

**Report of the Finance and Administration Committee
October 23, 2019**

Note: Specific recommendations from F&A to GC are in blue: Items in gray highlighting will be updated later.

The Finance and Administration (hereafter F&A) Committee met from 14:00–18:00 hours on October 22 and 09:00 – 10:00 on October 23, 2019 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 the provisional agenda and agreed to adopt it. At the request of the Executive Secretary and with the approval of the parties two additional information items were added:

- 18(d) - Hosting of the PICES Secretariat by Canada/Fisheries and Oceans Canada
- 18(e) - Intern Program and Capacity Building

The modified agenda is included as F&A Endnote 2.

FA AGENDA ITEM 3 - AUDITED ACCOUNTS FOR FY2018

The FY 2018 financial statements were submitted to the auditor Hale & Hughesman on February 6, 2019 and the audit was completed on March 29, 2019. The report (F&A Endnote 3) was electronically circulated to all Contracting Parties on April 30, 2019. 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, 2018, 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).

The Committee recommends that the Auditor's Report be approved by Governing Council (hereafter Council).

FA 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 2017 annual fees was sent to all Contracting Parties on November 23, 2017. All Contracting Parties met their financial obligations for FY 2018 (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.

The Committee requested that the Executive Secretary send letters to all Contracting Parties requesting payment of Annual Fees shortly after completion of the PICES-2019.

FA AGENDA ITEM 5 - VOLUNTARY CONTRIBUTIONS AND FUND-RAISING ACTIVITIES

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

The Committee recommends that the Executive Secretary send letters to all Contracting Parties inviting them to provide voluntary contributions to the Trust Fund to support the Intern Program in 2020 and beyond.

FA AGENDA ITEM 6 - THE GENERAL FUND –IN 2018

The committee reviewed the budget and expenditures in the General Fund for 2018, noting that expenditures were within the budget tolerance for all categories.

FA AGENDA ITEM 7 - WORKING CAPITAL FUND IN 2018

The Executive Secretary provided information on the amount of funds in the Working Capital Fund restricted for specific purposes (encumbered funds) for FY2018 and the estimated amount of the encumbered funds for the fiscal year end FY2019.

The F&A Committee recommends a year end transfer from the Working Capital Fund to the Trust Fund to restore it to the level of \$110,000 (the regular practice) and closing the 6th International Marine Debris Conference Fund and the Pacific Transition Areas Symposium Fund.

FA AGENDA ITEM 8 - 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 9 – RELOCATION AND HOME LEAVE FUND- IN 2017 AND 2018

The Committee reviewed the status of the Relocation and Home Leave Fund.

The F&A Committee recommends the transfer of \$110,000 from the Working Capital Reserve to the Home Leave and Relocation Fund on January 2021, in anticipation of the retirement of the Deputy of Administration and relocation expenses for the incoming Executive Secretary.

FA AGENDA ITEM 10 – JAPAN MINISTRY OF AGRICULTURE, FORESTRY AND FISHERIES (MAFF) FISHGIS

The status of this Special Project was reviewed.

FA AGENDA ITEM 11 – Korea project on Sea Turtle Ecology in relation to Environmental Stressors in the North Pacific Regions (SEAturtle)

The status of this Special Project was reviewed.

FA AGENDA ITEM 12 – ESTIMATED ACCOUNTS FOR 2019

The estimated accounts for FY2019 were reviewed. The continuing risks associated with the large pension plan liability were acknowledged and the need to implement a plan to reduce the assessed risks was discussed.

FA AGENDA ITEM 13 - POTENTIAL CHANGES TO ANNUAL FEES TO ADDRESS PENSION PLAN DEFICITS AND STAFFING LEVELS IN THE SECRETARIAT

The Committee reviewed the material presented. Five of the six member parties support the implementation of a time-limited increase in Contracting Party contributions of \$8K/annum until the pension plan liability is extinguished. This is estimated to take 10 years. Updates on the pension plan liability will prepared and reviewed every three years. The sixth member country has not offered a decision despite repeated requests and the support of the Governing Council in soliciting a near-term decision is requested.

The Committee recommendation on this item is included in Agenda Item 15.

FA AGENDA ITEM 14 – FINANCIAL RESERVE PLANNING

The Committee reviewed the status of the Working Capital Fund Reserve.

The Committee recommends that the Executive Secretary and Chair of F&A gather information to establish appropriate upper and lower limits for the PICES Working Capital Fund Reserve including a) seeking advice from the PICES auditors; b) assessing risk-management approaches adopted by other similar commissions; and, c) examining plausible scenarios for contingency funding that PICES might encounter.

FA AGENDA ITEM 15 - PROPOSED BUDGET FOR FY 2020 AND FORECAST BUDGET ESTIMATES FOR FY2021

The Committee recommend that Council approve the proposed FY2020 budget of \$1,088,000. The total 2020 annual fee contributions of the Parties will be \$820,200 (\$136,700 per Contracting Party) and a transfer of \$219,900 from the Working Capital Fund will be required to balance the budget.

To address the pension plan liability, the Committee recommends that each Contracting Party make an additional \$8000 Special Voluntary Contribution for FY2020. The Committee further recommends that this Special Voluntary Contribution shall become mandatory in FY2021 and shall continue until the pension plan liability is extinguished.

The recommended budget is presented in *F&A Endnote 5*.

FA AGENDA ITEM 16 - SCHEDULE, STRUCTURE AND FINANCING OF FUTURE ANNUAL MEETINGS

The National Delegate from China confirms that they will be pleased to host PICES-2020 in Qingdao location from October 22 – November 1, 2020. The Committee also recommends approving a request from China for up to \$40,000 in FY2020 from the General Fund.

In keeping with the six -year rotation cycle (Decision 1994/A/6), Korea has confirmed that they will host the Annual Meeting in 2021. The Committee recommends that Council accept Korea's requests for up to \$40,000 from the PICES budget in FY2021 to support this activity.

The Committee recommends that Council formally request the U.S.A. to explore the possibility of hosting the 2022 Annual Meeting and inform the Secretariat on this matter by March 31, 2020.

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)). At PICES-2020, Council agreed to a modest increase in registration fees. The Committee discussed the current registration fee structure

The Committee recommends the following Registration Fees for PICES-2019:

Type of registration fee	CAD \$
Regular	325
Early	250
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 2019. Science Board has already indicated the importance of having an inter-sessional meeting in 2019.

Russia has indicated their willingness to host the 2020 Intersessional Science Board meeting, subject to confirmation of the meeting size and scope.

The Committee supports the request by Science Board and recommends it to Council for approval.

The Committee reviewed the possibility of a joint PICES/ICES Annual Science Meeting, recognizing the potential impact on costs for Contracting Parties.

The Committee recommends that a small working group be established from the PICES Secretariat, the ICES Secretariat and the U.S.A. to conduct a more detailed examination of the costs and feasibility of a joint ICES-PICES Science Conference in 2020 in the U.S.A.

FA AGENDA ITEM 17: APPROACHES TO DETERMINE THE UPTAKE/IMPACT OF SCIENCE ACTIVITIES [DECISION 2018/A/2 (iii)]

The Committee reviewed progress and responses from other organizations.

The Committee recommends that the Executive Secretary continue this research with contributing organizations and prepare an analysis for presentation at PICES-2020. This analysis should include steps that PICES should take to improve impact as well as resource implication for the organizations.

FA AGENDA ITEM 17(A) – TRACKING THE ACTIVITY OF THE SECRETARIAT

The Committee reviewed the indicators developed to track the activity of the Secretariat.

The Committee recommends that tracking and reporting of these indicators be continued indefinitely. F&A recommends that the Executive Secretary add footnotes that explain anomalies and adding/replacing tables with graphs. F&A members noted that while they valued these statistics they were not adequate tools to assess the adequacy of staffing levels in the Secretariat. F&A recommends that the Executive Secretary investigate the potential of expanding travel grants as a potential option to reducing Secretariat workload.

FA AGENDA ITEM 18(B) – STAFFING IN THE PICES SECRETARIAT

The Committee reviewed the material presented, noting the high number of staffing actions that will be required in the next year or two.

FA AGENDA ITEM 18(C) – INTERNATIONAL FISHERY COMMISSIONS PENSION SOCIETY (IFCPS) – PENSION PLAN STATUS

The Committee reviewed the material presented.

FA AGENDA ITEM 18(D) – HOSTING OF THE PICES SECRETARIAT BY CANADA/FISHERIES AND OCEANS CANADA

The Committee reviewed the material presented and expressed appreciation to Canada for the substantial “in-kind” benefit to the Organization.

FA AGENDA ITEM 18(E) – INTERN PROGRAM AND CAPACITY BUILDING

The Committee reviewed the material presented. Recommendations arising are presented under Agenda Item 5.

FA AGENDA ITEM 19 - APPOINTMENT OF THE F&A COMMITTEE CHAIRMAN

The Committee notes that a new Chair of the Finance and Administration Committee will be required after PICES-2020. In keeping with past practice and recognizing that a North American approach is used for finance and administration matters, it will be appropriate for next Chair of the Finance and Administration to come from the U.S.A.

FA AGENDA ITEM 20 - OTHER BUSINESS

Two additional agenda items were discussed under Agenda Item 18 – Administrative Matters

F&A ENDNOTE 1: PARTICIPANTS

2019 F&A participation list

Canada

Lesley MacDougall (F&A member)

Japan

Nobuaki Suzuki (F&A member)

Tetsuo Fujii (GC member)

Kazuki Ueda (advisor)

People's Republic of China

Yafeng Yang (Alternate Member)

Republic of Korea

Hee Jin Kim (F&A member)

Jun Hyung Kim (advisor)

Russian Federation

Igor Shevchenko (F&A member)

U.S.A.

Michael Seki (F&A member)

Kristen Koch (advisor)

Other

Carmel Lowe (F&A Chairman)

Chul Park (PICES Chairman)

Robin Brown (Executive Secretary)

F&A ENDNOTE 2: MEETING AGENDA

**PICES Twenty Eighth Annual Meeting (PICES-2019)
Victoria, Canada
Tuesday, October 22 (14:00 – 18:00) 2019
Wednesday, October 23 (09:00-12:50) 2019**

**FINANCE AND ADMINISTRATION COMMITTEE (F&A)
As adopted at PICES-2019**

1. Welcome and opening remarks
2. Adoption of agenda and meeting procedures
3. Audited accounts for FY 2018
4. Annual contributions
5. Voluntary Contributions and Fund-raising activities
6. General Fund in 2018 – Details
7. Working Capital Fund in 2018–Details
8. Trust Fund in 2018 – Details
9. Relocation and Home Leave Fund – Details.
10. MAFF FishGIS Fund in 2018– Details
11. Korea SEATurtle Fund in 2018
12. Estimated accounts for 2019
13. Potential Changes to Annual Fees to address pension plan deficits and staffing levels in the Secretariat
14. Financial Reserve Planning
15. Proposed budget for FY 2020 and forecast budget estimates for FY 2021
16. Schedule, structure and financing of future Annual Meetings, including evaluation of benefits and costs of a joint ICES/PICES Annual Meeting [Decision 2018/A/4]
17. Approaches to determine the uptake/impact of science activities [Decision 2018/A/2 (iii)]
18. Administrative matters:
 - a. Tracking the activity of the PICES Secretariat
 - b. Staffing in the PICES Secretariat
 - c. International Fisheries Commission Pension Plan status
 - d. Hosting of the PICES Secretariat
 - e. PICES Intern Program and Capacity Building
19. Schedule for Appointment of F&A Committee Chairman
20. Other business
21. 2019 F&A report and recommendations to Governing Council

F&A ENDNOTE 3: AUDITED FINANCIAL STATEMENTS

**NORTH PACIFIC MARINE SCIENCE ORGANIZATION
FINANCIAL STATEMENTS
DECEMBER 31, 2018**

**NORTH PACIFIC MARINE SCIENCE ORGANIZATION
FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Council of the
North Pacific Marine Science Organization

Opinion

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, 2018 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.

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, 2018, and the results of its operations and changes in fund balances for the year then ended.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - 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. As a result, the financial statements may not be suitable for another purpose.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

INDEPENDENT AUDITOR'S REPORT, continued

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Sidney, B.C.
March 22, 2019

Hughesman Morris

Hughesman Morris
Chartered Professional Accountants

**NORTH PACIFIC MARINE SCIENCE ORGANIZATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018**

ASSETS	2018	2017
CURRENT ASSETS		
Cash and short term deposits (note 4)	\$ 1,784,580	\$ 2,137,024
Accounts receivable	21,427	21,661
Prepaid expenses	7,936	1,277
	\$ 1,813,943	\$ 2,159,962
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 53,658	\$ 55,008
Funds held for Contracting Parties (note 3)	135,400	264,800
	189,058	319,808
FUND BALANCES		
WORKING CAPITAL FUND (note 4)	1,217,045	1,351,707
TRUST FUND	110,000	110,000
RELOCATION AND HOME LEAVE FUND	199,993	300,596
MAFF FISH GIS FUND	22,847	77,851
KIOST SEA TURTLE FUND	75,000	-
	1,624,885	1,840,154
	\$ 1,813,943	\$ 2,159,962

**STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General Fund	Working Capital Fund	Trust Fund	Relocation and Home Leave Fund	MAFF FishGIS Fund	KIOST Sea Turtle Fund	2018 Total	2017 Total
FUND BALANCES , beginning of year	\$ -	\$ 1,351,707	\$ 110,000	\$ 300,596	\$ 77,851	\$ -	\$ 1,840,154	\$ 2,095,539
SOURCES OF FUNDS								
Voluntary contributions and grants (note 5)	-	986,361	46,115	-	96,383	75,000	1,203,859	1,183,886
Contributions from Contracting Parties	788,400	-	-	-	-	-	788,400	777,000
Interest and other income (note 6)	-	236,968	325	33,154	198	-	270,645	226,552
Budgeted transfer to General Fund (note 7)	133,600	(133,600)	-	-	-	-	-	-
TOTAL REVENUE	922,000	1,089,729	46,440	33,154	96,581	75,000	2,262,904	2,187,438
FUND BALANCES , before expenditures	922,000	2,441,436	156,440	333,750	174,432	75,000	4,103,058	4,282,977
EXPENDITURES								
Annual Meeting	41,132	-	-	-	-	-	41,132	42,139
Intern program	-	-	53,974	-	-	-	53,974	46,118
MAFF Fund expenditures	-	-	-	-	-	-	-	35,140
MOE Fund expenditures	-	-	-	-	-	-	-	200,784
MAFF FishGIS Fund expenditures (note 8)	-	-	-	-	151,585	-	151,585	18,534
Office and administration	40,557	5,270	2,364	-	-	-	48,191	32,603
Personnel services (note 9)	623,057	160,140	-	-	-	-	783,197	686,115
Projects (note 10)	-	1,064,731	-	-	-	-	1,064,731	1,059,102
Publications / Communication	42,798	-	-	-	-	-	42,798	37,749
Relocation	-	-	-	133,757	-	-	133,757	59,527
Special meetings/travel	125,331	9,864	44,256	-	-	-	179,451	208,776
TOTAL EXPENDITURES BEFORE OTHER ITEMS	872,875	1,240,005	100,594	133,757	151,585	-	2,498,816	2,426,587
Foreign exchange (gain) loss (note 11)	(20,643)	-	-	-	-	-	(20,643)	16,236
TOTAL EXPENDITURES	852,232	1,240,005	100,594	133,757	151,585	-	2,478,173	2,442,823
NET FUNDS AVAILABLE	69,768	1,201,431	55,846	199,993	22,847	75,000	1,624,885	1,840,154
TRANSFER TO WORKING CAPITAL FUND (note 4)	(69,768)	69,768	-	-	-	-	-	-
INTERFUND TRANSFERS (note 7)	-	(54,154)	54,154	-	-	-	-	-
FUND BALANCES , end of year	\$ -	\$ 1,217,045	\$ 110,000	\$ 199,993	\$ 22,847	\$ 75,000	\$ 1,624,885	\$ 1,840,154

NORTH PACIFIC MARINE SCIENCE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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.

A PICES special project (December 21, 2017 - March 31, 2020) on "*Building Capacity for Coastal Monitoring by Local Small-scale Fishers (FishGIS)*", the MAFF FishGIS Fund, was established in 2017 with funding from the Ministry of Agriculture, Forestry and Fisheries, under the procedure (Decision 2017/A/7) for Approval and Management of Special Projects.

A PICES special project (November 30, 2018 - November 30, 2022) on "*Sea Turtle Ecology in Relation to Environmental Stressors in the North Pacific Region*", the KIOST Sea Turtle Fund, was established in 2018 with funding from the Korea Institute of Ocean Science and Technology (KIOST), under the procedure (Decision 2017/A/7) for Approval and Management of Special Projects.

2. ACCOUNTING POLICIES, continued

(b) Capital Assets

Capital assets acquired by the Organization are expensed in the year of acquisition. During the current year the Organization purchased \$1,958 of capital assets.

(c) Employee Future Benefits

The Organization does not record any liability for the unfunded portion of its defined benefit pension plan (note 12) or any unpaid annual leave, overtime and severance (note 13).

(d) Revenue

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

Interest revenue is recognized as it is earned.

(e) Expenditures

Expenditures are recognized when services are performed or goods are delivered, if the amount is known or can be reasonably estimated. Expenditures for retroactive pay increases are recognized when they are paid.

(f) Income Tax

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

(g) 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.

(h) 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.

(i) 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 China in the amount of \$135,400. This amount consists of \$133,900 for the 2019 budgeted contributions, plus overpayments of \$1,500.

NORTH PACIFIC MARINE SCIENCE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

4. WORKING CAPITAL FUND

Of the total amount in the Working Capital Fund (\$1,217,045), \$817,958 of cash and short term deposits is restricted for specific designated projects.

Pursuant to decision 2018/A/3/iii of the Governing Council, \$226,600 of the funds held in the Working Capital Fund will be transferred to the General Fund at the beginning of the 2019 fiscal year to balance the budget, setting the total annual contributions at \$803,400, and the 2019 annual contribution at \$133,900 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. VOLUNTARY CONTRIBUTIONS AND GRANTS

	Working Capital Fund	MAFF KIOST		
		Trust Fund	FishGIS Fund	Sea Turtle Fund
Contributions to Intern Program:				
DFO (Canada)	\$ -	\$ 15,000	\$-	-
KIOST (Korea)	-	5,000	-	-
NOAA (U.S.A.)	-	19,515	-	-
SCOR	-	6,600	-	-
Contributions for the North Pacific CPR Project:				
DFO (Canada)	60,000	-	-	-
NPRB (U.S.A.)	62,342	-	-	-
PWSSC (U.S.A.)	139,351	-	-	-
FUTURE Program:				
DFO (Canada)	15,000	-	-	-
KIOST Sea Turtle Fund	-	-	-	75,000
MAFF Fish GIS Fund	-	-	96,383	-
Ocean Decade Workshop 2018:				
U.S.A. State Department	45,630	-	-	-
Park KIOST Travel Fund:				
KIOST (Korea)	39,199	-	-	-
PICES 2019:				
DFO (Canada)	125,000	-	-	-
Special Project Coordination:				
Tax levy	9,818	-	-	-
Transitional Areas La Paz 2018:				
IFFO	6,182	-	-	-
SCOR	3,728	-	-	-
Registration fees	22,940	-	-	-
Washington 2018:				
COMPASS	15,147	-	-	-
DFO (Canada)	50,000	-	-	-
FAO	31,133	-	-	-
IAEA	9,999	-	-	-
ICES	7,806	-	-	-
IMBER	3,912	-	-	-
IOC	27,331	-	-	-
Lenfest Ocean Program	3,260	-	-	-
Monterey Bay Aquarium	3,253	-	-	-
NOAA (U.S.A.)	65,050	-	-	-
Norwegian Embassy	13,129	-	-	-
SCOR	10,948	-	-	-
Registration fees	216,203	-	-	-
	\$ 986,361	\$ 46,115	\$ 96,383	\$ 75,000

NORTH PACIFIC MARINE SCIENCE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

6. INTEREST AND OTHER INCOME

	Working Capital Fund	Trust Fund	Relocation and Home Leave Fund	MAFF FishGIS Fund
GST/HST & PST rebates	\$ 9,857	\$ -	\$ -	\$ -
Income tax levies	83,907	-	31,023	-
Interest income	15,707	325	2,131	198
Miscellaneous income	5,709	-	-	-
Overhead from CPR Project	1,621	-	-	-
Overhead from MAFF Fish GIS Project	12,530	-	-	-
PICES 2018 registration fees	107,637	-	-	-
	\$ 236,968	\$ 325	\$ 33,154	\$ 198

7. INTERFUND TRANSFERS

The Governing Council approved the transfer of \$133,600 at the beginning of 2018 from the Working Capital Fund to the General Fund (Decision 2017/A/3/ii) to balance the budget, setting the total annual contributions at \$788,400, and the 2018 annual contribution at \$131,400 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 2018 (Decision 2018/A/3/iv). The amount of the transfer was \$54,154.

8. MAFF FISHGIS EXPENDITURES

2017-2020 PICES/MAFF Project: Building capacity for coastal monitoring by local small-scale fishers

	2018	2017
Contractual services	\$ 52,306	\$ -
Office/Admin	3,834	89
Overhead to PICES	12,530	12,530
Special meetings/travel	82,915	5,915
Total project expenses	\$ 151,585	\$ 18,534

9. PERSONNEL SERVICES

During the 2018 fiscal year, \$74,993 of unforeseen employer costs of the pension plan were paid by the Working Capital Fund in accordance with Governing Council Decision 2018/A/3/ii. These costs would have normally been paid by the General Fund. We note the large increase is the result of increased employer pension contributions required for current personnel and does not reflect an increase to the number of staff members employed.

Pursuant to decision 2017/A/3/iv/b, a lump sum employer contribution of \$25,000 was also paid by the Working Capital Fund to pay down unfunded liabilities.

10. PROJECTS

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

	2018	2017
Development of FUTURE	\$ 11,960	\$ 5,303
Early Career Scientist 2017	-	94,411
IMBIZO	-	25,210
IMDC San Diego 2018	2,587	9,874
North Pacific CPR Project	214,116	516,260
North Pacific Ecosystem Status Report	1,587	2,943
Ocean Decade Workshop	23	-
Park KIOST Travel Fund	50,427	27,483
PICES Summer School	2,683	-
Small Pelagics Symposium	-	188,037
Special Project Coordination	47,872	179,029
Transitional Areas La Paz 2018	132,849	6,504
US Reserve	35	2,112
Visiting Scientists	1,420	1,824
Washington 2018	599,172	112
	\$ 1,064,731	\$ 1,059,102

11. FOREIGN CURRENCY TRANSACTIONS

At year end all funds held in foreign currency (2018: USD \$177,675, 2017: USD \$182,342), receivables (2018: USD \$5,238, 2017: nil) and payables (2018: USD \$3,409, 2017: nil) are converted to Canadian dollars using the December 31st exchange rate. A foreign exchange loss has been reported on the current year financial statements; this amount is an unbudgeted item which has been caused by the ongoing fluctuations in exchange rates, 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 most recent actuarial valuation report was prepared as at January 1, 2017 and showed an unfunded pension liability for PICES of \$477,000. If the plan were wound-up, the wind-up shortfall (adjusted for cost of future indexation) as at January 1, 2017 would be \$2,501,000.

The International Fisheries Commissions Pension Society will continue to develop a financial plan to reduce the unfunded pension liability. In 2018, monthly pension payments increased significantly to try to compensate for this shortfall.

Pursuant to decision 2017/A/3/iv/a, Council approved a lump sum employer contribution of \$20,000 from the fiscal year 2018 General Fund budget to pay down unfunded liabilities.

Pursuant to decision 2017/A/3/iv/b, Council approved a lump sum employer contribution of \$25,000 from the fiscal year 2018 Working Capital Fund to pay down unfunded liabilities.

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 \$278,386. This value is determined using current wage rates.

A long term employee retired in 2018 and will have the balance of their severance paid out in the 2019 fiscal year. At current wage rates this amounts to approximately \$59,810 of the above amount.

The amounts actually paid will be calculated using the wage rates in affect at the time of payment and therefore could change significantly.

14. SUBSEQUENT EVENT

Subsequent to the end of the 2018 fiscal year, retroactive pay totaling \$37,506 was paid to employees. These retroactive adjustments relate to time worked during the 2014 through 2018 fiscal years. No adjustment has been made in these financial statements for the retroactive pay. This is in accordance with the usual practice for managing retroactive pay.

15. 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 organization'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 11 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.

16. 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 FOR ANNUAL FEES

TABLE 4.1: PAYMENT SCHEDULE FOR ANNUAL FEES 2005–2019

	<i>Canada</i>	<i>China</i>	<i>Japan</i>	<i>Korea</i>	<i>Russia</i>	<i>USA</i>
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
2018	Mar 28, 18	Aug 30, 17	Nov 21, 17	Jul 30, 18	Oct 24, 18	Apr 11, 18
2019	Apr 24, 19	Jul 19, 18	Jan 31, 19	Jan 17, 19	May 15, 19	Feb 28, 19

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: RECOMMENDED BUDGET FOR FY2020

Recommended Budget for FY2020			
Sources for General Fund (GNF)	Amount	% of GNF	Notes
National contributions	\$820,200	75%	FY 2019 fee of \$133,900 per Contracting Party) x 2.1% CPI = \$ 136,700
Special Contribution - Pension Plan Liability	\$48,000	5%	\$8000 per Contracting Party
Transfer from Working Capital Fund	\$219,800	20%	
Total	\$1,088,000		
Category	GNF Allotment		WCF Allotments
Personnel Services	\$732,000	67%	<i>includes a small buffer for ES transition</i>
Special Pension liability payments	\$48,000	4%	
Annual Meeting	\$43,000	4%	
Special Meetings/Travel	\$180,000	17%	
Publications/Communications	\$35,000	3%	
Office/Administrative	\$50,000	5%	
Total	\$1,088,000		