

**Report of the Finance and Administration Committee
October 31, 2018**

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 October 30 and 10:00 - 12:30 on October 31, 2018 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. At the request of the Executive Secretary and with the approval of the parties two additional information items were added:

17(e) - Hosting of the PICES Secretariat by Canada/Fisheries and Oceans Canada

17(f) - Intern Program and Capacity Building

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

FA AGENDA ITEM 3 - AUDITED ACCOUNTS FOR FY2017

The FY 2017 financial statements were submitted to the auditor Hale & Hughesman on March 31, 2018 and the audit was completed on May 29, 2018. The report (*F&A Endnote 3*) was electronically circulated to all Contracting Parties on June 15, 2018. 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, 2017, 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 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-2018.

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 2019 and beyond.

FA AGENDA ITEM 6 - THE GENERAL FUND –IN 2017

The committee reviewed the budget and expenditures in the General Fund for 2017, noting that expenditures were within the budget tolerance for all categories.

AGENDA ITEM 7 - WORKING CAPITAL FUND IN 2017 AND 2018

The Executive Secretary provided information on the amount of funds in the Working Capital Fund restricted for specific purposes (encumbered funds) for FY2017 and the estimated amount of the encumbered funds for the fiscal year end FY2018.

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. No adjustments were recommended.

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 – ESTIMATED ACCOUNTS FOR 2018

The estimated accounts for FY2018 were reviewed and noted the impacts of the very large increase in employer costs to support the pension plan.

The Committee determined that the very large increase in the employer costs for the pension plan in 2018 were unforeseen and that in order to avoid exceeding the budget set for the General Fund, a portion of this increase be paid from the Working Capital Fund in accordance with Financial Rule 6(iv)(a).

FA AGENDA ITEM 12 – OPTIONS FOR REVENUE FROM ANNUAL MEETINGS WITH HIGH ATTENDANCE

The Committee reviewed the analysis prepared by the Executive Secretary.

The Committee recommends that options for revenue from annual meetings with high attendance be deferred until such time as the Organization has greater financial stability.

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. Decisions on staffing, pension plan costs and annual fees will be taken after consideration of Agenda Item 15 - Proposed budget for 2019 and forecast budget for 2020.

FA AGENDA ITEM 14 – FINANCIAL RESERVE PLANNING

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

FA AGENDA ITEM 15 - PROPOSED BUDGET FOR FY 2019 AND FORECAST BUDGET ESTIMATES FOR FY2020

The Committee reviewed the proposed FY2019 budget of \$1,030,000. The total 2019 contributions of the Parties will be \$803,400 and a transfer of \$226,600 from the Working Capital Fund will be required to balance the budget and recommends that this be approved by Governing Council.

The Committee reviewed that materials provided for Agenda Items 11, 13 and 15. Following careful and considerable consideration of each of the four proposed options to address the organizations financial pressures the Committee failed to reach consensus on a recommended option.

The Committee acknowledged that in the absence of increased revenue (Option 1) that accommodating the current operations of the organizations would require excessive on-going annual transfers of funding from the Working Capital Fund and that this requirement would exhaust the fund reserve in approximately 4 years. Unless Governing Council directs a reduction in the operations of the organization commensurate to its financial pressures, the Committee cautions against endorsement of this option.

In the absence of this consensus, the Committee requires additional direction from Governing Council well in advance of PICES-2019.

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 at a location and time still to be determined. The Committee also recommends approving a request from China for up to \$40,000 from

In keeping with the six -year rotation cycle (Decision 1994/A/6), Korea was asked if it was willing to return to the original cycle, hosting the Annual Meeting in 2021. The Committee recommends that Council formally request Korea to explore the possibility of hosting the 2021 Annual Meeting and inform the Secretariat on this matter by March 31, 2019.

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.

Recognizing the current financial challenges, the low registration fee compared to other such meetings and the long interval without an increase, the Committee recommends a modest increase to 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.

The Committee supports the request by Science Board and recommends it to Council for approval. Japan has indicated their willingness to host the 2019 Intersessional Science Board meeting, subject to confirmation of the meeting size and scope.

Russia also expressed interest in hosting an intersessional event but noted that they require details on the event scope and sufficient lead time to secure funding.

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

The Committee recommends that the Executive Secretary continue to explore this option with ICES and provide an evaluation of the benefits and the additional costs for the organization and Contracting Parties at PICES-2019 for the Committee's consideration at the 2019 Annual Meeting.

FA AGENDA ITEM 17 – ADMINISTRATIVE MATTERS

FA AGENDA ITEM 17(A) – DATA MANAGEMENT POLICY FOR PICES

The Committee reviewed the proposed PICES Data Policy and provided some minor modifications. The Committee recommends that the modified policy (*F&A Endnote 6*) be adopted and implemented by the Organization.

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

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

The Committee further recommended that the Executive Secretary consult with other organizations on approaches to determine the uptake/impact of science activities, reporting back to the Committee at PICES-2019.

FA AGENDA ITEM 17(C) – STAFFING IN THE PICES SECRETARIAT

The Committee reviewed the material presented. Recommendations arising are presented under Agenda Item 15.

FA AGENDA ITEM 17(D) – INTERNATIONAL FISHERY COMMISSIONS PENSION SOCIETY (IFCPS) – PENSION PLAN STATUS

The Committee reviewed the material presented. Recommendations arising are presented under Agenda Item 15.

FA AGENDA ITEM 17(E) – 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 17(F) – INTERN PROGRAM AND CAPACITY BUILDING

The Committee reviewed the material presented. Recommendations arising are presented under Agenda Item 8.

FA AGENDA ITEM 18 - APPOINTMENT OF THE F&A COMMITTEE CHAIRMAN

The Committee expressed appreciation for the contributions of Dr. Carmel Lowe as Chair of the Finance and Administration and recommends that she be appointed to a second two-year term to beginning after PICES-2018 and ending after PICES-2020.

FA AGENDA ITEM 19 - OTHER BUSINESS

Two additional agenda items were discussed under Agenda Item 17 – Administrative Matters

F&A ENDNOTE 1

2018 F&A participation list

Canada

Lesley MacDougall (F&A member)

Japan

Nobuaki Suzuki (F&A member)

Chieko Kondo Yamasaki (advisor)

Ichiro Koga (advisor)

Kazuki Ueda (advisor)

Tomowo Watanabe (advisor)

People's Republic of China

Antao Wang (F&A member)

Fangli Qiao (GC member and advisor)

Republic of Korea

Sun Ha Kim (F&A member)

Hee Jin Kim (F&A member)

Joongho Moon (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)

PICES Twenty Seventh Annual Meeting (PICES-2018)
Yokohama, Japan
Tuesday, October 30 (14:00 – 18:00) 2018
Wednesday, October 31 (09:00-12:50) 2018

FINANCE AND ADMINISTRATION COMMITTEE (F&A)
AGENDA
(AS MODIFIED AT THE MEETING)

1. Welcome and opening remarks
2. Adoption of agenda and meeting procedures
3. Audited accounts for FY 2017
4. Annual contributions
5. Voluntary Contributions and Fund-raising activities
6. General Fund in 2017 – Details
7. Working Capital Fund in 2017 –Details
 - a. Includes decisions on moving money within the WCF
8. Trust Fund in 2017 – Details
9. Relocation and Home Leave Fund – Details.
10. MAFF Fish GIS Fund in 2017– Details
11. Estimated accounts for 2018
12. Options for revenue from Annual Meetings with high attendance [Decision 2017/A/4(vi)]
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 2019 and forecast budget estimates for FY 2020
16. Schedule, structure and financing of future Annual Meetings [Decision 2015/A/4(vi)]
17. 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
 - e. Hosting of the PICES Secretariat by Canada/Fisheries and Oceans Canada (*added during discussion of Agenda Item 2*)
 - f. Intern Program and Capacity Building (*added during discussion of Agenda Item 2*)
18. Schedule for Appointment of F&A Committee Chairman
19. Other business
20. 2018 F&A report and recommendations to Governing Council

F&A ENDNOTE 3:

**NORTH PACIFIC MARINE SCIENCE ORGANIZATION
FINANCIAL STATEMENTS
DECEMBER 31, 2017**

**NORTH PACIFIC MARINE SCIENCE ORGANIZATION
FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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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, 2017 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, 2017, and the results of its operations and changes in fund balances for the year then ended.

Sidney, B.C.
May 22, 2018

Hughesman Morris

Hughesman Morris
Chartered Professional Accountants

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

ASSETS

| | 2017 | 2016 |
|---------------------------------------|--------------|--------------|
| CURRENT ASSETS | | |
| Cash and short term deposits (note 4) | \$ 2,137,024 | \$ 2,205,697 |
| Accounts receivable | 21,661 | 172,372 |
| Prepaid expenses | 1,277 | 3,185 |
| | \$ 2,159,962 | \$ 2,381,254 |

LIABILITIES

CURRENT LIABILITIES

| | | |
|---|-----------|-----------|
| Accounts payable | \$ 55,008 | \$ 26,715 |
| Funds held for Contracting Parties (note 3) | 264,800 | 259,000 |
| | 319,808 | 285,715 |

FUND BALANCES

| | | |
|--|--------------|--------------|
| WORKING CAPITAL FUND (note 4) | 1,351,707 | 1,396,424 |
| TRUST FUND | 110,000 | 110,000 |
| RELOCATION AND HOME LEAVE FUND | 300,596 | 340,552 |
| MINISTRY OF AGRICULTURE, FORESTRY AND FISHERIES FUND | - | 35,140 |
| MINISTRY OF ENVIRONMENT FUND | - | 213,423 |
| MAFF FISH GIS FUND | 77,851 | - |
| | 1,840,154 | 2,095,539 |
| | \$ 2,159,962 | \$ 2,381,254 |

NORTH PACIFIC MARINE SCIENCE ORGANIZATION
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2017

| | General Fund | Working Capital Fund | Trust Fund | Relocation and Home Leave Fund | Ministry of Agriculture, Forestry and Fisheries Fund | Ministry of Environment Fund | MAFF FishGIS Fund | 2017 Total | 2016 Total |
|--|-----------------|----------------------------|---------------|--------------------------------------|---|------------------------------------|-------------------------|---------------|---------------|
| FUND BALANCES , beginning of year | \$ - | \$ 1,396,424 | \$ 110,000 | \$ 340,552 | \$ 35,140 | \$ 213,423 | \$ - | \$ 2,095,539 | \$ 2,016,302 |
| SOURCES OF FUNDS | | | | | | | | | |
| Voluntary contributions and grants (note 5) | - | 1,038,542 | 48,959 | - | - | - | 96,385 | 1,183,886 | 2,504,868 |
| Contributions from Contracting Parties | 777,000 | - | - | - | - | - | - | 777,000 | 766,200 |
| Interest and other income (note 6) | - | 206,922 | 59 | 19,571 | - | - | - | 226,552 | 201,079 |
| Budgeted transfer to General Fund (note 7) | 131,100 | (131,100) | - | - | - | - | - | - | - |
| TOTAL REVENUE | 908,100 | 1,114,364 | 49,018 | 19,571 | - | - | 96,385 | 2,187,438 | 3,472,147 |
| FUND BALANCES , before expenditures | 908,100 | 2,510,788 | 159,018 | 360,123 | 35,140 | 213,423 | 96,385 | 4,282,977 | 5,488,449 |
| EXPENDITURES | | | | | | | | | |
| Annual Meeting | 42,139 | - | - | - | - | - | - | 42,139 | 10,689 |
| Intern program | - | - | 46,118 | - | - | - | - | 46,118 | 40,915 |
| MAFF Fund expenditures (note 8) | - | - | - | - | 35,140 | - | - | 35,140 | 71,159 |
| MOE Fund expenditures (note 9) | - | - | - | - | - | 200,784 | - | 200,784 | 1,342,246 |
| MAFF FishGIS Fund expenditures (note 10) | - | - | - | - | - | - | 18,534 | 18,534 | - |
| Office and administration | 27,689 | 4,793 | 121 | - | - | - | - | 32,603 | 29,117 |
| Personnel services | 575,494 | 110,621 | - | - | - | - | - | 686,115 | 577,705 |
| Projects (note 11) | - | 1,059,102 | - | - | - | - | - | 1,059,102 | 1,025,258 |
| Publications / Communication | 37,749 | - | - | - | - | - | - | 37,749 | 40,591 |
| Relocation | - | - | - | 59,527 | - | - | - | 59,527 | 9,697 |
| Special meetings/travel | 159,099 | 5,287 | 44,390 | - | - | - | - | 208,776 | 247,069 |
| TOTAL EXPENDITURES BEFORE OTHER ITEMS | 842,170 | 1,179,803 | 90,629 | 59,527 | 35,140 | 200,784 | 18,534 | 2,426,587 | 3,394,446 |
| Foreign exchange loss (gain) (note 12) | 16,236 | - | - | - | - | - | - | 16,236 | (1,536) |
| TOTAL EXPENDITURES | 858,406 | 1,179,803 | 90,629 | 59,527 | 35,140 | 200,784 | 18,534 | 2,442,823 | 3,392,910 |
| NET FUNDS AVAILABLE TRANSFER TO WORKING CAPITAL FUND (note 4) | 49,694 | 1,330,985 | 68,389 | 300,596 | - | 12,639 | 77,851 | 1,840,154 | 2,095,539 |
| INTERFUND TRANSFERS (note 7) | (49,694) | 49,694 | - | - | - | - | - | - | - |
| | - | (28,972) | 41,611 | - | - | (12,639) | - | - | - |
| FUND BALANCES , end of year | \$ - | \$ 1,351,707 | \$ 110,000 | \$ 300,596 | \$ - | \$ - | \$ 77,851 | \$ 1,840,154 | \$ 2,095,539 |

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. This project was completed in 2017 and the balance of the funds held was zero on December 31, 2017.

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. This project was completed in 2017 and the balance of the funds held was zero on December 31, 2017.

A new PICES project (December 21, 2017 - March 31, 2020) on "*Building Capacity for Coastal Monitoring by Local Small-scale Fishers (FishGIS)*" was established in 2017 with funding from the Ministry of Agriculture, Forestry and Fisheries, under the new procedure (Decision 2017/A/6) for Approval and Management of Special Projects.

NORTH PACIFIC MARINE SCIENCE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 \$1,956 of capital assets.

(c) 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.

(d) Expenditures

Expenditures are recognized when services are performed or goods are delivered, if the amount is known or can be reasonably estimated.

(e) Income Tax

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

(f) 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.

(g) 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.

(h) 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 \$131,400 and China in the amount of \$133,400.

4. WORKING CAPITAL FUND

Of the total amount in the Working Capital Fund (\$1,351,707), \$883,940 of cash and short term deposits is restricted for specific designated projects.

Pursuant to decision 2017/A/3(ii) of the Governing Council, \$133,600 of the funds held in the Working Capital Fund will be transferred to the General Fund at the beginning of the 2018 fiscal year to balance the budget, setting the total annual contributions at \$788,400, and the 2018 annual contribution at \$131,400 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, 2017

5. VOLUNTARY CONTRIBUTIONS AND GRANTS

| | Working Capital | | MAFF Fish |
|---|-----------------|------------|-----------|
| | Fund | Trust Fund | GIS Fund |
| Contributions to Intern Program: | | | |
| DFO (Canada) | - | 15,000 | - |
| NOAA (U.S.A.) | - | 18,908 | - |
| KIOST (Korea) | - | 5,000 | - |
| Contributions for the North Pacific CPR Project: | | | |
| DFO (Canada) | 15,000 | - | - |
| NPRB (U.S.A.) | 203,334 | - | - |
| PWSSC (U.S.A.) | 207,732 | - | - |
| Early Career Science Conference: | | | |
| KIOST (Korea) | 68,237 | - | - |
| SCOR | 3,360 | - | - |
| FUTURE Program: | | | |
| DFO (Canada) | 15,000 | - | - |
| IMBIZO5 | 25,378 | - | - |
| MAFF Fish GIS Fund: | - | - | 96,385 |
| Park KIOST Travel Fund: | | | |
| KIOST (Korea) | 45,500 | - | - |
| PICES 2016: | | | |
| SCOR | - | 6,649 | - |
| PICES 2017: | | | |
| SCOR | - | 3,402 | - |
| PICES 2019: | | | |
| DFO (Canada) | 125,000 | - | - |
| Small Pelagics Symposium 2017: | | | |
| DFO (Canada) | 9,359 | - | - |
| FAO | 9,275 | - | - |
| IFFO | 6,596 | - | - |
| PICES contribution (from General Fund) | 8,500 | - | - |
| Registration fees | 84,417 | - | - |
| Special project coordination: | | | |
| Tax levy | 24,082 | - | - |
| Transitional Areas La Paz 2018: | | | |
| ISC | 6,142 | - | - |
| JSFO | 1,088 | - | - |
| JSFS | 1,112 | - | - |
| NOAA (U.S.A.) | 50,756 | - | - |
| NPFC | 2,347 | - | - |
| NPRB (U.S.A.) | 12,769 | - | - |
| Registration fees | 470 | - | - |
| Washington 2018: | | | |
| DFO (Canada) | 50,000 | - | - |
| FAO | 8,940 | - | - |
| NOAA (U.S.A.) | 31,513 | - | - |
| NPAFC | 7,500 | - | - |
| NPRB (U.S.A.) | 6,385 | - | - |
| ONC | 8,000 | - | - |
| Registration fees | 750 | - | - |
| | \$ 1,038,542 | \$48,959 | \$ 96,385 |

6. INTEREST AND OTHER INCOME

| | Working Capital Fund | Trust Fund | Relocation and Home Leave Fund |
|--|-------------------------|---------------|--------------------------------------|
| PICES 2017 registration fees | \$ 67,664 | \$ - | \$ - |
| Income tax levies | 90,956 | - | 19,229 |
| GST/HST & PST rebates | 19,034 | - | - |
| Interest income | 13,787 | 59 | 342 |
| Overhead from MAFF Fish GIS Project | 12,530 | - | - |
| Miscellaneous income | 2,951 | - | - |
| | \$ 206,922 | \$ 59 | \$ 19,571 |

7. INTERFUND TRANSFERS

The Governing Council approved the transfer of \$131,100 at the beginning of 2017 from the Working Capital Fund to the General Fund (Decision 2016/A/8/ii) to balance the budget, setting the total annual contributions at \$777,000, and the 2017 annual contribution at \$129,500 per Contracting Party.

The remainder of SCOR funds received by the Trust Fund for the Bergen Zooplankton Production Symposium, \$2,355, were transferred from the Trust Fund to the Working Capital Fund for the Early Career Science 2017 event.

\$12,639, the remaining balance in the MOE Fund, was transferred to the Working Capital Fund for the San Diego 2018 event.

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 2017 (Decision 2017/A/3/iii). The amount of the transfer was \$43,966.

8. MINISTRY OF AGRICULTURE, FORESTRY AND FISHERIES FUND EXPENDITURES

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

| | 2017 | 2016 |
|-------------------------|-----------|-----------|
| Miscellaneous | \$ 67 | \$ 914 |
| Contractual services | 21,491 | 27,413 |
| Overhead to PICES | - | 8,709 |
| Special meetings/travel | 13,582 | 34,123 |
| Total project expenses | \$ 35,140 | \$ 71,159 |

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9. MINISTRY OF ENVIRONMENT FUND EXPENDITURES

| | 2017 | 2016 |
|---------------------------|-------------------|---------------------|
| Contractual services | \$ 76,079 | \$ 1,099,098 |
| Miscellaneous | 1,488 | 4,232 |
| Other workshops | - | 9,998 |
| Overhead to PICES | - | 167,821 |
| Printing | 89,965 | - |
| Special meetings/travel | 33,252 | 61,097 |
| Total MOE expenses | \$ 200,784 | \$ 1,342,246 |

10. MAFF FISHGIS EXPENDITURES

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

| | 2017 |
|-------------------------------|------------------|
| Miscellaneous | \$ 89 |
| Overhead to PICES | 12,530 |
| Special meetings/travel | 5,915 |
| Total project expenses | \$ 18,534 |

11. PROJECTS

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

| | 2017 | 2016 |
|---------------------------------------|---------------------|---------------------|
| BC Government Tsunami Debris Mapping | \$ - | \$ 12,025 |
| Development of FUTURE | 5,303 | 21,461 |
| DFO Tsunami Debris | - | 25,000 |
| Early Career Scientist 2017 | 94,411 | 4,489 |
| IMBIZO | 25,210 | - |
| IMDC San Diego 2018 | 9,874 | - |
| North Pacific CPR Project | 516,260 | 61,035 |
| North Pacific Ecosystem Status Report | 2,943 | 16,349 |
| Park KIOST Travel Fund | 27,483 | - |
| PICES 2016 USA | - | 467,221 |
| PICES 25th Anniversary | - | 181,182 |
| PICES Publication Program | - | 33,952 |
| Small Pelagics Symposium | 188,037 | 34,994 |
| Special Project Coordination | 179,029 | 167,550 |
| Transitional Areas La Paz 2018 | 6,504 | - |
| US Reserve | 2,112 | - |
| Visiting Scientists | 1,824 | - |
| Washington 2018 | 112 | - |
| | \$ 1,059,102 | \$ 1,025,258 |

12. FOREIGN CURRENCY TRANSACTIONS

At year end all funds held in foreign currency (2017: USD \$182,342, 2016: USD \$66,487), receivables (2017: nil, 2016: USD \$61,858) and payables (2017: nil, 2016: USD \$764) 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.

13. 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.

Pursuant to decision 2017/A/3(iv), Council approved a lump sum employer contribution of \$20,000 from the fiscal year 2018 budget to pay down unfunded liabilities. An additional lump sum payment (up to \$25,000) is approved if there is a fiscal year 2017 surplus in the General Fund, as determined by the 2017 Auditors' Report. This will be paid from the Working Capital Fund in fiscal year 2018.

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

14. 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 \$390,714. This value is determined using current wage rates.

A long-term employee will be retiring in 2018 and will have their vacation time and severance paid out over the 2018 and 2019 fiscal years. At current wage rates this amounts to approximately \$192,933 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.

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 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 12 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:

TABLE 4.1: PAYMENT SCHEDULE FOR ANNUAL FEES 2005–2018

| | <i>Canada</i> | <i>China</i> | <i>Japan</i> | <i>Korea</i> | <i>Russia</i> | <i>USA</i> |
|------|---------------|-------------------------------|--------------|-------------------------|------------------------------|------------------------|
| 2005 | Dec.24, 04 | Sep 22, 05² | Mar 2, 05 | Mar. 30, 05 | Mar. 31, 05 ³ | 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, 08 ⁴ |
| 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, 11 ⁵ | 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 |

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 FY 2019 BUDGET (AS RECOMMENDED BY F&A)

| Sources for General Fund (GNF) | Amount | Notes |
|------------------------------------|--------------------|---|
| National contributions | \$803,400 | FY 2018 fee of \$131,400 per Contracting Party) x 1.9% CPI =\$133,900 |
| Transfer from Working Capital Fund | \$226,600 | |
| Total | \$1,030,000 | |

| Category | GNF Allotment | WCF Allotments |
|-----------------------------|--------------------|--|
| Personnel Services | \$720,000 | benefit adjustments, liabilities reduction |
| Annual Meeting | \$43,000 | |
| Special Meetings/Travel | \$172,000 | |
| Publications/Communications | \$45,000 | |
| Office/Administrative | \$50,000 | |
| Projects | | |
| Total | \$1,030,000 | |

APPROVED FY 2019 BUDGET (AS APPROVED BY GOVERNING COUNCIL ON NOVEMBER 1 2018)

| Sources for General Fund (GNF) | Amount | Notes |
|------------------------------------|--------------------|---|
| National contributions | \$788,400 | FY 2019 fee of \$131,400 per Contracting Party (as per FY 2018 – no increase) |
| Transfer from Working Capital Fund | \$241,600 | |
| Total | \$1,030,000 | |

| Category | GNF Allotment | WCF Allotments |
|-----------------------------|--------------------|--|
| Personnel Services | \$720,000 | benefit adjustments, liabilities reduction |
| Annual Meeting | \$43,000 | |
| Special Meetings/Travel | \$172,000 | |
| Publications/Communications | \$45,000 | |
| Office/Administrative | \$50,000 | |
| Projects | | |
| Total | \$1,030,000 | |

Note:

At PICES-2018, the F&A Committee recommendation on Annual Fees for the 2019 budget was not endorsed by Governing Council. Council decided [Decision 2018/A/3(iii)] to approve the budget outlined above.

F&A ENDNOTE 6:

PRINCIPLES AND DEFINITIONS PICES DATA POLICY

1.

As stated in Article III of the Convention for the North Pacific Marine Science Organization (PICES) the Organization is to promote the collection and exchange of information and data related to marine scientific research in the North Pacific Ocean and its adjacent seas.

The PICES strategy on capacity development identifies TCODE as the committee responsible for the development of communication networks for exchange of data and information.

Data gathered as a result of PICES activities will be responsibly managed to guard against loss and to ensure continued accessibility. The management of data using external data management systems is preferred to using internal PICES resources.

For any data provided to PICES, PICES will respect the ownership rights and any restrictions placed on these data by the provider.

- Data include data products and model outputs related to PICES activities. Metadata are data about data.
- End users include a person, organization, group (including PICES expert groups) using data.
- Data providers include a person, organization, group (including PICES expert groups) providing data.
- The data inventory refers to data for which PICES has the primary responsibility to manage.

2. ROLES AND RESPONSIBILITIES:

The Technical Committee on Data Exchange (TCODE) is responsible to:

- Manage the PICES data inventory.
- Assist Expert Groups to identify data that are to be included in the data inventory.
- Assist Expert Groups in the development of data management options and strategies.
- Make recommendations to Science Board on PICES data management and priorities, with particular emphasis on correcting or mitigating any known or anticipated deficiencies.

The PICES Secretariat is responsible to:

- Support TCODE in the maintenance of the data inventory.
- Support TCODE to correct or mitigate any known or anticipated deficiencies.

Science Board is responsible to:

- Include data management requirements in the Terms of Reference of each PICES expert group.
- Review the recommendations proposed by TCODE and provide recommendations to Governing Council as necessary.

Expert Groups are responsible to:

- Identify any data developed during the activities of the expert group and inform TCODE and PICES secretariat.
- Develop, with assistance from TCODE, strategies or options for managing data used by the expert group.

3. DATA PRODUCED BY PICES

All data produced by PICES are considered to be publicly available unless explicitly specified otherwise.

Results, conclusions, or recommendations derived from the data associated with PICES do not imply endorsement from PICES.

Contributions of data from PICES expert groups will adhere to the expert groups' Terms of Reference and be submitted to TCODE for inventory while the group is active.

All data including metadata should be archived using standard codes, formats, and protocols.

4. DATA PROVIDED TO PICES

The quality assurance of data is the responsibility of the data provider.

In the event that PICES becomes aware there may be quality issues in the data PICES will inform the data providers as soon as possible.

Data providers should inform PICES secretariat of any policies that may place special conditions on their redistribution.

End users are responsible for the proper use of the data and metadata provided.

PICES may reformat data or metadata but will never change the data provider's original record.

Data must be acknowledged, preferably using a formal citation.

5. CITATION

Data citations should facilitate giving scholarly credit and normative and legal attribution to all contributors to the data, recognizing that a single style or mechanism of attribution may not be applicable to all data.

Where DOIs (Digital Object Identifiers) exist they should be included in the citation.