



REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Financial Statements and Schedules

June 30, 1997 and 1996

(With Independent Auditors' Report Thereon)



KPMG Peat Marwick LLP

601 West Fifth Avenue
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Anchorage, AK 99501-2258

Independent Auditors' Report

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, 1997 and 1996, 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 audits.

We conducted our audits 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 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 the Regional Citizens' Advisory Council, Inc. as of June 30, 1997 and 1996, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were 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.

KPMG Peat Marwick LLP

September 18, 1997



Member Firm of
KPMG International

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Statements of Financial Position

June 30, 1997 and 1996

<u>Assets</u>	<u>1997</u>	<u>1996</u>
Cash and cash equivalents	\$ 1,065,891	1,988,225
Prepaid expenses and other assets	10,934	10,515
Accounts receivable	53,128	-
Equipment, fixtures and leasehold improvements, net of accumulated depreciation of \$141,009 in 1997 and \$224,263 in 1996 (note 4)	<u>32,997</u>	<u>41,733</u>
	<u>\$ 1,162,950</u>	<u>2,040,473</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities:		
Accounts payable	308,074	378,610
Accrued liabilities	75,928	65,706
Deferred revenue (note 2)	-	<u>856,729</u>
Total liabilities	<u>384,002</u>	<u>1,301,045</u>
Net assets - unrestricted	778,948	739,428
Commitments (notes 2 and 3)	<u> </u>	<u> </u>
	<u>\$ 1,162,950</u>	<u>2,040,473</u>

See accompanying notes to financial statements.

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Statements of Activities

Years ended June 30, 1997 and 1996

	<u>1997</u>	<u>1996</u>
Revenues:		
Alyeska Pipeline Service Company income (note 1)	\$ 2,956,729	2,835,496
Interest income	111,684	146,311
Grant income	33,882	-
Program income	29,492	-
Total revenues	<u>3,131,787</u>	<u>2,981,807</u>
Expenses:		
Program	2,228,588	1,609,190
General and administrative	669,802	979,058
Council	193,877	247,248
Total expenses	<u>3,092,267</u>	<u>2,835,496</u>
Increase in unrestricted net assets	39,520	146,311
Unrestricted net assets at beginning of year	<u>739,428</u>	<u>593,117</u>
Unrestricted net assets at end of year	<u>\$ 778,948</u>	<u>739,428</u>

See accompanying notes to financial statements.

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Statements of Cash Flows

Years ended June 30, 1997 and 1996

	<u>1997</u>	<u>1996</u>
Cash flows from operating activities:		
Increase in unrestricted net assets	\$ 39,520	146,311
Adjustments to reconcile increase in unrestricted net assets to net cash used in operating activities:		
Depreciation	28,846	46,306
Loss on disposal of equipment and leasehold improvements	-	14,222
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(53,128)	10,386
Increase in prepaid expenses and other assets	(419)	(1,295)
(Decrease) increase in accounts payable	(70,536)	269,094
Increase in accrued liabilities	10,222	1,671
Decrease in deferred revenue	<u>(856,729)</u>	<u>(1,785,497)</u>
Net cash used in operating activities	<u>(902,224)</u>	<u>(1,298,802)</u>
Cash flows from investing activities - purchase of equipment, fixtures and leasehold improvements	<u>(20,110)</u>	<u>(16,883)</u>
Net decrease in cash and cash equivalents	<u>(922,334)</u>	<u>(1,315,685)</u>
Cash and cash equivalents at beginning of year	<u>1,988,225</u>	<u>3,303,910</u>
Cash and cash equivalents at end of year	<u>\$ 1,065,891</u>	<u>1,988,225</u>

See accompanying notes to financial statements.

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Notes to Financial Statements

June 30, 1997 and 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 \$2,000,000 per year, adjusted annually for inflation. The contract called for renegotiating the funding levels every three years. Funding occurs twice a year on the first business days of January and July. 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 in 1997:

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

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.

(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

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 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.

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 under these leases at June 30, 1997 are:

Period ending <u>June 30</u>	<u>Amount</u>
1998	67,536
1999	<u>51,744</u>
	<u>\$ 119,280</u>

Rental expense for the years ended June 30, 1997 and 1996 totaled \$72,294 and \$72,259, respectively.

(Continued)

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Notes to Financial Statements

(4) Equipment, Fixtures and Leasehold Improvements

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

	<u>1997</u>	<u>1996</u>
Equipment	\$ 101,833	194,671
Fixtures	68,737	68,737
Leasehold improvements	<u>3,436</u>	<u>2,588</u>
	174,006	265,996
Less accumulated depreciation	<u>141,009</u>	<u>224,263</u>
	<u>\$ 32,997</u>	<u>41,733</u>

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Functional Expenses

Year ended June 30, 1997
with comparative totals for the year ended June 30, 1996

	<u>Program expenses</u>			<u>Supporting services</u>		<u>Total 1997</u>	<u>Total 1996</u>
	<u>Committees</u>	<u>Communications</u>	<u>Projects</u>	<u>General and administrative</u>	<u>Council</u>		
Contracts	-	-	1,206,026	-	-	1,206,026	1,199,523
Salaries	\$ 30,905	103,921	392,459	397,915	-	925,200	779,800
Travel and per diem	41,344	9,954	126,437	34,335	103,640	315,710	200,465
Professional services	-	-	56,686	4,765	15,917	77,368	74,403
Rent	-	-	-	72,294	-	72,294	72,259
Payroll taxes:							
FICA	2,384	7,554	26,680	28,755	-	65,373	54,054
ESC	269	518	1,820	2,794	-	5,401	4,341
Printing	4,701	10,783	40,055	90	5,377	61,006	62,019
Utilities	5,731	14,160	298	19,731	10,633	50,553	57,688
Conference calls	10,916	-	14,262	-	10,769	35,947	28,057
Postage	2,453	6,412	16,225	3,432	5,111	33,633	27,206
Conference and convention	9,770	3,747	9,345	4,478	5,254	32,594	11,098
Advertising	-	245	18,440	10,934	1,031	30,650	26,388
Depreciation	-	-	-	28,846	-	28,846	46,306
Legal fees	-	5,434	4,191	4,842	10,149	24,616	48,860
Meetings	1,136	351	11,090	65	10,235	22,877	23,068
Insurance	-	-	-	12,173	10,689	22,862	17,182
Office supplies	161	1,196	2,888	12,567	3,192	20,004	28,042
Contract labor	-	-	11,308	4,156	-	15,464	15,451
Equipment maintenance	-	-	-	9,036	-	9,036	9,058
Dues and subscriptions	-	1,650	3,500	3,364	-	8,514	6,692
Equipment lease	-	-	-	7,327	-	7,327	12,645
Accounting	-	-	-	6,625	-	6,625	5,650
Noncapitalized equipment	245	888	-	4,542	229	5,904	23,736
Computer software	-	-	-	3,595	-	3,595	3,244
Employee education	-	788	1,575	239	-	2,602	7,344
Library	-	759	752	910	-	2,421	3,144
On-line database	-	659	-	1,276	-	1,935	714
Copier offset	-	-	-	(18,624)	-	(18,624)	(23,077)
Miscellaneous	144	817	4,556	9,340	1,651	16,508	10,136
	<u>\$ 110,159</u>	<u>169,836</u>	<u>1,948,593</u>	<u>669,802</u>	<u>193,877</u>	<u>3,092,267</u>	<u>2,835,496</u>