska for the year commencing July 1, 2005.
(5) **Grant and Program Revenues**
A summary of grant revenue for the years ended June 30 follows:

<table>
<thead>
<tr>
<th>Grant revenue:</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Fish and Wildlife Service grants</td>
<td>$48,652</td>
<td>57,335</td>
</tr>
<tr>
<td>Resources for Environmental Activists (ISAR)</td>
<td>10,850</td>
<td>8,740</td>
</tr>
<tr>
<td>National Park Service</td>
<td>6,000</td>
<td>-</td>
</tr>
<tr>
<td>Alaska Division of Homeland Security and</td>
<td>-</td>
<td>25,000</td>
</tr>
<tr>
<td>Emergency Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total grant revenue</strong></td>
<td><strong>$65,502</strong></td>
<td><strong>91,075</strong></td>
</tr>
</tbody>
</table>

(6) **Contingencies**
Expenses pursuant to grants are subject to audits by governmental agencies or their representatives. Any disallowed claims, including amounts already collected would become a liability.
SUPPLEMENTARY INFORMATION
<table>
<thead>
<tr>
<th>Program Services</th>
<th>Supporting Services</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Committees</td>
<td>Projects</td>
<td>General and Administrative</td>
</tr>
<tr>
<td><strong>Salaries</strong></td>
<td>$50,215</td>
<td>863,534</td>
</tr>
<tr>
<td><strong>Payroll taxes</strong></td>
<td>3,653</td>
<td>68,658</td>
</tr>
<tr>
<td><strong>Rent</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Utilities</strong></td>
<td>1,517</td>
<td>10,317</td>
</tr>
<tr>
<td><strong>Conference calls</strong></td>
<td>4,046</td>
<td>3,849</td>
</tr>
<tr>
<td><strong>Supplies</strong></td>
<td>30</td>
<td>11,793</td>
</tr>
<tr>
<td><strong>Equipment lease</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Software</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Internet access</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Equipment</strong></td>
<td>-</td>
<td>8,237</td>
</tr>
<tr>
<td><strong>Dues and subscriptions</strong></td>
<td>2,941</td>
<td>4,851</td>
</tr>
<tr>
<td><strong>Accounting</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Legal fees</strong></td>
<td>-</td>
<td>31,301</td>
</tr>
<tr>
<td><strong>Contract labor</strong></td>
<td>-</td>
<td>975</td>
</tr>
<tr>
<td><strong>Professional services</strong></td>
<td>10,000</td>
<td>35,215</td>
</tr>
<tr>
<td><strong>Advertising</strong></td>
<td>2,289</td>
<td>7,159</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td>-</td>
<td>3,602</td>
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<tr>
<td><strong>Printing and reproduction</strong></td>
<td>190</td>
<td>16,274</td>
</tr>
<tr>
<td><strong>Postage and delivery</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Conferences and conventions</strong></td>
<td>878</td>
<td>13,402</td>
</tr>
<tr>
<td><strong>Equipment maintenance</strong></td>
<td>-</td>
<td>6,017</td>
</tr>
<tr>
<td><strong>Insurance</strong></td>
<td>927</td>
<td>15,957</td>
</tr>
<tr>
<td><strong>Library</strong></td>
<td>200</td>
<td>1,454</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Miscellaneous</strong></td>
<td>-</td>
<td>3,960</td>
</tr>
<tr>
<td><strong>Contract expense</strong></td>
<td>10,870</td>
<td>522,358</td>
</tr>
<tr>
<td><strong>Travel</strong></td>
<td>34,319</td>
<td>108,756</td>
</tr>
<tr>
<td><strong>Business meals</strong></td>
<td>28</td>
<td>635</td>
</tr>
<tr>
<td><strong>Meeting expense</strong></td>
<td>4,266</td>
<td>6,909</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>$126,369</td>
<td>1,745,213</td>
</tr>
<tr>
<td></td>
<td>Program Services</td>
<td>Supporting Services</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td></td>
<td>Committees</td>
<td>Projects</td>
</tr>
<tr>
<td>Salaries</td>
<td>$ 48,049</td>
<td>810,185</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>3,843</td>
<td>62,300</td>
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<tr>
<td>Rent</td>
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<td>-</td>
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<tr>
<td>Utilities</td>
<td>1,408</td>
<td>10,302</td>
</tr>
<tr>
<td>Conference calls</td>
<td>4,597</td>
<td>3,917</td>
</tr>
<tr>
<td>Supplies</td>
<td>32</td>
<td>6,589</td>
</tr>
<tr>
<td>Equipment lease</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Software</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Internet access</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Equipment</td>
<td>-</td>
<td>4,299</td>
</tr>
<tr>
<td>Dues and subscriptions</td>
<td>2,426</td>
<td>3,126</td>
</tr>
<tr>
<td>Accounting</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Legal fees</td>
<td>-</td>
<td>41,558</td>
</tr>
<tr>
<td>Contract labor</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Professional services</td>
<td>3,595</td>
<td>82,395</td>
</tr>
<tr>
<td>Advertising</td>
<td>776</td>
<td>6,035</td>
</tr>
<tr>
<td>Education</td>
<td>-</td>
<td>3,320</td>
</tr>
<tr>
<td>Printing and reproduction</td>
<td>286</td>
<td>15,845</td>
</tr>
<tr>
<td>Postage and delivery</td>
<td>-</td>
<td>150</td>
</tr>
<tr>
<td>Conferences and conventions</td>
<td>1,970</td>
<td>22,216</td>
</tr>
<tr>
<td>Equipment maintenance</td>
<td>-</td>
<td>15</td>
</tr>
<tr>
<td>Insurance</td>
<td>743</td>
<td>9,956</td>
</tr>
<tr>
<td>Library</td>
<td>-</td>
<td>1,891</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>-</td>
<td>2,758</td>
</tr>
<tr>
<td>Contract expense</td>
<td>10,714</td>
<td>735,106</td>
</tr>
<tr>
<td>Travel</td>
<td>28,612</td>
<td>167,579</td>
</tr>
<tr>
<td>Business meals</td>
<td>-</td>
<td>370</td>
</tr>
<tr>
<td>Meeting expense</td>
<td>6,172</td>
<td>12,718</td>
</tr>
<tr>
<td>Totals</td>
<td>$ 113,223</td>
<td>2,002,630</td>
</tr>
</tbody>
</table>