

REPORT OF THE FINANCE AND ADMINISTRATION COMMITTEE

The Finance and Administration Committee (hereafter F&A) met from 09:00–13:30 hours on October 28, 2009, under the chairmanship of Ms. Patricia Livingston.

AGENDA ITEM 1

Opening remarks

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*).

AGENDA ITEM 2

Adoption of agenda

The Committee reviewed and approved the draft agenda without modification (*F&A Endnote 2*).

AGENDA ITEM 3

Audited accounts for FY 2008

The FY 2008 financial statements were submitted to *Flader, Hale & Hughesman* (formerly *Flader and Hale*, PICES external auditor for 2009–2011) on March 30, 2009, and the Auditor's Report was completed on April 17, 2009. The report (*F&A Endnote 3*) was electronically circulated to all Contracting Parties on April 22, 2009, and hard copies were sent to members of the F&A Committee by mail. In the auditor's opinion, the financial statements are an accurate representation of the financial position of the Organization as of December 31, 2008, and the results of its operations and changes in the fund balances are in accordance with the Canadian generally accepted accounting principles. The auditing process was in line with the PICES Financial Regulations (see *Regulation 11(ii)* and *Regulation 13*). The Committee reviewed the Auditor's Report and recommended it for approval by Council.

AGENDA ITEM 4

Annual contributions

As stated in *Regulation 5(ii)* of the PICES Financial Regulations, 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 2009 annual fee payment dates, and provided information on the payment of national contributions from 2004 to 2009 (*Endnote 4*).

The Committee noted that all Contracting Parties met their financial obligations for FY 2009. Even though only Japan, the United States and Canada paid prior to, or immediately after, the due date (January 1, 2009), the timeliness of payment from other Contracting Parties is stable. The Committee again recommended that Council instruct the Executive Secretary to send a letter to Contracting Parties commending their performance in submitting annual contributions for FY 2009.

The Committee confirmed its previous recommendation that for planning purposes, Contracting Parties should continue to use the guideline generally accepted at PICES-1999 (Decision 99/A/2(ii)), which states that “*the annual contributions will increase at the rate of inflation in Canada*”. This should assist Contracting Parties in preparing timely funding requests to cover annual contributions, and assist the Executive Secretary in developing future budgets.

F&A-2009

AGENDA ITEM 5

Fund-raising activities

As current funding constraints from an increase in annual contributions only at the rate of inflation in Canada can impede improvement and development of the Organization, fund-raising continues to be an important component of PICES activities. The level of external funding has increased significantly over the last several years, and a substantial part of the current operational budget is now supported by voluntary contributions, grants and partnerships (30–80% of the total annual contribution by Contracting Parties for the period from 2004 to 2009). All types of contributions are equally valuable to PICES.

The Executive Secretary reported on fund-raising efforts for the period since PICES-2008 (*F&A Endnote 5*) and provided information on the amount of funds in the Working Capital Fund restricted for specific purposes (encumbered funds) for the beginning of *FY* 2009, and the estimated amount of the encumbered funds for the fiscal year end. In reviewing the status of external funding, he put special emphasis on fund raising for the North Pacific Continuous Plankton Recorder (CPR) program, the 2010 PICES/ICES/FAO Symposium on “*Climate change effects on fish and fisheries: Forecasting impacts, assessing ecosystem responses, and evaluating management strategies*”, capacity building activities (such as the PICES Intern Program and the 2009 Summer School on “*Satellite oceanography*”), and on the voluntary contribution from the Japanese Ministry of Agriculture, Forestry and Fisheries for the PICES project on “*Development of the prevention systems for harmful organisms’ expansion in the Pacific Rim*”. It was noted that even though funding of the CPR program has significantly improved in the last 2 years, there is still a shortfall in meeting the target funding level of \$250,000 for the project. It was recommended that Council direct the Executive Secretary to write letters soliciting new members for the North Pacific CPR Consortium.

AGENDA ITEM 6

Financing of high priority projects

At PICES-2007, the Committee discussed the use of the encumbered funds designated for high-priority PICES projects and suggested that \$40,000 be earmarked for the development of the new PICES integrative scientific program, *FUTURE (Forecasting and Understanding Trends, Uncertainty and Responses of North Pacific Marine Ecosystems)*, and the remainder (\$103,092) be assigned for the preparation of the next North Pacific Ecosystem Status Report (Decision 07/A/3(v)). In 2008, additional funds for both these activities became available. Given current plans, the North Pacific Ecosystem Status Report appears to have sufficient financial support. However, the balance remaining for the development of *FUTURE* activities is small (\$18,872). There was some discussion about the financial needs of *FUTURE*. Canada suggested that it would be useful for member countries to receive a short list of desired activities for *FUTURE* that may require funding. Because these activities have not yet been defined by Science Board, the Committee recommended that the surplus funds (\$21,105) remaining from the 2008 symposium on “*Effects of climate change on the world’s oceans*” be allocated to the general “high priority PICES projects” category. The Committee also recommended that Council direct the Executive Secretary to send a letter to the Contracting Parties which contains information on planned *FUTURE* activities and a request to make contributions to these activities.

AGENDA ITEM 7

PICES Intern Program

The Executive Secretary informed the Committee that Ms. Tatiana Semenova (Pacific Research Fisheries Centre, Russia) was selected as the 2010/2011 PICES intern.

The Committee reviewed the current status of the Intern Program. It is estimated that at the end of *FY* 2009, the Organization will be holding about \$10,000 for the Intern Program. With the current stipend level of \$2,000 per month (Decision 07/A/6(iii)), this amount is sufficient to maintain the Program for only 4 months in

2010. Contracting Parties were invited to provide voluntary contributions to support the Intern Program in 2010. In response to this request, the United States, Canada, and Korea committed to contribute US\$15,000, CND\$10,000, and US\$10,000, respectively, to the Trust Fund for the Intern Program. These contributions are sufficient to maintain the Program for a full year without using the registration fee revenue (see Decision 01/A/4(iv)). Given the expected level of funding, the Committee recommended that Council keep the stipend at \$2,000 per month and that Ms. Semenova be offered a 12-month term to start as soon as possible after March 1, 2010.

The Committee also recommended that Council instruct the Executive Secretary to invite the Contracting Parties to provide voluntary contributions to support the Intern Program for 2010 and beyond.

AGENDA ITEM 8

Schedule, structure and financing of future Annual Meetings

PICES-2010 will be held from October 22–31, 2010, in Portland, Oregon, U.S.A. The U.S. delegation confirmed that they will not require any funds from the Organization to help offset the costs for the meeting.

The Russian Federation presented the status of planning for PICES-2011. Khabarovsk is the site presently under consideration, which the Executive Secretary will visit in spring of 2010. Some logistical issues with this site were discussed relating to the multiple venues, poster session matters, and the visa application process. The Committee recommended that consideration be given to holding this meeting from October 14–22, 2011, which would be a return to the more traditional time frame of the Annual Meeting.

The Committee recommended that, in keeping with the 6-year rotation cycle (Decision 94/A/6), Council invite Japan to explore the possibility of hosting PICES-2012, and inform the Secretariat on this matter by March 31, 2010.

At PICES-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 current registration fee structure that has been unchanged since 2004 and recommended that Council approve a \$50 increase in the Regular and Early registration categories but no increase in the Student and Spousal categories.

Type of registration fee	2009 CDN \$	2010 CDN \$
Regular	225	275
Early	150	200
Student	50	50
Spousal	50	50

At PICES-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 confirmed these views in 2009.

Science Board has already indicated the importance of having an inter-sessional meeting in 2010, to be held in conjunction with the PICES/ICES/FAO symposium on “*Climate change effects on fish and fisheries: Forecasting impacts, assessing ecosystem responses, and evaluating management strategies*” to be convened April 26–29, 2010, in Sendai, Japan. The Committee supported this request and recommended that Council approve the 2-day inter-sessional Science Board meeting to be held immediately prior to the symposium.

F&A-2009

Japan indicated that it is prepared to host ISB-2010, and Korea noted that it will investigate the possibility of hosting a FUTURE program inter-sessional event in 2010 or 2011.

The Committee was briefed by Dr. Tokio Wada, Chairman of PICES, on the recommendations of the Study Group on *Restructuring of the PICES Annual Meeting*. A slight revision to the wording of recommendation 5.3(b) was suggested for the sake of clarity to read: “*Scientific/Technical Committee Chairmen should circulate to members of the committee a description of the key issues and topics to be covered at the overture and formal meetings, prior to the Annual Meeting.*” The Committee also discussed the recommendation 5.4(b) which states that Science Board refrain from converting topic sessions to workshops in the days before the Regular Meeting, and clarified that this recommendation does not preclude high priority workshops be held in the days before the Regular Meeting. The Committee noted that there did not appear to be any negative financial or administrative implications related to the recommendations of this Study Group. It was concluded that the Study Group has completed its assigned task and has developed sufficient alternatives for Council decision with respect to the restructuring of the Annual Meeting. The Committee recommended that Council adopt the final report of the Study Group on *Restructuring the PICES Annual Meeting* and implement recommended changes in the format of the Annual Meeting starting with PICES-2011.

AGENDA ITEM 9

Budget

Estimated accounts for FY 2009 (Agenda Item 9a)

The Committee reviewed the estimated accounts for FY 2009 and recommended their acceptance by Council, noting that the expenses for “foreign exchange loss” are unknown at this time.

Interest and other income (Agenda Item 9b)

In FY 2008, the total income was \$540,128. This amount includes \$212,703 in voluntary contributions and grants (\$173,975 credited to the Working Capital Fund and \$38,630 credited to the Trust Fund).

In FY 2009, the estimated total income is \$576,449. This amount includes \$388,048 in voluntary contributions and grants (\$350,548 credited to the Working Capital Fund and \$37,500 credited to the Trust Fund).

The Committee was informed of the reduction in the amount of interest earned in 2009, which is approximately \$18,000 less than that in FY 2008.

Relocation and Home Leave Fund (Agenda Item 9c)

At PICES-2007, Council approved the F&A Committee recommendation that the level of the Relocation and Home Leave Fund (RHLF) be allowed to fluctuate between \$90,000 and \$110,000 to minimize the need for small transfers between funds (Decision 07/A/3(iii)). Given the estimated fund balance of \$101,492 on December 31, 2009, no action is required.

Trust Fund (Agenda Item 9d)

In FY 2009, the total Trust Fund (TRF) income is estimated at \$37,950 (\$37,500 in voluntary contributions and grants) and estimated expenses are \$69,800. The Committee recommended that Council approve a transfer from the Working Capital Fund to recover the 2009 expenses and restore the Trust Fund to the level of \$110,000.

Japanese Trust Fund (Agenda Item 9e)

The Committee reviewed the financial report for *Year 2* (April 1, 2008 to March 31, 2009) of the project on “*Development of the prevention systems for harmful organisms’ expansion in the Pacific Rim*” supported by the voluntary contribution from the Ministry of Agriculture, Forestry and Fisheries (MAFF). This report was submitted to the Fisheries Agency of Japan on July 21, 2009, and the notice on report acceptance was received on August 3.

The status of the MAFF account, for the period from April 1 to December 31, 2008, was assessed during the regular PICES audit for *FY 2008*. In the auditor’s opinion, the financial statements are an accurate representation of the financial position of the Organization as of December 31, 2008, and the results of its operations and changes in the fund balances are in accordance with the Canadian generally accepted accounting principles. The financial statements for the rest of *Year 2* of the MAFF project will be evaluated during the regular PICES audit for *FY 2009*.

Working Capital Fund (Agenda Item 9f)

After all approved inter-fund transfers, the amount of funds available in the Working Capital Fund (WCF) on January 1, 2009, was \$465,021. This includes \$303,830 in encumbered funds and \$161,191 in “reserve operating” funds. In *FY 2009*, the total WCF income and expenses are estimated at a level of \$546,394 (\$350,548 are in voluntary contributions and grants) and \$282,965, respectively. After the recommended inter-fund transfers, the amount of funds available in WCF at the fiscal year end will be \$586,600. This includes \$458,413 in encumbered funds, and \$128,187 in “reserve operating” funds.

Budget for *FY 2010* and forecast budget for *FY 2011* (Agenda Item 9g)

The Committee reviewed the proposed *FY 2010* budget of \$797,000 (*F&A Endnote 6*) and recommended its approval by Council. The Committee also recommended a transfer of \$110,000 from the Working Capital Fund to balance the budget, setting the total annual contribution at \$687,000, and the 2010 fees at \$114,500 per Contracting Party. These are unchanged from the *FY 2009* levels.

A 1.5% increase in the annual fees in 2010 had been proposed in order to compensate for the mandatory salary increases that were projected to occur, even though the forecast for the rate of inflation in Canada was close to 0%. There was no agreement among Committee members to recommend the approval of the proposed annual dues increase because it was not consistent with the guideline generally accepted at PICES-1999 (Decision 99/A/2(ii)), stating that “*the annual contribution will increase at the rate of inflation in Canada*”. It was also noted that this is the second time in PICES history that the WCF transfer has reached the \$110,000 level, and this may continue if mandatory salary increases continue while annual fees remain constant.

The Executive Secretary presented the forecast *FY 2011* budget of \$814,000 and noted that this budget is prepared based on preliminary information available as of September 1, 2009, and is 2.13% higher than the *FY 2010* budget.

AGENDA ITEM 10

Changes in PICES Rules of Procedure

The Committee reviewed the suggested changes in the PICES Rules of Procedure and recommended that Council approve the changes as proposed to bring the Rules into line with the approved structure for the new PICES integrative science program, FUTURE.

F&A-2009

AGENDA ITEM 11

Report on PICES Publication Program Action Plan

The Committee reviewed the progress on implementing the Action Plan for the PICES Publication Program and indicated the notable progress being made on the Plan, especially with respect to PICES branding on the article level in special issues of primary journals. The Committee looks forward to seeing further progress in the coming year.

AGENDA ITEM 12

Administrative matters

The Committee reviewed the status of negotiations for implementing the income tax levy practice for all personnel at the PICES Secretariat and directed the Executive Secretary to continue communications with the British Columbia government on the possibility for an *exgratia grant* equal to the amount of the provincial personal income taxes remitted, which will be paid back to the Organization at the end of each fiscal year.

AGENDA ITEM 13

Space, facilities and services for the PICES Secretariat office

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) hosts the PICES Secretariat at the Institute of Ocean Sciences (IOS) in Sidney, British Columbia, Canada. The Executive Secretary provided a report on current arrangements between PICES and DFO/IOS and local companies on general administrative services.

AGENDA ITEM 14

Other business

There was no other business.

AGENDA ITEM 15

Adoption of the F&A report and recommendations to Governing Council

The draft report was circulated and approved by all F&A members. All recommendations to Council were brought forward by Ms. Livingston at the first session of Council on October 31, 2009.

F&A Endnote 1Canada

Sylvain Paradis (F&A member)
 Laura Richards (F&A member)

Japan

Yukimasa Ishida (advisor)
 Harumi Yamada (F&A member)

People's Republic of China

Yingren Li (alternate F&A member)

Republic of Korea

Jeonghwa Kim (advisor)

F&A participation list

Chul Park (F&A member)

Russian Federation

Anastasia Mednikova (advisor)
 Igor Shevchenko (F&A member)

U.S.A.

Stephen DeVincent (alternate F&A member)

Other

Patricia Livingston (F&A Chairman)
 Tokio Wada (PICES Chairman)
 Alexander Bychkov (Executive Secretary)

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 *FY* 2008
4. Annual contributions
5. Fund-raising activities
6. Financing of PICES high priority projects
7. PICES Intern Program
8. Schedule, structure and financing of future Annual Meetings (including review of the report of the Study Group on *Restructuring of the PICES Annual Meeting*)
9. Budget
 - a. Estimated accounts for *FY* 2009
 - b. Interest and other income
 - c. Relocation and Home Leave Fund
 - d. Trust Fund
 - e. Japanese Trust Fund
 - f. Working Capital Fund
 - g. Proposed budget for *FY* 2010 and forecast budget for *FY* 2011
10. Changes in PICES Rules of Procedure
11. Progress report on implementation of the PICES Publication Program Action Plan
12. Administrative matters
13. Space, facilities and services for the Secretariat office
14. Other business
15. 2009 F&A report and recommendations to Governing Council

Audited Accounts for FY 2008



A PARTNERSHIP:
RICHARD B. FLADER LTD.
SCOTT A. HALE LTD.
ELAINE V. HUGHESMAN LTD.

PROVIDING SOLUTIONS THAT FIT

AUDITORS' REPORT

To the Council of the
North Pacific Marine Science Organization

We have audited the statement of financial position of the North Pacific Marine Science Organization as at December 31, 2008 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 the Organization's 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, 2008 and the results of its operations and changes in fund balances for the year then ended are in accordance with Canadian generally accepted accounting principles.

Flader Hale Hughesman
CHARTERED ACCOUNTANTS

Sidney, B.C.
April 20, 2009

NORTH PACIFIC MARINE SCIENCE ORGANIZATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2008

ASSETS

	2008	2007
CURRENT ASSETS		
Cash and short term deposits (note 4)	\$ 1,109,880	\$ 939,641
Accounts receivable	7,034	29,264
Prepaid expenses	2,734	2,455
Accrued interest receivable	-	1,393
	\$ 1,119,648	\$ 972,753

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 38,899	\$ 38,588
Funds held for Contracting Parties (note 3)	229,000	111,000
	267,899	149,588

FUND BALANCES

WORKING CAPITAL FUND (note 4)	563,021	450,519
TRUST FUND	110,000	110,000
RELOCATION AND HOME LEAVE FUND	100,862	108,577
MINISTRY OF AGRICULTURE, FORESTRY AND FISHERIES FUND	77,866	154,069
	851,749	823,165
	\$ 1,119,648	\$ 972,753

**NORTH PACIFIC MARINE SCIENCE ORGANIZATION
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	General Fund	Working Capital Fund	Trust Fund	Relocation and Home Leave Fund	Ministry of Agriculture, Forestry and Fisheries Fund	2007 Total	2008 Total	2007 Total
FUND BALANCES, beginning of year	\$ -	\$ 450,519	\$ 110,000	\$ 108,577	\$ 154,069	\$ 823,165	\$ 823,165	\$ 629,670
SOURCES OF FUNDS								
Contributions from Contracting Parties	657,475	-	-	-	-	657,475	-	651,000
Budgeted transfer to General Fund (note 5)	96,000	(96,000)	-	-	-	-	-	-
Additional transfer to General Fund (note 5)	8,525	(8,525)	-	-	-	-	-	-
Voluntary contributions and grants (note 6)	-	173,975	38,728	-	161,466	374,169	-	435,698
Interest and other income (note 7)	-	321,567	3,102	2,756	1,746	329,171	-	342,599
Foreign exchange gain (note 10)	28,831	-	-	-	-	28,831	-	-
	790,831	391,017	41,830	2,756	163,212	1,389,646	1,429,297	
FUND BALANCES, before expenditures	790,831	841,536	151,830	111,333	317,281	2,212,811	2,058,967	
EXPENDITURES								
Personnel services	500,080	-	-	-	-	500,080	-	495,688
Annual Meeting	40,000	11,991	-	-	-	51,991	-	115,049
Special meetings/travel	118,136	38,023	35,751	-	-	191,910	-	426,916
Publications	54,489	-	-	-	-	54,489	-	68,432
Communication	25,927	-	-	-	-	25,927	-	51,992
Office and administration	18,206	-	-	-	-	18,206	-	19,041
Projects (note 8)	-	237,575	-	-	-	237,575	-	17,187
Intern program	-	-	30,998	-	-	30,998	-	27,153
Relocation	-	-	-	10,471	-	10,471	-	-
MAFF Fund expenditures (note 9)	-	-	-	-	239,415	239,415	-	-
Foreign exchange loss (note 10)	-	-	-	-	-	-	-	14,344
	756,838	287,589	66,749	10,471	239,415	1,361,062	1,235,802	
NET FUNDS AVAILABLE	33,993	553,947	85,081	100,862	77,866	851,749	823,165	
TRANSFER TO								
WORKING CAPITAL FUND (note 4)	(33,993)	33,993	-	-	-	-	-	-
INTERFUND TRANSFERS (note 5)	-	(24,919)	24,919	-	-	-	-	-
FUND BALANCES, end of year	\$ -	\$ 563,021	\$ 110,000	\$ 100,862	\$ 77,866	\$ 851,749	\$ 851,749	\$ 823,165

NORTH PACIFIC MARINE SCIENCE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

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.

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. The fund balance must be maintained between \$90,000 and \$110,000.

The Ministry of Agriculture, Forestry and Fisheries Fund was established in 2007. The Ministry of Agriculture, Forestry and Fisheries of Japan, through the Fisheries Agency has provided voluntary contributions for a project dedicated to the development of the prevention systems for harmful organisms in the Pacific Rim.

(b) Capital Assets

Capital assets acquired by the Organization are expensed in the year of acquisition. During the current year the Organization purchased \$4,997 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. Refer to Note 4 for contributions restricted for specific designated projects.

(d) Income Tax

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

**NORTH PACIFIC MARINE SCIENCE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

(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.

(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. FUNDS HELD FOR CONTRACTING PARTIES

The funds held for Contracting Parties are advance contributions from Japan in the amount of \$114,500 and U.S.A. in the amount of \$114,500.

4. WORKING CAPITAL FUND

Of the total amount in the Working Capital Fund, \$303,830 of cash and short term deposits is restricted for specific designated projects.

Pursuant to decision 08/A/3(ii) of the Governing Council, \$98,000 of the funds held in the Working Capital Fund will be transferred to the General Fund at the beginning of the 2009 fiscal year to balance the budget, setting the total annual contribution at \$687,000, and the 2009 annual fee at \$114,500 per Contracting Party.

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

5. INTERFUND TRANSFERS

The Governing Council approved the transfer of \$96,000 at the beginning of 2008 from the Working Capital Fund to the General Fund (Decision 07/A/3/ii) to balance the budget, setting the total annual contribution at \$666,000, and the 2008 annual fee at \$111,000 per Contracting Party.

All Contracting Parties met their financial obligations in 2008, except the United States. An additional transfer of \$8,525 was transferred to the General Fund from the Working Capital Fund to compensate for the arrears payment.

NORTH PACIFIC MARINE SCIENCE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

5. INTERFUND TRANSFERS, continued

The Governing Council approved the transfer of funds from the Working Capital Fund to restore the Trust Fund to \$110,000 by the end of 2008 (Decision 08/A/3/iv). The amount of the transfer was \$24,919.

6. VOLUNTARY CONTRIBUTIONS AND GRANTS

	Working Capital	
	Fund	Trust Fund
Contributions for the North Pacific Ecosystem Status Report:		
KORDI (Korea)	\$ 40,508	\$ -
NPRB (U.S.A.)	53,123	-
NMFS (U.S.A.) contribution for the development of FUTURE	23,724	-
NOAA (U.S.A.) contribution for the Climate Change Symposium	52,720	-
SAHFOS (UK) contributions for the North Pacific CPR Project	500	-
SCOR contribution for PICES Special Publication No. 3	3,400	-
Contributions for the Intern Program:		
KORDI (Korea)	-	10,127
NMFS (U.S.A.)	-	15,816
SCOR travel grant for the Climate Change Symposium	-	7,493
SCOR travel grant for PICES XVII	-	5,292
	\$ 173,975	\$ 38,728

7. INTEREST AND OTHER INCOME

	Working Capital	Trust	Relocation and	Ministry of
	Fund	Fund	Home Leave	Agriculture,
			Fund	Forestry and
				Fisheries Fund
Interest income	\$ 17,927	\$ 3,102	\$ 2,756	\$ 1,746
Income tax levies	66,819	-	-	-
GST, PST & WCB rebates	5,449	-	-	-
Overhead from MAFF project	18,500	-	-	-
Registration Fees:				
PICES XVII	57,488	-	-	-
Climate Change Symposium	155,335	-	-	-
Other income	49	-	-	-
	\$ 321,567	\$ 3,102	\$ 2,756	\$ 1,746

**NORTH PACIFIC MARINE SCIENCE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

8. PROJECTS

The expenditures in the Working Capital Fund for projects were funded by voluntary contributions designated for the respective projects.

2008 Climate Change Symposium	\$ 197,013
Development of FUTURE	24,337
North Pacific CPR Project	500
North Pacific Ecosystem Status Report	8,846
Publications (2006 CCCC Symposium special issue)	6,879
	\$ 237,575

9. MINISTRY OF AGRICULTURE, FORESTRY AND FISHERIES FUND EXPENDITURES

Special meetings	\$ 65,817
Contractual services	105,832
Equipment	49,108
Overhead to PICES	18,500
Miscellaneous	158
	\$ 239,415

10. FOREIGN EXCHANGE GAIN / LOSS

At year end all funds held in foreign currency (US \$84,773) are converted to Canadian dollars using the December 31st exchange rate. A foreign exchange gain 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 (2008 = 1.2246, 2007 = 0.9881), and not by the actual purchase or sale of any foreign currencies.

11. UNFUNDED PENSION LIABILITY

The Organization holds a pension plan for its employees with the International Fisheries Commissions Pension Society. An actuarial valuation report was prepared as at January 31, 2008 and showed an unfunded pension liability for PICES of \$208,000. This liability is being paid in monthly instalments over a period of 15 years. The total amount payable in each of the next five years is \$25,200.

12. COMPARATIVE FIGURES

Certain balances of the preceding period have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

**NORTH PACIFIC MARINE SCIENCE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

13. 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, 2004 to 2009¹

	<i>Canada</i>	<i>China</i>	<i>Japan</i>	<i>Korea</i>	<i>Russia</i>	<i>U.S.A.</i>
2004	Jan. 5, 04	Aug. 10, 04	Dec. 26, 03	Mar. 24, 04	Mar. 2, 04	Feb. 9, 04²
2005	Dec. 24, 04	Sept. 22, 05³	Mar. 2, 05	Mar. 30, 05	Mar. 31, 05⁴	Jan. 10, 05
2006	Dec. 28, 05	Aug. 1, 06	Dec. 15, 05	Feb. 8, 06	Feb. 28, 06	Jan. 30, 06
2007	Jan. 23, 07	July 3, 07	Dec. 5, 06	Apr. 3, 07	Feb. 13, 07	Jan. 10, 07
2008	Jan. 16, 08	May 15, 08	Dec. 20, 07	Feb. 15, 08	Feb. 13, 08	Jan. 7, 08⁵
2009	Jan. 5, 09	June 3, 09	Dec. 11, 08	Apr. 1, 09	Mar. 27, 09	Dec. 24, 08

¹ payments made later than in the first quarter of the PICES fiscal year or partial payments are indicated in bold

² partial (50%) payment, remainder paid September 8, 2004

³ partial (86%) payment, remainder paid December 30, 2005

⁴ partial (96.6%) payment, remainder paid April 25, 2005

⁵ partial (92.3%) payment, remainder paid on May 22, 2009

F&A Endnote 5

External funding and voluntary contributions received since PICES-2008

Special projects

- The Ministry of Agriculture, Forestry and Fisheries (MAFF) of Japan, through the Fisheries Agency of Japan, contributed CDN\$187,505 for Year 3 (from April 1, 2009–March 31, 2010) 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 to March 31, 2012), with a total funding at the level of approximately \$900,000.
- Several organizations contributed to the North Pacific Continuous Plankton Recorder (NP CPR) project (for full usage of the information available in the data funding at the level of \$250,000 per year is required):
 - Fisheries and Oceans Canada (DFO) provided CDN\$75,000 for operations of the NP CPR project in 2008–2009. This support is intended to continue into the future at the level of \$50,000 per year.
 - The North Pacific Research Board (NPRB, U.S.A.) provided US\$50,000 for operations of the NP CPR project in 2009. This support is intended to continue at the same level for the next 5 years.
 - The *Exxon Valdez* Oil Spill Trustee Council (EVOSTC) approved funding in the amount of US\$205,600 for operations of the NP CPR project in 2009–2012 (Project on “*Measuring interannual variability in the herring’s forage base from the Gulf of Alaska*”). The amount for 2009–2010 is US\$61,900, and progress on the project has to be assessed prior to the next fiscal year.
 - The Sir Alister Hardy Foundation for Ocean Science (SAHFOS, UK) agreed to cover 2009 salaries for a Principle Investigator and a technician for the North Pacific CPR project.
 - The Japanese Society for Promotion of Science (JSPS) provided a 5-year (2009–2013) grant equal to about US\$400,000 to analyze samples collected by the North Pacific CPR project for the western Pacific.
- The Korea Ocean Research and Development Institute (KORDI) and the National Fisheries Research and Development Institute of Korea (NFRDI) hosted and provided additional support for the workshop on “*Status and trends in East Asian Marginal Seas*” held April 21–22, 2009, as a part of the development of the next PICES North Pacific Ecosystem Status Report.

Symposia/sessions/workshops

- Several organizations/institutions provided or committed financial support for the PICES/ICES/FAO Symposium on “*Climate change effects on fish and fisheries: Forecasting impacts, assessing ecosystem responses, and evaluating management strategies*” to be held April 26–29, 2010, in Sendai, Japan (**funds marked by * will go through PICES accounts**):

- Fisheries and Oceans Canada (DFO) – CDN\$20,000* (to be paid in early 2010)
- Fisheries Research Agency of Japan (JFA) – JPY 1,500,000
- Food and Agriculture Organization of the United Nations (FAO) – US\$10,000
- Hokkaido University Global Center of Excellence Program on “Establishment of Center for Integrated Field Environmental Science” (HUGCOE) – JPY 1,500,000
- International Pacific Halibut Commission (IPHC) – US\$6,000*
- Intergovernmental Oceanographic Commission of UNESCO (IOC) – US\$10,000
- Korea Ocean Research and Development Institute (KORDI) – KRW 3,000,000*
- National Institute of Environmental Studies of Japan (NIES) – US\$7,000
- National Marine Fisheries Service of NOAA (NMFS) – US\$50,000*
- North Pacific Anadromous Fish Commission (NPAFC) – CDN\$6,000*
- North Pacific Research Board (NPRB) – US\$30,000*
- Pacific Salmon Foundation (PSF) – CDN\$5,000*
- Scientific Committee on Oceanic Research (SCOR) – US\$5,000* (to be paid in early 2010)
- Sendai Tourism and Convention Bureau (STCB) – US\$8,000
- University of Hamburg Integrated Climate System Analysis and Prediction (CLiSAP) – €1,000
- The World Bank (WB) – US\$10,000
- The U.S. National Marine Fisheries Service (NMFS) and U.S. Department of State provided US\$50,000 (CDN\$55,000) and US\$51,000 (CDN\$55,354), respectively, for PICES-2010 to be held October 22–31, 2010, in Portland, Oregon, U.S.A.
- Argo (International Program for Deployment of Profiling Floats), CLIVAR (Climate Variability and Predictability Program), GOOS (Global Ocean Observing System), ICES (International Council for the Exploration of the Sea), IMBER (Integrated Marine Biogeochemistry and Ecosystem Research), ESSAS (Ecosystem Study of Sub-Arctic Seas), NOWPAP (Northwest Pacific Action Plan), and SOLAS (Surface Ocean Low Atmosphere Study) accepted PICES’ invitation to co-sponsor (by covering travel of additional invited speakers and/or convenors) relevant sessions/workshops held at PICES-2009.

Capacity building

- DFO (Canada) and NMFS (U.S.A.) contributed CDN\$10,000 and US\$15,000 (CDN\$16,500), respectively, to the Trust Fund to support the PICES Intern Program.
- SCOR provided a grant of US\$10,000 to support participation of scientists from countries with “economies in transition” in the 2009 PICES Summer School on “*Satellite oceanography in the marine environment*” (August 25–28, 2009, Seoul, Korea) and in SCOR-relevant sessions and/or workshops at PICES-2009.
- Several Korean organizations/programs (East Asian Seas Time Series-1 Program, Brain Korea 21 Program, Seoul National University, Ministry of Land, Transport and Maritime Affairs, Korea Ocean Research and Development Institute, Korea Meteorological Administration, and National Fisheries Research and Development Institute) provided major funding for the 2009 PICES Summer School on “*Satellite oceanography in the marine environment*”. Additional support was committed by the Special Monitoring and Coastal Environmental Assessment Regional Activity Centre of the Northwest Pacific Action Plan (CEARAC/NOWPAP).

Operations of the PICES Secretariat

- A 10% overhead (\$16,147) of the Year 2 budget (\$161,466) and 13% overhead (\$24,375) of the Year 3 budget (\$187,505) for the PICES project on “*Development of the prevention systems for harmful organisms’ expansion in the Pacific Rim*” was retained to offset expenses related to the Secretariat’s involvement in the project.

F&A Endnote 6

Proposed FY 2010 budget

Sources for General Fund (GNF)		
	GNF Allotment	WCF Allotments
Contributions from six Contracting Parties	687,000 (2010 Annual fee for each Contracting Party is \$114,500)	
Transfer from Working Capital Fund	110,000	
Total	797,000	
Category	GNF Allotment	WCF Allotments
Personnel Services	525,000	
Annual Meeting	20,000	encumbered funds as needed/available
Special Meetings/Travel	125,000	encumbered funds as needed/available
Publications	70,000	
Communications	33,000	encumbered funds as needed/available
Office/Administrative Expenses	24,000	encumbered funds as needed/available
Projects		
Total	797,000	