

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Financial Statements and Supplementary Information

June 30, 1998 and 1997

(With Independent Auditor's Report Thereon)

MIKUNDA, COTTRELL & Co.

A Professional Corporation

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Independent Auditor's Report

To 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, 1998, 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. The financial statements of Regional Citizens' Advisory Council, Inc. for the year ended June 30, 1997 were audited by other auditors whose report, dated September 18, 1997, expressed an unqualified opinion on those statements.

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 1998 financial statements referred to above present fairly, in all material respects, the financial position of Regional Citizens' Advisory Council, Inc. as of June 30, 1998, 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 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.

September 10, 1998

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Statements of Financial Position

June 30, 1998 and 1997

<u>Assets</u>	<u>1998</u>	<u>1997</u>
Cash and cash equivalents	\$ 659,382	1,065,891
Due from grantor	41,393	53,128
Prepaid expenses and other assets	<u>10,970</u>	<u>10,934</u>
Total current assets	711,745	1,129,953
Equipment, fixtures, and leasehold improvements, net of accumulated depreciation	<u>41,498</u>	<u>32,997</u>
Total assets	\$ <u>753,243</u>	<u>1,162,950</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	150,924	308,074
Accrued liabilities	<u>82,940</u>	<u>75,928</u>
Total current liabilities	233,864	384,002
Net assets - unrestricted	<u>519,379</u>	<u>778,948</u>
Total liabilities and net assets	\$ <u>753,243</u>	<u>1,162,950</u>

See accompanying notes to financial statements.

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Statements of Activities

Years Ended June 30, 1998 and 1997

	<u>Unrestricted</u>	
	<u>1998</u>	<u>1997</u>
Revenues:		
Alyeska Pipeline Company income	\$ 2,100,000	2,956,729
Interest income	72,696	111,684
Grant income	69,047	33,882
Program income	<u>9,826</u>	<u>29,492</u>
Total revenues	<u>2,251,569</u>	<u>3,131,787</u>
Expenses:		
Program	1,718,033	2,228,588
General and administrative	613,597	669,802
Council	<u>179,508</u>	<u>193,877</u>
Total expenses	<u>2,511,138</u>	<u>3,092,267</u>
Increase (decrease) in net assets	(259,569)	39,520
Unrestricted net assets, beginning of year	<u>778,948</u>	<u>739,428</u>
Unrestricted net assets, end of year	\$ <u>519,379</u>	<u>778,948</u>

See accompanying notes to financial statements.

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Statements of Cash Flows
Years Ended June 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (259,569)	39,520
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	23,450	28,846
Loss on disposal of equipment	2,996	-
(Increase) decrease in current assets:		
Due from grantor	11,735	(53,128)
Prepaid expenses and other assets	(36)	(419)
Increase (decrease) in current liabilities:		
Accounts payable	(157,150)	(70,536)
Accrued liabilities	7,012	10,222
Deferred revenue	-	(856,729)
Net cash used in operating activities	<u>(371,562)</u>	<u>(902,224)</u>
Cash flows from investing activities - purchase of equipment, fixtures and leasehold improvements	<u>(34,947)</u>	<u>(20,110)</u>
Net decrease in cash and cash equivalents	(406,509)	(922,334)
Cash and cash equivalents, beginning of year	<u>1,065,891</u>	<u>1,988,225</u>
Cash and cash equivalents, end of year	\$ <u>659,382</u>	<u>1,065,891</u>

See accompanying notes to financial statements.

REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

Notes to Financial Statements

June 30, 1998 and 1997

(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.

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 for the first three years. After that, the contract called for renegotiating the funding levels every three years. Following the first three-year cycle, funds have been provided at flat rates, and not adjusted for inflation. 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.

In order to accomplish the Plan's goals, the Council has established the following programs in 1998:

Projects:

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

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.

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 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 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

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, 1998 are:

Period ending <u>June 30</u>	<u>Amount</u>
1999	\$ 51,744

Rental expense for the years ended June 30, 1998 and 1997 totaled \$73,366 and \$72,294, respectively.

(3) Equipment, Fixtures and Leasehold Improvements

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

	<u>1998</u>	<u>1997</u>
Equipment	\$ 122,279	101,833
Fixtures	61,441	68,737
Leasehold improvements	<u>3,436</u>	<u>3,436</u>
	187,156	174,006
Less accumulated depreciation	<u>145,658</u>	<u>141,009</u>
	\$ <u>41,498</u>	<u>32,997</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, 1998

(with Comparative Totals for Year Ended June 30, 1997)

	<u>Program Activities</u>		<u>Supporting Services</u>		<u>Totals</u>	
	<u>Committees</u>	<u>Projects</u>	<u>General and</u>		<u>1998</u>	<u>1997</u>
			<u>Administrative</u>	<u>Council</u>		
Contracts	\$ -	776,996	-	-	776,996	1,206,026
Salaries	49,364	535,496	357,172	-	942,032	925,200
Travel and per diem	38,359	119,323	24,638	104,966	287,286	315,710
Professional services	1,606	51,476	3,846	15,222	72,150	77,368
Rent	-	-	75,682	-	75,682	72,294
Payroll taxes	3,506	39,407	19,231	-	62,144	70,774
Printing	-	10,647	415	529	11,591	42,382
Utilities	2,114	14,222	24,671	7,101	48,108	50,553
Conference calls	7,525	9,383	-	4,917	21,825	35,947
Postage	530	4,876	6,268	1,270	12,944	33,633
Conferences and conventions	2,253	14,992	420	299	17,964	32,594
Advertising	-	4,464	350	946	5,760	30,650
Depreciation	-	-	23,450	-	23,450	28,846
Legal fees	-	3,665	5,925	16,129	25,719	24,616
Meetings	2,042	5,378	-	13,131	20,551	22,877
Insurance	-	-	11,969	10,577	22,546	22,862
Office supplies	134	1,746	13,416	3,181	18,477	20,004
Contract labor	-	-	3,048	-	3,048	15,464
Equipment maintenance	-	-	8,782	-	8,782	9,036
Dues and subscriptions	-	4,624	1,332	-	5,956	8,514
Equipment lease	-	-	9,838	-	9,838	7,327
Accounting	-	-	6,515	-	6,515	6,625
Minor equipment	-	-	3,615	90	3,705	5,904
Computer software	-	-	4,450	-	4,450	3,595
Employee education	-	5,885	1,398	-	7,283	2,602
Library	-	1,913	-	-	1,913	2,421
On-line database	-	865	1,525	-	2,390	1,935
Miscellaneous	579	4,663	5,641	1,150	12,033	16,508
Totals	\$ 108,012	1,610,021	613,597	179,508	2,511,138	3,092,267