

**REPORT OF THE FINANCE AND ADMINISTRATION COMMITTEE
OCTOBER 29, 2021**

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

The Finance and Administration (hereafter F&A) Committee met virtually from 17:00–20:00 (PDT) on October 13 and 17:00 – 18:00 (PDT) on October 14, 2021 under the chairmanship of Dr. Mike Seki.

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. The agenda as adopted 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 summary of impacts caused by the ongoing COVID-19 pandemic and their management within the Secretariat.

FA AGENDA ITEM 4 - AUDITED ACCOUNTS FOR FY 2020

The auditing process was completed in accordance with the PICES Financial Regulations. The FY 2020 financial statements were submitted to the external auditor *Hughesman, Morris and Liversedge* on Feb 19, and the audit was completed on March 24. The electronic copy of the Auditors' Report for FY 2020 was circulated to all Contracting Parties on Mar 29. A small error in one table was subsequently noted and a corrected version was sent to all Contracting Parties on May 11 (*F&A Endnote 3*). 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, 2020, and the results of its operations and changes in fund balances for the year then ended”***.

Accepting the auditor's report was deferred to Agenda Item 11 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 2021 annual fees was sent to all Contracting Parties on November 25, 2020 in accordance with Decision 2020/A/2/i. All Contracting Parties met their financial obligations for FY 2021 (*F&A Endnote 4*).

Decision 2020/A/2/ii further requested that “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”.

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.

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 2022 and beyond.

FA AGENDA ITEM 7 – GENERAL FUND – IN 2020

The Committee reviewed the budget and expenditures in the General Fund for FY2020, noting that expenditures were within the budget tolerance for all categories except Publications/Communications and Office and Administration, which combined were within the tolerance.

FA AGENDA ITEM 8 – WORKING CAPITAL FUND - IN 2020 AND 2021

The Executive Secretary provided information on the amount of funds in the Working Capital Fund designated for specific purposes (encumbered funds) for FY2020 and the estimated amount of the encumbered funds for the fiscal year end FY2021.

The Committee recommends that:

1. The Fund “4th Effects of Climate Change on the World’s Oceans – 2018” be renamed as the “5th Effects of Climate Change on the World’s Ocean - 2023” and its residual funds used to support the Symposium planned for 2023.
2. That the USA Reserve Fund be renamed as the ICES-PICES-2023-USA Reserve fund.

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 FY2021.

FA AGENDA ITEM 10 – RELOCATION AND HOME LEAVE FUND - IN 2020

The Committee reviewed the status of the Relocation and Home Leave Fund noting that in accordance with Decision 2020/A/5 the liability for excess vacation and severance pay is now captured as a liability of this Fund and it must therefore maintain a balance at, or above, \$0 at year-end. A transfer of \$44,126 from the General Fund was therefore made at the FY 2020 year-end to achieve this (Auditor’s note 3 in F&A Endnote 3).

FA AGENDA ITEM 11 – SPECIAL PROJECT FUNDS IN 2020 – DETAILS

The Committee reviewed the Special projects noting that:

- a. The MAFF FishGIS project was completed in March 2020.
- b. The KIOST SEAturtle project has made progress in 2020 and 2021 but has experienced delays owing to the COVID-19 pandemic
- c. The MAFF Ciguatera project has made good progress in 2020 and 2021 but has also experienced challenges owing to the COVID-19 pandemic.

This marked the end of the review of financial matters in FY 2020.

The Committee recommends accepting the audited accounts.

The FY 2020 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.

Furthermore:

The Committee recommends that Council authorize the Executive Secretary to sign a new 3-year contract (for FYs 2021-2023) with the current auditor Hughesman, Morris and Liversedge.

FA AGENDA ITEM 12 – ESTIMATED ACCOUNTS FOR 2021

The Committee reviewed the material presented and noted that Finances for 2021 are projected to be sound with significant savings from Special Meetings and Travel, despite the lack of income from registration fees.

FA AGENDA ITEM 13 – UNFUNDED PENSION LIABILITY

The Committee noted that the next review is expected in January 2023.

The Committee recommends that Council requests that each Contracting Party make an additional \$8000 Extraordinary Contribution for FY2022 and that the Extraordinary Contribution shall continue until the pension plan liability is extinguished. Parties are requested to confirm their intention to provide this contribution in 2022 no later than the end of February 2022 to complete budget planning.

FA AGENDA ITEM 14 – FINANCIAL RESERVE PLANNING INCLUDING A REPORT TO ADDRESS DECISION 2020/A/5

The Committee reviewed the report presented by the Executive Secretary and discussed the purpose of a Reserve. The Committee does not recommend a separate Reserve Fund, noting that the current method of reporting the Working Capital Fund reserve is sufficient.

The Committee recommends that the Executive Secretary continues to report the Working Capital Fund reserve each year as a proportion of a Contracting Party’s annual fee with the goal of maintaining a reserve of about twice a single Contracting Party’s annual contribution.

Furthermore, the Committee requests that the Executive Secretary continue to explore different reserve strategies and potential mechanisms to maintain the reserve, and report to the Finance and Administration Committee at PICES-2022.

FA AGENDA ITEM 15 – PROPOSED BUDGET FOR FY 2022 AND FORECAST BUDGET ESTIMATES FOR FY 2023

The Committee reviewed the proposed FY 2022 budget of \$1,142,000 and recommends its approval by Council.

The Committee recommends that annual fees be set at \$148,900. This total is composed of the Regular Annual Fee of \$140,900 and an additional temporary Extraordinary Contribution of \$8,000 to address the pension plan liability. The temporary fee portion will not be subject to inflation adjustment in subsequent years and will terminate when the pension plan liability is discharged. A transfer of \$248,600 from the Working Capital Fund at the beginning of 2022 will be required to balance the budget.

The Committee reviewed the forecast budget for FY 2023 and submits it to Council for information only.

FA AGENDA ITEM 16 - SCHEDULE, STRUCTURE AND FINANCING OF FUTURE ANNUAL MEETINGS, INCLUDING JOINT ICES/PICES ANNUAL MEETING [DECISION 2018/A/4]

The Committee noted that Council had already accepted the offer of Korea to host PICES-2022 in Busan [Decision 2020/A/1/iv]. The dates of the meeting are provisionally Sept 23–Oct 2. The theme of the

meeting is *“Sustainability of Marine Ecosystems through global knowledge networks during the UN Decade of Ocean Science”*

The Committee noted that Council had already approved the formation 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 to be held in the USA [Decision 2020/A/6/iii] and progress of this WG was reviewed.

The Committee recommends that Council invites Russia to explore the possibility of hosting the 2024 Annual Meeting, and inform the Secretariat on this matter by March 31, 2022.

The Committee discussed the current registration fee structure and recommends keeping the same structure for PICES-2022.

Type of registration fee	CDN \$
Regular	325
Early	250
Student	50
Spousal/guest	50

The Committee reviewed the approach for Intersessional Science Board meetings, noting the success of virtual ISB meetings in 2020 and 2021 to maintain momentum.

The Committee would like to also be mindful of reducing carbon emissions from PICES activities as much as possible and so supports the request by Science Board for virtual ISB meetings each year (unless there is another in-person event it can be held in conjunction with that involves many SB participants), and recommends it to Council for approval.

FA AGENDA ITEM 17 - APPROACHES TO DETERMINE THE UPTAKE/IMPACT OF SCIENCE ACTIVITIES [DECISION 2020/A/9]

The Committee reviewed the material provided. As already laid out in Decision 2020/A/9 the Executive Secretary is directed to continue monitoring the science uptake and impacts.

FA AGENDA ITEM 18 - DEVELOPING A CODE OF ETHICS FOR THE OPERATIONS OF PICES [DECISION 2020/A/10]

The Committee reviewed the report describing the process for soliciting comment from the PICES membership and the revisions made accordingly at ISB-2021 (*F&A Endnote 5*).

The Committee recommends that the Code of Ethics as presented be adopted. It should be added to the list of PICES policies and included in the Chair’s Handbook, noting that *“The policy has been drawn up in the spirit of respect and inclusivity and is an expectation rather than a Rule of Procedure. It does not replace, or supersede, the rules/guidelines/conflict of interest policies or procedures in an individual’s place of employment or study. PICES participants who feel that they have been the recipient of a breach of the Code during a PICES event should raise this with their National Delegate who can inform Council”*. The policy should be reviewed every 5 years to ensure the wording is still adequate.

FA AGENDA ITEM 19 - 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. This decision already instructs the Executive Secretary to track them indefinitely, particularly to assess the impacts of COVID-19 on productivity beyond 2021.

B. Staffing in the PICES Secretariat

Staffing of the PICES Secretariat was reviewed. The Committee noted that the budget for 2022 includes an additional half-time Communications Officer in the Secretariat.

C. International Fisheries Commission Pension Plan status

This item was previously reviewed under Agenda Item 13 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 and reiterated the recommendation made above under Agenda Item 6 regarding contributions to the Trust Fund

FA AGENDA ITEM 20 - SCHEDULE FOR APPOINTMENT OF F&A COMMITTEE CHAIR AND ELECTION OF NEW CHAIR

In accordance with Rule 19(iii), Dr. Mike Seki will begin the second year of his first two-year appointment as F&A Chair in November 2021 after PICES-2021 and this term will expire at PICES-2022. No appointment needs to be made by Governing Council at this meeting.

FA AGENDA ITEM 21. OTHER BUSINESS

There was no other business

FA AGENDA ITEM 22. 2021 F&A REPORT AND RECOMMENDATIONS TO GOVERNING COUNCIL

The F&A Chair and Executive Secretary have prepared this draft report for circulation.

F&A ENDNOTE 1

2021 F&A Participation list

<u>Canada</u> Bernard Vigneault Kim Houston (Alternate for Andrew Thompson) Lesley McDougall (Advisor)	<u>Russian Federation</u> Igor Shevchenko
<u>Japan</u> Hidetaka Kiyofuji Yugo Shimizu (Advisor) Ami Yumitate (Advisor)	<u>USA</u> Kristen Koch
<u>People’s Republic of China</u> Rui Zheng (Alternate for Yafeng Yang) Li Li (Advisor)	<u>Other</u> Mike Seki (F&A Chair) Sonia Batten (Executive Secretary) Sanae Chiba (Deputy Executive Secretary Day 2 only)
<u>Republic of Korea</u> Jinsil Hwang Heejin Kim (Day 2 only) Junhyung Kim (Advisor and alternate for Heejin Kim on Day 1) Joongho Moon (Advisor)	

F&A ENDNOTE 2**Agenda**

1. Welcome and opening remarks
2. Adoption of agenda and meeting procedures
3. Issues caused by the COVID-19 pandemic
4. Audited accounts for FY 2020
5. Annual contributions
6. Voluntary Contributions and Fund-raising activities
7. General Fund in 2020 – Details

8. Working Capital Fund in 2020–Details
 - a. Includes decisions on moving money within the WCF
9. Trust Fund in 2020 – Details
10. Relocation and Home Leave Fund in 2020 – Details and planning for upcoming retirements.
11. Special Project Funds in 2020 – Details
 - a. MAFF FishGIS Fund in 2020
 - b. Korea SEATurtle Fund in 2020
 - c. MAFF Ciguatera Fund in 2020
12. Estimated accounts for 2021
13. Unfunded Pension Liability
14. Financial Reserve Planning – Including a report to address Decision 2020/A/5
15. Proposed budget for FY 2022 and forecast budget estimates for FY 2023
16. Schedule, structure and financing of future Annual Meetings, including joint ICES/PICES Annual Meeting [Decision 2018/A/4]
17. Uptake/impact of science activities [Decision 2020/A/9]
18. Developing a Code of Ethics for the operations of PICES [Decision 2020/A/10]
19. Administrative matters:
 - a. Tracking the activity of the PICES Secretariat [Decision 2020/A/7]
 - b. Staffing in the PICES Secretariat, including need for a Communications Officer
 - c. International Fisheries Commission Pension Plan status
 - d. Hosting of the PICES Secretariat
 - e. PICES Intern Program and Capacity Building
20. Schedule for Appointment of F&A Committee Chair
21. Other business
22. 2021 F&A report and recommendations to Governing Council

F&A ENDNOTE 3 FINANCIAL STATEMENTS FOR 2020

FINANCIAL STATEMENTS

DECEMBER 31, 2020

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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, 2020 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, 2020, 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.



| CHARTERED PROFESSIONAL ACCOUNTANTS |

Hughesman Morris Liversedge
Chartered Professional Accountants

Sidney, B.C.
March 17, 2021

NORTH PACIFIC MARINE SCIENCE ORGANIZATION
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

ASSETS	2020	2019
CURRENT ASSETS		
Cash and short term deposits (note 5)	\$ 1,825,913	\$ 1,528,621
Accounts receivable	14,638	41,888
Prepaid expenses	3,280	115
	\$ 1,843,831	\$ 1,570,624
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 77,661	\$ 163,873
Current portion of severance and vacation pay (note 3)	86,722	-
Funds held for Contracting Parties (note 4)	146,800	144,700
	311,183	308,573
LONG TERM LIABILITIES		
Severance and vacation pay (note 3)	213,370	-
	524,553	308,573
FUND BALANCES		
WORKING CAPITAL FUND (note 5)	1,022,156	972,371
TRUST FUND	115,656	110,000
RELOCATION AND HOME LEAVE FUND	-	154,552
MAFF FISH GIS FUND	-	13,939
KIOST SEA TURTLE FUND	99,100	11,189
MAFF CIGUATERA FUND	82,366	-
	1,319,278	1,262,051
	\$ 1,843,831	\$ 1,570,624

NORTH PACIFIC MARINE SCIENCE ORGANIZATION
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund	Working Capital Fund	Trust Fund	Relocation and Home Leave Fund	MAFF FishGIS Fund	KIOST Sea Turtle Fund	MAFF Ciguatera Fund	2020 Total	2019 Total
FUND BALANCES , beginning of year	\$ -	\$ 972,371	\$ 110,000	\$ 154,552	\$ 13,939	\$ 11,189	\$ -	\$ 1,262,051	\$ 1,624,885
SOURCES OF FUNDS									
Voluntary contributions and grants (note 6)	-	510,376	45,930	-	-	150,000	99,861	806,167	621,692
Contributions from Contracting Parties	868,200	-	-	-	-	-	-	868,200	803,400
Interest and other income (note 7)	-	129,344	85	3,661	-	-	8	133,098	342,261
Budgeted transfers from Working Capital Fund (note 8)	219,900	(329,900)	-	110,000	-	-	-	-	-
TOTAL REVENUE	1,088,100	309,820	46,015	113,661	-	150,000	99,869	1,807,465	1,767,353
FUND BALANCES , before expenditures	1,088,100	1,282,191	156,015	268,213	13,939	161,189	99,869	3,069,516	3,392,238
EXPENDITURES									
Annual Meeting	1,696	-	-	-	-	-	-	1,696	12,287
Contractual services	-	-	-	-	8,470	45,000	-	53,470	86,175
Equipment	3,480	-	-	-	-	13,139	-	16,619	10,305
Intern program	-	-	40,315	-	-	-	-	40,315	28,478
Office and administration	26,997	3,520	44	-	392	50	67	31,070	53,124
Overhead to PICES	-	-	-	-	-	3,900	12,982	16,882	17,730
Personnel services (note 9)	773,254	94,978	-	-	-	-	4,454	872,686	846,953
Projects (note 10)	-	324,431	-	-	-	-	-	324,431	724,103
Publications / Communication	53,417	-	-	-	-	-	-	53,417	46,361
Relocation	-	-	-	35,387	-	-	-	35,387	59,098
Special meetings/travel	16,927	-	-	-	5,077	-	-	22,004	230,001
TOTAL EXPENDITURES BEFORE OTHER ITEMS	875,771	422,929	40,359	35,387	13,939	62,089	17,503	1,467,977	2,114,615
Adjustment to opening balance of severance and vacation pay liability (note 3)	-	-	-	276,952	-	-	-	276,952	-
Foreign exchange loss (note 11)	5,309	-	-	-	-	-	-	5,309	8,436
TOTAL EXPENDITURES	881,080	422,929	40,359	312,339	13,939	62,089	17,503	1,750,238	2,123,051
NET FUNDS AVAILABLE	207,020	859,262	115,656	(44,126)	-	99,100	82,366	1,319,278	1,269,187
INTERFUND TRANSFERS (note 8)	(44,126)	-	-	44,126	-	-	-	-	-
TRANSFER SURPLUS TO WORKING CAPITAL FUND (note 8)	(162,894)	162,894	-	-	-	-	-	-	-
FUND BALANCES , end of year	\$ -	\$ 1,022,156	\$ 115,656	\$ -	\$ -	\$ 99,100	\$ 82,366	\$ 1,319,278	\$ 1,269,187

See accompanying notes

NORTH PACIFIC MARINE SCIENCE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.

A PICES special project (April 1, 2020 - March 31, 2023) on "*Building Local Warning Networks for the Detection and Human Dimension of Ciguatera Fish Poisoning in Indonesian Communities (Ciguatera)*", the MAFF Ciguatera Fund, was established in 2020 with funding from the Ministry of Agriculture, Forestry and Fisheries of Japan, under the procedure 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 \$16,619 of capital assets.

NORTH PACIFIC MARINE SCIENCE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. ACCOUNTING POLICIES, continued

(c) Employee Future Benefits

The Organization does not record any liability for the unfunded portion of its defined benefit pension plan (note 12).

(d) Severance and Vacation Liability

Pursuant to Governing Council Decision 2020/A/5, Financial Reserve Planning, Severance and Vacation Pay shall be listed as a liability in the Relocation and Home Leave Fund. The current portion of severance and vacation pay represents amounts that are expected to be paid during the next fiscal year. These values are determined using current wage rates and adjusted for at each year end.

(e) 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.

(f) 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.

(g) Income Tax

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

(h) 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.

(i) Financial Instruments

The Organization's financial instruments consist of cash and short-term deposits, accounts receivable, accounts payable, and the vacation and severance liability, the fair value of which approximates their carrying value.

(j) 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.

**NORTH PACIFIC MARINE SCIENCE ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. ANNUAL LEAVE AND SEVERANCE LIABILITY

The Organization accrues annual leave not taken and severance for its employees. Prior to the 2020 year, no amount was recorded for this liability. Pursuant to Governing Council Decision 2020/A/5, Financial Reserve Planning, Severance and Vacation Pay, beginning in 2020 the amount shall be a liability of the Relocation and Home Leave Fund.

In order to record the opening balance of this liability at January 1, 2020, an adjustment of \$276,952 has been recorded to the Relocation and Home Leave Fund.

The annual leave and severance liability is broken down as follows:

	2020
Accrued vacation	\$ 220,789
Accrued severance	79,303
	300,092
Less current portion	86,722
Due beyond one year	\$ 213,370

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

4. FUNDS HELD FOR CONTRACTING PARTIES

The funds held for Contracting Parties are advance contributions from China in the amount of \$146,800. This amount consists of \$138,800 for the 2021 budgeted contributions, plus an additional \$8,000 extraordinary contribution as pursuant to decision 2020/A/3/i.

5. WORKING CAPITAL FUND

Of the total amount in the Working Capital Fund (\$1,022,156), \$808,981 of cash and short term deposits is restricted for specific designated projects.

Pursuant to decision 2020/A/3/i of the Governing Council, \$202,200 of the funds held in the Working Capital Fund will be transferred to the General Fund at the beginning of the 2021 fiscal year to balance the budget, setting the total annual contributions at \$832,800, and the 2021 annual contribution at \$138,800 per Contracting Party. In addition to the regular annual fee, a temporary extraordinary contribution of \$8,000 per Contracting Party is budgeted to address the pension plan liability.

Pursuant to Governing Council decision 2020/A/5, the balance of the Relocation and Home Leave fund is to be maintained at or above \$0 at year-end by transfer from the General fund, before any excess is transferred from the General Fund to the Working Capital Fund at the year-end.

Pursuant to Financial Regulation 6 (iii), the Working Capital Fund is to be increased/decreased by the remaining surplus/deficit in the General Fund.

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6. VOLUNTARY CONTRIBUTIONS AND GRANTS

Fund	Working Capital Fund	Trust Fund	MAFF Ciguatera Fund	KIOST Sea Turtle
Contributions to Intern Program:				
DFO (Canada)	\$ -	\$ 15,000	\$ -	\$ -
KIOST (Korea)	-	10,000	-	-
NOAA (U.S.A.)	-	20,930	-	-
Contributions for the North Pacific CPR Project:				
DFO (Canada)	70,000	-	-	-
NPRB (U.S.A.)	118,821	-	-	-
PWSSC (U.S.A.)	68,065	-	-	-
Early Career Science				
DFO	175,000	-	-	-
FUTURE Program:				
DFO (Canada)	15,000	-	-	-
KIOST Sea Turtle Fund (Korea)	-	-	-	150,000
MAFF Ciguatera Fund (Japan)	-	-	99,861	-
MSEAS 2020 Yokohama:				
CSIRO	8,968	-	-	-
University of Tokyo	3,798	-	-	-
Registration fees	23,724	-	-	-
Ocean Decade Workshop 2019:				
Park KIOST Travel Fund:				
KIOST (Korea)	27,000	-	-	-
	\$ 510,376	\$ 45,930	\$ 99,861	\$ 150,000

7. INTEREST AND OTHER INCOME

	Working Capital Fund	Trust Fund	Relocation and Home Leave Fund	MAFF Ciguatera Fund
GST/HST & PST rebates	\$ 12,120	\$ -	\$ -	\$ -
Income tax levies	91,367	-	3,054	-
Interest income	5,934	85	607	8
Miscellaneous income	17	-	-	-
Overhead from CPR Project	2,624	-	-	-
Overhead from KIOST Sea Turtle Fund	3,900	-	-	-
Overhead from MAFF Ciguatera Project	12,982	-	-	-
PICES 2019 registration fees	400	-	-	-
	\$ 129,344	\$ 85	\$ 3,661	\$ 8

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8. INTERFUND TRANSFERS

The Governing Council approved the transfer of \$219,900 at the beginning of 2020 from the Working Capital Fund to the General Fund (Decision 2019/A/4/i) to balance the budget, setting the total annual contributions at \$820,200, and the 2020 annual contribution at \$136,700 per Contracting Party.

The Governing Council approved the transfer of \$110,000 from the Working Capital Fund to the Home Leave and Relocation fund (Decision 2019/A/4/iv) January 2020, in anticipation of the retirement of the Deputy of Administration and relocation expenses for the incoming Executive Secretary.

A transfer of \$44,126 from the General Fund to the Relocation and Home Leave Fund was required to bring the Relocation and Home Leave Fund balance to zero, in accordance with Governing Council decision 2020/A/5.

The remaining surplus in the General Fund at December 31, 2020 (\$162,894) was transferred to the Working Capital Fund, in accordance with Financial Regulation 6 (iii).

9. PERSONNEL SERVICES

Pursuant to decision 2017/A/3/iv, an additional lump sum employer contribution of \$25,000 was paid by the Working Capital Fund to pay down unfunded pension liabilities. This amount is included in the personnel services expense of the Working Capital Fund.

10. PROJECTS

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

	2020	2019
Development of FUTURE	\$ 150	\$ 1,243
Early Career Scientist 2022	5,000	-
GlobalHAB Workshop 2019	3,696	20,252
MSEAS Yokohama 2020	20,554	91
North Pacific CPR Project	257,136	313,901
North Pacific Ecosystem Status Report	938	21,270
Ocean Decade Workshop	3,943	41,171
Park KIOST Travel Fund	1,814	36,917
PICES 2019	-	257,072
Small Pelagics Symposium	15,685	-
Special Project Coordination	16,087	27,856
Transitional Areas La Paz 2018	-	4,330
Washington 2018 (Refund)	(572)	-
	\$ 324,431	\$ 724,103

11. FOREIGN CURRENCY TRANSACTIONS

At year end all funds held in foreign currency (2020: USD \$132,337, 2019: USD \$123,715), receivables (2020: nil, and 2019: USD \$5,238) and payables (2020: USD \$8,726, 2019: nil) are converted to Canadian dollars using the December 31st exchange rate. A foreign exchange loss has been reported on the current year financial statements; this amount is an unbudgeted item which has been caused by the ongoing fluctuations in exchange rates, and not by the actual purchase or sale of any foreign currencies.

12. UNFUNDED PENSION LIABILITY

The Organization holds a pension plan for its employees with the International Fisheries Commissions Pension Society. The most recent actuarial valuation report was prepared as at January 1, 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.

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 11 for the financial instruments exposed to this type of risk.

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

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. IMPACT OF COVID-19

The COVID-19 pandemic is expected to continue to have material effects on the financial position and operations of the Organization in 2021. Due to travel restrictions in certain countries as a result of the pandemic, the Organization expects special meetings and travel expenditures to remain lower relative to pre-pandemic levels. It is anticipated the 2021 annual meeting will be held virtually. If there are costs associated with running it virtually, modest registration fees may be charged to cover costs. Working Capital Fund revenues are not expected to return to pre-pandemic levels, but the offset of reduced special meeting and travel expenditures is predicted to be maintained.

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

16. COMPARATIVE AMOUNTS

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

F&A ENDNOTE 4

Payment Schedule for Annual Fees 2005–2021

	<i>Canada</i>	<i>China</i>	<i>Japan</i>	<i>Korea</i>	<i>Russia</i>	<i>USA</i>
2005	Dec 24, 04	Sept 22, 05 ²	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, 15 ⁶	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
2021	Feb 26, 21	Sep 27, 20	Mar 5, 21	May 31, 21	Mar 17, 21	Apr 20, 21

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

PICES Ethics Policy.

PICES is committed to:

- Providing a welcoming and inclusive environment, that encourages all staff, members and guests to aspire to principles of integrity and respect in their interactions and to maintain a respectful environment free from harassment and discrimination (harassment includes speech or behavior that is not welcome or is personally offensive, regardless of intent).
- Respecting the human rights, and worth of all persons regardless of age, physical appearance, gender expression, sexual orientation, ethnicity, religion or other group identity or political beliefs.
- Conducting the work of the Organization with integrity. Members should strive to encourage diverse voices and the full participation of all, not to misrepresent results, to not plagiarize and to appropriately acknowledge contributions of others.