

Finance and Administration Committee

The Finance and Administration (hereafter F&A) Committee met from 09:00–12:30 hours on October 17, 2012, under the chairmanship of Ms. Patricia Livingston.

AGENDA ITEM 1

Opening remarks

The Chairman called the meeting to order, welcomed the participants and requested an introduction of members for each delegation. All Contracting Parties were present at the meeting (*F&A Endnote 1*).

AGENDA ITEM 2

Adoption of agenda

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

AGENDA ITEM 3

Audited accounts for FY 2011

The FY 2011 financial statements were submitted to *Flader, Hale & Hughesman* (PICES external auditor for FYs 2009–2011) on March 26, 2012, and the Auditor’s Report was completed on May 3, 2012. The report (*F&A Endnote 3*) was electronically circulated to all Contracting Parties on May 4, 2012. In the auditor’s opinion, “*the financial statements are an accurate representation of the financial position of the Organization as of December 31, 2011, and the results of its operations and changes in the 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).

The Committee also discussed the external auditor for FYs 2012–2014 and recommended that Council authorize the Executive Secretary to sign a new 3-year contract with the current auditor, given their familiarity with PICES operations.

AGENDA ITEM 4

Annual contributions

As stated in *Regulation 5(ii)* of the PICES Financial Regulations, all national contributions to PICES “*shall be considered due as of the first day of the financial year (January 1) to which they relate*”. The Executive Secretary pointed out that a letter commending Contracting Parties for their performance in submitting annual contributions for FY 2011, and describing difficulties that late and/or partial payment causes the Organization (Decision 2011/A/2(i)) was sent on October 31, 2011, simultaneously with a request for payment of the 2012 annual fees. He also reported on the 2012 annual fee payment dates, and provided information on the payment of national contributions for the period from 2005 to 2012 (*F&A Endnote 4*). The Committee noted that all Contracting Parties met their financial obligations for FY 2012. Although the payment schedule of the parties appeared to be stable the last few years, this does not appear to be the case this year. The Committee recommends that Council direct the Executive Secretary to send a letter to the Contracting Parties with respect to this matter, encouraging the timely payment of their annual fees.

The Committee confirmed its previous recommendation that for planning purposes, Contracting Parties should continue to use the guideline generally accepted at PICES-1999 (Decision 1999/A/2(ii)), which states that “*the*

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annual contributions will increase at the rate of inflation in Canada". This should assist Contracting Parties in preparing timely funding requests to cover annual contributions, and assist the Executive Secretary in developing future budgets. As the Committee discussed and recommended in 2011, the method for computing the Consumer Price Index (CPI) is to use the average of the monthly values from July of the previous year to June of the current year for determining the rate of increase in the future.

AGENDA ITEM 5

Fund-raising activities

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

The level of external funding has increased significantly over the last several years. In 2010 and 2011, the amount of funds from voluntary contributions, grants, and partnerships for various activities initiated or sponsored by PICES exceeded the total annual contributions by Contracting Parties. This will also occur in 2012, indicating the Organization's large dependence on outside funding, most of which have specific product and service requirements.

The Executive Secretary reported on fund-raising efforts for the period since PICES-2011 (*F&A Endnote 5*). With respect to the North Pacific Continuous Plankton Recorder (NP CPR) survey, it was noted that the program appears to have relatively secure funding until 2013 and some funding available into 2016. It was also indicated that the annual report on the program's achievements is useful to Contracting Parties as they seek to obtain continued funding for this activity. The *Exxon Valdez* Oil Spill Trustee Council (EVOSTC) and Japan Society for Promotion of Science (JSPS) extended their participation in the PICES consortium until 2016, with the same level of funding as for 2009–2013. The next critical renewals are those of Canada's Department of Fisheries and Oceans and the North Pacific Research Board (NPRB). Canada indicated intent to continue providing their support. There will be an NPRB call for long-term monitoring pre-proposals in June 2013, and PICES should be prepared to respond.

AGENDA ITEM 6

Encumbered funds

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* 2012, and the estimated amount of the encumbered funds for the fiscal year end.

AGENDA ITEM 7

Financing of high priority projects

At PICES-2007, the Committee discussed the use of the encumbered funds designated for high-priority PICES projects and suggested that \$40,000 be earmarked for the development of the new PICES integrative scientific program, *FUTURE (Forecasting and Understanding Trends, Uncertainty and Responses of North Pacific Marine Ecosystems)*, and the remainder (\$103,092) be assigned for the preparation of the next North Pacific Ecosystem Status Report (Decision 07/A/3(v)). In 2008, additional funds for both these activities became available. A transfer of \$21,996 from the High Priority Projects Fund to the *FUTURE* fund was made in 2010 (Decision 2010/A/3(v)). In 2011, funds available from all completed projects in the Working Capital Fund, totalling \$76,687, were allocated for *FUTURE* (Decision 2011/A/3(iv)). The North Pacific Ecosystem Status Report appears to have sufficient financial support in the near-term. There was some discussion about the financial needs of *FUTURE*, given the newly developed roadmap produced by Science Board. Considering

the number of activities identified by FUTURE, the Committee recommended that the available balance of funds in the Working Capital Fund as of December 31, 2012, from the 2011 Zooplankton Production Symposium and 2012 PICES/ICES Conference for Early Career Scientists be allocated to FUTURE. The Committee also recommended Council to instruct the Executive Secretary to send a letter to the Contracting Parties providing information on planned activities for FUTURE and requesting contributions to these activities, particularly the Open Science Meeting in 2014 (OSM-2014).

Capacity-building activities that might require funding support for 2013 were mentioned. In addition, the Committee reviewed the current status of the Intern Program. Contracting Parties were invited to provide voluntary contributions to support the Program in 2013. Canada, Korea, and the United States indicated their intention to attempt to obtain funding in the coming year, pending availability of funds. The Committee recommended that Council instruct the Executive Secretary to invite voluntary contributions from Contracting Parties in support of the Intern Program for 2013 and beyond.

AGENDA ITEM 8

Schedule, structure and financing of future Annual Meetings

PICES-2013 will be held from October 11–20, 2013, in Nanaimo, British Columbia, Canada. The Canadian delegation confirmed that planning is on track for hosting this meeting.

The Executive Secretary reported, and the Chinese representative confirmed, the latest information from China, indicating that there are difficulties with hosting PICES-2014. Although it was indicated that more information on this situation will be provided at the Council meeting, the Committee discussed a possible approach for Council to consider in the event that China is unable host the meeting. First, it was suggested that Council request an answer from China no later than the end of November 2012, with respect to its ability to hold PICES-2014 so that various options can be explored. These options include: 1) asking Korea if it might be prepared to host PICES-2014 and give China the opportunity to host PICES-2015, 2) holding PICES-2014 at the seat of the Secretariat, and 3) merging OSM-2014 and PICES-2014.

If China is prepared to host PICES-2014, the Committee recommended that, in keeping with the 6-year rotation cycle (Decision 1994/A/6), Council invite Korea to explore the possibility of hosting PICES-2015, and inform the Secretariat on this matter by March 31, 2013.

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 that was changed in 2010 to include an increase in the regular and early registration categories, and recommended there be no change in the registration fees for 2013.

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

At PICES-2009, Council adopted (Decision 2009/A/6(i)) the final report of the Study Group on *Restructuring of the PICES Annual Meeting* (SG-RAM). PICES-2012 was the first meeting conducted in accordance with the entire suite of SG-RAM recommendations. The Committee recommended that Council discuss the effectiveness of the approved changes at this Annual Meeting. The F&A Committee meeting was scheduled too early for a useful discussion of these changes.

F&A-2012

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 2012.

Science Board has already indicated the importance of having an inter-sessional meeting in 2013, to be held in conjunction with a joint PICES/ICES FUTURE-related workshop in western Russia. The Committee supported this request and recommended it to Council for approval.

AGENDA ITEM 9

Preparations for the Twenty-Fifth Anniversary of PICES

The Committee briefly reviewed the potential projects suggested by the PICES Secretariat in celebration of the Twenty-Fifth Anniversary in 2016. In addition, another project was mentioned that would be a special scientific volume in *Progress in Oceanography* that could consist of a review of the scientific advancements of PICES since its inception. The Committee recommended that Council approve the formation of a planning committee, consisting of the F&A Chairman, Science Board Chairman and Vice-Chairman, Executive Secretary, and a representative from each of the Contracting Parties. The group's responsibility would be to direct the planning of activities, fund-raising, and budget for this celebration. The F&A Chairman agreed to draft the terms of reference for the group.

AGENDA ITEM 10

PICES Visiting Scientist Program

The Committee reviewed the revised description of the Visiting Scientist Program and recommended that Council approve the description and instruct the Executive Secretary to send a letter to the Contracting Parties, requesting their proposals for contributions to the Program. It is expected that Science Board will suggest potential tasks for a visiting scientist.

AGENDA ITEM 11

PICES Publication Program

The Committee discussed the progress in implementing the Action Plan and considered whether any further transition to electronic publishing was warranted with respect to the PICES Annual Meeting Abstract Book or Scientific Report Series. The Committee recommended continuing the printing of both of these publications.

AGENDA ITEM 12

Financial issues related to the Pension Plan for PICES employees

At PICES-2010, the Committee received a report from the Executive Secretary about the deficiency in the pension funds for PICES employees and the recommendations of the International Fisheries Commissions (IFC) Pension Society for addressing these, and agreed that additional employer contributions to the IFC Pension Plan in 2010 and beyond be made in advance in order to reduce future payments. A lump sum employer contribution of \$20,000 to the IFC Pension was recommended from the FY 2013 budget. The Committee also recommended making an additional lump sum payment into the Pension Plan for FY 2012, if there is a surplus in the General Fund at the end of the year.

AGENDA ITEM 13

BudgetEstimated accounts for FY 2012 (Agenda Item 13a)

The Committee reviewed the estimated accounts for FY 2012 and recommended their acceptance by Council, noting that the expenses for “foreign exchange loss/gain” are only estimates at this time.

Interest and other income (Agenda Item 13b)

In FY 2011, the total income was \$789,308. This amount includes \$595,480 in voluntary contributions and grants (\$548,436 credited to the Working Capital Fund, \$40,108 credited to the Trust Fund, and \$6,936 credited to the Megrey Student Fund). In FY 2012, the estimated total income is \$857,599. This amount includes \$674,743 in voluntary contributions and grants (\$645,743 credited to the Working Capital Fund, \$25,000 credited to the Trust Fund, and \$4,000 credited to the Megrey Student Fund).

Relocation and Home Leave Fund (Agenda Item 13c)

At PICES-2007, Council approved the recommendation that the level of the Relocation and Home Leave Fund be allowed to fluctuate between \$90,000 and \$110,000, to minimize the need for small transfers between funds (Decision 2007/A/3(iii)). Given the estimated fund balance of \$92,959 on December 31, 2012, a transfer is not necessary this year. However, because this was a year in which home leave expenses were incurred, the Committee recommended a transfer of \$7,041 from the Working Capital Fund to bring the fund balance to a level of \$100,000.

Trust Fund (Agenda Item 13d)

In FY 2012, the total Trust Fund income is estimated at \$25,000 and estimated expenses are \$61,459. The Committee recommended that Council approve a transfer from the Working Capital Fund to recover the 2012 expenses and restore the Trust Fund to the level of \$110,000. This transfer will include \$11,870 from the amount remaining in the PICES-2010 Annual Meeting fund.

Japanese Trust Fund (Agenda Item 13e)

The Committee reviewed the information on the 2007–2012 PICES/MAFF project and the new 2012–2017 PICES/MAFF project. The status of the MAFF account, for the period from April 1 to December 31, 2011, was assessed during the regular PICES audit for FY 2011. The financial statements for the rest of Year 5 of the first project and for Year 1 of the new project will be evaluated during the regular PICES audit for FY 2012.

Working Capital Fund (Agenda Item 13f)

After all approved inter-fund transfers, the amount of funds available in the Working Capital Fund (WCF) on January 1, 2012, was \$733,447. This includes \$445,702 in encumbered funds and \$287,745 in “reserve operating” funds. In FY 2012, the total WCF income and expenses are estimated at a level of \$826,874 (\$645,743 are in extra-budgetary contributions and grants) and \$525,435, respectively. After the recommended inter-fund transfers, the amount of funds available in WCF at the fiscal year end is estimated at \$878,186. This includes \$584,132 in encumbered funds, and \$294,054 in “reserve operating” funds.

Budget for FY 2013 and forecast budget for FY 2014 (Agenda Item 13g)

The Committee reviewed the proposed FY 2013 budget of \$850,000 (*F&A Endnote 6*) and recommended its approval by Council. The Committee also recommended a transfer of \$113,200 from the Working Capital Fund to balance the budget, setting the total annual contribution at \$736,800, and the 2013 fees at \$122,800 per Contracting Party. These are a 2.4% increase from the FY 2012 level and the increase is based on the monthly average CPI from July 2011 to June 2012 reported by Statistics of Canada.

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The Executive Secretary presented the forecast *FY* 2014 budget of \$865,000 and noted that this budget is prepared based on preliminary information available as of August 15, 2012, and is approximately 1.76% higher than the *FY* 2013 budget.

AGENDA ITEM 14

Changes in PICES Chairman's Handbook: PICES Strategic Plan

The Committee reviewed the new section that was drafted regarding requirements with respect to the PICES Strategic Plan, given the Plan mandates the preparation of 3-year Action Plans for Executive Committees, Science and Technical Committees, and the Secretariat. The Committee felt the text is most appropriate for the Chairman's Handbook and not to the Rules of Procedure, and recommended that Council approve that addition to the Handbook.

AGENDA ITEM 15

F&A Action Plan

The Committee reviewed the draft F&A Action Plan developed by the Chairman and made no modifications or additions to the Plan, which will be reviewed and updated annually.

AGENDA ITEM 16

Administrative matters

The Committee discussed the progress reported on the status of negotiations regarding the possibility of obtaining an *exgratia grant* from the British Columbia government to PICES equal to the amount of the provincial personal income taxes remitted, and encouraged the Executive Secretary to continue his efforts to request this tax rebate. The Executive Secretary may need assistance from Canadian members of Council and F&A Committee to facilitate the process for the coming year.

PICES has a Headquarters Agreement with the Government of Canada that entered into force on December 15, 1993. In accordance with this agreement, Fisheries and Oceans Canada (DFO) hosts the PICES Secretariat at the Institute of Ocean Sciences (IOS) in Sidney, British Columbia, Canada. The Executive Secretary provided a report on current arrangements between PICES and DFO/IOS and local companies on general administrative services. There appears to be no change in the arrangements at this time.

The Committee reviewed the F&A Briefing Book material regarding understaffing issues at the Secretariat and options for the timeline for transition of hiring a new Executive and Deputy Executive Secretary, given their current terms are scheduled to end in the same year of 2014. The Committee recommended that a more substantive discussion on these issues occur at the Council meeting.

AGENDA ITEM 17

Appointment of F&A Committee Chairman

Ms Patricia Livingston, the current F&A Chairman, noted that her term ends at the conclusions of PICES-2012 and cannot be extended under the PICES Rules of Procedure. The Committee recommended that Council appoint Dr. John Stein (U.S.A.) as the next F&A Committee Chairman.

AGENDA ITEM 18

Other business

There were no items discussed.

AGENDA ITEM 19

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

The draft report was circulated and approved by all F&A members. All recommendations to Council were brought forward by Ms. Livingston at the first session of Council on October 20, 2012.

F&A-2012

F&A Endnote 1

F&A participation list

Canada

Laura Richards (F&A member)
Darlene Smith (advisor)

Chul Park (F&A member)
Naesun Park (advisor)
Ungyul Yi (advisor)

Japan

Yukimasa Ishida (advisor)
Hiroyuki Shimada (F&A member)
Akihiko Yatsu (advisor)

Russian Federation

Igor Shevchenko (F&A member)

U.S.A.

Elizabeth Phelps (alternate F&A member)
John Stein (F&A member)

People's Republic of China

Ningsheng Yang (alternate F&A member)

Other

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

Republic of Korea

Yong-Seok Kang (F&A member)

F&A Endnote 2

F&A Committee meeting agenda

1. Welcome and opening remarks
2. Adoption of agenda and meeting procedures
3. Audited accounts for *FY* 2011
4. Annual contributions
5. Fund-raising activities
6. Encumbered funds for PICES activities
7. Financing of PICES high priority activities
8. Schedule, structure and financing of future Annual Meetings
9. Preparations for the Twenty Fifth Anniversary of PICES
10. PICES Visiting Scientist Program
11. PICES Publication Program
12. Financial issues related to the Pension Plan for PICES employees
13. Budget
 - a. Estimated accounts for *FY* 2012
 - b. Interest and other income
 - c. Relocation and Home Leave Fund
 - d. Trust Fund
 - e. Japanese Trust Fund
 - f. Working Capital Fund
 - g. Proposed budget for *FY* 2013 and forecast budget estimates for *FY* 2014
14. PICES Rules of Procedure
15. F&A Action Plan
16. Administrative matters
17. Appointment of F&A Committee Chairman
18. Other business
19. 2012 F&A report and recommendations to Governing Council

F&A Endnote 3

**NORTH PACIFIC MARINE SCIENCE ORGANIZATION
FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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, 2011 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, 2011, and the results of its operations and changes in fund balances for the year then ended.

Sidney, B.C.
May 3, 2012


Chartered Accountants

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2011

ASSETS

	2011	2010
CURRENT ASSETS		
Cash and short term deposits (note 5)	\$ 1,346,353	\$ 1,319,408
Accounts receivable	240,352	237,835
Prepaid expenses	7,919	1,337
	\$ 1,594,624	\$ 1,558,580

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 196,898	\$ 126,046
Megrey Student Fund (note 3)	3,533	5,771
Funds held for Contracting Parties (note 4)	239,800	232,400
	440,231	364,217

FUND BALANCES

WORKING CAPITAL FUND (note 5)	852,047	876,450
TRUST FUND	110,000	110,000
RELOCATION AND HOME LEAVE FUND	101,443	100,000
MINISTRY OF AGRICULTURE, FORESTRY AND FISHERIES FUND	90,903	107,913
	1,154,393	1,194,363
	\$ 1,594,624	\$ 1,558,580

**NORTH PACIFIC MARINE SCIENCE ORGANIZATION
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General Fund	Working Capital Fund	Trust Fund	Relocation and Home Leave Fund	Ministry of Agriculture, Forestry and Fisheries Fund	2011 Total	2010 Total
FUND BALANCES, beginning of year	\$ -	\$ 876,450	\$ 110,000	\$ 100,000	\$ 107,913	\$ 1,194,363	\$ 972,490
SOURCES OF FUNDS							
Contributions from Contracting Parties	697,200	-	-	-	-	697,200	687,000
Budgeted transfer to General Fund (note 6)	116,800	(116,800)	-	-	-	-	-
Voluntary contributions and grants (note 7)	-	548,436	40,108	-	164,641	753,185	1,039,295
Interest and other income (note 8)	-	192,364	21	1,443	439	194,267	200,565
	814,000	624,000	40,129	1,443	165,080	1,644,652	1,926,860
FUND BALANCES, before expenditures	814,000	1,500,450	150,129	101,443	272,993	2,839,015	2,899,350
EXPENDITURES							
Personnel services	535,183	17,785	-	-	-	552,968	535,478
Annual Meeting	40,326	16,327	-	-	-	56,653	21,256
Special meetings/travel	133,105	-	30,971	-	-	164,076	167,174
Publications	31,281	-	-	-	-	31,281	48,465
Communication	40,806	-	-	-	-	40,806	33,581
Office and administration	23,350	10	-	-	-	23,360	26,359
Donation to JSFO	-	55,080	-	-	-	55,080	-
Projects (note 9)	-	542,329	-	-	-	542,329	666,819
Intern program	-	-	33,232	-	-	33,232	28,238
Relocation	-	-	-	-	-	-	9,097
MAFF Fund expenditures (note 10)	-	-	-	-	182,090	182,090	156,089
Foreign exchange loss (note 11)	2,747	-	-	-	-	2,747	12,431
	806,798	631,531	64,203	-	182,090	1,684,622	1,704,987
NET FUNDS AVAILABLE	7,202	868,919	85,926	101,443	90,903	1,154,393	1,194,363
TRANSFER TO							
WORKING CAPITAL FUND (note 5)	(7,202)	7,202	-	-	-	-	-
INTERFUND TRANSFERS (note 6)	-	(24,074)	24,074	-	-	-	-
FUND BALANCES, end of year	\$ -	\$ 852,047	\$ 110,000	\$ 101,443	\$ 90,903	\$ 1,154,393	\$ 1,194,363

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

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 Financial Regulation.

The Trust Fund was established in 1994 for the purpose of facilitating participation of a broad spectrum of scientists in activities of the Organization.

The Relocation and Home Leave Fund was established in 1995 to pay relocation and home leave expenses of new employees and their dependents to the seat of the Secretariat and removal after period of employment has ended, and to provide home leave for international staff. The fund balance must be maintained between \$90,000 and \$110,000.

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

(b) Capital Assets

Capital assets acquired by the Organization are expensed in the year of acquisition. During the current year the Organization purchased \$14,499 of capital assets.

(c) Contributions

Contributions from Contracting Parties are recorded in the year in which they relate to. All other contributions and grants are recorded in the year received. Refer to Note 4 for contributions restricted for specific designated projects.

(d) Income Tax

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

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

(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

In September 2008, the Canadian Institute of Chartered Accountants announced that the adoption of the new accounting recommendations regarding the recognition, measurement and presentation of financial instruments, following the release of Sections 1530, "Comprehensive income," 3855, "Financial instruments — recognition and measurement", 3862, "Financial Instruments — disclosure," 3863, "Financial Instruments — presentation" and 3865, "Hedges" was not required for non-profit enterprises. The Organization chose not to adopt these sections and to continue to present and disclose financial instruments in accordance with Section 3861, "Financial Instruments – Disclosure and Presentation".

The Organization's financial instruments consist of cash and short-term deposits, accounts receivable and accounts payable, the fair value of which approximates their carrying value. Unless otherwise noted it is management's opinion that the company is not exposed to significant interest, currency or credit risks.

(g) Use of Estimates

The preparation of financial statements in conformity with Canadian standards for not-for-profit organizations requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. MEGREY STUDENT FUND

The Megrey Student Fund represents trust funds held to cover student travel. Changes in the fund during the year are as follows:

	2011	2010
Beginning balance	\$ 5,771	\$ -
Add: Contributions received	6,936	5,771
Less: Student travel grants paid	(9,174)	-
	\$ 3,533	\$ 5,771

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

4. FUNDS HELD FOR CONTRACTING PARTIES

The funds held for Contracting Parties are advance contributions from Japan in the amount of \$119,900 and the U.S.A. in the amount of \$119,900.

5. WORKING CAPITAL FUND

Of the total amount in the Working Capital Fund, \$445,702 of cash and short term deposits is restricted for specific designated projects.

Pursuant to decision 2011/A/3(ii) of the Governing Council, \$118,600 of the funds held in the Working Capital Fund will be transferred to the General Fund at the beginning of the 2012 fiscal year to balance the budget, setting the total annual contribution at \$719,400, and the 2012 annual fee at \$119,900 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.

6. INTERFUND TRANSFERS

The Governing Council approved the transfer of \$116,800 at the beginning of 2011 from the Working Capital Fund to the General Fund (Decision 2010/A/3/ii) to balance the budget, setting the total annual contribution at \$697,200, and the 2011 annual fee at \$116,200 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 2011 (Decision 2011/A/3/iii). The amount of the transfer was \$24,074.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

7. VOLUNTARY CONTRIBUTIONS AND GRANTS

	Working Capital	
	Fund	Trust Fund
Contributions to the Cohen Commission (Canada report)	\$ 8,302	\$ -
Contributions for the North Pacific CPR Project		
DFO (Canada)	50,000	-
NPRB (U.S.A.)	54,838	-
EVOS (U.S.A.)	57,714	-
Contributions for the 2011 Zooplankton Production Symposium:		
EUR - OCEANS	6,802	-
IRD (U.S.A.)	3,792	-
IOC	3,922	-
Registration fees	50,944	-
Contributions for the 2011 ESSAS Open Science Meeting:		
GOOS	9,495	-
NMFS (U.S.A.)	9,551	-
UW/NSF (U.S.A.)	24,570	-
Registration fees	60,471	-
Contributions to the 2012 Climate Change Symposium (Yeosu, Korea):		
Expo-2012 Organizing Committee	44,414	-
NMFS (U.S.A.)	47,755	-
NPRB (U.S.A.)	14,329	-
DFO (Canada)	15,000	-
IPHC	6,155	-
NPAFC	5,000	-
FAO	3,071	-
Registration fees	2,779	-
Contributions for PICES 2011:		
SCOR Travel grant	-	5,067
Contributions for PICES 2013:		
DFO (Canada)	50,000	-
Contributions to part time Secretariat position:		
KORDI (Korea)	19,532	-
Contributions to Intern program:		
DFO (Canada)	-	10,000
MLTM (Korea)	-	9,766
NMFS (U.S.A.)	-	15,275
	\$ 548,436	\$ 40,108

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

8. INTEREST AND OTHER INCOME

	Working Capital Fund	Trust Fund	Relocation and Home Leave Fund	Ministry of Agriculture, Forestry and Fisheries Fund
Interest income	\$ 7,135	\$ 21	\$ 1,443	\$ 439
Income tax levies	71,568	-	-	-
HST rebates	14,988	-	-	-
Overhead from Cohen Commission	908	-	-	-
Overhead from 2011 ESSAS OSM	9,058	-	-	-
Overhead from MAFF project	21,403	-	-	-
PICES 2011 registration fees	67,284	-	-	-
Miscellaneous income	20	-	-	-
	\$ 192,364	\$ 21	\$ 1,443	\$ 439

9. PROJECTS

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

	2011	2010
2012 Climate Change Symposium	\$ 10,168	\$ -
2010 Climate Change Symposium	1,983	219,968
Cohen Commission Report	1,319	20,388
Development of FUTURE	28,832	27,991
2012 Early Career Scientists Conference	93,396	-
2011 ESSAS Open Science Meeting	110,545	17,099
2011 Inter-sessional Science Board Meeting	5,289	-
North Pacific CPR Project	146,093	159,500
North Pacific Ecosystem Status Report	4,087	113,455
PICES 2011 - Aquaculture Topic Session	3,450	-
PICES 2010	598	98,227
2011 Zooplankton Production Symposium	136,569	10,191
	\$ 542,329	\$ 666,819

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

10. MINISTRY OF AGRICULTURE, FORESTRY AND FISHERIES FUND EXPENDITURES

	2011	2010
Special meetings	\$ 110,637	\$ 68,195
Contractual services	38,964	26,649
Equipment	11,013	36,526
Overhead to PICES	21,403	24,376
Miscellaneous	73	343
	\$ 182,090	\$ 156,089

11. FOREIGN EXCHANGE GAIN / LOSS

At year end all funds held in foreign currency (US \$53,078) 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 the US dollar (2011 = 1.017, 2010 = 0.9946), and not by the actual purchase or sale of any foreign currencies.

12. UNFUNDED PENSION LIABILITY

The Organization holds a pension plan for its employees with the International Fisheries Commissions Pension Society. The actuarial valuation report was prepared as at January 1, 2011 and showed an unfunded pension liability for PICES of \$286,000. This liability is being paid in monthly installments of \$3,100 (\$37,200 per year), beginning January 2012.

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

13. FINANCIAL STATEMENTS

A statement of cash flows has not been presented, as the required information is readily apparent from the other financial statements presented and the notes to the financial statements.

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior years earnings.

F&A Endnote 4**PAYMENT SCHEDULE OF ANNUAL FEES, 2005–2012¹**

	<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	July 3, 07	Dec. 5, 06	Apr. 3, 07	Feb. 13, 07	Jan. 10, 07
2008	Jan. 16, 08	May 15, 08	Dec. 20, 07	Feb. 15, 08	Feb. 13, 08	Jan. 7, 08⁴
2009	Jan. 5, 09	June 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	June 30, 11	Dec. 3, 10	Mar. 25, 11⁵	Feb. 9, 11	Dec. 7, 10
2012	Jan. 3, 12	Aug. 31, 12	Nov. 22, 2011	Oct. 11, 12	Mar. 29, 12	Nov. 16, 11

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

F&A Endnote 5**External funding and voluntary contributions received since PICES-2011**

For the period since PICES-2011, the following external funding and voluntary contributions were committed and/or received for various activities of the Organization:

Special projects

- The Ministry of Agriculture, Forestry and Fisheries (MAFF) of Japan, through the Fisheries Agency of Japan (JFA), approved funding for a new 5-year (April 1, 2012 – March 31, 2017) PICES project on “*Marine ecosystem health and human well-being*”. The goal of this project is to identify the relationships between sustainable human communities and productive marine ecosystems in the North Pacific, under the concept of fishery social-ecological systems. FRA has transferred \$149,880 to PICES for *Year 1* (to be completed by March 31, 2013) of the project.
- The United States contributed \$150,000 US to support the significant work involved in providing North Pacific-related content to the World Ocean Assessment, the UN-established process for global reporting and assessment of the state of the marine environment, including socioeconomic aspects.
- In October 2007, PICES initiated a funding consortium to support the North Pacific Continuous Plankton Recorder (NP CPR) survey. The following 5 agencies have committed their resources for the project:
 - Fisheries and Oceans Canada, a member of the consortium since 2008, provided \$50,000 CAD for the period from April 1, 2011 to March 31, 2012. This support is intended to continue for another 2 years (until March 2014) at the level of \$50,000 CAD per year.
 - The North Pacific Research Board (USA) joined the consortium in 2009 and committed \$50,000 US per year for 5 years (until May 31, 2014) to support operations of the NP CPR project.
 - The *Exxon Valdez* Oil Spill Trustee Council (EVOSTC) approved funding of \$188,600 US for operations of the NP CPR project in 2010–2012, and report writing in 2013 (project on “*Measuring Interannual Variability in the Herring’s Forage Base from the Gulf of Alaska*”), with the amount of \$59,700 US for 2012. A new project on “*Long-term monitoring of zooplankton populations on the Alaskan Shelf and Gulf of Alaska using Continuous Plankton Recorders*”, with a similar level of funding from 2013 to 2016 (incremented each year to reflect cost of living increases), was approved in the fall of 2011 as a part of a Long Term Monitoring Program of EVOSTC.

F&A-2012

- The Japanese Society for Promotion of Science (JSPS) provided a 5-year (2009–2013) grant for CPR work to Dr. Sanae Chiba (JAMSTEC). While funds are not passed to the PICES consortium, this project provides in-kind support by taking over the analysis of samples from the western Pacific and is equivalent to a financial contribution of about \$37,500 US per year.
- The CPR parent organization, the Sir Alister Hardy Foundation for Ocean Science (SAHFOS, UK), contributes the remaining funds required to operate the survey at its current level.

Symposia/sessions/workshops

- The following organizations/agencies/institutions provided financial support for the 2nd PICES/ICES/IOC Symposium on “*Effects of climate change on the world’s oceans*”, held May 13–20, 2012, in Yeosu, Korea, as one of the official academic events related to the Ocean Expo-2012 (funds marked by * were handled by PICES):
 - EAST-I Research Project, Korea – \$19,275 (2012)*
 - Expo-2012 Organizing Committee – 100,000,000 KRW (\$44,539 in 2010 and \$44,414 in 2011)*
 - Fisheries and Oceans Canada – \$15,000 (2011)*
 - Food and Agriculture Organization – \$10,000 US (\$3,000 US in 2011 and \$7,000 US in 2012)*
 - Institute for Marine and Antarctic Studies, Australia – \$4,140 (2012)*
 - Integrated Marine Biogeochemistry and Ecosystem Research – \$3,000 US (2012)
 - International Council for the Exploration of the Sea – 10,000 €+ publication in IJMS (2012)
 - Intergovernmental Oceanographic Commission of UNESCO – \$13,000 US (2012)*
 - International Pacific Halibut Commission – \$6,000 US (2011)*
 - Korea Meteorological Administration – \$5,000 US (2012)
 - Korea Ocean Research and Development Institute – local services
 - Ministry of Land, Transport and Maritime Affairs, Korea – welcome reception
 - National Aeronautics and Space Administration, USA – \$25,000 (2012)*
 - National Fisheries Research and Development Institute, Korea – \$5,000 US
 - National Marine Fisheries Service of NOAA, USA – \$50,000 US (2011)*
 - North Pacific Anadromous Fish Commission – \$5,000 (2011)*
 - North Pacific Research Board, USA – \$15,000 US (2011)*
 - Ocean Climate Change: Analysis, Projection, Adaptation project, Korea – support for S3 Topic Session
 - Pukyong National University, Korea – \$5,000 US (2012)
 - Pusan National University, Korea – \$5,000 US (2012)
 - Scientific Committee on Oceanic Research – \$5,000 US (2012)*
 - World Climate Research Programme – \$10,000 US (2012)
- Several international and national organizations/programs were invited, and subsequently agreed, to co-sponsor (by covering travel of additional invited speakers and/or convenors for these events) the following scientific sessions and workshops to be held at the 2012 PICES Annual Meeting (October 12–21, 2012, Hiroshima, Japan): “*Challenges in understanding Northern Hemisphere ocean climate variability and change*” (CLIVAR and ICES), “*Environmental contaminants in marine ecosystems: Seabirds and marine mammals as sentinels of ecosystem health*” (JSPS), “*Jellyfish in marine ecosystems and their interactions with fish and fisheries*” (ICES), “*Ecosystem responses to multiple stressors in the North Pacific*” (SOLAS), “*Effects of natural and artificial calamities on marine ecosystems and the scheme for their mitigation*” (JSFO and FRA), “*Changing ocean biogeochemistry and its ecosystem impacts*” (ICES, IMBER and SOLAS), and “*Global patterns of phytoplankton dynamics in coastal ecosystems*” (SCOR).
- The Local Organizing Committee of the 2012 PICES Annual Meeting provided 2,000,000 JPY to cover travel expenses for selected scientists and students to attend the meeting.
- Fisheries and Oceans Canada provided \$100,000 for the 2013 PICES Annual Meeting to be held October 11–20, 2013, in Nanaimo, British Columbia, Canada.

Capacity building

- Several contributions were received/committed for the Trust Fund in support of the PICES Intern Program:
 - Fisheries and Oceans Canada – \$10,000;
 - National Marine Fisheries Service of NOAA, USA – \$20,000 US (\$10,000 per year in 2012 and 2013);

- The North Pacific Research Board provided \$5,000 US to support the 2012 PICES/ICES Conference for Early Career Scientists on “*Oceans of Change*”, held April 24–27, 2012, in Majorca, Spain.
- The remainder (\$4,000 US) of the late Dr. Bernard Megrey’s family’s contribution, held by the Oregon State University, was transferred to PICES to support participation of graduate students and early career scientists in PICES Annual Meetings and conferences co-sponsored by the Organization.
- The Scientific Committee on Oceanic Research (SCOR) provided a grant of \$5,000 US to support participation of scientists from countries with “economies in transition” in SCOR-relevant sessions and/or workshops at the 2012 PICES Annual Meeting.

Operations of the PICES Secretariat

- The Korea Ocean Research and Development Institute contributed \$20,000 US to support a part-time contract position at the PICES Secretariat to assist the Science Board Chairman.
- A 13% overhead (\$19,484) of the *Year 1* budget for the PICES/MAFF project on “*Marine ecosystem health and human well-being*” was retained to offset expenses related to the Secretariat’s involvement in the project.

F&A Endnote 6

PROPOSED FY 2013 BUDGET

Sources for General Fund (GNF)		Amount
National contributions		736,800
Transfer from Working Capital Fund	(\$122,800 per Contracting Party)	113,200
Total		850,000

Category	GNF Allotment	WCF Allotments
Personnel Services	568,000	benefit adjustments and additional contribution to the IFC Pension Plan
Annual Meeting	20,000	registration fee revenue as needed/available
Special Meetings/Travel	160,000	encumbered funds as needed/available
Publications	40,000	
Communications	36,000	
Office/Administrative	26,000	encumbered funds as needed/available
Projects		
Total	850,000	

Guaranteed revenue	90,000
Net income tax levies	75,000
Tax (GST, PST) rebate	8,000
Interest	7,000
Additional income	84,000
Registration fees for PICES-2013	65,000
Overhead from the PICES/MAFF project	19,000