

REPORT OF THE FINANCE AND ADMINISTRATION COMMITTEE



The Finance and Administration Committee (hereafter F&A) met from 09:00–15:30 on October 31, and from 10:00–11:00 on November 2, 2007, under the chairmanship of Dr. Laura Richards.

Opening remarks (Agenda Item 1)

The Chairman called the meeting to order, welcomed the participants and requested an introduction of members for each delegation. All Contracting Parties were present at the meeting (*F&A Endnote 1*).

Adoption of agenda (Agenda Item 2)

The Committee reviewed and approved the draft agenda (*F&A Endnote 2*).

Audited accounts for FY 2006 (Agenda Item 3)

The FY 2006 financial statements were submitted to *Flader & Hale* on March 22, 2007, and the Auditor's Report was completed on April 5, 2007. Hard copies of the report were distributed to all Contracting Parties at the fifth inter-sessional Council meeting held April 20, 2007, in Yokohama, Japan. Some minor mistakes were discovered in the text of the report (not in the numbers). After correcting these mistakes, the edited version of the 2006 Auditor's Report (*F&A Endnote 3*) was circulated by e-mail and by mail to all Contracting Parties at the end of April. In the auditor's opinion, the financial statements are an accurate representation of the financial position of the Organization as of December 31, 2006. The Committee reviewed the Auditor's Report and recommended it for approval by Council.

Annual contributions (Agenda Item 4)

As stated in Financial Regulation 5(ii), all national contributions to PICES "*shall be considered due as of the first day of the financial year (January 1) to which they relate*". The

Executive Secretary reported on the 2007 annual fee payment dates, and provided information on the payment schedule of national contributions for the last 8 years (*F&A Endnote 4*).

The Committee noted that all Contracting Parties met their financial obligations for 2007. China explained that their payment was later than the other Contracting Parties because of the timing of their budget approval process. The Committee recommended that Council instruct the Executive Secretary to send a letter to Contracting Parties commending them for their performance in submitting annual contributions for 2007, and describing the difficulties that late and partial payment causes the Organization.

Both Japan and China expressed concerns about the continual increases in the annual contributions. However, the Committee continued to recommend that for planning purposes, Contracting Parties should use the guideline generally accepted at the PICES Eighth Annual Meeting (Decision 99/A/2(ii)), which states that "*the annual contributions will increase at the rate of inflation in Canada*". This should assist member countries in preparing timely funding requests to cover annual contributions, and the Executive Secretary in developing future budgets.

Fund-raising activities (Agenda Item 5)

The Executive Secretary reported on fund-raising efforts for the period since PICES XV (*F&A Endnote 5*). Fund-raising continues to be an important component of PICES activities, and about a third of the current operational budget is supported by external contributions and partnerships. In order to help manage the extra workload and offset extra expenses of the Secretariat, an overhead is now being charged to some projects (where appropriate). The overhead funds can be used, if necessary, to hire contract help.

Report on PICES Publication Program (F&A Agenda Item 6)

Publishing is an expensive and time-consuming activity; however the products generated are important in fulfilling the Organization's mission. At PICES XV (October 2006, Yokohama, Japan), the F&A Committee directed the Executive Secretary to undertake a review of the PICES Publication Program, with a focus on the option of a transition to electronic publishing.

The International Association of Aquatic and Marine Science Libraries and Information Centers (IAMSLIC) was requested to perform the review. It was carried out by two members of IAMSLIC, Janet Webster (Oregon State University Libraries, Newport, OR) and Brian Voss (NOAA Libraries, Seattle, WA), who worked closely with the PICES Secretariat throughout the review process. According to recommendations from the F&A Committee, the workplan aimed to:

1. Explore the impact of PICES publications on the scientific and management community;
2. Breakdown PICES publications into various categories and review for each category:
 - (a) printing and distribution costs;
 - (b) current distribution;
 - (c) current coverage in indexing and abstracting services;
 - (d) options for creating digital format; and
 - (e) options for archiving in both digital and print formats;
3. Examine impacts of moving the existing print distribution system to an increased reliance on digital formats, and explore mitigation measures to rectify any resulting distribution problems;
4. Examine impacts on Secretariat infrastructure and document archival processes;
5. Discuss impacts of any changes in printing/distribution on each of the Contracting Parties;
6. Recommend options and an Action Plan to the F&A Committee.

Janet Webster and Brian Voss presented their findings and recommendations to the Committee (*F&A Endnote 6*). The complete document entitled "2007 Review of PICES Publication

Program" is included elsewhere in this Annual Report. The Committee expressed thanks to IAMSLIC for their complete and thorough review. The Committee noted that the Action Plan was presented without an indication of the priority for each item. Furthermore, some items were cheap and easy to implement, while others required a funding commitment. The Committee recommended that (1) the Action Plan be adopted in principle, (2) implementation of the components proceed with the assistance of the PICES intern and any budget flexibility, and (3) the Executive Secretary develop priorities and costing and report on progress at PICES XVII.

Financing of high priority projects (Agenda Item 7)

The Committee discussed the usage of the encumbered funds designated for high-priority PICES projects (about \$143,000), as identified by Science Board (see also F&A Agenda Item 9e). The Committee recommended that \$40,000 be earmarked for the development of FUTURE, the new integrative scientific program of PICES, and that the remainder be earmarked for the preparation of the next North Pacific Ecosystem Status Report. The Committee noted that additional funds will be required to complete the status report under the proposed plan and recommended a further review of costs. Korea offered a voluntary contribution of \$40,000 in 2008 to support the project, which was acknowledged with thanks.

PICES Intern Program (Agenda Item 8)

The Committee reviewed the current status of the Intern Program. Mr. Xuewu Guo (Yellow Sea Fisheries Research Institute, Chinese Academy of Fisheries Sciences) was selected as the intern at the 2006 inter-sessional Governing Council meeting (April 2006, Honolulu, U.S.A.). His term started on February 1, 2007. Because of the excellent performance of Mr. Guo and additional funding received for the Intern Program, the originally-offered 8-month term was extended to 12 months. This allowed Mr. Guo to be involved in the organization of PICES XVI (October 2007, Victoria, Canada) and preparation of the 2007 Annual Report.

At PICES XV (October 2006, Yokohama, Japan), Council extended the deadline of nominations for the 2008 PICES Internship until the 2007 inter-sessional Governing Council meeting (Decision 06/A/8(iii)). No applications were received by that time. On July 23, 2007, Mr. Key-Seok Choe (Project Management Team, Planning Department, KORDI) was nominated and consequently approved as the intern for the 2008 term. An offer was made to Mr. Choi on July 30, 2007, and it was accepted on July 31, 2007. He plans to start work at the Secretariat on February 1, 2008. The initial period of his appointment was 8 months. However, at the Committee meeting, Korea announced a voluntary contribution of \$10,000 in 2008, which will allow Mr. Choe's term to be extended to 12 months.

Given that Mr. Choe's term will continue until January 31, 2009, the Committee recommends that the deadline for nominations for the next intern be extended until the first Governing Council session at PICES XVII in Dalian, China.

The PICES Intern Program has been financed solely by voluntary contributions. The U.S. National Marine Fisheries Service (NMFS) and Fisheries and Oceans Canada (DFO) have been the most generous partners for this activity to date. From 2000–2007, NMFS and DFO provided approximately \$135,000 and \$71,500, respectively, to the Trust Fund to support the Intern Program. The Committee recommended that Council thank both organizations for their continuing support of the Intern Program, and instructed the Executive Secretary to invite all Contracting Parties to provide voluntary contributions supporting the Program in 2008 and beyond.

Budget (Agenda Item 9)

Estimated accounts for FY 2007 (Agenda Item 9a)

The Committee reviewed the estimated accounts for FY 2007 and recommended their acceptance by Council.

Interest and other income (Agenda Item 9b)

In FY 2007, the estimated total income is \$529,648. This amount includes the income of \$163,836 from “guaranteed” sources, \$130,501 from other sources, \$145,311 in voluntary contributions and grants (\$112,611 credited to the Working Capital Fund and \$32,700 credited to the Trust Fund), and a transfer of \$90,000 from DFO for PICES XVI.

In addition, the Ministry of Agriculture, Forestry and Fisheries of Japan (MAFF), through the Fisheries Agency, contributed \$184,980 for the first year (from April 1, 2007–March 31, 2008) of the PICES project entitled “*Development of the prevention systems for harmful organisms' expansion in the Pacific Rim*”. The anticipated duration of the Project is 5 years (from April 1, 2007–March 31, 2012), with a total funding of \$924,900. According to the agreed financial principles for the project: (1) a separate bank account has been established to deposit the remitted funds; (2) interest earned in the account will be credited to the project and used in consultation with MAFF; (3) any funds remaining after the completion of every fiscal year of the project will be reported and disposed of in consultation with MAFF; (4) additional staff (Project Assistant) will be contracted as required to support the objectives of the project and to ensure that its activities have a minimal impact on the workload of the existing staff of the PICES Secretariat; and (5) a 10% overhead on the annual budget (\$18,500) will be retained to offset expenses related to the Secretariat's involvement in the project.

Relocation and Home Leave Fund (Agenda Item 9c)

The Relocation and Home Leave Fund (RHLF) is currently set at \$110,000. At the end of FY 2007, the RHLF is estimated at less than \$2,000 below the currently required amount of \$110,000. The Committee recommended that the level of the RHLF be allowed to vary between \$90,000 and \$110,000 to minimize the need for small transfers between funds.

Trust Fund (Agenda Item 9d)

In *FY 2007*, the total TRF income is estimated at \$35,300 (\$32,700 in voluntary contributions and grants) and estimated expenses are \$63,820. The Committee recommended a transfer from the Working Capital Fund to recover the 2007 expenses and restore the Trust Fund to the level of \$110,000.

Working Capital Fund (Agenda Item 9e)

In *FY 2007*, the total WCF estimated income and expenses are \$490,888 (\$112,611 are in voluntary contributions and grants) and \$396,672, respectively. After recommended inter-fund transfers, the amount of funds available in WCF at the fiscal year end is estimated at \$290,660. This includes \$182,449 in encumbered funds and \$108,211 in “operating” funds. The Committee also discussed the usage of the encumbered funds designated for high-priority PICES projects (about \$143,000), and the recommendations are described under F&A Agenda Item 7.

Budget for *FY 2008* and forecast budget for *FY 2009* (Agenda Item 9f)

At PICES XIV, the Committee noted that, from the high expectations placed on PICES, a case could be made to raise the contributions from Contracting Parties. To assess the relevance of any significant increase in annual contributions, the Executive Secretary was asked to study how the Organization might finance the anticipated growth in its activities from savings accrued as a result of reducing current expenditures. To assist in this analysis, F&A members were requested to consider which activities could be scaled back in order to operate PICES within the current (or a lower) budget. After extensive discussion at PICES XV, the Committee agreed that more work was still required to understand how PICES could operate within its budget. Canada (Mr. Serge Labonté) agreed to meet with the Secretariat to prepare options for presentation at the F&A meeting in 2007.

The Committee found the new format for budget presentation (*F&A Endnote 7*) easier to follow than the previous format and recommended its use in future Committee meetings. In addition, the Committee noted that the “base” budget from guaranteed sources was sufficient to fund the salary of one additional member of the Secretariat staff. The Committee recommended that the Executive Secretary consider options, and if permanent staffing is desired, present a recommendation to the Committee at PICES XVII in accordance with the Rules of Procedure 10(iv). China also requested that additional information on salary scales and adjustments for the Secretariat staff be presented at PICES XVII, in accordance with Financial Regulations 12(i).

Following these discussions, the Committee reviewed the proposed *FY 2008* budget of \$762,000 (*F&A Endnote 7*) and recommended its approval by Council. The Committee also recommended a transfer of \$96,000 from the Working Capital Fund to balance the budget, setting the total annual contribution at \$666,000, and the 2008 fees at \$111,000 per Contracting Party. The 2008 annual fee is 2.3% higher than in 2007, and this increase was noted to be consistent with the guideline generally accepted at the PICES Eighth Annual Meeting (Decision 99/A/2(ii)), stating that “*the annual contribution will increase at the rate of inflation in Canada*”. The annual Canadian Consumer Price Index (CPI) reported in the middle of the PICES fiscal year (May–July) is used as a measure of inflation. The annual CPI provided by the Bank of Canada with a reference to Statistics Canada was 2.2% in April, May, June and July 2007.

The Executive Secretary presented the forecast *FY 2009* budget of \$778,000 and noted that this budget is prepared based on preliminary information available as of August 25, 2007 and is 2.1% higher than the *FY 2008* budget. If the inflation rate in Canada stays near 2.5%, then the 2009 annual fee should be set at the level of \$113,800 per Contracting Party. The total annual contribution would be \$682,800, and a transfer of \$95,200 from the Working Capital Fund would be required to balance the budget.

Schedule and financing of future Annual Meetings (Agenda Item 10)

PICES XVII will be held October 24 – November 2, 2008, in Dalian, China, under the theme “*Beyond observations to achieving understanding and forecasting in a changing North Pacific: Forward to the FUTURE*” (Decision 06/A/7(ii)). The Chinese delegation provided a brief update on the preparations for this Annual Meeting and confirmed that they require \$40,000 from the General Fund to help offset the high costs for the meeting.

At the 2007 inter-sessional meeting (April 2007, Yokohama, Japan), Council accepted an invitation to hold PICES XVII in Korea. The Korean delegation provided a brief update on the preparations for the Annual Meeting, which is now planned for Busan, with the National Fisheries Research and Development Institute (NFRDI) as the local organizer. The recommended date for the Opening Session is October 26, 2009.

In keeping with the six-year rotation cycle (Decision 94/A/6), the United States of America should be invited to explore the possibility of hosting PICES XIX in 2010, and inform the Secretariat on this matter by March 31, 2008. The U.S. delegation confirmed their willingness to host PICES XIX. Furthermore, they indicated interest in exploring the possibility of a joint ICES–PICES Annual Meeting, with shared science activities and separate business meetings.

At PICES X (October 2001, Victoria, Canada), Council approved the charging of a registration fee for future Annual Meetings of the Organization and indicated that the registration fee structure should be reviewed annually (Decision 01/A/4(iv)). It was agreed that the fees have to be collected by the Secretariat and used to support high priority projects and the Intern Program, and to cover costs associated with Annual Meetings; the allocation among these three purposes should be flexible and decided by the Executive Secretary (Decision 04/A/5(iv)). The Committee reviewed the registration fee structure and recommended that Council maintain the same fee structure for

PICES XVII in 2008, as for the previous three Annual Meetings:

Type of registration fee	CDN \$
Regular	225
Early	150
Student	50
Spousal	50

At PICES XIV (October 2005, Vladivostok, Russia), Council re-iterated its support for the concept of inter-sessional Science Board meetings with the participation of Council members, but suggested that the need for such a meeting should be evaluated each year and that, given meeting costs (including time commitment of the members), an inter-sessional meeting should be held only if the agenda is substantive. The Committee re-iterated these views in 2007. In particular, China and Korea did not support an inter-sessional Council meeting in 2008.

Science Board has already indicated the importance of having an inter-sessional meeting in 2008, to finalize a Science Plan for the new integrative scientific program of PICES (FUTURE). It is suggested that this meeting be held in conjunction with a workshop to develop an Implementation Plan for FUTURE. The United States of America offered to host the 2008 inter-sessional Science Board meeting in Seattle and proposed the week of April 14, 2008 as the most convenient date.

PICES Handbook (Agenda Item 11)

The approval of the new PICES Rules of Procedure in 2006 resulted in the necessity of substantial changes in the *Handbook (Guidelines) for Chairmen and Convenors* developed in 1999 and amended in 2001. In addition, a set of guidelines for future PICES temporary expert groups was drafted by the POC Chairman, Dr. Michael Foreman, based on his analysis of the performance of the temporary expert groups (Working Groups, Study Groups, Task Teams, and Advisory Panels) established since the inception of the Organization. This evaluation was undertaken by Science Board at the request of Council (Decision 04/S/7(i)) to

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understand whether the current approach of the formation and financing of these groups is working. At PICES XV, the F&A Committee suggested that, given the extensive overlap between these two documents, they should be merged and the resulting document should be submitted for approval at PICES XVI and then added to the PICES Handbook.

The Committee recommended approval of the document “*Roles and responsibilities of Chairmen and members of PICES groups*”, which is based on the revised *Guidelines for Chairmen and Convenors* and incorporates the most important elements of Dr. Foreman’s analysis – a summary of the conditions that make for productive and successful temporary groups. The Committee recognized that this was a work in progress which cannot be finalized until after the FUTURE Implementation Plan is completed. However, given the ease and low cost of replacing documents within the PICES Handbook binder, this document could provide useful guidance over the next 1–2 years.

Administrative matters (Agenda Item 12)

The Committee reviewed the progress on the status of income tax levies for personnel at the PICES Secretariat. The extension of the tax levy practice for federal taxes to Canadian employees of the PICES Secretariat has resulted in the increase of revenue from \$22,000–25,000 in FYs 2003–2005 to \$47,502 in FY 2006 (incomplete year) and an estimated \$67,876 in FY 2007. These amounts are the differences between the levy in lieu of taxes and tax refund for the Executive Secretary plus expenses for services of *Flader & Hale* directly related to this tax levy.

Space, facilities and services for the PICES Secretariat office (Agenda Item 13)

PICES has a Headquarters Agreement with the Government of Canada that entered into force on

December 15, 1993. In accordance with this agreement, Fisheries and Oceans Canada (DFO) has hosted the PICES Secretariat at the Institute of Ocean Sciences (IOS) in Sidney, British Columbia, Canada.

The agreement between PICES and DFO on general administrative services is expected to continue indefinitely with a periodic review, but the last time the agreement was amended is more than five years ago (on April 1, 2002), and it does not reflect current arrangements. In FY 2007, PICES is to pay an annual sum of \$23,500 for postage and \$2,000 for janitorial/maintenance services. Telephone and fax lines and internet access, previously covered in the amount of \$2,500 under the agreement, are currently paid by PICES to *Telus* and *Shaw* directly. At the same time, real expenses for postage are substantially higher, and DFO provided \$15,000 to partially offset these expenses. The new agreement between PICES and DFO should take into account the substantial increase in mailing costs by *Canada Post* and the costs that have shifted to PICES.

China offered to work with the Secretariat to update its mailing list and assist in minimizing postage.

Other business (Agenda Item 14)

No other business was raised.

Adoption of the F&A report and recommendations to Council (Agenda Item 15)

The draft report was circulated and approved by all F&A members. All recommendations to Council were brought forward by Dr. Richards at their meeting on November 4, 2007.

F&A Endnote 1Canada

Robin M. Brown
Serge Labonté

Japan

Hideki Nakano
Yuji Uozumi (advisor)

People's Republic of China

Handi Guo
Shengzhi Sun
Yingren Li (advisor)
Gongke Tan (advisor)
Dongmei Tang (advisor)

Republic of Korea

Kwang-Youl Park

Participation list

Kyu-Kui Jung (advisor)
Jin-Yeong Kim (advisor)

Russia

Igor Shevchenko

U.S.A.

Justin R. Grubich
Patricia Livingston

Other

Laura Richards (F&A Chairman)
Tokio Wada (PICES Chairman)
Alexander Bychkov (Executive Secretary)
George Boehlert (U.S. National Delegate)
Brian Voss (IAMSLIC)
Janet Webster (IAMSLIC)

F&A Endnote 2**F&A Committee meeting agenda**

1. Welcome and opening remarks
2. Adoption of agenda and meeting procedures
3. Audited accounts for fiscal year 2006
4. Annual contributions
5. Fund-raising activities
6. Report on PICES Publication Program
7. Financing of PICES high priority projects
8. PICES Intern Program
9. Budget
 - a. Estimated accounts for fiscal year 2007
 - b. Interest and other income
 - c. Relocation and Home Leave Fund
 - d. Trust Fund
 - e. Working Capital Fund
 - f. Proposed budget for *FY* 2008 and forecast budget for *FY* 2009
10. Schedule and financing of future Annual Meetings
11. Additions to PICES Handbook
12. Administrative matters
13. Space, facilities and services for the PICES Secretariat office
14. Other business
15. F&A report and recommendations to Governing Council

F&A Endnote 3

Auditor's Report (2006) to the Organization

To the Council of the
North Pacific Marine Science Organization

We have audited the statement of financial position of North Pacific Marine Science Organization as at December 31, 2006 and the statement of operations and changes in fund balances for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance 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.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2006 and the results of its operations and changes in fund balances for the year then ended in accordance with Canadian generally accepted accounting principles.

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Sidney, BC
April 5, 2007

**NORTH PACIFIC MARINE SCIENCE ORGANIZATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2006**

ASSETS

	2006	2005
CURRENT ASSETS		
Cash and short term deposits (note 3)	\$ 726,512	\$ 800,990
Accounts receivable	57,538	14,500
Prepaid expenses	2,665	2,560
	\$ 786,715	\$ 818,050

LIABILITIES

CURRENT LIABILITIES		
Accounts payable	\$ 48,545	\$ 56,683
Funds held for contracting parties (note 4)	108,500	105,500
	157,045	162,183

FUND BALANCES

WORKING CAPITAL FUND (note 3)	414,964	435,867
TRUST FUND	110,000	110,000
RELOCATION AND HOME LEAVE FUND	104,706	110,000
	629,670	655,867
	\$ 786,715	\$ 818,050

**NORTH PACIFIC MARINE SCIENCE ORGANIZATION
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General Fund	Working Capital Fund	Trust Fund	Relocation and Home Leave Fund	2006 Total	2005 Total
FUND BALANCES, beginning of year	\$ -	\$ 435,867	\$ 110,000	\$ 110,000	\$ 655,867	\$ 590,326
SOURCES OF FUNDS						
Contributions from Contracting Parties	633,000	-	-	-	633,000	615,000
Budgeted transfer to General Fund (note 5)	97,000	(97,000)	-	-	-	-
Voluntary contributions and grants (note 6)	-	143,952	45,055	-	189,007	304,795
Interest and other income (note 7)	-	161,449	3,125	2,938	167,512	116,613
	730,000	208,401	48,180	2,938	989,519	1,036,408
FUND BALANCES, before expenditures	730,000	644,268	158,180	112,938	1,645,386	1,626,734
EXPENDITURES						
Personnel services (note 8)	399,572	46,720	-	-	446,292	390,132
Annual Meeting	39,060	3,011	-	-	42,071	55,434
Special meetings	56,719	159,240	-	-	215,959	157,442
Travel	81,000	-	39,581	-	120,581	132,355
Printing	66,242	-	-	-	66,242	128,523
Communication	35,457	-	-	-	35,457	31,792
Equipment	6,868	-	-	-	6,868	7,374
Supplies	7,375	-	-	-	7,375	9,130
Contractual services	15,883	19,200	-	-	35,083	37,200
Miscellaneous	3,726	-	-	-	3,726	3,681
Intern program	-	-	26,394	-	26,394	14,459
Relocation	-	-	-	8,232	8,232	-
Foreign exchange loss (note 9)	1,436	-	-	-	1,436	3,345
	713,338	228,171	65,975	8,232	1,015,716	970,867
NET FUNDS AVAILABLE	16,662	416,097	92,205	104,706	629,670	655,867
TRANSFER TO WORKING CAPITAL FUND (note 3)	(16,662)	16,662	-	-	-	-
INTERFUND TRANSFERS (note 5)	-	(17,795)	17,795	-	-	-
FUND BALANCES, end of year	\$ -	\$ 414,964	\$ 110,000	\$ 104,706	\$ 629,670	\$ 655,867

**NORTH PACIFIC MARINE SCIENCE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006**

1. PURPOSE OF ORGANIZATION

The North Pacific Marine Science Organization (PICES) is an intergovernmental non-profit scientific organization whose present members include Canada, Japan, the People's Republic of China, the Republic of Korea, the Russian Federation and the United States of America. The purpose of the Organization is to promote and coordinate marine scientific research in order to advance scientific knowledge of the North Pacific and adjacent seas.

2. ACCOUNTING POLICIES

The financial statements are prepared in accordance with the North Pacific Marine Science Organization's Financial Regulations and are prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of the significant accounting policies used in the preparation of these financial statements:

(a) Fund Accounting

The Working Capital Fund represents the accumulated excess of contributions provided from Contracting Parties over expenditures in the General Fund. The purposes of the General Fund and Working Capital Fund are established by Regulation 6 of the Organization Financial Regulation.

The Trust Fund was established in 1994 for the purpose of facilitating participation of a broad spectrum of scientists in activities of the Organization.

The Relocation and Home Leave Fund was established in 1995 to pay relocation and home leave expenses of new employees and their dependents to the seat of the Secretariat and removal after period of employment has ended, and to provide home leave for international staff. This fund is set at \$110,000.

(b) Capital Assets

Capital assets acquired by the Organization are expensed in the year of acquisition. During the current year the organization purchased \$6,868 of capital assets.

(c) Contributions

Contributions from Contracting Parties are recorded in the year in which they relate to. All other contributions and grants are recorded in the year received.

(d) Income Tax

The Organization is a non-taxable organization under the Privileges and Immunities (International Organizations) Act (Canada).

(e) Foreign Exchange

Transactions originating in foreign currencies are translated at the exchange rate prevailing at the transaction dates. Assets and liabilities denominated in foreign currency are translated to equivalent Canadian amounts at the current rate of exchange at the statement of financial position date.

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(f) Financial Instruments

The Organization's financial instruments consist of cash and short term deposits, accounts receivable and accounts payable. Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant interest, currency or credit risks.

(g) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. WORKING CAPITAL FUND

Of the total amount in the Working Capital Fund, \$199,270 is restricted for specific designated projects.

Pursuant to decision 06/A/3(ii) of the Governing Council, \$94,000 of the funds held in the Working Capital Fund will be transferred to the General Fund at the beginning of the 2007 fiscal year to reduce 2007 contributions.

Pursuant to Financial Regulation 6 (iii), the Working Capital Fund is to be increased/decreased by the surplus/deficit in the General Fund.

4. FUNDS HELD FOR CONTRACTING PARTIES

The funds held for Contracting Parties is an advance contribution from Japan in the amount of \$108,500.

5. INTERFUND TRANSFERS

The Governing Council approved the transfer of \$97,000 at the beginning of 2006 from the Working Capital Fund to the General Fund (Decision 05/A/3/ii) in order to facilitate in the reduction of the annual contribution fee per Contracting Part.

The Governing Council approved the transfer of funds from the Working Capital Fund to restore the Trust Fund to \$110,000 (Decision 06/A/4/ii). The amount of the transfer was \$17,795.

6. VOLUNTARY CONTRIBUTIONS AND GRANTS

	Working Capital Fund	Trust Fund
AFSC (U.S.A.) contribution for ESSAS/PICES Workshop	\$ 5,643	\$ -
PIFSC (U.S.A.) contribution for interim meeting	3,003	-
Contributions for 2006 CCCC Symposium:		
GLOBEC	11,380	-
GLOBEC (U.S.A.)	13,787	-
KORDI (Korea)	3,431	-
WPFMC (U.S.A.)	17,361	-
DFO (Canada) contribution for 2006 Line-P Symposium	3,975	-
GLOBEC contribution for Zooplankton Symposium	5,339	-
Korean contribution for position at Secretariat	19,200	-
NPRB (U.S.A.) funds for the Bering Sea Indicators Project	44,090	-
NPRB (U.S.A.) contribution for young scientists	16,743	-
Contributions for Intern Program:		
AFSC (U.S.A.)	-	11,286
PIFSC (U.S.A.)	-	17,094
SCOR travel grants for the CCCC Symposium and PICES XV	-	16,675
	\$ 143,952	\$ 45,055

7. INTEREST AND OTHER INCOME

	Working Capital Fund	Trust Fund	Relocation and Home Leave Fund
Interest income	\$ 12,367	\$ 3,125	\$ 2,938
Income tax levies	47,502	-	-
GST, PST and WCB rebates	8,110	-	-
Registration Fees for PICES XV	67,298	-	-
Registration Fees for CCCC Symposium	12,217	-	-
Registration Fees for Line-P Symposium	7,855	-	-
Registration Fees for Zooplankton Symposium	4,491	-	-
Other income	1,609	-	-
	\$ 161,449	\$ 3,125	\$ 2,938

8. PERSONNEL SERVICES

The expenditures from the Working Capital Fund for personnel services in 2006 include retroactive salary and benefit adjustments for staff members (\$14,965) and a lump sum payment to the IFC Pension Plan to cover a deficit (\$31,755).

9. FOREIGN EXCHANGE LOSS

At year end all funds held in foreign currency (US \$73,381) are converted to Canadian dollars using the December 31 exchange rate. A foreign exchange loss has been reported on the current year financial statements; this amount is an unbudgeted item which has been caused by the ongoing fluctuations in the US dollar (2006 = 1.1653, 2005 = 1.1659), and not by the actual purchase or sale of any foreign currencies.

10. FINANCIAL STATEMENTS

A statement of cash flows has not been presented, as the required information is readily apparent from the other financial statements presented and the notes to the financial statements.

F&A Endnote 4

Payment schedule of annual contributions, 2000–2007

	<i>Canada</i>	<i>China</i>	<i>Japan</i>	<i>Korea</i>	<i>Russia</i>	<i>U.S.A.</i>
<i>2000</i>	Feb. 9, 00	Aug. 29, 00	Nov. 30, 99	June 1, 00	Nov. 2, 00	Jan. 18, 00
<i>2001</i>	Jan. 24, 01	Dec. 10, 01	Dec. 13, 00	Aug. 23, 01	May 18, 01	Jan. 3, 01
<i>2002</i>	Jan. 21, 02	Oct. 8, 02	Nov. 27, 01	Aug. 26, 02	June 10, 02	Dec. 24, 01
<i>2003</i>	Jan. 13, 03	Oct. 3, 03	Dec. 11, 02	May 5, 03	Apr. 2, 03	Dec. 6, 02
<i>2004</i>	Jan. 5, 04	Aug. 10, 04	Dec. 26, 03	Mar. 24, 04	Mar. 2, 04	Feb. 9, 04
<i>2005</i>	Dec. 24, 04	Sept. 22, 05	Mar. 2, 05	Mar. 30, 05	Mar. 31, 05	Jan. 10, 05
<i>2006</i>	Dec. 28, 05	Aug. 1, 06	Dec. 15, 05	Feb. 8, 06	Feb. 28, 06	Jan. 30, 06
<i>2007</i>	Jan. 23, 07	July 3, 07	Dec. 5, 06	Apr. 3, 07	Feb. 13, 07	Jan. 10, 07

F&A Endnote 5

External funding and special contributions received since PICES XV

Since PICES XV (October 2006, Yokohama, Japan), the following extra-budgetary contributions for various activities initiated/sponsored by PICES were received:

Special projects

- The Ministry of Agriculture, Forestry and Fisheries (MAFF) of Japan, through the Fisheries Agency (JFA), contributed \$184,980 for the first year (from April 1, 2007 – March 31, 2008) of the PICES project on “*Development of the prevention systems for harmful organisms’ expansion in the Pacific Rim*”. The anticipated duration of the Project is 5 years (from April 1, 2007 – March 31, 2012), with a total funding of \$924,900.

Symposia/sessions/workshops

- The North Pacific Research Board (NPRB, U.S.A.) provided US \$5,000 for the ESSAS/PICES workshops on “*Evaluation of climate scenarios for sub-Arctic regions*” and “*The role of seasonal sea ice cover in marine ecosystems*” (June 4–6, 2007, Hakodate, Japan), and US \$10,000 for the FIS workshop on “*Forecasting climate impacts on future production of commercially exploited fish and shellfish*” (July 19–20, 2007, Seattle, U.S.A.).
- The Fisheries Research Agency of Japan co-sponsored the 2007 inter-sessional Science Board/Governing Council meeting and the workshop to develop a Science Plan for a Future Integrative Scientific Program (FISP) of PICES (April 16–19, 2007, Yokohama, Japan).
- The International Council for the Exploration of the Sea (ICES) co-sponsored the FIS/CCCC/BIO Topic Session on “*Fisheries interactions and local ecology*” and the POC/CCCC/MONITOR Topic Session on “*Operational forecast of oceans and ecosystems*” at PICES XVI, by covering travel costs of some invited speakers for these sessions.

- The Global Ocean Ecosystem Dynamics Project (GLOBEC) co-sponsored the CCCC/FIS Topic Session on “*Towards ecosystem-based management: Recent developments and successes in multi-species modeling*” at PICES XVI, by covering travel costs of one invited speaker for this session.
- The U.S. National Oceanic and Atmospheric Administration (NOAA), the U.S. National Aeronautics and Space Administration (NASA) and Fisheries and Oceans Canada (DFO) committed US \$50,000, US \$20,000 and CND \$20,000, respectively, to the symposium on “*Effects of climate change on the world’s oceans*” (May 19–23, 2008, Gijón, Spain).

Capacity building

- The U.S. National Marine Fisheries Service (NMFS) and DFO contributed US \$15,000 and CDN \$10,000, respectively, to the Trust Fund to support the PICES Intern Program.
- The U.S. National Marine Fisheries Service and the Korean Ocean Research and Development Institute (KORDI) provided US \$30,000 and US \$2,000, respectively, for the ICES/PICES Early Career Scientists Conference on “*New frontiers in marine science*” (June 26–29, 2007, Baltimore, U.S.A.). [In 2006, the North Pacific Research Board (U.S.A.) allocated US \$15,000 for this Conference.]
- The Scientific Committee on Oceanic Research (SCOR) allocated US \$5,000 to support travel of scientists from countries with “economies in transition” to PICES XVI, and US \$7,500 to the symposium on “*Effects of climate change on the world’s oceans*” (May 19–23, 2008, Gijón, Spain).
- GLOBEC offered US \$2,500 to cover travel costs of early career scientists to attend GLOBEC-related scientific sessions at PICES XVI.
- The International Fisheries Section of the American Fisheries Society, the Mexican Chapter of the Western Division of the American Fisheries Society, and the U.S. NMFS co-sponsored a 3-day MODEL training workshop (April 26–28, La Paz, B.C.S., Mexico) on “*Techniques for building multi-trophic level marine ecosystem models, with special emphasis on NEMURO and NEMURO.FISH*” for Ph.D.-level Mexican scientists. Drs. Bernard A. Megrey (U.S.A.) and Salvador Lluch-Cota (Mexico) coordinated the project.

Operations of the PICES Secretariat

- Korea contributed \$19,200 to support a part-time contract position at the PICES Secretariat.
- Fisheries and Oceans Canada provided \$15,000 to partially offset expenses for postage.

Other

- Commercial displays set up around the theme of ocean observatories were organized in conjunction with the MONITOR/TCODE Topic Session on “*Recent advancements in ocean observing systems: Scientific discoveries, technical developments and data management, analysis and delivery*” at PICES XVI. Revenue from the displays is estimated at \$4,500.

F&A Endnote 6

Action Plan based on 2007 PICES Publications Review

Actions:	To be performed by:
A. Managing the Publication Workflow	
1. Establish a new position (if only temporary) to assist with carrying out recommended actions and to consolidate and manage the whole publications workflow.	PICES Secretariat/PICES Finance and Administration Committee
2. Post the PICES Style Manual (Instructions to Authors and Editors) to the PICES website. Add similar information to print publications as appropriate.	PICES Executive Secretary, PICES Database and Web Administrator, publishing contractors
B. Increasing Recognition of PICES as a Publisher	
1. Include recommended citation formats and summaries of publications on additional series as appropriate.	PICES Secretariat and publishing contractors
2. Investigate possibilities of branding PICES at the article level in the journal special issues.	PICES Secretariat/Commercial publishers
3. Add information on the PICES publications introductory web page for ordering publications as well as more specific contact information for publications.	PICES Database and Web Administrator
C. Enhancing Access through Library and Indexer Cooperation	
1. Enhance existing OCLC catalog records with links to current digital versions of PICES publications.	PICES/IAMSLIC cooperative effort
2. Establish agreements with select libraries for ongoing print archiving, following surveys under Part D.	PICES/IAMSLIC/Contracting Parties cooperative effort
3. Establish agreements with commercial indexers that insure indexing of all PICES publications to the article level.	PICES Secretariat/Commercial indexing partnership
4. Add all publications to a searchable digital repository following pilot project in Part E.	PICES Secretariat
D. Improving Distribution Efficiencies	
1. Review and enhance data on distribution lists.	PICES Secretariat
2. Create and conduct surveys of each of the three groups of PICES distribution recipients and Contracting Parties.	PICES Secretariat/IAMSLIC cooperative effort
3. Add RSS functionality to website.	PICES Database and Web Administrator
E. Increasing Visibility and Ensuring Perpetuity through a Digital Repository	
1. Establish a pilot project to develop a collection of PICES Publications in the IAMSLIC digital repository 'Aquatic Commons'.	PICES/IAMSLIC cooperative effort
2. Retrospectively scan items to complete the collection of digital publications.	PICES Database and Web Administrator
3. Negotiate with publishers for the right to deposit appropriate versions of journal articles into the repository and/or on the PICES website.	PICES Secretariat/Commercial publishing partnership
4. Develop a copyright agreement between PICES and all authors that grants PICES rights to archive and provide access to digital content.	PICES Secretariat

F&A Endnote 7

PROPOSED FY 2008 BUDGET

<u>Source</u>	<u>Amount</u>		<u>Base</u>	<u>Additional Income</u>	<u>External funding</u>
Annual contributions from six Contracting Parties	666,000				
Guaranteed adjustments	96,000				
Net income tax levies	70,000			10,000	
Tax (GST, PST) rebates	10,000			37,500	
Interest	16,000			11,000	
Total	762,000			63,500	
Additional income	Amount				
Overhead from MAFF project	18,500				
Registration fees from Annual Meeting	40,000				
Encumbered funds from DFO for postage	5,000				
Total	63,500				
External funding	Amount				
Encumbered funds for PICES projects					
NPESR	22,920				
CCCC Symposium	10,470				
High-priority projects	144,060				
Anticipated funds for PICES projects					
NPESR (from NPRB)	52,920				
2008 Climate Change Symposium	90,000				
Total	320,370				
Category	Base	Additional Income	External funding		
Personnel services	500,000				
Annual Meeting	40,000	10,000			
Special meetings/travel	116,000	37,500			
Publications	56,000	11,000			
Communications	30,000	5,000			
Office/Administrative expenses	20,000				
Projects					320,370
Total	762,000	63,500			320,370

