

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

Financial Statements
and Supplementary Information

June 30, 2002 and 2001

(With Independent Auditor's Report Thereon)

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

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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, 2002 and 2001, 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 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 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, 2002 and 2001, 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 of America.

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 27, 2002

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Statements of Financial Position

June 30, 2002 and 2001

<u>Assets</u>	<u>2002</u>	<u>2001</u>
Current assets:		
Cash and cash equivalents	\$ 720,610	669,601
Accounts receivable	5,658	-
Due from grantor	61,100	65,141
Prepaid expenses and other assets	<u>49,068</u>	<u>14,375</u>
Total current assets	836,436	749,117
 Equipment, fixtures, and leasehold improvements, net of accumulated depreciation	 <u>10,970</u>	 <u>34,650</u>
 Total assets	 \$ <u>847,406</u>	 <u>783,767</u>
 <u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	153,934	269,187
Accrued liabilities	88,261	76,101
Deferred revenue	<u>35,000</u>	<u>-</u>
Total current liabilities	277,195	345,288
 Net assets - unrestricted	 <u>570,211</u>	 <u>438,479</u>
 Total liabilities and net assets	 \$ <u>847,406</u>	 <u>783,767</u>

See accompanying notes to financial statements.

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Statements of Activities
Years Ended June 30, 2002 and 2001

	Unrestricted	
	<u>2002</u>	<u>2001</u>
Revenues:		
Alyeska Pipeline Service Company	\$ 2,592,770	2,543,896
Interest	36,869	76,681
Grant	70,482	88,322
Program	24,439	18,200
Miscellaneous	17,244	-
Total revenues	<u>2,741,804</u>	<u>2,727,099</u>
Expenses:		
Committees	91,010	111,832
Projects	1,642,628	1,792,027
General and administrative	701,397	812,303
Council	<u>175,037</u>	<u>164,603</u>
Total expenses	<u>2,610,072</u>	<u>2,880,765</u>
Change in net assets	131,732	(153,666)
Unrestricted net assets, beginning of year	<u>438,479</u>	<u>592,145</u>
Unrestricted net assets, end of year	\$ <u><u>570,211</u></u>	<u><u>438,479</u></u>

See accompanying notes to financial statements.

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Statements of Cash Flows
Years Ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:		
Change in net assets	\$ 131,732	(153,666)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	23,680	19,607
(Increase) decrease in current assets:		
Accounts receivable	(5,658)	-
Due from grantor	4,041	(5,346)
Prepaid expenses and other assets	(34,693)	(3,700)
Increase (decrease) in current liabilities:		
Accounts payable	(115,253)	136,479
Accrued liabilities	12,160	(14,849)
Deferred revenue	<u>35,000</u>	<u>-</u>
Net cash provided (used) by operating activities	51,009	(21,475)
Cash and cash equivalents, beginning of year	<u>669,601</u>	<u>691,076</u>
Cash and cash equivalents, end of year	\$ <u><u>720,610</u></u>	<u><u>669,601</u></u>

See accompanying notes to financial statements.

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Notes to Financial Statements

June 30, 2002 and 2001

(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 2002 and 2001:

Projects:

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

Contract

On March 14, 2002, the Council and Alyeska amended their contract. The amended contract, effective January 1, 2002, provides the Council with \$2,630,248 in year one, 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.

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 on the regularly scheduled payment date, as defined by the contracts between Alyeska and Regional Citizens' Advisory 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.

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Notes to Financial Statements, continued

(2) **Operating Lease**

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 May of 2001, the Council entered into a five-year noncancelable operating lease for office space in Valdez, with one five-year renewal option. The future minimum lease payments under these leases at June 30, 2002 are:

Year ending <u>June 30</u>	<u>Amount</u>
2003	\$ 103,401
2004	105,412
2005	47,520
2006	39,600

Rental expense for the years ended June 30, 2002 and 2001 totaled \$92,759 and \$101,595, respectively.

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

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

	<u>2002</u>	<u>2001</u>
Equipment	\$ -	153,846
Fixtures	66,595	66,595
Leasehold improvements	<u>28,923</u>	<u>28,923</u>
	95,518	249,364
Less accumulated depreciation	<u>(84,548)</u>	<u>(214,714)</u>
	\$ <u>10,970</u>	<u>34,650</u>

In 2002, the Council removed equipment considered fully depreciated that has been replaced by equipment under the \$5,000 capitalization threshold.

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Notes to Financial Statements, continued

(4) **Grant and Program Revenues**

A summary of grant and program revenue for the years ended June 30 follows:

	<u>2002</u>	<u>2001</u>
Grant revenue:		
U.S Fish and Wildlife service grants:		
FY-2000 grant	\$ -	22,704
FY-2001 grant	9,382	65,618
FY-2002 grant	<u>61,100</u>	<u>-</u>
Total grant revenue	\$ <u>70,482</u>	<u>88,322</u>
Program revenue:		
Fire fighting exercise reimbursement (Alyeska)	\$ 10,000	15,000
Cook Inlet Regional Citizens' Advisory Council	-	3,200
Oil Spill Recovery Institute	<u>14,439</u>	<u>-</u>
Total program revenue	\$ <u>24,439</u>	<u>18,200</u>

(5) **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, 2002
(with Comparative Totals for Year Ended June 30, 2001)

	<u>Program Activities</u>		<u>Supporting Services</u>		<u>Totals</u>	
	<u>Committees</u>	<u>Projects</u>	General and Admin- istrative	<u>Council</u>	<u>2002</u>	<u>2001</u>
Contracts	\$ 10,930	819,520	-	-	830,450	823,056
Salaries	38,505	602,548	357,370	-	998,423	1,114,393
Travel and per diem	22,990	48,364	27,654	84,380	183,388	250,202
Professional services	-	39,937	18,075	25,994	84,006	99,283
Rent	-	-	92,759	-	92,759	101,595
Payroll taxes	2,948	46,123	27,356	-	76,427	97,444
Printing	100	16,461	21	-	16,582	21,992
Utilities	1,550	13,962	28,018	4,256	47,786	50,082
Conference calls	9,000	14,158	-	10,416	33,574	13,600
Postage	-	106	8,211	-	8,317	10,731
Conferences and conventions	292	6,219	434	-	6,945	18,568
Advertising	773	14,239	1,612	196	16,820	2,760
Depreciation	-	-	23,680	-	23,680	19,607
Legal fees	-	3,263	14,803	15,686	33,752	70,289
Meetings	1,151	1,591	15	25,833	28,590	24,055
Insurance	-	-	16,029	3,376	19,405	18,189
Office supplies	167	591	18,869	681	20,308	18,740
Contract labor	-	2,931	3,209	-	6,140	4,812
Equipment maintenance	-	-	13,596	-	13,596	4,021
Dues and subscriptions	2,571	5,984	1,695	52	10,302	10,385
Equipment lease	-	-	11,721	-	11,721	8,333
Accounting	-	-	10,639	-	10,639	5,781
Equipment	-	460	11,468	3,472	15,400	60,088
Computer software	-	-	7,150	-	7,150	6,334
Employee education	-	2,301	838	-	3,139	9,633
Library	-	484	603	-	1,087	1,050
Internet	-	-	4,203	645	4,848	6,344
Miscellaneous	33	3,386	1,369	50	4,838	9,398
Totals	\$ 91,010	1,642,628	701,397	175,037	2,610,072	2,880,765