

**REGIONAL CITIZENS'
ADVISORY COUNCIL, INC.**

Financial Statements
and Supplementary Information

June 30, 2001 and 2000

(With Independent Auditor's Report Thereon)

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

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MIKUNDA, COTTRELL & Co.

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

3601 "C" Street, Suite 600 • Anchorage, Alaska 99503

(907) 278-8878, Fax (907) 278-5779

www.mcc-cpa.com

Independent Auditor's Report

To the Council Members
Regional Citizens' Advisory Council, Inc.:

We have audited the accompanying statements of financial position of Regional Citizens' Advisory Council, Inc. (Council) as of June 30, 2001 and 2000, 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 Regional Citizens' Advisory Council, Inc. as of June 30, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on page 9 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.

Mikunda, Cottrell & Co.

August 10, 2001

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.
 Statements of Financial Position
 June 30, 2001 and 2000

<u>Assets</u>	<u>2001</u>	<u>2000</u>
Cash and cash equivalents	\$ 669,601	691,076
Due from grantor	65,141	59,795
Prepaid expenses and other assets	<u>14,375</u>	<u>10,675</u>
Total current assets	749,117	761,546
 Equipment, fixtures, and leasehold improvements, net of accumulated depreciation	 <u>34,650</u>	 <u>54,257</u>
 Total assets	 \$ <u>783,767</u>	 <u>815,803</u>
 <u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	269,187	132,708
Accrued liabilities	<u>76,101</u>	<u>90,950</u>
Total current liabilities	345,288	223,658
 Net assets - unrestricted	 <u>438,479</u>	 <u>592,145</u>
 Total liabilities and net assets	 \$ <u>783,767</u>	 <u>815,803</u>

See accompanying notes to financial statements.

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Statements of Activities

Years Ended June 30, 2001 and 2000

	<u>Unrestricted</u>	
	<u>2001</u>	<u>2000</u>
Revenues:		
Alyeska Pipeline Company income	\$ 2,543,896	2,516,250
Interest income	76,681	71,332
Grant income	88,322	131,559
Program income	18,200	10,430
Total revenues	<u>2,727,099</u>	<u>2,729,571</u>
Expenses:		
Program	1,903,859	1,783,452
General and administrative	812,303	746,394
Council	164,603	146,078
Total expenses	<u>2,880,765</u>	<u>2,675,924</u>
Increase (decrease) in net assets	(153,666)	53,647
Unrestricted net assets, beginning of year	<u>592,145</u>	<u>538,498</u>
Unrestricted net assets, end of year	\$ <u>438,479</u>	<u>592,145</u>

See accompanying notes to financial statements.

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Statements of Cash Flows
Years Ended June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (153,666)	53,647
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	19,607	33,094
(Increase) decrease in current assets:		
Due from grantor	(5,346)	(30,661)
Prepaid expenses and other assets	(3,700)	1,006
Increase (decrease) in current liabilities:		
Accounts payable	136,479	11,648
Accrued liabilities	<u>(14,849)</u>	<u>(3,166)</u>
Net cash provided (used) by operating activities	(21,475)	65,568
Cash flows from investing activities - purchase of equipment, fixtures and leasehold improvements	<u>-</u>	<u>(43,237)</u>
Net increase (decrease) in cash and cash equivalents	(21,475)	22,331
Cash and cash equivalents, beginning of year	<u>691,076</u>	<u>668,745</u>
Cash and cash equivalents, end of year	\$ <u>669,601</u>	<u>691,076</u>

See accompanying notes to financial statements.

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Notes to Financial Statements

June 30, 2001 and 2000

(1) Summary of Significant Accounting Policies

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.

In order to accomplish the Plan's goals, the Council has established the following programs in 2001 and 2000:

Projects:

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

Contract

On April 21, 1999, the Council and Alyeska amended their contract. The amended contract, effective January 1, 1999, provides the Council with \$2,500,000 in year one, adjusted for inflation annually in the subsequent two years, for operational, 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.

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Notes to Financial Statements, continued

Summary of Significant Accounting Policies, continued

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

Revenue Recognition

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

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Notes to Financial Statements, continued

(2) **Operating Lease**

Beginning in fiscal year 1999, the Council entered in to a five-year noncancelable operating lease for office space in Anchorage. In May of 2001, the Council entered into a five-year noncancelable operating lease for office space in Valdez. The future minimum lease payments under these leases at June 30, 2001 are:

Year ending <u>June 30</u>	<u>Amount</u>
2002	\$ 95,563
2003	97,881
2004	99,892
2005	42,000
2006	35,000

Rental expense for the years ended June 30, 2001 and 2000 totaled \$101,595 and \$91,932, respectively.

(3) **Equipment, Fixtures and Leasehold Improvements**

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

	<u>2001</u>	<u>2000</u>
Equipment	\$ 153,846	153,846
Fixtures	66,595	66,595
Leasehold improvements	<u>28,923</u>	<u>28,923</u>
	249,364	249,364
Less accumulated depreciation	<u>(214,714)</u>	<u>(195,107)</u>
	\$ <u>34,650</u>	<u>54,257</u>

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Notes to Financial Statements, continued

(4) **Contingencies**

Expenses pursuant to grants are subject to audits by governmental agencies or their representatives. Amounts reflected in the financial statements and expenses in prior periods have generally not been audited by the grantor agencies. Accordingly, adjustments of amounts received under grants could result if the grants are audited by such agencies.

Management believes that no significant liability will result from the foregoing matter and, accordingly, no liability for amounts that may be payable has been recorded in the accompanying financial statements.

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.
Schedule of Functional Expenses
Year Ended June 30, 2001
(with Comparative Totals for Year Ended June 30, 2000)

	<u>Program Activities</u>		<u>Supporting Services</u>		<u>Totals</u>	
	<u>Committees</u>	<u>Projects</u>	<u>General and Admin- istrative</u>	<u>Council</u>	<u>2001</u>	<u>2000</u>
Contracts	\$ -	823,056	-	-	823,056	688,390
Salaries	69,753	652,862	391,778	-	1,114,393	1,057,030
Travel and per diem	26,118	99,863	39,630	84,591	250,202	243,825
Professional services	-	44,161	34,644	20,478	99,283	115,890
Rent	-	-	101,595	-	101,595	91,932
Payroll taxes	5,690	53,286	38,468	-	97,444	77,719
Printing	-	16,939	4,732	321	21,992	32,596
Utilities	2,454	9,214	34,701	3,713	50,082	54,941
Conference calls	4,419	6,518	-	2,663	13,600	20,271
Postage	-	-	10,731	-	10,731	11,031
Conferences and conventions	2,401	14,228	-	1,939	18,568	13,780
Advertising	-	2,577	-	183	2,760	8,061
Depreciation	-	-	19,607	-	19,607	33,094
Legal fees	-	35,015	15,058	20,216	70,289	66,356
Meetings	917	4,658	144	18,336	24,055	39,434
Insurance	-	-	9,879	8,310	18,189	18,573
Office supplies	46	823	15,004	2,867	18,740	21,406
Contract labor	-	-	4,812	-	4,812	9,545
Equipment maintenance	-	-	4,021	-	4,021	5,624
Dues and subscriptions	-	9,057	1,328	-	10,385	7,351
Equipment lease	-	-	8,333	-	8,333	7,502
Accounting	-	-	5,781	-	5,781	5,860
Equipment	-	7,023	52,489	576	60,088	12,754
Computer software	-	665	5,669	-	6,334	3,144
Employee education	-	4,737	4,896	-	9,633	5,283
Library	-	1,050	-	-	1,050	944
Internet	-	-	6,344	-	6,344	16,590
Miscellaneous	34	6,295	2,659	410	9,398	6,998
Totals	\$ 111,832	1,792,027	812,303	164,603	2,880,765	2,675,924