

**Report of the Finance and Administration Committee
September 28, 2017**

Note: Specific recommendations from F&A to GC are in blue:

The Finance and Administration (hereafter F&A) Committee met from 14:00–18:00 hours on September 26 and 09:00- 10:30 on September 27, 2017 under the chairmanship of Dr. Carmel Lowe.

FA 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).

FA AGENDA ITEM 2: ADOPTION OF AGENDA AND MEETING PROCEDURES

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

FA AGENDA ITEM 3: AUDITED ACCOUNTS FOR FY2016

The FY 2016 financial statements were submitted to the auditor Hale & Hughesman on March 31, 2017 and the audit was completed on June 9, 2017. The report (F&A Endnote 3) was electronically circulated to all Contracting Parties on June 16, 2017. 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).

FA AGENDA ITEM 3(A): 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 2017 annual fees was sent to all Contracting Parties on November 23, 2016. All Contracting Parties met their financial obligations for FY 2017 (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.

FA AGENDA ITEM 3(B) – VOLUNTARY CONTRIBUTIONS AND FUND-RAISING ACTIVITIES

The Committee reviewed the recent history of voluntary contributions to support PICES activities.

Korea noted that they intend to annually contribute \$5,000 CAD per year to support the PICES Intern Program, beginning in 2017. Korea requests the Executive Secretary to prepare and send an invoice for this contribution.

FA AGENDA ITEM 3(C) – THE GENERAL FUND –IN 2016

The committee reviewed the budget and expenditures in the General Fund for 2016, noting that expenditures were within the budget tolerance for all categories.

AGENDA ITEM 3(D): WORKING CAPITAL FUND AND 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* 2017 and the estimated amount of the encumbered funds for the fiscal year end.

The committee recommends that the surplus in the 2017 PICES/ICES Early Career Scientist Conference fund be re-allocated as follows:

- The surplus arising from the Korean contributions be re-allocated to support upcoming Summer Schools in 2018. This will ensure that funding advanced by Korea for Capacity Building will be explicitly used for this purpose.
- The remaining surplus should be re-allocated to the Working Capital Reserve.

The committee recommends that the surplus from the 2017 PICES/ICES Small Pelagics Symposium be re-allocated within the Working Capital Fund to support the 2018 Pacific Transition Areas Symposium.

FA AGENDA ITEM 3(E) – TRUST FUND

The Committee reviewed the status of the Trust Fund and recommends a Year- End transfer from the Working Capital Fund to the Trust Fund to restore it the level of \$110,000.

FA AGENDA ITEM 3(F) – RELOCATION AND HOME LEAVE FUND- IN 2016

The Committee reviewed the status of the Relocation and Home Leave Fund. No adjustments were recommended.

FA AGENDA ITEM 3(G) – JAPAN MINISTRY OF AGRICULTURE, FORESTRY AND FISHERIES (MAFF) MARWEB IN 2016

This item was discussed under FA Agenda Item 5.

FA AGENDA ITEM 3(H) – JAPAN MINISTRY OF ENVIRONMENT (MOE) ADRIFT IN 2016

This item was discussed under FA Agenda Item 5.

FA AGENDA ITEM 4 – ESTIMATED ACCOUNTS FOR 2017

The committee reviewed the status of the estimated accounts for 2017.

FA AGENDA ITEM 5 – SPECIAL PROJECTS COMPLETED IN 2017

The committee reviewed the history and output products for the MarWeb and ADRIFT projects.

FA AGENDA ITEM 6 – FINANCIAL RESERVE PLANNING

The Committee reviewed the status of the Working Capital Fund Reserve. No adjustments were recommended.

FA AGENDA ITEM 7: SCHEDULE, STRUCTURE AND FINANCING OF FUTURE ANNUAL MEETINGS

The Canadian member confirmed that Canada will host PICES-2019 from October 16 – 27, 2019 in Victoria, Canada. The Committee also recommends approving a request from Canada for up to \$40,000 from PICES to defray the costs of hosting the 2019 annual meeting.

In keeping with the six -year rotation cycle (Decision 1994/A/6), China was asked if it was willing to return to the original cycle, hosting the Annual Meeting in 2020. China has tentatively agreed to host PICES-2020. The Committee recommends that Council formally request China to explore the possibility of hosting the 2020 Annual Meeting, and inform the Secretariat on this matter by March 31, 2018. China also requested up to \$40,000 from PICES to defray the costs of hosting the 2020 annual meeting.

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-2018 as for PICES-2010 through PICES-2017. The Committee further recommends that the Executive Secretary conduct an analysis and provide options for how unexpected revenue from meetings with high attendance might be re-allocated to the host country to support increased participation at subsequent PICES meetings.

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 2017. Science Board has already indicated the importance of having an inter-sessional meeting in 2018. The Committee supports the request by Science Board and recommends it to Council for approval. Russia has indicated their willingness to host the meeting at the TINRO facilities in Vladivostok at a date to be determined. There may also be a cost-effective options to combine an Intersessional Science Board Meeting with the 2018 Pacific Transition Areas Symposium in La Paz, Mexico or with other intersessional activities.

FA AGENDA ITEM 8(A) DATA MANAGEMENT

The Committee reviewed that Data Management Policy and decided to postpone a recommendation to Governing Council until PICES-2018, so as to incorporate results of a proposed TCODE Workshop that will more fully review the policy and its implementation requirements.

FA AGENDA ITEM 8(B) – TRACKING THE ACTIVITY OF THE SECRETARIAT

The committee reviewed the data on the indicators developed and recommended that the Executive Secretary continue to report on these indicators on an annual basis.

FA AGENDA ITEM 8(C) – STAFFING IN THE PICES SECRETARIAT AND FA AGENDA ITEM 8(D) – INTERNATIONAL FISHERY COMMISSIONS PENSION SOCIETY (IFCPS) – PENSION PLAN STATUS

The Committee reviewed presentations from the Executive Secretary on staffing challenges in the Secretariat and the pension plan deficit. While both issues are important, the staffing issue is considered to be more urgent, so the Committee recommends separate approaches to address each of these issues.

Regarding staffing levels in the Secretariat:

The committee acknowledged that the current Secretariat staffing was unsustainable and the impending departure of the Report and Publications Editor will place the operations of the organization at significant risk and, as such, requires a near term resolution. The committee reviewed three options:

1. Scale back the activities of the organization to fit the staffing levels and budget that are presently available.
2. Seek a step increase to the annual fees that will cover the costs associated with increasing the staffing levels in the Secretariat.
3. Seek Voluntary Contributions to cover the increased costs.

There was no support for Option 3 -addressing the financial issue through voluntary contributions (or other temporary measures). The Committee favoured a long-term, reliable, predictable solution to this issue. While there was some support for Option 1, the committee recognized that decreasing the scope of the operations of the Secretariat below that which has been approved by Governing Council requires Governing Council direction.

Implementation of Option 2 - a step increase in annual fees – would require immediate action due to the relative long planning cycles in member countries (up to three years).

Accordingly, the Committee recommends:

- F&A Chair and the Executive Secretary to provide additional documentation on how the work of the Secretariat has evolved over time to meet strategic objectives and organizational needs.
- F&A Chair and the Executive Secretary undertake comparisons on staffing levels and activities of similar organizations.
- F&A Chair and Executive Secretary to develop draft recommendations on the additional funding required to address the staffing challenges and impact on annual fees and assuming no adjustments to organizational needs and strategic objectives.

To accommodate the financial planning requirements of Contracting Parties, the earliest date at which a fee increase could be implemented is 2020, and would require the following actions to be completed in the timeframes indicated below:

- The documentation and draft recommendations listed above to be circulated to F&A for review and comment by end of December, 2017.
- Comments received and incorporated and recommendations to be adopted by F&A by end of January, 2018.
- Recommendations to be submitted for Governing Council consideration and decision by the end of February, 2018.

Regarding the Pension plan deficit:

F&A recommends that Canada and USA engage with International Fisheries Commissions Pension Society to develop advice and options to address the pension shortfall and identify implications for the organization. These parties are asked to report to F&A prior to PICES-2018.

FA AGENDA ITEM 8(E) – INTERN PROGRAM AND CAPACITY BUILDING

The Committee reviewed the information presented as well as the announcement from Korea that they intend to make regular contributions to the Intern Program beginning in 2017.

The Committee recommends that Council instruct the Executive Secretary to invite Contracting Parties to provide voluntary contributions to the Trust Fund to support the Intern Program in 2018 and beyond by December 1, 2017.

FA AGENDA ITEM 9 - APPOINTMENT OF THE F&A COMMITTEE CHAIRMAN

In accordance with Rule 19(iii), Dr. Carmel Lowe began her two year appointment as F&A Chairman in November, 2016 after PICES-2016 and her term will expire in November, 2018, when an election must be held. Dr. Lowe is eligible for a second term of two years, which would take her to November, 2020.

FA AGENDA ITEM 10 - OTHER BUSINESS

No additional items were introduced at the meeting.

FA AGENDA ITEM 11 - PROPOSED BUDGET FOR FY2018 AND FORECAST BUDGET ESTIMATE FOR FY2019

The Committee reviewed the proposed FY 2018 budget of \$922,000 (*F&A Endnote 5*) and recommends its approval by Council. The amount of \$133,600 will be transferred from the Working Capital Fund to balance the budget, setting the total annual contribution at \$788,400 and the 2018 annual fee at \$131,400 per Contracting Party. The annual fee increase is a 1.5% increase from the FY 2017 level and the increase is based on the monthly average CPI from July 2016 to June 2017 reported by Statistics Canada.

The Executive Secretary presented the forecast *FY* 2019 budget of \$952,000 and noted that this budget is prepared based on preliminary information available as of September, and is approximately 1.5% higher than the *FY* 2018 budget. If the inflation rate in Canada stays at the level of ~1.5%, under the adopted guidelines (Decision 1999/A/2(ii)), the 2019 annual fee could be set at the level of \$133,400 per Contracting Party. The total 2019 contribution will be \$800,400 and a transfer of \$151,600 from the Working Capital Fund will be required to balance the budget.

F&A ENDNOTE 1:

2017 F&A participation list

Canada

Andrea White (F&A member)
Lesley MacDougall (advisor)

Japan

Tetsuichiro Funamoto (F&A member)
Chieko Kondo Yamasaki (advisor)
Hiroya Sugisaki (advisor)
Chika Fujimitsu (advisor)

People's Republic of China

Rui Zheng (F&A member)
Fangli Qiao (advisor and GC Delegate)
Chuanlin Huo (advisor)

Republic of Korea

Wonjoon Shim (F&A member)
Kyung Jin Kim (advisor)
Joongho Moon (advisor)
Hoi Soo Jung (advisor)

Russian Federation

Igor Shevchenko (F&A member)

U.S.A.

Michael Seki (F&A member)

Other

Carmel Lowe (F&A Chairman)
Chul Park (PICES Chairman)
Robin Brown (Executive Secretary)
Hal Batchelder (Deputy Executive Secretary)

F&A ENDNOTE 2:

**PICES Twenty Sixth Annual Meeting (PICES-2017)
Vladivostok, Russia
Tuesday, September 26 (14:00 – 18:00), 2017
Wednesday, September 27 (09:00-12:30), 2017**

FINANCE AND ADMINISTRATION COMMITTEE (F&A)

Agenda

1. Welcome and opening remarks
2. Adoption of agenda and meeting procedures
3. Audited accounts for FY 2016
 - a. Annual contributions
 - b. Voluntary Contributions and Fund-raising activities
 - c. General Fund in 2016 – Details
 - d. Working Capital Fund in 2016 –Details
 - e. Trust Fund in 2016 – Details
 - f. Relocation and Home Leave Fund – Details
 - g. MAFF Fund in 2016– Details
 - h. MoE Fund in 2016 – Details
4. Estimated accounts for 2017
5. Special Projects completed in 2017
 - a. MAFF MarWeb
 - b. MoE ADRIFT
6. Financial Reserve Planning
7. Schedule, structure and financing of future Annual Meetings [Decision 2015/A/4(vi)]
8. Administrative matters:
 - a. Data management policy for PICES
 - b. Tracking the activity of the PICES Secretariat
 - c. Staffing in the PICES Secretariat
 - d. International Fisheries Commission Pension Plan status
9. Appointment of F&A Committee Chairman (information only)
10. Other business
11. Proposed budget for FY 2018 and forecast budget estimates for FY 2019

F&A-2017

F&A ENDNOTE 3:

**NORTH PACIFIC MARINE SCIENCE ORGANIZATION
FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**NORTH PACIFIC MARINE SCIENCE ORGANIZATION
FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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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, 2016 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, 2016, and the results of its operations and changes in fund balances for the year then ended.

Sidney, B.C.
May 18, 2017

Hughesman Morris

Hughesman Morris
Chartered Professional Accountants

**NORTH PACIFIC MARINE SCIENCE ORGANIZATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016**

ASSETS	2016	2015
CURRENT ASSETS		
Cash and short term deposits (note 4)	\$ 2,205,697	\$ 2,266,389
Accounts receivable	172,372	95,788
Prepaid expenses	3,185	14,155
	\$ 2,381,254	\$ 2,376,332
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 26,715	\$ 104,630
Funds held for Contracting Parties (note 3)	259,000	255,400
	285,715	360,030
FUND BALANCES		
WORKING CAPITAL FUND (note 4)	1,396,424	1,513,304
TRUST FUND	110,000	110,000
RELOCATION AND HOME LEAVE FUND	340,552	90,249
MINISTRY OF AGRICULTURE, FORESTRY AND FISHERIES FUND	35,140	39,310
MINISTRY OF ENVIRONMENT FUND	213,423	263,439
	2,095,539	2,016,302
	\$ 2,381,254	\$ 2,376,332

**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General Fund	Working Capital Fund	Trust Fund	Relocation and Home Leave Fund	Ministry of Agriculture, Forestry and Fisheries Fund	Ministry of Environment Fund	2016 Total	2015 Total
FUND BALANCES , beginning of year	\$ -	\$ 1,513,304	\$ 110,000	\$ 90,249	\$ 39,310	\$ 263,439	\$ 2,016,302	\$ 1,772,054
SOURCES OF FUNDS								
Voluntary contributions and grants (note 5)	-	1,072,730	74,222	-	66,989	1,290,927	2,504,868	2,226,919
Contributions from Contracting Parties	766,200	-	-	-	-	-	766,200	754,800
Interest and other income (note 6)	-	199,672	104	-	-	1,303	201,079	218,513
Budgeted transfer to General Fund (note 7)	113,300	(113,300)	-	-	-	-	-	-
	879,500	1,159,102	74,326	-	66,989	1,292,230	3,472,147	3,200,232
FUND BALANCES , before expenditures	879,500	2,672,406	184,326	90,249	106,299	1,555,669	5,488,449	4,972,286
EXPENDITURES								
Annual Meeting	10,689	-	-	-	-	-	10,689	37,001
Foreign exchange gain (note 8)	(1,536)	-	-	-	-	-	(1,536)	(30,568)
Intern program	-	-	40,915	-	-	-	40,915	35,854
MAFF Fund expenditures (note 9)	-	-	-	-	71,159	-	71,159	89,182
MOE Fund expenditures (note 10)	-	-	-	-	-	1,342,246	1,342,246	1,278,081
Office and administration	23,735	5,288	94	-	-	-	29,117	40,135
Personnel services	556,811	20,894	-	-	-	-	577,705	551,831
Projects (note 11)	-	1,025,258	-	-	-	-	1,025,258	718,633
Publications / Communication	40,591	-	-	-	-	-	40,591	8,257
Relocation	-	-	-	9,697	-	-	9,697	-
Special meetings/travel	171,795	-	75,274	-	-	-	247,069	227,578
	802,085	1,051,440	116,283	9,697	71,159	1,342,246	3,392,910	2,955,984
NET FUNDS AVAILABLE	77,415	1,620,966	68,043	80,552	35,140	213,423	2,095,539	2,016,302
TRANSFER TO								
WORKING CAPITAL FUND (note 4)	(77,415)	77,415	-	-	-	-	-	-
INTERFUND TRANSFERS (note 7)	-	(301,957)	41,957	260,000	-	-	-	-
FUND BALANCES , end of year	\$ -	\$ 1,396,424	\$ 110,000	\$ 340,552	\$ 35,140	\$ 213,423	\$ 2,095,539	\$ 2,016,302

NORTH PACIFIC MARINE SCIENCE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, and to provide home leave for international staff. In 2015 [Decision 2015/A/10], Council expanded the use of this Fund to include funding for severance and excess accumulated vacation pay for all employees. The Governing Council shall determine the required level of the Fund and revise it as appropriate.

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, as well as 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 \$14,020 of capital assets.

2. ACCOUNTING POLICIES, continued

(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.

(g) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect 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 \$129,500 and China in the amount of \$129,500.

4. WORKING CAPITAL FUND

Of the total amount in the Working Capital Fund, \$982,526 of cash and short term deposits is restricted for specific designated projects.

Pursuant to decision 2016/A/8(ii) of the Governing Council, \$131,100 of the funds held in the Working Capital Fund will be transferred to the General Fund at the beginning of the 2017 fiscal year to balance the budget, setting the total annual contribution at \$777,000, and the 2017 annual fee at \$129,500 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.

NORTH PACIFIC MARINE SCIENCE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

5. VOLUNTARY CONTRIBUTIONS AND GRANTS

	Working Capital	
	Fund	Trust Fund
BC Government Tsunami Debris Fund	\$ 49,047	\$ -
Contributions to Intern Program:		
DFO (Canada)	-	15,000
NOAA (U.S.A.)	-	19,344
KIOST (Korea)	-	14,000
SOA (China)	-	10,000
Contributions for the North Pacific CPR Project:		
DFO (Canada)	57,500	-
DFO Tsunami Debris Fund	25,000	-
Early Career Science Conference:		
NPRB (U.S.A.)	6,719	-
SOA (China)	-	8,980
FUTURE Program:		
DFO (Canada)	15,000	-
PICES 2016:		
NOAA (U.S.A.)	268,237	-
U.S. State Department	52,436	-
U.S. OAR	52,436	-
PICES 2019:		
DFO (Canada)	150,000	-
PICES 25th Anniversary:		
DFO (Canada)	10,000	-
Korea	25,000	-
PICES Publication Program:		
DFO (Canada)	30,000	-
Small Pelagics Symposium 2017:		
DFO (Canada)	25,000	-
FAO	3,999	-
IMBER	3,999	-
Japan	2,311	-
NOAA (U.S.A.)	51,976	-
NPFC	2,462	-
NPRB (U.S.A.)	13,251	-
SCOR	6,665	-
WWF	5,000	-
Registration fees	26,504	-
Special project coordination:		
Overhead from MOE (Japan) project	167,821	-
Tax levy	22,367	-
Zoop Symposium:		
SCOR	-	6,898
	\$ 1,072,730	\$ 74,222

6. INTEREST AND OTHER INCOME

	Working Capital Fund	Trust Fund	Ministry of Environment Fund
PICES 2016 registration fees	\$ 112,025	\$ -	\$ -
Income tax levies	51,793	-	-
GST/HST & PST rebates	12,675	-	-
Interest income	11,410	104	1,303
Overhead from MAFF Project	8,709	-	-
Miscellaneous income	3,060	-	-
	\$ 199,672	\$ 104	\$ 1,303

7. INTERFUND TRANSFERS

The Governing Council approved the transfer of \$113,300 at the beginning of 2016 from the Working Capital Fund to the General Fund (Decision 2015/A/3/ii) to balance the budget, setting the total annual contribution at \$766,200, and the 2016 annual fee at \$127,700 per Contracting Party.

The Governing Council approved the transfer of \$260,000 from the Working Capital Fund to the Relocation and Home Leave Fund (Decision 2016/A/8/iii) in order to provide for severance and excess vacation leave expenditures expected in the 2017 fiscal year.

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 2016 (Decision 2016/A/8/iv). The amount of the transfer was \$41,957.

8. FOREIGN CURRENCY TRANSACTIONS

At year end all funds held in foreign currency (USD \$66,487), receivables (USD \$61,858) and payables (USD \$764) 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 exchange rates, and not by the actual purchase or sale of any foreign currencies.

9. MINISTRY OF AGRICULTURE, FORESTRY AND FISHERIES FUND EXPENDITURES

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

	2016	2015
Miscellaneous	\$ 914	\$ 183
Contractual services	27,413	44,478
Overhead to PICES	8,709	9,776
Special meetings/travel	34,123	34,745
Total MAFF expenses	\$ 71,159	\$ 89,182

NORTH PACIFIC MARINE SCIENCE ORGANIZATION
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10. MINISTRY OF ENVIRONMENT FUND EXPENDITURES

	2016	2015
Contractual services	\$ 1,099,098	\$ 986,782
Equipment	-	11,494
Miscellaneous	4,232	2,188
Other workshops	9,998	-
Overhead to PICES	167,821	167,821
Special meetings/travel	61,097	109,796
Total MOE expenses	\$ 1,342,246	\$ 1,278,081

11. PROJECTS

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

	2016	2015
BC Government Tsunami Debris Mapping	\$ 12,025	\$ 15,953
Climate Change Symposium Series	-	161,673
Development of FUTURE	21,461	20,658
DFO Tsunami Debris	25,000	-
Early Career Scientist 2017	4,489	-
HABS Symposium	-	214
ICES/PICES SICCOME Workshop	-	54,342
North Pacific CPR Project	61,035	260,345
North Pacific Ecosystem Status Report	16,349	25
PICES 2016 USA	467,221	-
PICES 25th Anniversary	181,182	14,473
PICES Publication Program	33,952	24,979
Small Pelagics Symposium	34,994	-
Special Project Coordination	167,550	165,971
	\$ 1,025,258	\$ 718,633

12. UNFUNDED PENSION LIABILITY

The Organization holds a pension plan for its employees with the International Fisheries Commissions Pension Society. The most recent actuarial valuation report was prepared as at January 1, 2017 and showed an unfunded pension liability for PICES of \$477,000.

The International Fisheries Commissions Pension Society will develop a financial plan during 2017 to reduce the unfunded pension liability.

Pursuant to decision 2016/A/8(v), Council approved a lump sum employer contribution of \$20,000 from the fiscal year 2017 budget to pay down unfunded liabilities. An additional lump sum payment (up to \$25,000) is approved if there is a fiscal year 2016 surplus in the General Fund, as determined by the 2016 Auditors' Report.

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

13. ANNUAL LEAVE, OVERTIME AND SEVERANCE LIABILITY

The Organization accrues annual leave not taken and overtime worked for its employees on a per hour basis. Additionally, there are liabilities for severance pay entitlements for voluntary separation, including retirement. 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 \$470,601. 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.

14. FINANCIAL INSTRUMENTS

The Organization is exposed to various financial risks through transactions in financial instruments. The following provides helpful information in assessing the extent of the Organization's exposure to these risks.

(a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. A large percentage of the company's sources of funds and expenditures are in a foreign currency, and as a result, some financial instruments are exposed to foreign exchange fluctuations. Refer to note 8 for the financial instruments exposed to this type of risk.

Unless otherwise noted it is management's opinion that the organization is not exposed to significant credit, liquidity, interest or other price risks.

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:

PAYMENT SCHEDULE OF ANNUAL FEES 2005–2017

	Canada	China	Japan	Korea	Russia	USA
2005	Dec. 24, 04	Sept. 22, 05²	Mar. 2, 05	Mar. 30, 05	Mar. 31, 05³	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	Jul. 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, 08⁴
2009	Jan. 5, 09	Jun 3, 09	Dec. 11, 08	Apr. 1, 09	Mar. 27, 09	Dec. 24, 08
2010	Apr. 1, 10	Aug. 5, 10	Dec. 14, 09	Mar. 2, 10	Mar. 26, 10	Dec. 11, 09
2011	Feb. 8, 11	Jun 30, 11	Dec. 3, 10	Mar. 25, 11⁵	Feb. 9, 11	Dec. 7, 10
2012	Jan. 3, 12	Aug. 31, 12	Nov. 22, 11	Oct. 11, 12	Mar. 29, 12	Nov. 16, 11
2013	Jan. 7, 13	Oct. 11, 13	Nov. 21, 12	May 14, 13	Apr. 12, 13	Dec. 17, 12
2014	Feb. 18, 14	Jul 11, 14	Dec. 6, 13	Apr. 11, 14	Mar. 5, 14	Dec. 20, 13
2015	Feb. 16, 15	Nov. 26, 14	Dec. 8, 14	Mar. 25, 15	May 1, 15⁶	Dec. 31, 14
2016	Mar 30, 16	Nov 13, 15	Dec. 4, 15	Jul 8, 16	Apr 8, 16	May 5, 16
2017	Mar 14, 17	Dec 15, 16	Dec 16, 16	Jul 5, 17	May 4, 17	Jan 9, 17

Notes:

- 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

F&A ENDNOTE 5:

PROPOSED <i>FY</i>2018 BUDGET		
Sources for General Fund (GNF)	Amount	Notes
National contributions (\$131,400 per Contracting Party)	\$788,400	(FY 2017 fee of \$129,500 x 1.5%)
Transfer from Working Capital Fund	\$133,600	
Total	\$922,000	
Category	GNF Allotment	WCF Allotments
Personnel Services	\$600,000	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	\$922,000	

Estimated interest and other income	\$163,000
Net income tax levies	\$50,000
Tax (GST, PST) rebate	\$13,000
Interest	\$10,000
Registration fees for PICES-2018	\$90,000
Overhead from the PICES/MAFF project	\$0

FY 2019

The forecast FY 2019 budget of \$952,200 is prepared based on insufficient information that was available as of August 15, 2017 (lists of special meetings, publications and travel requests for 2019 will only be reviewed by Science Board, and finally approved by Council at PICES-2018), and is ~3.25% higher than the proposed for FY 2018 (\$922,000). If the inflation rate in Canada stays at the level of ~1.5%, under the adopted guidelines (Decision 1999/A/2(ii)), the 2019 annual fee could be set at the level of \$133,400 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.

FORECAST FY 2019 BUDGET		
Sources for General Fund (GNF)	Amount	Notes
National contributions (\$133,400 per Contracting Party)	\$800,400	(FY 2018 fee of \$131,400 x 1.5%)
Transfer from Working Capital Fund	\$151,600	
Total	\$952,000	
Category	GNF Allotment	WCF Allotments
Personnel Services	\$640,000	benefit adjustments, liabilities reduction
Annual Meeting	\$30,000	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	\$952,000	

Estimated interest and other income	\$153,000
Net income tax levies	\$50,000
Tax (GST, PST) rebate	\$13,000
Interest	\$10,000
Registration fees for PICES-2019	\$80,000
Overhead from the PICES/MAFF project	\$0