

REPORT OF THE FINANCE AND ADMINISTRATION COMMITTEE OCTOBER 23, 2020

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

The Finance and Administration (hereafter F&A) Committee met virtually from 16:00–19:00 (PDT) on October 21 and 16:00 – 17:30 (PDT) on October 22, 2020 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, an additional item was added under other business:

- FA Agenda Item 22. Code of Ethics

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

FA AGENDA ITEM 3 - MANAGING THE ISSUES CAUSED BY THE COVID-19 PANDEMIC

The Executive Secretary reviewed the measures implemented within the Secretariat to manage the issues caused by the COVID-19 pandemic.

FA AGENDA ITEM 4 - AUDITED ACCOUNTS FOR FY 2019

The auditing process was completed in accordance with the PICES Financial Regulations, except for a slight deviation from Regulation 13 (iii). The FY 2019 financial statements were submitted to the external auditor *Hughesman Morris* on February 14, 2020, and the audit was completed on April 21, 2020. This was longer than the specified 6-week period, with the delay was caused by the exceptional circumstances of COVID-19. The electronic copy of the Auditors' Report for FY 2019 (*F&A Endnote 3*) was circulated to all Contracting Parties on May 19, 2020. In the Auditors' opinion, **“these financial statements present fairly, in all material respects, the financial position of the North Pacific Marine Science Organization as at December 31, 2019, and the results of its operations and changes in fund balances for the year then ended”**.

Accepting the auditors report was deferred to Agenda Item 13 allowing a more detailed review of accounts.

FA AGENDA ITEM 5 - 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 2020 annual fees was sent to all Contracting Parties on January 23, 2020. All Contracting Parties met their financial obligations for FY 2020 (*F&A Endnote 4*).

The PICES Chair requested that a table of annual fee amounts over time be provided to GC by the Executive Secretary.

Decision 2019/A/4/ii further requested that *“to address the pension plan liability, Council recommends that each Contracting Party make an additional \$8000 Extraordinary Contribution for FY2020 and that the Extraordinary Contribution shall continue until pension plan liability is extinguished”*.

All Contracting parties included the Extraordinary Payment with their Annual dues according to the dates in *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 recommends that Council instruct the Executive Secretary to send letters to all Contracting Parties requesting payments of Annual Fees as soon as practical following the Annual Meeting.

Consideration of Extraordinary Payments to address the pension plan liability was deferred to FA Agenda Item 15.

FA AGENDA ITEM 6 – VOLUNTARY CONTRIBUTIONS AND FUND-RAISING ACTIVITIES

The Committee reviewed the recent voluntary contributions.

The Committee recommends instructing the Executive Secretary to invite Contracting Parties to provide voluntary contributions to the Trust Fund to support the Intern Program and capacity building activities in 2021 and beyond.

FA AGENDA ITEM 7 – GENERAL FUND – IN 2019

The Committee reviewed the budget and expenditures in the General Fund for FY2019, noting that expenditures were within the budget tolerance for all categories.

FA AGENDA ITEM 8 – WORKING CAPITAL FUND - IN 2019 AND 2020

The Executive Secretary provided information on the amount of funds in the Working Capital Fund designated for specific purposes (encumbered funds) for FY2019 and the estimated amount of the encumbered funds for the fiscal year end FY2020.

The Committee thanked Canada for its generous contribution of funds to support the upcoming ICES/PICES Early Career Scientist Symposium in 2022.

FA AGENDA ITEM 9 – TRUST FUND

The Committee reviewed the status of the Trust Fund.

The Committee noted that a year-end transfer from the Working Capital Fund to the Trust Fund to restore it the level of \$110,000 will not be required at the end of FY2020.

FA AGENDA ITEM 10 – RELOCATION AND HOME LEAVE FUND- IN 2019

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

No adjustments were recommended.

FA AGENDA ITEM 11 – JAPAN MINISTRY OF AGRICULTURE, FORESTRY AND FISHERIES (MAFF) FISHGIS

The Special Project was reviewed and it was noted that it has now ended.

FA AGENDA ITEM 12 – 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 13 – JAPAN MINISTRY OF AGRICULTURE, FORESTRY AND FISHERIES (MAFF) CIGUATERA PROJECT

The status of this Special Project was reviewed.

This marked the end of the review of financial matter in FY 2019.

The FY 2019 financial statements were submitted to the external auditor Hughesman Morris on February 14, 2020 and the audit was completed on April 21, 2020. The electronic copy of the Auditors’ Report for FY 2019 (FA Appendix 1) was circulated to all Contracting Parties on May 19, 2020. In the Auditors’ opinion, “these financial statements present fairly, in all material respects, the financial position of the North Pacific Marine Science Organization as at December 31, 2019, and the results of its operations and changes in fund balances for the year then ended”. The Committee recommends adoption of the 2019 Audit.

FA AGENDA ITEM 14 - ESTIMATED ACCOUNTS FOR 2020, INCLUDING THE IMPACTS OF THE GLOBAL COVID-19 PANDEMIC.

The Committee reviewed the material presented and noted that Finances for 2020 are projected to be sound with significant savings from Special Meetings and Travel, despite the lack of income from registration fees.

FA AGENDA ITEM 15 - CHANGES TO ANNUAL FEES TO ADDRESS PENSION PLAN DEFICITS

The Committee reviewed the material presented.

To address the pension plan liability, Council recommends that each Contracting Party make an additional \$8000 Extraordinary Contribution for FY2021 and that the Extraordinary Contribution shall continue until pension plan liability is extinguished. Parties are requested to confirm their intention to provide this contribution in 2021 no later than the end of February 2021 to complete budget planning.

FA AGENDA ITEM 16 - FINANCIAL RESERVE PLANNING

The Executive Secretary presented three options for reserve planning and the Chair provided a fourth option, which the Committee subsequently discussed.

The Committee recommends that in future the severance and vacation pay shall be listed as a liability in the Relocation and Home Leave Fund balance sheet and a balance maintained at or above \$0 at year end by transfer from the General Fund, before any excess is transferred from the GNF to the Working Capital Fund at the year-end. With respect to the upper limit of the financial reserve the Committee recommends that the status quo be adopted in the interim while the Executive Secretary continues to investigate financial reserve strategies by organizations similar to PICES, and provides a report on the range of upper reserve limits employed to the F&A Committee at PICES 2021.

FA AGENDA ITEM 17 -PROPOSED BUDGET FOR FY 2021 AND FORECAST BUDGET ESTIMATES FOR FY 2022

The Committee reviewed the proposed FY 2021 budget of \$1,083,000 and recommends that annual fees for 2021 be set at \$146,800. This total is composed of the Regular Annual Fee of \$138,800 and an additional temporary Extraordinary Contribution of \$8000 to address the pension plan liability. Parties are requested to confirm their intention to provide this temporary contribution in 2021 no later than the end of February 2021 to complete budget planning. The temporary fee portion will not be subject to inflation adjustment in subsequent years and will terminate when the pension plan liability is discharged.

FA AGENDA ITEM 18 - 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]

The Committee noted that Council had already accepted the offer of China to hold the PICES-2021 Annual Meeting in Qingdao. The theme of the meeting remains unchanged *"How does 30 years of research on changing North Pacific ecosystems inform the UN Decade of Ocean Science for Sustainable Development?"* and that a decision has already been made to provide up to \$40,000 to defray the costs of PICES 2021 (Decision 2020/A/1/ii).

The Committee discussed the current registration fee structure and recommends keeping the same structure for PICES-2021.

The Committee reviewed the offer to host PICES-2022

The Committee was pleased to accept the offer from the Korean delegation to host the PICES-2022 meeting in Busan at a date to be determined. A decision has already been made to provide up to \$40,000 to defray the costs of PICES 2022 (Decision 2020/A/1/iv).

The Committee reviewed the letter received on Oct 15 from the USA regarding the hosting of a joint ICES/PICES conference in 2023.

The Committee recommends the convening of a high-level working group to address the substantive issues on structural and financial arrangements for a joint ICES/PICES annual meeting in 2023. The composition of the WG to follow the suggestion received from the USA (comprising USA ICES and PICES National Delegates, ICES General Secretary, PICES Executive Secretary and key individuals from NOAA and Department of State). The WG will design and implement a joint ICES/PICES conference that prioritizes, encourages, and facilitates remote participation as much as possible.

Science Board has recommended a virtual ISB (Intersessional Science Board) in spring 2021 given the current uncertainties with global travel.

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 2020. The Committee supports the request by Science Board for a virtual ISB in the interests of providing certainty to Members and recommends it to Council for approval. The Committee further recommends that there is a post-ISB review of the effectiveness of virtual ISB meetings.

FA AGENDA ITEM 19 - APPROACHES TO DETERMINE THE UPTAKE/IMPACT OF SCIENCE ACTIVITIES DECISION 2019/A/9

The Committee reviewed the material provided and discussed a revised platform to communicate PICES science to a variety of audiences. It was noted that there is significant value in improving how we communicate and member countries should be consulted on how PICES outputs are used. A redesign of the PICES website front page was seen as desirable while recognizing that there would be some resource implications for the Secretariat. Several F&A members expressed an interest in helping the process.

FA AGENDA ITEM 20 - ADMINISTRATIVE MATTERS:

A. Tracking the activity of the PICES Secretariat

The Committee reviewed the graphical representation of the activity metrics provided in response to Decision 2019/A/8/ii

The Committee recommends that these indicators continue to be tracked indefinitely as this will be needed to assess the impacts of COVID-19 on productivity beyond 2020.

The Committee reviewed the information provided on the use of travel grants.

The Committee determined that based on the feedback from the Secretariat the status quo with respect to travel arrangements should be maintained for now but that it should be reviewed in the future especially when the impact of COVID-19 on travel becomes clearer.

B. Staffing in the PICES Secretariat

Staffing of the PICES Secretariat was reviewed.

C. International Fisheries Commission Pension Plan status

This item was previously reviewed under Agenda Item 15 and there was no further comment.

D. Hosting of the PICES Secretariat

The hosting of the Secretariat was reviewed.

E. PICES Intern Program and Capacity Building

Capacity Building activities and the Intern program were reviewed

The Committee recommends that all parties consider providing ongoing support for the Intern Program through voluntary contributions.

FA AGENDA ITEM 21 - SCHEDULE FOR APPOINTMENT OF F&A COMMITTEE CHAIR AND ELECTION OF NEW CHAIR

In accordance with Rule 19(iii), Dr. Carmel Lowe began her second two-year appointment as F&A Chair November 2018 after PICES-2018 and her term will expire in November 2020.

The Committee thanked Dr. Carmel Lowe for her leadership of the Finance and Administration Committee for the period from 2016 through 2020. The Committee recommends that Council appoint Dr. Mike Seki to the position of F&A Chair.

FA AGENDA ITEM 22. OTHER BUSINESS: CODE OF ETHICS

The Committee reviewed the draft Ethics Policy and revisions were suggested. The Committee asked that the draft be circulated to the wider PICES Community for comment and feedback before being recommended to Council.

FA AGENDA ITEM 23. 2020 F&A REPORT AND RECOMMENDATIONS TO GOVERNING COUNCIL

F&A Chair and Executive Secretary will prepare a draft report for circulation.

F&A ENDNOTE 1

2020 F&A Participation list

<u>Canada</u> Lesley MacDougall (F&A Member)	<u>Russian Federation</u> Igor Shevchenko (F&A Member)
<u>Japan</u> Nobuaki Suzuki (F&A Member) Yugo Shimizu (Advisor) Ami Yumitate (Advisor)	<u>USA</u> Mike Seki (F&A Member) Adam Bloomquist (F&A Member) Kristen Koch (Advisor)
<u>People's Republic of China</u> Yang Yafeng (F&A Member) Zheng Rui (Advisor)	<u>Other</u> Carmel Lowe (F&A Chair) Chul Park (PICES Chair) Enrique Curchitser (PICES Vice Chair) Sonia Batten (Executive Secretary)
<u>Republic of Korea</u> Hee Jin Kim (F&A Member) Jinsil Hwang (F&A Member) Junhyung Kim (Advisor) Joongho Moon (Advisor)	

F&A ENDNOTE 2

MODIFIED AGENDA

1. Welcome and opening remarks
2. Adoption of agenda and meeting procedures
3. Managing the issues caused by the COVID-19 pandemic
4. Audited accounts for FY 2019.
5. Annual contributions
6. Voluntary Contributions and Fund-raising activities
7. General Fund in 2019 – Details
8. Working Capital Fund in 2019–Details
 - a. Includes decisions on moving money within the WCF
9. Trust Fund in 2019 – Details
10. Relocation and Home Leave Fund – Details and planning for upcoming retirements.
11. MAFF FishGIS Fund in 2019– Details
12. Korea SEATurtle Fund in 2019 - Details
13. MAFF Ciguatera Fund in 2020 -Details
14. Estimated accounts for 2020, including the impacts of the global COVID-19 pandemic.
15. Changes to Annual Fees to address pension plan deficits
16. Financial Reserve Planning
17. Proposed budget for FY 2021 and forecast budget estimates for FY 2022
18. 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]
19. Approaches to determine the uptake/impact of science activities [Decision 2018/A/2 (iii)]
20. 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
21. Schedule for Appointment of F&A Committee Chair and Election of new Chair
22. Other business
 - a. A Code of Ethics for the operations of PICES (members and Secretariat staff) to promote the fair, transparent and equitable treatment of all participants. [Decision 2019/A/13]
23. 2020 F&A report and recommendations to Governing Council

F&A ENDNOTE 3. FINANCIAL STATEMENTS FOR 2019

**NORTH PACIFIC MARINE SCIENCE ORGANIZATION
FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NORTH PACIFIC MARINE SCIENCE ORGANIZATION
FINANCIAL STATEMENTS
DECEMBER 31, 2019

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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, 2019 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, 2019, 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.

Hughesman Morris

Sidney, B.C. Hughesman Morris April 21, 2020 Chartered Professional Accountants

NORTH PACIFIC MARINE SCIENCE ORGANIZATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

ASSETS	2019	2018
CURRENT ASSETS		
Cash and short term deposits (note 4)	\$ 1,528,621	\$ 1,784,580
Accounts receivable	41,888	21,427
Prepaid expenses	115	7,936
	\$ 1,570,624	\$ 1,813,943
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 163,873	\$ 53,658
Funds held for Contracting Parties (note 3)	144,700	135,400
	308,573	189,058
FUND BALANCES		
WORKING CAPITAL FUND (note 4)	972,371	1,217,045
TRUST FUND	110,000	110,000
RELOCATION AND HOME LEAVE FUND	154,552	199,993
MAFF FISH GIS FUND	13,939	22,847
KIOST SEA TURTLE FUND	11,189	75,000
	1,262,051	1,624,885
	\$ 1,570,624	\$ 1,813,943

See accompanying notes

NORTH PACIFIC MARINE SCIENCE ORGANIZATION
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund	Working Capital Fund	Trust Fund	Relocation and Home Leave Fund	MAFF FishGIS Fund	KIOST Sea Turtle Fund	2019 Total	2018 Total
FUND BALANCES, beginning of year	\$ -	\$ 1,217,045	\$ 110,000	\$ 199,993	\$ 22,847	\$ 75,000	\$ 1,624,885	\$ 1,840,154
SOURCES OF FUNDS								
Voluntary contributions and grants (note 5)	-	503,671	21,638	-	96,383	-	621,692	1,203,859
Contributions from Contracting Parties	803,400	-	-	-	-	-	803,400	788,400
Interest and other income (note 6)	-	327,943	661	13,657	-	-	342,261	270,645
Budgeted transfer to General Fund (note 7)	226,600	(226,600)	-	-	-	-	-	-
TOTAL REVENUE	1,030,000	605,014	22,299	13,657	96,383	-	1,767,353	2,262,904
FUND BALANCES, before expenditures	1,030,000	1,822,059	132,299	213,650	119,230	75,000	3,392,238	4,103,058
EXPENDITURES								
Annual Meeting	12,287	-	-	-	-	-	12,287	41,132
Contractual services	-	-	-	-	51,175	35,000	86,175	52,306
Equipment	-	-	-	-	-	10,305	10,305	-
Intern program	-	-	28,478	-	-	-	28,478	53,974
Office and administration	51,154	6,326	66	-	2,649	65	60,260	52,025
Overhead to PICES	-	-	-	-	12,530	5,200	17,730	12,530
Personnel services (note 8)	731,669	115,284	-	-	-	-	846,953	783,197
Projects (note 9)	-	724,103	-	-	-	-	724,103	1,064,731
Publications / Communication	46,361	-	-	-	-	-	46,361	42,798

Relocation	-	-	-	59,098	-	-	59,098	133,757
Special meetings/travel	130,912	10,035	36,876	-	38,937	13,241	230,001	262,366
TOTAL EXPENDITURES BEFORE OTHER ITEMS	972,383	855,748	65,420	59,098	105,291	63,811	2,121,751	2,498,816
Foreign exchange (gain) loss (note 10)	8,436	-	-	-	-	-	8,436	(20,643)
TOTAL EXPENDITURES	980,819	855,748	65,420	59,098	105,291	63,811	2,130,187	2,478,173
NET FUNDS AVAILABLE	49,181	966,311	66,879	154,552	13,939	11,189	1,262,051	1,624,885
TRANSFER TO WORKING CAPITAL FUND (note 4)	(49,181)	49,181	-	-	-	-	-	-
INTERFUND TRANSFERS (note 7)	-	(43,121)	43,121	-	-	-	-	-
FUND BALANCES, end of year	\$ -	\$ 972,371	\$ 110,000	\$ 154,552	\$ 13,939	\$ 11,189	\$ 1,262,051	\$ 1,624,885

See accompanying notes

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.

(b) Capital Assets

Capital assets acquired by the Organization are expensed in the year of acquisition. During the current year the Organization purchased \$17,441 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 11) or any unpaid annual leave, overtime and severance (note 12).

2. ACCOUNTING POLICIES, continued

(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 \$144,700. This amount consists of \$136,700 for the 2020 budgeted contributions, plus an additional \$8,000 extraordinary contribution as pursuant to decision 2019/A/4/ii.

4. WORKING CAPITAL FUND

Of the total amount in the Working Capital Fund (\$972,371), \$610,054 of cash and short term deposits is restricted for specific designated projects.

Pursuant to decision 2019/A/4/i of the Governing Council, \$219,900 of the funds held in the Working Capital Fund will be transferred to the General Fund at the beginning of the 2020 fiscal year to balance the budget, setting the total annual contributions at \$820,200, and the 2020 annual contribution at \$136,700 per Contracting Party.

Pursuant to decision 2019/A/4/iv of the Governing Council, a transfer of \$110,000 from the Working Capital Fund to the Home Leave and Relocation Fund will take place in January of 2020, in anticipation of the retirement of the Deputy of Administration and relocation expenses for the incoming Executive Secretary.

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

	Capital Fund	Trust Fund	FishGIS Fund	Sea Turtle Fund	MAFF Fund	KIOST Fund	Working Fund	
Contributions to Intern Program:								
DFO (Canada)	\$	-	\$	15,000	\$	-	\$	-
SCOR		-		6,638		-		-
Contributions for the North Pacific CPR Project:								
DFO (Canada)		70,000		-		-		-
NPRB (U.S.A.)		88,245		-		-		-
PWSSC (U.S.A.)		106,407		-		-		-
FUTURE Program:								
DFO (Canada)		15,000		-		-		-
GlobalHAB Workshop PICES 2019: AXA								
Insurance		3,310		-		-		-

Grieg Seafood sponsorship	5,000	-	-	-
IOC	5,276	-	-	-
ISSHA sponsorship	669	-	-	-
SCOR	13,277	-	-	-
MAFF Fish GIS Fund	-	-	96,383	-
MSEAS 2020 Yokohama: Ifremer				
Registration fees	7,189	-	-	-
	6,298	-	-	-
Ocean Decade Workshop 2019: DFO (Canada)	100,000	-	-	-
Park KIOST Travel Fund: KIOST (Korea)	33,000	-	-	-
PICES 2019: DFO (Canada)	50,000	-	-	-
	\$ 503,671	\$ 21,638	\$ 96,383	\$ -

6. INTEREST AND OTHER INCOME

	Working Capital Fund	Trust Fund	Relocation and Home Leave Fund	MAFF FishGIS Fund
GST/HST & PST rebates	\$ 27,455	\$ -	\$ -	\$ -
Income tax levies	97,639	-	11,748	-
Interest income	17,873	661	1,909	-
Miscellaneous income	6,038	-	-	-
Overhead from CPR Project	1,617	-	-	-
Overhead from MAFF Fish GIS Project	12,530	-	-	-
Overhead from KIOST Sea Turtle Fund	5,200	-	-	-
PICES 2019 registration fees	159,591	-	-	-
	\$ 327,943	\$ 661	\$ 13,657	\$ -

7. INTERFUND TRANSFERS

The Governing Council approved the transfer of \$226,600 at the beginning of 2019 from the Working Capital Fund to the General Fund (Decision 2018/A/3/iii) to balance the budget, setting the total annual contributions at \$803,400, and the 2019 annual contribution at \$133,900 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 2019 (Decision 2019/A/4/iii). The amount of the transfer was \$43,121.

8. PERSONNEL SERVICES

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

9. PROJECTS

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

	2019	2018
Development of FUTURE	\$ 1,243	\$ 11,960
GlobalHAB Workshop 2019	20,252	-
IMDC San Diego 2018	-	2,587
MSEAS Yokohama 2020	91	-
North Pacific CPR Project	313,901	214,116
North Pacific Ecosystem Status Report	21,270	1,587
Ocean Decade Workshop	41,171	23
Park KIOST Travel Fund	36,917	50,427
PICES 2019	257,072	-
PICES Summer School	-	2,683
Special Project Coordination	27,856	47,872
Transitional Areas La Paz 2018	4,330	132,849
US Reserve	-	35
Visiting Scientists	-	1,420
Washington 2018	-	599,172
	\$ 724,103	\$ 1,064,731

10. FOREIGN CURRENCY TRANSACTIONS

At year end all funds held in foreign currency (2019: USD \$123,715, 2018: USD \$177,675) and receivables (2019: USD \$5,238, 2018: \$5,238) 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.

11. 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, 2020 and showed an unfunded pension liability for PICES of \$258,000.

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

Pursuant to decision 2019/A/4/ii, to address the pension plan liability, Council recommends that each Contracting Party make an additional \$8,000 extraordinary contribution for fiscal year 2020 and each subsequent year until the pension plan liability is extinguished.

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

See note 15 regarding subsequent events and the implications to the pension liability.

12. 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 \$276,952. This value is determined using current wage rates. The amounts actually paid will be calculated using the wage rates in affect at the time of payment and therefore could change significantly.

13. 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 10 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.

14. 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.

15. SUBSEQUENT EVENTS

The COVID-19 pandemic is expected to have material effects on the financial position and operations of the Organization in 2020.

Decreases in worldwide stock prices are expected to have a negative effect on the employee pension plan, increasing the Organization's unfunded pension liability. The most recent actuarial valuation was prepared as at January 1, 2020, before the virus had made such a significant impact on the world economy. At this point in time the financial effect to the pension plan is indeterminable; the next valuation will be prepared January 1, 2023.

15. SUBSEQUENT EVENTS, continued

Due to worldwide travel restrictions as a result of the pandemic, the Organization is expecting their special meetings and travel expenditures to decrease significantly in 2020. The average annual special meetings and travel expenditures per year over the past five years has been approximately \$160,000, and budgeted special meetings and travel expenditures for 2020 are \$180,000. There is also a possibility of the 2020 annual meeting being postponed or cancelled, which would result in a decrease to revenues of the Working Capital Fund. The average annual meeting registration fees per year over the past five years has been approximately \$109,000. Should the event be postponed, the decrease to special meetings and travel expenditures is expected to offset this lost revenue.

There are no doubts about the Organization's ability to continue as a going concern for the foreseeable future.

F&A ENDNOTE 4

Payment Schedule for Annual Fees 2005–2020

	<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
2020	May 22, 20	Dec 18, 19	Mar 11, 20	Mar 17, 20	Aug 28, 20	Jun 1, 20

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