



REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Financial Statements and Schedules

June 30, 1996

(With Independent Auditors' Report Thereon)



**KPMG** Peat Marwick LLP

601 West Fifth Avenue  
Suite 700  
Anchorage, AK 99501-2258

Independent Auditors' Report

The Council Members  
Regional Citizens' Advisory Council, Inc.:

We have audited the accompanying statement of financial position of Regional Citizens' Advisory Council, Inc. (Council) as of June 30, 1996, and the related statements of activities and cash flows for the year 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 audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides 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 the Regional Citizens' Advisory Council, Inc. as of June 30, 1996, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the schedule is 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.

As discussed in note 2 to the financial statements, the Regional Citizens' Advisory Council, Inc. adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards (SFAS No. 117), Financial Statements for Not-for-Profit Organizations, and (SFAS No. 116), Accounting for Contributions Received and Contributions Made, in 1996.

September 11, 1996

*KPMG Peat Marwick LLP*



REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Statement of Financial Position

June 30, 1996

Assets

Cash and cash equivalents	\$ 1,988,225
Prepaid expenses and other assets	10,515
Equipment, fixtures and leasehold improvements, net of accumulated depreciation of \$224,263 (note 4)	<u>41,733</u>
	<u>\$ 2,040,473</u>

Liabilities and Net Assets

Liabilities:	
Accounts payable	378,610
Accrued liabilities	65,706
Deferred revenue (note 2)	<u>856,729</u>
Total liabilities	<u>1,301,045</u>
Net assets - unrestricted	739,428
Commitments (notes 2 and 3)	<u>                    </u>
	<u>\$ 2,040,473</u>

See accompanying notes to financial statements.

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Statement of Activities

Year ended June 30, 1996

	<u>(Unrestricted)</u>
Revenues:	
Alyeska Pipeline Service Company income (note 1)	\$ 2,835,496
Interest income	146,311
Total revenues	<u>2,981,807</u>
Expenses:	
Program:	
Terminal Operations and Environmental Monitoring	336,018
Oil Spill Prevention and Response	277,157
Port Operations and Vessel Traffic Systems	238,098
Scientific Advisory Committee	435,463
Project Manager	136,268
Communications	186,186
Total program	<u>1,609,190</u>
General and administrative	979,058
Council	247,248
Total expenses	<u>2,835,496</u>
Increase in net assets	146,311
Net assets at beginning of period	<u>593,117</u>
Net assets at end of period	<u>\$ 739,428</u>

See accompanying notes to financial statements.

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Statement of Cash Flows

Year ended June 30, 1996

	<u>(Unrestricted)</u>
Cash flows from operating activities:	
Increase in net assets	\$ 146,311
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation	46,306
Loss on disposal of equipment and leasehold improvements	14,222
Changes in assets and liabilities:	
Decrease in contract receivable	10,386
Increase in prepaid expenses and other assets	(1,295)
Increase in accounts payable	269,094
Increase in accrued liabilities	1,671
Decrease in deferred revenue	<u>(1,785,497)</u>
Net cash used in operating activities	(1,298,802)
Cash flows from investing activities - purchase of equipment, fixtures and leasehold improvements	<u>(16,883)</u>
Net decrease in cash and cash equivalents	(1,315,685)
Cash and cash equivalents at beginning of period	<u>3,303,910</u>
Cash and cash equivalents at end of period	<u>\$ 1,988,225</u>

See accompanying notes to financial statements.

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Notes to Financial Statements

June 30, 1996

(1) Organization and Purpose of Business

The 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 its Prince William Sound Tanker Spill Prevention and Response Plan (Plan), 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.

On February 8, 1990, the Council and Alyeska signed a contract which obligates Alyeska to provide the Council with a minimum of \$2,000,000 per year, adjusted annually for inflation. Funding occurs twice a year on the first business days of January and July. Accordingly, a payment of \$1,050,000 was received July 1, 1996. This fund is restricted for use in the review and monitoring of the Plan as well as the involvement and education of citizens in oil spill prevention. 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.

In order to accomplish the Plan's goals, the Council has established the following programs:

- Terminal Operations and Environmental Monitoring
- Oil Spill Prevention and Response
- Port Operations and Vessel Traffic Systems
- Scientific Advisory Committee
- Communications
- Project Manager

Contract

On March 22, 1996, the Council and Alyeska amended their contract. The amended contract, effective January 1, 1996, provides the Council with \$2,100,000 per year for operational, technical studies and expert support. The amended contract places certain specific restrictions on the types of lobbying activities in which the Council may participate.

(2) Basis of Presentation

Significant Accounting Policies

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. The more significant accounting and reporting policies and estimates applied in the preparation of the accompanying financial statements are discussed below.

(Continued)

## REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

## Notes to Financial Statements

In 1996 the Council adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements for Not-for-Profit Organizations. SFAS No. 117 establishes reporting standards for external financial statements for not-for-profit organizations. The adoption of this statement affects only the classification of the Council's assets and liabilities and clearly defines the restrictions associated with the Council's resources. Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Council and changes therein are reported as follows:

Unrestricted Net Assets - net assets that are not subject to donor-imposed stipulations.

The Council also adopted SFAS No. 116, Accounting for Contributions Received and Contributions Made, in 1996. SFAS No. 116 establishes standards of financial accounting and reporting for contributions received and contributions made. This statement establishes standards for recognizing expirations of restrictions on contributions received and accounting contributed services, collections of works of art, historical treasures and similar assets acquired by contributions or by other means.

Revenue Recognition

Revenues are deemed to be earned when the Council has incurred eligible operating expenditures, as defined by the contracts between Alyeska and Cook Inlet Regional Citizens Advisory Council. Amounts received, but not yet earned, are reported as deferred revenue. Interest revenue is recognized as it is earned.

Equipment, Fixtures and Leasehold Improvements

Equipment and fixtures are recorded at cost and depreciated by the straight-line method over their estimated useful life, which is generally five years. Leasehold improvements are recorded at cost and depreciated over the life of the three-year lease.

Income Taxes

The Council has received a favorable determination for 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.

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## REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

## Notes to Financial Statements

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.

(3) Operating Lease

During 1996 the Council exercised a three-year extension on a noncancelable operating lease for office space in Anchorage. In 1995, the Council entered into a three-year noncancelable operating lease for office space in Valdez. This lease includes an option for two consecutive three-year extensions. The minimum lease payments at June 30, 1996 are:

Period ending <u>June 30</u>	<u>Amount</u>
1997	\$ 64,176
1998	67,536
1999	<u>51,744</u>
	<u>\$ 183,456</u>

The council rents additional office space on a month-to-month basis. Rent expense for the year ended June 30, 1996 was \$72,259.

(4) Equipment, Fixtures and Leasehold Improvements

A summary of equipment, fixtures and leasehold improvements at June 30, 1996 follows:

Equipment	\$ 194,671
Fixtures	68,737
Leasehold improvements	<u>2,588</u>
	265,996
Less accumulated depreciation	<u>224,263</u>
	<u>\$ 41,733</u>



## REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

## Functional Expenses

Year ended June 30, 1996

	Program expenses						Supporting services		Total
	Terminal Operations and Environmental Monitoring	Oil Spill Prevention and Response	Port Operations and Vessel Traffic Systems	Scientific Advisory Committee	Project Manager	Communications	General and Administrative	Council	
Salaries	\$ 88,353	86,132	79,404	67,237	79,927	66,805	234,732	77,210	779,800
Payroll taxes:									
FICA	5,857	6,284	5,410	4,853	5,642	4,430	16,977	4,601	54,054
ESC	508	466	511	370	525	280	1,383	298	4,341
Rent	8,412	10,226	8,393	5,274	9,115	5,113	25,726	-	72,259
Copier offset	-	-	-	-	-	-	(23,077)	-	(23,077)
Utilities	7,511	12,512	5,356	2,217	3,836	2,144	15,316	8,796	57,688
Conference calls	3,737	7,504	600	2,390	795	295	401	12,335	28,057
Office supplies	1,439	2,149	1,065	383	910	120	14,093	7,883	28,042
Equipment lease	3,218	-	4,011	-	3,203	-	2,213	-	12,645
Computer software	68	478	168	165	68	-	2,297	-	3,244
On-line database	34	12	34	-	-	-	634	-	714
Noncapitalized equipment	810	2,043	124	390	-	2,067	16,944	1,358	23,736
Dues and subscriptions	547	180	1,511	247	179	2,654	1,374	-	6,692
Accounting	-	-	-	-	-	-	5,650	-	5,650
Legal fees	2,620	14,678	840	750	5,650	-	6,717	17,605	48,860
Contract labor	386	2,863	5,386	-	-	-	6,816	-	15,451
Consultants	-	8,748	-	2,500	-	29,280	20,737	13,138	74,403
Advertising	492	1,194	-	371	-	6,718	15,234	2,379	26,388
Employee education	139	3,192	379	358	1,489	500	1,287	-	7,344
Printing	-	5,591	(200)	3,717	395	45,933	285	6,298	62,019
Postage	2,316	2,819	-	651	-	14,723	1,673	5,024	27,206
Conference and convention	1,057	5,751	1,280	1,595	1,003	-	74	338	11,098
Equipment maintenance	-	-	1,496	-	-	-	7,562	-	9,058
Insurance	-	-	-	-	-	-	10,248	6,934	17,182
Library	414	165	-	55	128	27	2,355	-	3,144
Depreciation	-	-	-	-	-	-	46,306	-	46,306
Miscellaneous	2,104	197	1,190	69	2,197	280	2,230	1,869	10,136
Contracts	188,225	76,678	85,541	331,717	12,505	-	504,857	-	1,199,523
Travel and per diem	12,997	26,838	35,310	9,923	8,701	4,261	34,911	67,524	200,465
Meetings	4,774	457	289	231	-	556	3,103	13,658	23,068
	<u>\$ 336,018</u>	<u>277,157</u>	<u>238,098</u>	<u>435,463</u>	<u>136,268</u>	<u>186,186</u>	<u>979,058</u>	<u>247,248</u>	<u>2,835,496</u>

Total 85,068