

COOK INLET REGIONAL CITIZENS ADVISORY  
COUNCIL, INC.

FINANCIAL STATEMENTS

December 31, 2010 and 2009

COOK INLET REGIONAL CITIZENS ADVISORY COUNCIL, INC.

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's report	1
Financial statements	
Statements of financial position	2
Statements of activities	3
Statements of functional expenses	5
Statements of cash flows	7
Notes to financial statements	8
Supplementary Information	
Independent Auditor's report on supplementary information	13
Schedules of revenues, expenses and encumbrances	14

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Cook Inlet Regional Citizens Advisory Council, Inc.  
Kenai, Alaska

We have audited the accompanying statements of financial position of Cook Inlet Regional Citizens Advisory Council, Inc. (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 Cook Inlet Regional Citizens Advisory Council, Inc. as of December 31, 2010 and 2009, 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.

*Lambe Tuttle & Wagner*

June 9, 2011

COOK INLET REGIONAL CITIZENS ADVISORY COUNCIL, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 December 31, 2010 and 2009

ASSETS

CURRENT ASSETS	<u>2010</u>	<u>2009</u>
Cash and cash equivalents (including restricted cash of \$42,926)	\$ 576,479	\$ 231,846
Grants and contracts receivable	67,869	751,758
Prepaid expenses	<u>52,013</u>	<u>17,397</u>
Total current assets	<u>696,361</u>	<u>1,001,001</u>
PROPERTY AND EQUIPMENT	161,649	187,860
Less accumulated depreciation	<u>(111,017)</u>	<u>(122,975)</u>
	<u>50,632</u>	<u>64,885</u>
	<u>\$ 746,993</u>	<u>\$ 1,065,886</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 26,713	\$ 361,572
Accrued expenses	33,285	38,033
Deferred revenue	60,348	-
Payable to grantors	<u>50,989</u>	<u>-</u>
Total current liabilities	<u>171,335</u>	<u>399,605</u>
NET ASSETS		
Unrestricted	62,951	180,971
Unrestricted, property and equipment	<u>38,766</u>	<u>49,080</u>
Total unrestricted	101,717	230,051
Temporarily restricted	<u>473,941</u>	<u>436,230</u>
	<u>575,658</u>	<u>666,281</u>
	<u>\$ 746,993</u>	<u>\$ 1,065,886</u>

See notes to financial statements.

COOK INLET REGIONAL CITIZENS ADVISORY COUNCIL, INC.  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>			
Charter Fund Company	\$ -	\$ 967,000	\$ 967,000
Grants and contracts	-	39,158	39,158
Interest	544	-	544
Other	1,641	-	1,641
	<u>2,185</u>	<u>1,006,158</u>	<u>1,008,343</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>			
Satisfaction of program restrictions	<u>968,447</u>	<u>(968,447)</u>	<u>-</u>
<b>Total revenues and other support</b>	<u>970,632</u>	<u>37,711</u>	<u>1,008,343</u>
<b>EXPENSES</b>			
Environmental monitoring	82,500	-	82,500
Public outreach	29,092	-	29,092
Kenai Peninsula Borough	28,655	-	28,655
Prevention response operation and safety Protocol	27,820	-	27,820
	22,118	-	22,118
Citizens Advisory Council	16,875	-	16,875
State legislative grant	11,024	-	11,024
Fund-raising	11,015	-	11,015
Administrative	869,867	-	869,867
	<u>1,098,966</u>	<u>-</u>	<u>1,098,966</u>
<b>CHANGE IN NET ASSETS</b>	<u>(128,334)</u>	<u>37,711</u>	<u>(90,623)</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>230,051</u>	<u>436,230</u>	<u>666,281</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 101,717</u>	<u>\$ 473,941</u>	<u>\$ 575,658</u>

See notes to financial statements.

COOK INLET REGIONAL CITIZENS ADVISORY COUNCIL, INC.  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Charter Fund Company	\$ -	\$ 967,800	\$ 967,800
Grants and contracts	-	1,071,327	1,071,327
Interest	566	-	566
	<u>566</u>	<u>2,039,127</u>	<u>2,039,693</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of program restrictions	<u>2,062,858</u>	<u>(2,062,858)</u>	<u>-</u>
Total revenues and other support	<u>2,063,424</u>	<u>(23,731)</u>	<u>2,039,693</u>
EXPENSES			
NOAA grant	938,818	-	938,818
Environmental monitoring	91,976	-	91,976
Prevention response operation and safety	39,302	-	39,302
Public outreach	28,599	-	28,599
Legislative grant	5,915	-	5,915
Fund-raising	5,593	-	5,593
Citizens Advisory Council	18,390	-	18,390
Protocol	22,989	-	22,989
Kenai Peninsula Borough	33,440	-	33,440
Tri-Borough grant	4,712	-	4,712
Administrative	711,528	-	711,528
Total expenses	<u>1,901,262</u>	<u>-</u>	<u>1,901,262</u>
CHANGE IN NET ASSETS	162,162	(23,731)	138,431
NET ASSETS AT BEGINNING OF YEAR	<u>67,889</u>	<u>459,961</u>	<u>527,850</u>
NET ASSETS AT END OF YEAR	<u>\$ 230,051</u>	<u>\$ 436,230</u>	<u>\$ 666,281</u>

See notes to financial statements.

COOK INLET REGIONAL CITIZENS ADVISORY COUNCIL, INC.  
 STATEMENT OF FUNCTIONAL EXPENSES  
 Year Ended December 31, 2010

	Environmental Monitoring	Public Outreach	Kenai Peninsula Borough	Prevention Response Operations and Safety	Protocol
<b>EXPENSES</b>					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Insurance	-	-	-	-	-
Professional	77,180	-	13,071	-	-
Consulting	-	29,092	15,584	22,500	22,118
Travel, meals and lodging	-	-	-	-	-
Facilities	-	-	-	-	-
Payroll taxes	-	-	-	-	-
Supplies	-	-	-	-	-
Depreciation	5,320	-	-	5,320	-
Telephone	-	-	-	-	-
Public relations	-	-	-	-	-
Postage/freight	-	-	-	-	-
Dues, fees and subscriptions	-	-	-	-	-
Loss on disposal of equipment	-	-	-	-	-
Other	-	-	-	-	-
	<u>\$ 82,500</u>	<u>\$ 29,092</u>	<u>\$ 28,655</u>	<u>\$ 27,820</u>	<u>\$ 22,118</u>

See notes to financial statements.

COOK INLET REGIONAL CITIZENS ADVISORY COUNCIL, INC.  
 STATEMENT OF FUNCTIONAL EXPENSES  
 Year Ended December 31, 2009

	NOAA Grant	Environmental Monitoring	Prevention Response Operations and Safety	Public Outreach	Legislative Grant
<b>EXPENSES</b>					
Salaries	\$ 43,338	\$ 10,580	\$ -	\$ -	\$ -
Professional Consulting	793,510	-	-	-	-
Insurance	-	66,230	22,814	5,296	2,861
Travel, meals and lodging	3,470	-	-	-	-
Payroll taxes	25,438	6,170	11,604	12,054	-
Facilities	236	-	-	-	-
Supplies	-	-	-	-	-
Telephone	8,754	3,500	-	-	-
Depreciation	-	-	-	-	-
Public relations	-	4,739	4,739	-	-
Postage/freight	-	-	-	-	-
Dues, fees and subscriptions	-	-	-	-	-
Other	-	-	-	-	-
	<u>64,072</u>	<u>757</u>	<u>145</u>	<u>11,249</u>	<u>3,054</u>
	<u>\$ 938,818</u>	<u>\$ 91,976</u>	<u>\$ 39,302</u>	<u>\$ 28,599</u>	<u>\$ 5,915</u>

See notes to financial statements

<u>Fund-raising</u>	<u>Citizens Advisory Council</u>	<u>Protocol</u>	<u>Kenai Peninsula Borough</u>	<u>Tri- Borough Grant</u>	<u>Administrative</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 411,965	\$ 465,883
-	13,651	-	-	-	-	807,161
-	-	22,989	32,472	4,712	-	157,374
-	-	-	-	-	121,247	124,717
5,593	-	-	968	-	52,700	114,527
-	-	-	-	-	41,691	41,927
-	-	-	-	-	31,170	31,170
-	-	-	-	-	13,971	26,225
-	-	-	-	-	22,200	22,200
-	4,739	-	-	-	4,739	18,956
-	-	-	-	-	6,813	6,813
-	-	-	-	-	4,186	4,186
-	-	-	-	-	846	846
-	-	-	-	-	-	79,277
<u>\$ 5,593</u>	<u>\$ 18,390</u>	<u>\$ 22,989</u>	<u>\$ 33,440</u>	<u>\$ 4,712</u>	<u>\$ 711,528</u>	<u>\$ 1,901,262</u>

COOK INLET REGIONAL CITIZENS ADVISORY COUNCIL, INC  
STATEMENTS OF CASH FLOWS  
December 31, 2010 and 2009

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2010</u>	<u>2009</u>
Cash received from grantors	\$ 1,803,025	\$ 1,671,370
Interest received	544	566
Cash paid to suppliers and employees	<u>(1,450,883)</u>	<u>(1,607,918)</u>
Net cash provided by operating activities	<u>352,686</u>	<u>64,018</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	<u>(8,053)</u>	<u>(38,412)</u>
Net cash used by investing activities	<u>(8,053)</u>	<u>(38,412)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	344,633	25,606
CASH AND CASH EQUIVALENTS, beginning	<u>231,846</u>	<u>206,240</u>
CASH AND CASH EQUIVALENTS, ending	<u>\$ 576,479</u>	<u>\$ 231,846</u>

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH AND CASH  
EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES

	<u>2010</u>	<u>2009</u>
CHANGE IN NET ASSETS	<u>\$ (90,623)</u>	<u>\$ 138,431</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES		
Depreciation	21,280	18,956
Loss on disposal of equipment	1,026	-
Increase in payable grantors	50,989	-
Increase in deferred revenue	60,348	-
Decrease (increase) in grants and contracts receivable	683,889	(367,757)
Increase (decrease) in accounts payable	(334,859)	289,896
Increase in prepaid expenses	(34,616)	(12,206)
Decrease in accrued expenses	<u>(4,748)</u>	<u>(3,302)</u>
	<u>443,309</u>	<u>(74,413)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 352,686</u>	<u>\$ 64,018</u>

See notes to financial statements.

Citizens Advisory Council	State legislative Grant	Fund-raising	Administrative	Total
\$ -	\$ -	\$ -	\$ 498,541	\$ 498,541
-	-	-	147,206	\$ 147,206
11,555	-	5,000	4,725	\$ 111,531
-	11,024	-	-	\$ 100,318
-	-	6,015	64,527	\$ 70,542
-	-	-	46,941	\$ 46,941
-	-	-	35,287	\$ 35,287
-	-	-	24,307	\$ 24,307
5,320	-	-	5,320	\$ 21,280
-	-	-	20,925	\$ 20,925
-	-	-	7,762	\$ 7,762
-	-	-	4,537	\$ 4,537
-	-	-	1,501	\$ 1,501
-	-	-	1,026	\$ 1,026
-	-	-	7,262	\$ 7,262
<u>\$ 16,875</u>	<u>\$ 11,024</u>	<u>\$ 11,015</u>	<u>\$ 869,867</u>	<u>\$ 1,098,966</u>

COOK INLET REGIONAL CITIZENS ADVISORY COUNCIL, INC  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010 and 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cook Inlet Regional Advisory Council, Inc. is a corporation organized exclusively for charitable, scientific, literary or educational purposes, including without limitation, the oversight, monitoring, assessing and evaluation of oil spill prevention, safety and response plans, terminal and oil tanker operations, and environmental impacts of oil tanker and oil terminal operations in Cook Inlet under provisions of Section 5002 of the Oil Pollution Act of 1990.

The accounting policies that affect the more significant elements of the financial statements of the Council are summarized as follows:

- a. The Council reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.
- b. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions required to be reported as temporarily restricted support are then reclassified to unrestricted net assets upon expiration of the restrictions.
- c. Property and equipment: All acquisitions of property and equipment in excess of \$1000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment is carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is calculated using the straight line method over the estimated useful lives of the assets
- d. Grants and contracts receivable: The Council receives current funding in agreements with oil companies operating in the Cook Inlet Region and granting and contracting agencies. No provision for doubtful receivables is considered necessary.
- e. Income taxes: The Council is exempt from income tax under the provisions of 501(c)(3) of the 1954 Internal Revenue Code.
- f. For purposes of the statement of cash flows, the Council considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

COOK INLET REGIONAL CITIZENS ADVISORY COUNCIL, INC  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010 and 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

- g. Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- h. Expense allocation: The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
- i. Subsequent events: Subsequent events have been evaluated through June 9, 2011, which is the date the financial statements were available to be issued.

2. GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable consist of the following at December 31, 2010 and 2009:

<u>Granting or Contracting Agency</u>	<u>Total Grant or Contract Award</u>	<u>Receivable at December 31</u>	
		<u>2010</u>	<u>2009</u>
National Oceanic and Atmospheric Administration	\$ 2,058,004	\$ 26,764	\$ 678,596
University of Alaska	136,933	1,058	18,814
Aniakchak National Monument	43,000	5,801	5,801
U.S. Fish and Wildlife	133,012	-	39,337
Kenai Peninsula Borough, Cook Inlet Safety Development	280,000	23,272	-
State of Alaska Department of Commerce Community and Economic Development	60,000	1,824	-
Other	-	9,150	9,210
	<u>\$ 2,710,949</u>	<u>\$ 67,869</u>	<u>\$ 751,758</u>

COOK INLET REGIONAL CITIZENS ADVISORY COUNCIL, INC  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010 and 2009

3. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2010 and 2009 consists of the following:

	<u>2010</u>	<u>2009</u>
Field equipment	\$ 75,350	\$ 65,623
Office furnishings	9,890	15,012
Office equipment	76,409	107,225
	161,649	187,860
Less accumulated depreciation	(111,017)	(122,975)
	\$ 50,632	\$ 64,885

4. REPURCHASE AGREEMENT

The Council has entered into a non-federally insured repurchase agreement with First National Bank Alaska in which the bank utilizes organization cash funds held by the bank to purchase Federal Agency Securities on a nightly basis and repurchases them from the organization the following morning. The repurchase agreement matures on demand.

5. RESTRICTED CASH

At December 31, 2010 and 2009, the Council held \$42,926 of cash received from the Kenai Peninsula Borough for the continuation of specific projects in process. The cash is released from restriction upon incurring project related expenses.

6. OPERATING LEASES

The Council leases equipment under an agreement through July 26, 2011. The Council leases office space under an agreement through June 30, 2013.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2010 are:

Year ended December 31,		
2011	\$	22,460
2012		19,800
2013		9,900

COOK INLET REGIONAL CITIZENS ADVISORY COUNCIL, INC  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010 and 2009

7. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Environmental monitoring	\$ 127,562	\$ 160,153
Prevention response	116,783	93,603
Council	114,188	51,452
Protocol	42,999	52,611
Kenai Peninsula Borough	42,926	42,926
Public outreach	17,617	19,680
Property and equipment	<u>11,866</u>	<u>15,805</u>
	<u>\$ 473,941</u>	<u>\$ 436,230</u>

8. MAJOR FUNDING SOURCE

The Council receives a substantial portion of its annual funding through Charter Fund Company revenue and grants. During 2010 the Council received 54 % of total revenue from one Charter Fund Company. During 2009, the Council received 23% of total revenue from one Charter Fund Company and 50% of total revenue from two grants from the federal government.

9. CONTINGENCY

The Council received funds from a Charter Funding Company which has filed for Chapter 11 Bankruptcy. Due to the timing of the receipt, the Council may be required to pay \$64,164 to the bankruptcy estate. The Council believes there is only a remote possibility the funds will be required to be repaid and therefore has not recorded a liability.

## SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTARY INFORMATION

To the Board of Directors  
Cook Inlet Regional Citizens Advisory Council, Inc.  
Kenai, Alaska

Our report on our audits of the basic financial statements of Cook Inlet Regional Citizens Advisory Council, Inc. for 2010 and 2009 appears on page 1. The audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of revenues, expenses and encumbrances is presented for purposes of additional analysis and is not required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financials statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

June 9, 2011

*Lambe, Tuttle & Wagner*

COOK INLET REGIONAL CITIZENS ADVISORY COUNCIL, INC.  
SCHEDULE OF REVENUE, EXPENSES AND ENCUMBRANCES

For the years ended December 31, 2010 and 2009

See Auditor's Report on Supplementary Information

REVENUES	<u>2010</u>	<u>2009</u>
Charter Fund Company	\$ 967,000	\$ 967,800
Grants and contracts	39,158	1,071,327
Interest	544	566
Other	1,641	-
	<u>1,008,343</u>	<u>2,039,693</u>
EXPENSES		
Salaries	498,541	465,883
Insurance	147,206	124,717
Professional	111,531	807,161
Consulting	100,318	157,374
Travel, meals and lodging	70,542	114,527
Facilities	46,941	31,170
Payroll taxes	35,287	41,927
Supplies	24,307	26,225
Depreciation	21,280	18,956
Telephone	20,925	22,200
Public relations	7,762	6,813
Postage and freight	4,537	4,186
Dues and subscriptions	1,501	846
Loss on disposal of equipment	1,026	-
Other	7,262	79,277
	<u>1,098,966</u>	<u>1,901,262</u>
ENCUMBRANCES		
Consulting	67,334	107,627
Professional	19,775	10,000
Charter Fund Company	64,164	-
	<u>151,273</u>	<u>117,627</u>
ENCUMBRANCES APPLIED	<u>(109,624)</u>	<u>(112,074)</u>
TOTAL EXPENSES AND ENCUMBRANCES	<u>1,140,615</u>	<u>1,906,815</u>
EXCESS OF REVENUE OVER EXPENSES AND ENCUMBRANCES/(EXPENSES AND ENCUMBRANCES OVER REVENUES)	<u>\$ (132,272)</u>	<u>\$ 132,878</u>