

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

Financial Statements and Supplementary Information

June 30, 1999 and 1998

(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, 1999 and 1998, 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Regional Citizens' Advisory Council, Inc. as of June 30, 1999 and 1998, and the results of its operations and its cash flows for the years 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: G.*

September 10, 1999

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

Statements of Financial Position

June 30, 1999 and 1998

<u>Assets</u>	<u>1999</u>	<u>1998</u>
Cash and cash equivalents	\$ 668,745	659,382
Due from grantor	29,134	41,393
Prepaid expenses and other assets	<u>11,681</u>	<u>10,970</u>
Total current assets	709,560	711,745
Equipment, fixtures, and leasehold improvements, net of accumulated depreciation	<u>44,114</u>	<u>41,498</u>
Total assets	\$ <u>753,674</u>	<u>753,243</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	121,060	150,924
Accrued liabilities	<u>94,116</u>	<u>82,940</u>
Total current liabilities	215,176	233,864
Net assets - unrestricted	<u>538,498</u>	<u>519,379</u>
Total liabilities and net assets	\$ <u>753,674</u>	<u>753,243</u>

See accompanying notes to financial statements.

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

Statements of Activities

Years Ended June 30, 1999 and 1998

	<u>Unrestricted</u>	
	<u>1999</u>	<u>1998</u>
Revenues:		
Alyeska Pipeline Company income	\$ 2,300,000	2,100,000
Interest income	52,059	72,696
Grant income	96,843	69,047
Program income	<u>-</u>	<u>9,826</u>
Total revenues	<u>2,448,902</u>	<u>2,251,569</u>
Expenses:		
Program	1,547,873	1,718,033
General and administrative	709,105	613,597
Council	<u>172,805</u>	<u>179,508</u>
Total expenses	<u>2,429,783</u>	<u>2,511,138</u>
Increase (decrease) in net assets	19,119	(259,569)
Unrestricted net assets, beginning of year	<u>519,379</u>	<u>778,948</u>
Unrestricted net assets, end of year	\$ <u>538,498</u>	<u>519,379</u>

See accompanying notes to financial statements.

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

Statements of Cash Flows  
Years Ended June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 19,119	(259,569)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	22,793	23,450
Loss on disposal of equipment	-	2,996
(Increase) decrease in current assets:		
Due from grantor	12,259	11,735
Prepaid expenses and other assets	(711)	(36)
Increase (decrease) in current liabilities:		
Accounts payable	(29,864)	(157,150)
Accrued liabilities	<u>11,176</u>	<u>7,012</u>
Net cash provided (used) by operating activities	34,772	(371,562)
 Cash flows from investing activities - purchase of equipment, fixtures and leasehold improvements	 <u>(25,409)</u>	 <u>(34,947)</u>
 Net increase (decrease) in cash and cash equivalents	 9,363	 (406,509)
 Cash and cash equivalents, beginning of year	 <u>659,382</u>	 <u>1,065,891</u>
 Cash and cash equivalents, end of year	 \$ <u>668,745</u>	 <u>659,382</u>

See accompanying notes to financial statements.

# REGIONAL CITIZENS' ADVISORY COUNCIL, INC.

## Notes to Financial Statements

June 30, 1999 and 1998

(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 1999 and 1998:

Projects:

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

**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 per year, in year one, adjusted for inflation annually in the subsequent two years, 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 three to 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**

Beginning in fiscal year 1999, the Council entered in to a five-year noncancelable operating lease for office space in Anchorage. In December of 1998, the Council entered into a one-year noncancelable operating lease for office space in Valdez. The future minimum lease payments under these leases at June 30, 1999 are:

<u>Period ending June 30</u>	<u>Amount</u>
2000	\$ 91,056
2001	51,552
2002	53,563
2003	55,881
2004	57,892

Rental expense for the years ended June 30, 1999 and 1998 totaled \$84,457 and \$75,682, respectively.

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

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

	<u>1999</u>	<u>1998</u>
Equipment	\$ 144,384	122,279
Fixtures	64,746	61,441
Leasehold improvements	<u>-</u>	<u>3,436</u>
	209,130	187,156
Less accumulated depreciation	<u>(165,016)</u>	<u>(145,658)</u>
	\$ <u>44,114</u>	<u>41,498</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, 1999

(with Comparative Totals for Year Ended June 30, 1998)

	<u>Program Activities</u>		<u>Supporting Services</u>		<u>Totals</u>	
	<u>Commi-tees</u>	<u>Projects</u>	<u>Admini-strative</u>	<u>Council</u>	<u>1999</u>	<u>1998</u>
Salaries	\$ 52,259	597,632	385,581	-	1,035,472	942,032
Contracts	-	589,501	-	-	589,501	776,996
Travel and per diem	26,501	77,269	38,706	84,532	227,008	287,286
Rent	-	-	84,457	-	84,457	75,682
Professional services	-	41,227	11,800	20,426	73,453	72,150
Payroll taxes	4,285	33,703	31,237	-	69,225	62,144
Utilities	2,096	15,063	29,524	6,598	53,281	48,108
Printing	-	39,833	687	1,391	41,911	11,591
Legal fees	-	4,503	11,976	23,377	39,856	25,719
Depreciation	-	-	22,793	-	22,793	23,450
Conference calls	7,027	11,399	-	4,264	22,690	21,825
Meetings	812	3,172	1,183	14,402	19,569	20,551
Office supplies	187	622	13,724	3,950	18,483	18,477
Insurance	-	-	10,494	7,244	17,738	22,546
Conferences and conventions	4,014	9,682	1,675	1,380	16,751	17,964
Postage	148	2,600	7,313	3,012	13,073	12,944
Equipment lease	-	-	11,984	-	11,984	9,838
Internet	-	6,102	3,751	-	9,853	2,390
Contract labor	-	-	8,428	-	8,428	3,048
Dues and subscriptions	-	5,937	1,409	-	7,346	5,956
Accounting	-	-	7,265	-	7,265	6,515
Advertising	-	4,899	597	1,233	6,729	5,760
Computer software	-	-	6,444	-	6,444	4,450
Minor equipment	-	423	5,667	292	6,382	3,705
Employee education	750	3,598	1,473	-	5,821	7,283
Equipment maintenance	-	-	4,170	-	4,170	8,782
Library	-	2,425	595	-	3,020	1,913
Miscellaneous	204	-	6,172	704	7,080	12,033
<b>Totals</b>	<b>\$ 98,283</b>	<b>1,449,590</b>	<b>709,105</b>	<b>172,805</b>	<b>2,429,783</b>	<b>2,511,138</b>