

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

Financial Statements  
and Supplementary Information

June 30, 2003 and 2002

(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, 2003 and 2002, 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, 2003 and 2002, 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 26, 2003

**REGIONAL CITIZENS' ADVISORY COUNCIL, INC.**  
**Statements of Financial Position**  
**June 30, 2003 and 2002**

<u>Assets</u>	<u>2003</u>	<u>2002</u>
Current assets:		
Cash and cash equivalents	\$ 972,044	720,610
Accounts receivable	1,726	5,658
Due from grantor	10,000	61,100
Prepaid expenses and other assets	<u>45,042</u>	<u>49,068</u>
Total current assets	1,028,812	836,436
Equipment, fixtures, and leasehold improvements, net of accumulated depreciation	<u>15,786</u>	<u>10,970</u>
Total assets	\$ <u>1,044,598</u>	<u>847,406</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	230,793	153,934
Accrued liabilities	128,064	88,261
Deferred revenue	<u>-</u>	<u>35,000</u>
Total current liabilities	358,857	277,195
Net assets - unrestricted	<u>685,741</u>	<u>570,211</u>
Total liabilities and net assets	\$ <u>1,044,598</u>	<u>847,406</u>

See accompanying notes to financial statements.

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

Statements of Activities

Years Ended June 30, 2003 and 2002

	Unrestricted	
	2003	2002
Revenues:		
Alyeska Pipeline Service Company	\$ 2,656,550	2,592,770
Interest	18,714	36,869
Grant	44,450	70,482
Program	135,000	24,439
Miscellaneous	3,268	17,244
Total revenues	2,857,982	2,741,804
Expenses:		
Committees	117,449	91,010
Projects	1,793,718	1,642,628
General and administrative	677,474	701,397
Council	153,811	175,037
Total expenses	2,742,452	2,610,072
Change in net assets	115,530	131,732
Unrestricted net assets, beginning of year	570,211	438,479
Unrestricted net assets, end of year	\$ 685,741	570,211

See accompanying notes to financial statements.

**REGIONAL CITIZENS' ADVISORY COUNCIL, INC.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Change in net assets	\$ 115,530	131,732
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,147	23,680
(Increase) decrease in current assets:		
Accounts receivable	3,932	(5,658)
Due from grantor	51,100	4,041
Prepaid expenses and other assets	4,026	(34,693)
Increase (decrease) in current liabilities:		
Accounts payable	76,859	(115,253)
Accrued liabilities	39,803	12,160
Deferred revenue	<u>(35,000)</u>	<u>35,000</u>
Net cash provided by operating activities	264,397	51,009
 Cash flows from investing activities - purchase of equipment	 <u>(12,963)</u>	 <u>-</u>
 Net increase in cash and cash equivalents	 251,434	 51,009
 Cash and cash equivalents, beginning of year	 <u>720,610</u>	 <u>669,601</u>
 Cash and cash equivalents, end of year	 \$ <u>972,044</u>	 <u>720,610</u>

See accompanying notes to financial statements.

## REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

### Notes to Financial Statements

June 30, 2003 and 2002

(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 2003 and 2002:

**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 office space leases at June 30, 2003 are:

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

Rental expense for office space for the years ended June 30, 2003 and 2002 totaled \$104,426 and \$92,759, respectively.

In fiscal year 2003, the Council entered into a five-year noncancelable operating lease for a copy machine. The future minimum lease payments are:

<u>Year ending June 30</u>	<u>Amount</u>
2004	\$ 7,781
2005	7,781
2006	7,781
2007	7,781
2008	1,945

Lease expense for the copy machine for the year ended June 30, 2003 totaled \$5,835.

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Notes to Financial Statements, continued

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

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

	<u>2003</u>	<u>2002</u>
Equipment	\$ 12,963	-
Fixtures	66,595	66,595
Leasehold improvements	<u>28,923</u>	<u>28,923</u>
	108,481	95,518
Less accumulated depreciation	<u>(92,695)</u>	<u>(84,548)</u>
	\$ <u>15,786</u>	<u>10,970</u>

(4) **Grant and Program Revenues**

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

	<u>2003</u>	<u>2002</u>
Grant revenue:		
U.S Fish and Wildlife service grants	\$ 38,900	70,482
National Oceanic & Atmospheric Administration	<u>5,550</u>	<u>-</u>
Total grant revenue	\$ <u>44,450</u>	<u>70,482</u>
Program revenue:		
Fire fighting exercise reimbursement (Alyeska)	\$ -	10,000
Prince William Sound Community College	35,000	-
Oil Spill Recovery Institute	<u>100,000</u>	<u>14,439</u>
Total program revenue	\$ <u>135,000</u>	<u>24,439</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, 2003  
(with comparative totals for 2002)

	<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>2003</u>	<u>2002</u>
Contracts	\$ 13,353	844,657	-	2,664	860,674	830,450
Salaries	46,560	698,175	374,863	-	1,119,598	998,423
Travel and per diem	27,082	88,708	19,251	76,901	211,942	183,388
Professional services	1,749	26,555	10,936	15,391	54,631	84,006
Rent	-	-	104,426	-	104,426	92,759
Payroll taxes	3,599	52,518	26,889	-	83,006	76,427
Printing	564	11,888	103	103	12,658	16,582
Utilities	1,535	12,419	23,742	3,059	40,755	47,786
Conference calls	11,711	6,175	-	8,368	26,254	33,574
Postage	-	-	9,236	-	9,236	8,317
Conferences and conventions	2,563	14,619	-	-	17,182	6,945
Advertising	2,956	1,364	157	745	5,222	16,820
Depreciation	-	-	8,147	-	8,147	23,680
Legal fees	-	8,228	5,177	10,702	24,107	33,752
Meetings	2,953	5,413	-	24,753	33,119	28,590
Insurance	295	4,647	14,158	4,809	23,909	19,405
Office supplies	193	8,892	12,500	2,147	23,732	20,308
Contract labor	-	-	3,094	-	3,094	6,140
Equipment maintenance	-	-	3,632	761	4,393	13,596
Dues and subscriptions	2,236	1,809	1,044	-	5,089	10,302
Equipment lease	-	-	19,270	-	19,270	11,721
Accounting	-	-	5,400	-	5,400	10,639
Equipment	50	3,986	13,128	244	17,408	15,400
Computer software	-	-	11,704	889	12,593	7,150
Employee education	50	1,000	454	490	1,994	3,139
Library	-	916	463	-	1,379	1,087
Internet	-	-	8,794	1,596	10,390	4,848
Miscellaneous	-	1,749	906	189	2,844	4,838
<b>Totals</b>	<b>\$ <u>117,449</u></b>	<b><u>1,793,718</u></b>	<b><u>677,474</u></b>	<b><u>153,811</u></b>	<b><u>2,742,452</u></b>	<b><u>2,610,072</u></b>