

Report of the Finance and Administration Committee

The Finance and Administration (hereafter F&A) Committee met from 14:00–18:00 hours on November 8 and 09:00–11:00 on November 9, 2016 under the chairmanship of Dr. John Stein.

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 AND MEETING PROCEDURES

The Committee reviewed and approved the provisional agenda with modification (*F&A Endnote 2*)

AGENDA ITEM 3: AUDITED ACCOUNTS FOR FY2015

The FY 2015 financial statements were submitted to the auditor Hale & Hughesman on March 31, 2016 and the audit was completed on May 13, 2016. The report (*F&A Endnote 3*) was electronically circulated to all Contracting Parties on May 26, 2016. In the auditor's opinion, "*the financial statements present fairly, in all material respects, the financial position of the North Pacific Marine Science Organization as at December 31, 2016, and the results of its operations and changes in fund balances for the year then ended*". The Committee noted that the auditing process was in line with the PICES Financial Regulations (*Regulation 11(ii)* and *Regulation 13*) and recommended that the Auditor's Report be approved by Governing Council (hereafter 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*". A request for payment of the 2016 annual fees was sent to all Contracting Parties on December, 2015. All Contracting Parties met their financial obligations for FY 2016 (*F&A Endnote 4*).

The Committee reiterated (1) the importance for all Contracting Parties to pay the Annual Fee by the January 1 deadline and (2) that for planning of their funding requests for annual contributions, Contracting Parties continue to use the guideline generally accepted at PICES-1999 (Decision 1999/A/2(ii)), which states that the annual contributions will increase at the rate of inflation in Canada.

AGENDA ITEM 5 FUND-RAISING ACTIVITIES

Annual contributions increasing only at the rate of inflation in Canada can impede improvement and development of the Organization. Therefore, fund-raising continues to be an important component of PICES activities. All types of contributions, monetary and "in-kind", are equally valuable to PICES.

The Executive Secretary reported on fund-raising efforts for the period since PICES-2015 (*F&A Endnote 5*). The discussion of voluntary contributions from contracting parties noted that all parties have provided voluntary contributions in recent years and that USA provided substantial additional funding to host this year's annual meeting. There are uneven voluntary contributions to PICES projects and currently there was some concern for the Intern Program; however, Canada, China, Korea and the USA indicated they will support the program. To insure continuity of the program the Committee recommends considering an earlier starting date for new interns, such as starting in early May.

The Committee recommends instructing the Executive Secretary to invite Contracting Parties to provide voluntary contributions to the Trust Fund to support the Intern Program in 2017 and beyond.

Related to other fund raising activities, Japan will keep the Executive Secretary informed of discussions on a future collaborative project.

AGENDA ITEM 6: ENCUMBERED FUNDS FOR PICES ACTIVITIES

The Executive Secretary provided information on the amount of funds in the Working Capital Fund restricted for specific purposes (encumbered funds) at the beginning of *FY* 2016 and the estimated amount of the encumbered funds for the fiscal year end.

AGENDA ITEM 7: FINANCING OF HIGH PRIORITY PICES INITIATIVES

Funding status for the High Priority Activities was reviewed. Contributions to the Intern Program from Canada, China, Korea, and the U.S.A. are providing support for this program through 2017. Preparations and financing for the 2017 Early Career Scientists Conference were noted, including the “in kind” contributions from Korea for the conference.

AGENDA ITEM 8: SCHEDULE, STRUCTURE AND FINANCING OF FUTURE ANNUAL MEETINGS

The Russian Delegate confirmed that Russia will host PICES-2016 from September 20 – October 1, 2017 in Vladivostok, Russia.

In keeping with the six -year rotation cycle (Decision 1994/A/6), Japan is expected to host the Annual Meeting in 2018. Japan has confirmed their intention to host PICES-2018 and it is noted that considerable planning has already taken place by Japan. The Committee also recommends approving a request from Japan for up to \$40,000 from PICES to defray the costs of hosting the 2018 annual meeting. Also in keeping with six-year rotation cycle, the Committee recommends that Council request Canada to explore the possibility of hosting the 2019 Annual Meeting, and inform the Secretariat on this matter by March 31, 2017.

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 2001/A/4(iv)). The Committee discussed the current registration fee structure and recommends keeping the same structure for PICES-2017 as for PICES-2010 through PICES-2016:

Type of registration fee	CDN \$
Regular	275
Early	200
Student	50
Spousal	50

At PICES-2005, 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 2016. Science Board has already indicated the importance of having an inter-sessional meeting in 2017. The USA has indicated their willingness to host the meeting at a date and venue to be determined. The Committee supports the request by Science Board and recommends it to Council for approval.

AGENDA ITEM 9: REPORT FROM THE ANNIVERSARY PLANNING COMMITTEE

The output products and deliverable for the 25th Anniversary year were reviewed, including:

- New PICES Logo and associated branding
- New PICES website, which is still in development
- A book titled “Fostering Internationalism through Marine Science: The Journey with PICES”, written by Sara Tjossem was published by Springer;

- Three videos were produced by 77th Parallel Productions.
- A photo book, “*PICES Memory Book: The First 25 Years*”
- Special memorabilia – PICES pins, luggage tags, and water bottles
- Special guests at the Annual Meeting
- Work is continuing on a series of lectures on PICES accomplishments to be presented at the 2017 PICES/ICES Early Career Scientists Conference.

The Executive Secretary reported that additional versions of the three videos were delivered without subtitles. Providing an opportunity to create versions subtitled in languages other than English, at a modest cost. This was an unforeseen option and was not incorporated in the Anniversary Planning Budget. The Committee recommends that the Executive Secretary work individually with Contracting Parties to determine their interest and support for subtitling in other languages.

AGENDA ITEM 10: BUDGET

ESTIMATED ACCOUNTS FOR FY2016 - 10(A)

The Committee reviewed the estimated accounts for FY 2016 and recommends their acceptance by Council, noting that the expenses for “foreign exchange loss/gain” are preliminary at this time.

INTEREST AND OTHER INCOME - 10(B)

In FY 2016, the total income is \$1,846,013. This amount includes \$1,629,959 in extra-budgetary contributions and grants (\$1,237,461 credited to the Working Capital Fund and \$80,722 credited to the Trust Fund).

RELOCATION AND HOME LEAVE FUND - 10(C)

At PICES-2015, Council accepted the recommendation of the F&A Committee that the purpose of the Relocation and Home Leave Fund (RHLEF) be revised to hold funding for severance and vacation liabilities, as reported in Note 13 in the 2015 Auditor’s Report for 2015. In 2016, we recommend the transfer \$260,000 from the Reserve Operating Funds portion of the Working Capital Fund to the Relocation and Home Leave Fund (RHLEF) to provide funding for expenditures on severance and excess vacation (estimated at \$260,000) expected in FY2017.

TRUST FUND - 10(D)

In FY 2015, the total Trust Fund income was \$37,171 and expenses were \$76,937. Based on the estimates for 2016, we do not anticipate a requirement to transfer from the Working Capital Fund to the Trust Fund to recover the 2016 expenses and restore the Trust Fund to the minimum required level of \$110,000.

JAPANESE TRUST FUND - 10(E)

The Executive Secretary presented the report on the PICES/MAFF project on “*Marine ecosystem health and human well-being*” and on the PICES/MoE project “*Effects of marine debris caused by the Great Tsunami of 2011*”. Both projects are due to complete in 2017 and both projects are on track to complete on time and within budget.

WORKING CAPITAL FUND -10(F)

After all inter-fund transfers, the amount of funds available in the WCF on January 1, 2016, was \$1,513,304. This includes \$875,681 in encumbered funds and \$637,623 in reserve operating funds. In FY 2016, the total WCF income and expenses are estimated at a level of \$989,786 (\$824,260 are voluntary contributions and grants) and \$653,801, respectively. After the recommended inter-fund transfers, the amount of funds available in the WCF at the financial year end is estimated at \$1,170,830. This includes \$702,007 in encumbered funds, and \$468,823 in “reserve operating” funds.

PROPOSED BUDGET FOR FY2017 AND FORECAST BUDGET FOR FY2018 (AGENDA ITEM 10(G))

The Committee reviewed the proposed FY 2017 budget of \$908,100 (*F&A Endnote 5*) and recommends its approval by Council. The amount of \$131,100 will be transferred from the Working Capital Fund to balance the budget, setting the total annual contribution at \$777,000 and the 2017 annual fee at \$129,500 per Contracting Party. The annual fee increase is a 1.4% increase from the FY 2016 level and the increase is based on the monthly average CPI from July 2015 to June 2016 reported by Statistics Canada.

The Executive Secretary presented the forecast *FY* 2018 budget of \$920,900 and noted that this budget is prepared based on preliminary information available as of October 15, and is approximately 1.4% higher than the *FY* 2017 budget. If the inflation rate in Canada stays at the level of ~1.4%, under the adopted guidelines (Decision 1999/A/2(ii)), the 2018 annual fee could be set at the level of \$131,300 per Contracting Party. The total 2018 contribution will be \$787,800 and a transfer of \$133,100 from the Working Capital Fund will be required to balance the budget.

AGENDA ITEM 11: POLICY AND LONGER TERM CONSIDERATIONS

PICES LOGO AND BRANDING [DECISION 2015/A/6 (III)] – AGENDA ITEM 11(A)

There was no need to re-visit this decision

DATA MANAGEMENT POLICY FOR PICES - AGENDA ITEM 11(B)

The Committee reviewed the draft data policy prepared by TCODE and a Scoping Document prepared by the Executive Secretary. The Committee recognized the importance of the issue and recommends that the Chair of F&A (working with the Executive Secretary and TCODE) develop a high-level Data Management policy document and initiate an inventory of PICES data and data products that would be covered by such a policy. The policy and initial inventory will be reviewed by Science Board at the intersessional meeting in 2017.

PUBLICATION POLICY – PAYING FOR OPEN ACCESS PUBLICATION - AGENDA ITEM 11(C)

The Committee reviewed the costs and implications of funding Open Access publication for all PICES-sponsored Special Issues and review papers. At current costs, a blanket policy to support Open Access publication would be unaffordable for the organization. In the absence of a blanket policy, The Committee recommends a case-by-case review for such requests, using the following criteria as a guide:

1. **Is the paper/volume of very broad interest in the scientific community?** Specialists often have access to such journals provided through their institutions, so the incremental exposure for highly specialized publications provided by Open Access may be limited. This should be a Science Board determination.
2. **Does the paper/volume represent time-sensitive information that is sought after by a broad scientific community?** Open Access may improve the speed at which scientific results propagate in the community. This should be a Science Board determination.
3. **Is the paper/volume a key output product of an Expert Group or PICES sponsored activity?** Where these are planned activities and part of the work plan, Open Access publication may be easier to support. This should be a Science Board determination.
4. **Is the paper/volume a key output product of an activity carried out in collaboration with one of our strategic partners?** This opens up the potential for cross sharing, but it may also be a cost associated with these key collaborations. This should be a Governing Council determination, with input from Science Board.
5. **Is this a high priority for funding?** Any requests for funding of Open Access publications should be assigned a numerical priority. This will be used to determine funding decision in the event of multiple high priority requests that exceed the available funding.
6. **Is this affordable?** This should be a Finance and Administration Committee determination, in consultation with the Executive Secretary.

ADMINISTRATIVE SUPPORT FOR THE SCIENCE BOARD CHAIRMAN (AGENDA ITEM 11(D))

The Executive Secretary reported that discussions with the Japanese Governing Council member had concluded and that suitable arrangements were in place.

FINANCIAL RESERVE PLANNING (AGENDA ITEM 11(E))

The Committee reviewed a presentation on reserve operating funds and recommends that estimates of true reserve operating funds be reported and reviewed by the F&A committee annually. The Committee did not recommend a specific target for reserve operating funds, but suggested that, as a guideline, these reserves should exceed a value of twice the annual fees for a single Contracting Party.

AGENDA ITEM 12: ADMINISTRATIVE MATTERS**PROPOSED CHANGE TO STAFF RULES – RECOURSE -12(A)**

The Committee recommends that Council approve a new Staff Rule (below) to provide a recourse mechanism.

S. Rule 47

In the event of a dispute over a decision of the Executive Secretary, a staff member may apply in writing to either the Chairman or Vice-Chairman for a review of the decision by the Executive Secretary. Such application must be made within 14 days of receipt of written notice of such a decision.

PROPOSED CHANGE TO STAFF RULES - RELOCATION AND HOME LEAVE - 12(B)

The Committee recommends that that Council approve the addition to Staff Rule 31 outlined in bold below.

S. Rule 31

The Organization shall pay expenses at two year intervals, for internationally recruited staff and their dependents, to the staff member's home country for two weeks of home leave, provided that;

- (a) dependents who benefit from this grant have resided at the location of the Secretariat for at least six months prior to the travel;
- (b) **Permanent Resident status (or equivalent) has not been established at the location of the Secretariat;**
- (c) the staff member has agreed to return to the Secretariat to continue rendering services for a minimum additional period of six months; and
- (d) travel claims should be in accordance with the provisions of Staff Rule 36.

PROPOSED CHANGE TO FINANCIAL RULES - INTERNAL RECOGNITION PROGRAM FOR SECRETARIAT STAFF - 12(C)

The Committee recommends that Council approve the addition (below) to Financial Regulation 10

- v. The Executive Secretary may make an award of a value not to exceed \$500 in recognition of exceptional contributions to the organization.**

TAX SITUATION FOR US CITIZENS WORKING AT THE PICES SECRETARIAT - 12(E)

The Committee reviewed the income tax circumstances for the Deputy Executive Secretary. US citizens are required to pay Social Security and Medicare on their income earned in Canada. When combined with the income tax levy, the net impact is that a US citizen is at a significant disadvantage compared to Secretariat employees from other PICES countries, and when compared to Canadian public servants in equivalent positions. This is incompatible with Financial Regulation 12, which is intended to achieve pay and benefits that are comparable to those of Canadian public servants at equivalent classification levels. To rectify this, the Committee recommends that PICES reimburse the employee for taxes paid to the US Internal Revenue Service, upon receipt of proof that these payments have been made.

TRACKING THE ACTIVITY OF THE PICES SECRETARIAT - 12(G)

The Committee reviewed the indicators developed to track the activity of the Secretariat and recommend that tracking and reporting of these indicators be continued.

AGENDA ITEM 13: APPOINTMENT OF THE F&A COMMITTEE CHAIR

The Committee thanked Dr. John Stein for his leadership of the Finance and Administration Committee for the period from 2012 through 2016. The Committee recommends that Council appoint Dr. Carmel Lowe to the position of F&A Chairman.

F&A ENDNOTE 1

2016 F&A participation list

Canada

Carmel Lowe (F&A member)
Darlene Smith (F&A member)
Kim Houston (advisor)

Japan

Ken Mori (F&A member)
Hiroya Sugisaki (advisor)
Chika Fujimitsu (advisor)

People's Republic of China

Dongmei Tang (F&A member)

Republic of Korea

Chul Park (F&A member)
Kyungjin Kim (advisor)
Jae Kwan Chung (advisor)

Russian Federation

Igor Shevchenko (F&A member)

U.S.A.

Michael Seki (F&A member)

Other

John Stein (F&A Chairman)
Laura Richards (PICES Chairman)
Robin Brown (Executive Secretary)

F&A ENDNOTE 2:

PICES Twenty Fifth Annual Meeting (PICES-2016)
San Diego, U.S.A
Tuesday, November 8 (14:00 – 18:00), 2016
Wednesday, November 9 (09:00-12:30), 2016

Finance and Administration Committee (F&A) Provisional Agenda

1. Welcome and opening remarks
2. Adoption of agenda and meeting procedures
3. Audited accounts for FY 2015
4. Annual contributions
5. Fund-raising activities
6. Encumbered funds for PICES activities
7. Financing of PICES high priority activities
 - a. FUTURE
 - b. North Pacific Ecosystem Status Report
 - c. Capacity building activities
8. Schedule, structure and financing of future Annual Meetings [Decision 2015/A/4(vi)]
9. Report from of the Planning Committee for the 25th Anniversary of PICES
10. Budget
 - a. Estimated accounts for FY 2016
 - b. Interest and other income
 - c. Relocation and Home Leave Fund [Decision 2015/A/10]
 - d. Trust Fund
 - e. Japanese Trust Fund
 - f. Working Capital Fund [moving money]
 - g. Proposed budget for FY 2017 and forecast budget estimates for FY 2018
11. Policy and longer term considerations
 - a. PICES Logo and Branding [Decision 2015/A/6 (iii)]
 - b. A Data Management Policy for PICES – scoping document [Decision 2015/A/5]
 - c. Publication Policy - paying for open access [Decision 2015/S/2 (iv)]
 - d. Administrative Support for the Science Board Chairman [Decision 2015/A/13]
 - e. Financial reserve planning.
12. Administrative matters
 - a. Proposed Change to Staff Rules - Recourse [Decision 2016/A/4 (ii)]
 - b. Proposed Change to Staff Rules - Home Leave and Relocation [Decision 2016/A/4 (ii)]
 - c. Proposed change to the Financial Regulations - Internal Recognition for Secretariat staff [Decision 2016/A/4 (iv)]
 - d. Potential changes in the Public Service of Canada and implications for PICES – administration and funding of sick leave
 - e. Tax situation for US Citizens working at the PICES Secretariat
 - f. Staffing the PICES Deputy Executive Secretary position
 - g. Tracking the activity of the PICES Secretariat
13. Appointment of F&A Committee Chairman
14. Other business
15. 2016 F&A report and recommendations to Governing Council

**NORTH PACIFIC MARINE SCIENCE ORGANIZATION
FINANCIAL STATEMENTS
DECEMBER 31, 2015**

**NORTH PACIFIC MARINE SCIENCE ORGANIZATION
FINANCIAL STATEMENTS
DECEMBER 31, 2015**

CONTENTS

	<u>Page</u>
AUDITORS' REPORT	
FINANCIAL STATEMENTS	
Statement of Financial Position	1
Statement of Operations and Changes in Fund Balances	2
Notes to the Financial Statements	3 - 9



CHARTERED PROFESSIONAL ACCOUNTANTS
AND BUSINESS ADVISORS

A PARTNERSHIP:
ELAINE V. HUGHESMAN LTD.
JANINE E. MORRIS LTD.

PROVIDING SOLUTIONS THAT FIT

INDEPENDENT AUDITORS' REPORT

To the Council of the
North Pacific Marine Science Organization

We have audited the accompanying financial statements of the North Pacific Marine Science Organization, which comprise the statement of financial position as at December 31, 2015 and the statement of operations and changes in fund balances for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the North Pacific Marine Science Organization's Financial Regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2 in the financial statements, which describes the basis of accounting. The financial statements are prepared to comply with the North Pacific Marine Science Organization's Financial Regulations as referred to above.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the North Pacific Marine Science Organization as at December 31, 2015, and the results of its operations and changes in fund balances for the year then ended.

Hughesman Morris

Sidney, B.C.
May 13, 2016

Hughesman Morris
Chartered Professional Accountants

**NORTH PACIFIC MARINE SCIENCE ORGANIZATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015**

ASSETS	2015	2014
CURRENT ASSETS		
Cash and short term deposits (note 4)	\$ 2,266,389	\$ 2,043,139
Accounts receivable	95,788	139,473
Prepaid expenses	14,155	1,593
	\$ 2,376,332	\$ 2,184,205
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 104,630	\$ 34,751
Funds held for Contracting Parties (note 3)	255,400	377,400
	360,030	412,151
FUND BALANCES		
WORKING CAPITAL FUND (note 4)	1,513,304	1,270,938
TRUST FUND	110,000	110,000
RELOCATION AND HOME LEAVE FUND	90,249	90,000
MINISTRY OF AGRICULTURE, FORESTRY AND FISHERIES FUND	39,310	53,241
MINISTRY OF ENVIRONMENT FUND	263,439	247,875
	2,016,302	1,772,054
	\$ 2,376,332	\$ 2,184,205

**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Ministry of RelocationAgriculture,Ministry of						2015 Total	2014	
	General Fund	Working Capital Fund	Trust Fund	and Home Leave Fund	Forestry and Fisheries Fund	Environment FundTotal			
FUND BALANCES , beginning of year	\$ -	\$ 1,270,938	\$ 110,000	\$ 90,000	\$ 53,241	247,875	\$ 1,772,054	\$ 1,221,649	
SOURCES OF FUNDS									
Contributions from Contracting Parties	754,800	-	-	-	-	754,800	744,000	-	
Budgeted transfer to General Fund (note 5)	129,200	(129,200)	-	-	-	-	-	-	
Voluntary contributions and grants (note 6)	-	823,634	37,154	-	75,202	1,290,929	2,226,919	1,835,738	
Interest and other income (note 7)	5	215,477	17	249	49	2,716	218,513	210,846	
	884,005	909,911	37,171	249	75,251	1,293,645	3,200,232	2,790,584	
FUND BALANCES , before expenditures	884,005	2,180,849	147,171	90,249	128,492	1,541,520	4,972,286	4,012,233	
EXPENDITURES									
Personnel services	528,598	23,233	-	-	-	-	551,831	659,796	
Annual Meeting	37,001	-	-	-	-	-	37,001	40,546	
Special meetings/travel	186,518	-	41,060	-	-	-	227,578	227,309	
Publications / Communication	8,257	-	-	-	-	-	8,257	34,456	
Office and administration	35,836	4,276	23	-	-	-	40,135	34,210	
Projects (note 8)	-	718,633	-	-	-	-	718,633	176,947	
Intern program	-	-	35,854	-	-	-	35,854	32,286	
Relocation	-	-	-	-	-	-	-	47,136	
MAFF Fund expenditures (note 9)	-	-	-	-	89,182	-	89,182	136,222	
MOE Fund expenditures (note 10)	-	-	-	-	-	1,278,081	1,278,081	855,090	
Foreign exchange gain (note 11)	(30,568)	-	-	-	-	-	(30,568)	(3,819)	
	765,642	746,142	76,937	-	89,182	1,278,081	2,955,984	2,240,179	
NET FUNDS AVAILABLE	118,363	1,434,707	70,234	90,249	39,310	263,439	2,016,302	1,772,054	
TRANSFER TO									
WORKING CAPITAL FUND (note 4)	(118,363)	118,363	-	-	-	-	-	-	
INTERFUND TRANSFERS (note 5)	-	(39,766)	39,766	-	-	-	-	-	
FUND BALANCES , end of year	\$ -	\$ 1,513,304	\$ 110,000	\$ 90,249	\$ 39,310	263,439	\$ 2,016,302	\$ 1,772,054	

NORTH PACIFIC MARINE SCIENCE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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. 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's 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, to provide home leave for international staff and for severance and excess accumulated vacation pay for all employees. The fund balance must be maintained between \$90,000 and \$110,000.

The Ministry of Agriculture, Forestry and Fisheries (MAFF) Fund was established in 2007. The Ministry of Agriculture, Forestry and Fisheries of Japan, through the Fisheries Agency of Japan, has provided voluntary contributions for a series of projects. The first PICES/MAFF project (April 1, 2007 - March 31, 2012) was dedicated to the development of the prevention systems for harmful organisms in the Pacific Rim. The goal of the second PICES/MAFF project (April 1, 2012 - March 31, 2017) is to identify the relationships between the sustainable human communities and productive marine ecosystems in the North Pacific, under the concept of fishery social-ecological systems.

The Ministry of the Environment (MOE) Fund was established on April 15, 2014. The Ministry of the Environment of Japan has provided voluntary contributions for a 3 year project dedicated to assessing and forecasting the effects of debris generated by the tsunami that followed the 2011 Great East Japan Earthquake on ecosystem structure and function, the coastlines and communities of the west coast of North America and Hawaii.

(b) Capital Assets

Capital assets acquired by the Organization are expensed in the year of acquisition. During the current year the Organization purchased \$26,295 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 or receivable.

(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.

(f) Financial Instruments

The Organization's financial instruments consist of cash and short-term deposits, accounts receivable and accounts payable, the fair value of which approximates their carrying value. 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 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 \$127,700 and China in the amount of \$127,700.

4. WORKING CAPITAL FUND

Of the total amount in the Working Capital Fund, \$875,681 of cash and short term deposits is restricted for specific designated projects.

Pursuant to decision 2015/A/3(ii) of the Governing Council, \$113,300 of the funds held in the Working Capital Fund will be transferred to the General Fund at the beginning of the 2016 fiscal year to balance the budget, setting the total annual contribution at \$766,200, and the 2016 annual fee at \$127,700 per Contracting Party.

Pursuant to decision 2015/A/3(v) of the Governing Council, \$15,000 of reserve operating funds in the Working Capital Fund have been earmarked for the 2017 PICES/ICES Early Career Scientists Conference.

Pursuant to decision 2015/A/3(vii) of the Governing Council, an additional transfer of up to \$25,000 is approved from reserve operating funds to the 2017 PICES/ICES Early Career Scientists Conference if there is a 2015 fiscal year surplus in the General Fund, as determined by the 2015 Auditors' Report. This determination is to be made after the assessment of the pension transfer (note 12).

NORTH PACIFIC MARINE SCIENCE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

4. WORKING CAPITAL FUND, continued

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 \$129,200 at the beginning of 2015 from the Working Capital Fund to the General Fund (Decision 2014/A/3/ii) to balance the budget, setting the total annual contribution at \$754,800, and the 2015 annual fee at \$125,800 per Contracting Party.

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 2015 (Decision 2015/A/3/iv). The amount of the transfer was \$39,766.

The Governing Council approved the transfer of funds from the Working Capital Fund to restore the Relocation and Home Leave Fund to \$90,000 (Decision 2015/A/3/iii). A transfer was not required in 2015 as the fund already exceeded the balance. \$-

6. VOLUNTARY CONTRIBUTIONS AND GRANTS

	Working Capital	
	Fund	Trust Fund
PICES Publication Program: DFO	\$ 30,000	\$ -
HABS Symposium: Registration fees	5,287	-
Contributions for the North Pacific CPR Project:		
DFO (Canada)	50,000	-
NPRB (U.S.A.)	55,753	-
PWSSC (U.S.A.)	161,849	-
PICES 2016: Department of State: (U.S.A)	39,690	-
PICES 25th Anniversary:		
Russia	25,000	-
U.S.A	33,075	-
ICES/PICES SICCME Workshop:		
Institute of Marine Research (Norway)	4,946	-
ICES	7,463	-
NOAA (U.S.A)	20,365	-
Norwegian Research Council	5,565	-
PICES	15,000	-
Special project coordination:		
Overhead from MOE (Japan) project	167,821	-
Tax levy	28,081	-
Interest	587	-
BC Government Tsunami Debris Fund	15,953	-
2015 Climate Change Symposium (Brazil):		
DFO (Canada)	20,000	-
NOAA (U.S.A)	63,455	-
Registration fees	40,508	-
SOLAS	4,438	-
IMBER	24,092	-
FAPESP	3,540	-
IOC	1,166	-
Contributions to Intern program:		
DFO (Canada)	-	10,000
NOAA (U.S.A.)	-	20,694
Travel grant for PICES-2015: SCOR	-	6,460
	\$ 823,634	\$ 37,154

NORTH PACIFIC MARINE SCIENCE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

7. INTEREST AND OTHER INCOME

	Working Capital Fund
Interest income	\$ 12,669
Office and administration	724
Overhead from MAFF Project	9,776
Overhead from PICES Publication	3,000
PICES 2015 registration fees	98,343
Income tax levies	73,120
GST/HST & PST rebates	17,845
	\$ 215,477

8. PROJECTS

The expenditures in the Working Capital Fund for projects funded by voluntary contributions designated for the respective projects are as follows:

	2015	2014
PICES Publication Program	\$ 24,979	\$ 26,282
HABS Symposium	214	-
North Pacific CPR Project	260,345	12,027
North Pacific Ecosystem Status Report	25	63
PICES 25th Anniversary	14,473	201
ICES/PICES SICCOME Workshop	54,342	-
Development of FUTURE	20,658	132,551
Special Project Coordination	165,971	-
BC Government Tsunami Debris Mapping	15,953	-
Climate Change Symposium Series	161,673	5,823
	\$ 718,633	\$ 176,947

9. MINISTRY OF AGRICULTURE, FORESTRY AND FISHERIES FUND EXPENDITURES

2012-2017 PICES/MAFF Project: Marine ecosystem health and human well being

	2015	2014
Miscellaneous	\$ 183	\$ 914
Contractual services	44,478	47,041
Overhead to PICES	9,776	10,862
Special meetings/travel	34,745	77,405
Total MAFF expenses	\$ 89,182	\$ 136,222

10. MINISTRY OF ENVIRONMENT FUND EXPENDITURES

	2015	2014
Contractual services	\$ 986,782	\$ 669,434
Equipment	11,494	-
Miscellaneous	2,188	482
Overhead to PICES	167,821	142,960
Special meetings/travel	109,796	42,214
Total MOE expenses	\$ 1,278,081	\$ 855,090

11. FOREIGN EXCHANGE GAIN/LOSS

At year end all funds held in foreign currency (US \$115,974), receivables (US \$19,865) and payables (US \$14,869) 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 (2015 = 1.3840, 2014 = 1.160), and not by the actual purchase or sale of any foreign currencies.

12. UNFUNDED PENSION LIABILITY

The Organization holds a pension plan for its employees with the International Fisheries Commissions Pension Society. The actuarial valuation report was prepared as at January 1, 2014 and showed an unfunded pension liability for PICES of \$177,000. The unfunded pension liability of \$268,000 reported in the 2011 actuarial valuation has been reduced due to monthly instalments and voluntary lump sum payments approved by the Governing Council.

Pursuant to decision 2015/A/3(vi), Council approved a lump sum employer contribution of \$20,000 from the fiscal year 2016 budget to pay down unfunded liabilities. An additional lump sum payment (up to \$25,000) is approved if there is a fiscal year 2015 surplus in the General Fund, as determined by the 2015 Auditors' Report. This practice will continue until PICES receives the next actuarial valuation report which is scheduled for January 2017.

No amount has been recorded in the financial statements with regards to the total unfunded liability.

13. ANNUAL LEAVE AND OVERTIME LIABILITY

The Organization accrues annual leave not taken and overtime worked for its employees on a per hour basis. No amount has been recorded in the financial statements with regards to the total liability. Management estimates the present value of this liability to be approximately \$420,389. This value is determined using current wage rates. The amounts actually paid will be calculated using the wage rates in affect at that time and therefore could change significantly.

NORTH PACIFIC MARINE SCIENCE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

14. PRIOR PERIOD ADJUSTMENT

The comparative figures have been retroactively restated to correct an error relating to the 2013 fiscal year. Accounts receivable and revenue in the working capital fund were inadvertently overstated by \$12,500, this was a result of accruing an amount receivable from DFO in the 2012 fiscal year, and recording the same amount again as revenue in the 2013 fiscal year when received.

As a result of the adjustment, the 2014 and 2015 beginning fund balances in the Working Capital Fund have been reduced by \$12,500, and 2014 and 2015 accounts receivable have been reduced by \$12,500.

15. 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

TABLE 1: PAYMENT SCHEDULE OF ANNUAL FEES, 2005–2016

	<i>Canada</i>	<i>China</i>	<i>Japan</i>	<i>Korea</i>	<i>Russia</i>	<i>USA</i>
<i>2005</i>	Dec. 24, 04	Sept. 22, 05²	Mar. 2, 05	Mar. 30, 05	Mar. 31, 05³	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	Jul. 3, 07	Dec. 5, 06	Apr. 3, 07	Feb. 13, 07	Jan. 10, 07
<i>2008</i>	Jan. 16, 08	May 15, 08	Dec. 20, 07	Feb. 15, 08	Feb. 13, 08	Jan. 7, 08⁴
<i>2009</i>	Jan. 5, 09	Jun 3, 09	Dec. 11, 08	Apr. 1, 09	Mar. 27, 09	Dec. 24, 08
<i>2010</i>	Apr. 1, 10	Aug. 5, 10	Dec. 14, 09	Mar. 2, 10	Mar. 26, 10	Dec. 11, 09
<i>2011</i>	Feb. 8, 11	Jun 30, 11	Dec. 3, 10	Mar. 25, 11⁵	Feb. 9, 11	Dec. 7, 10
<i>2012</i>	Jan. 3, 12	Aug. 31, 12	Nov. 22, 11	Oct. 11, 12	Mar. 29, 12	Nov. 16, 11
<i>2013</i>	Jan. 7, 13	Oct. 11, 13	Nov. 21, 12	May 14, 13	Apr. 12, 13	Dec. 17, 12
<i>2014</i>	Feb. 18, 14	Jul 11, 14	Dec. 6, 13	Apr. 11, 14	Mar. 5, 14	Dec. 20, 13
<i>2015</i>	Feb. 16, 15	Nov. 26, 14	Dec. 8, 14	Mar. 25, 15	May 1, 15	Dec. 31, 14
<i>2016</i>	Mar 30, 16	Nov 13, 15	Dec. 4, 15	Jul 8, 16	Apr 8, 16	May 5, 16

- 1: Late (after March 31) or partial payments are indicated in bold;
2: Partial (86%) payment, remainder paid December 30, 2005
3: Partial (96.6%) payment, remainder paid April 25, 2005
4: Partial (92.3%) payment, remainder paid on May 22, 2009
5: Partial (88.1%) payment, remainder paid on September 20, 2011
6: Partial (62%) payment, remainder paid on July 24, 2015

NORTH PACIFIC MARINE SCIENCE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

TABLE 2: ANNUAL FEES AND TOTAL GENERAL FUND, 1996-2016

Year	Annual fee	Total Annual Fee	WCF transfer	Total General Fund
1996	84,800	508,800		508,800
1997	84,800	508,800		508,800
1998	84,800	508,800	12,000	520,800
1999	86,000	516,000	58,000	574,000
2000	88,600	531,600	58,400	590,000
2001	91,300	547,800	58,200	606,000
2002	94,000	564,000	59,000	623,000
2003	97,000	582,000	110,500	692,500
2004	100,000	600,000	79,000	679,000
2005	102,500	615,000	95,500	710,500
2006	105,500	633,000	97,000	730,000
2007	108,500	651,000	94,000	745,000
2008	111,000	666,000	96,000	762,000
2009	114,500	687,000	98,000	785,000
2010	114,500	687,000	110,000	797,000
2011	116,200	697,200	116,800	814,000
2012	119,900	719,400	118,600	838,000
2013	122,800	736,800	113,200	850,000
2014	124,000	744,000	131,000	875,000
2015	125,800	754,800	129,200	884,000
2016	127,700	766,200	113,300	879,500
2017	<i>129,500</i>	<i>777,000</i>	<i>131,300</i>	<i>908,300</i>
2018	<i>131,300</i>	<i>787,000</i>	<i>130,000</i>	<i>917,000</i>

Note: numbers for 2017 and 2018 are proposed values

F&A ENDNOTE 5

TABLE 3: PROPOSED FY 2017 BUDGET		
Sources for General Fund (GNF)	Amount	Notes
National contributions	\$777,000	(\$129,500 per Contracting Party)
Transfer from Working Capital Fund	\$131,100	
Total	\$908,100	
Category	GNF Allotment	WCF Allotments
Personnel Services	\$590,600	benefit adjustments, liabilities reduction
Annual Meeting	\$43,000	registration fee revenue as needed/available
Special Meetings/Travel	\$174,000	encumbered funds as needed/available
Publications/Communications	\$40,500	
Office/Administrative	\$60,000	
Projects		
Total	\$908,100	

Estimated interest and other income	\$160,000
Estimated interest and other income	\$70,000
Tax (GST, PST) rebate	\$10,000
Interest	\$10,000
Registration fees for PICES-2017	\$70,000
Overhead from the PICES/MAFF project	\$0

NORTH PACIFIC MARINE SCIENCE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

FY 2018

The forecast FY 2018 budget of \$920,900 is prepared based on insufficient information that was available as of October 15, 2016 (lists of special meetings, publications and travel requests for 2018 will only be reviewed by Science Board, and finally approved by Council at PICES-2017), and is ~1.4% higher than the proposed for FY 2017 (\$901,100). If the inflation rate in Canada stays at the level of ~1.4%, under the adopted guidelines (Decision 1999/A/2(ii)), the 2018 annual fee could be set at the level of \$131,300 per Contracting Party. Then the total 2018 contribution will be \$787,800 and a transfer of \$133,100 from the Working Capital Fund will be required to balance the budget.

The F&A Committee will review the forecast budget for FY 2018 and submit it to Council for information only.

TABLE 4: FORECAST FY2018 BUDGET		
Sources for General Fund (GNF)	Amount	Notes
National contributions	\$787,800	(\$129,500 x 1.4% per Contracting Party)
Transfer from Working Capital Fund	\$133,100	
Total	\$920,900	
Category	GNF Allotment	WCF Allotments
Personnel Services	\$598,900	benefit adjustments, liabilities reduction
Annual Meeting	\$40,000	registration fee revenue as needed/available
Special Meetings/Travel	\$190,000	encumbered funds as needed/available
Publications/Communications	\$42,000	
Office/Administrative	\$50,000	
Projects		
Total	\$920,900	

\$160,000

Estimated interest and other income

Net income tax levies	\$70,000
Tax (GST, PST) rebate	\$10,000
Interest	\$10,000
Registration fees for PICES-2017	\$70,000
Overhead from the PICES/MAFF project	\$0