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## Report of the Independent auditors and Financial Statement (FY2021)

PREPARED BY: IPHC SECRETARIAT (D. WILSON; 22 DECEMBER 2021)

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### PURPOSE

To provide the Commission with the process for completion of the Independent External Auditors Report for FY2021, as per Regulation 14 of the IPHC Financial Regulations (2021).

#### *Regulation 14 – External Audit*

*“1. The accounts of the Commission shall be audited annually by external auditors recommended by the FAC and appointed by the Commission. The Auditors shall be appointed for a term of three (3) years, and may be reappointed to multiple terms.”*

### BACKGROUND

**05 October 2021:** The existing three (3) year contract with Moss Adams to undertake and complete annual Statement Audits, was confirmed for FY2021 through the signing of an Engagement Letter details the FY2021 professional services to be provided.

Included in the engagement letter are the Audit timings:

*“We expect to begin our audit on approximately November 1, 2021, and issue our report no later than December 18, 2021.”*

**25 October 2021:** In accordance with paragraph 2, Regulation 14, of the IPHC Financial Regulations (2021) (shown below) the IPHC Secretariat commenced the provision of the initial Provided By Client (PBC) list of items to the independent external auditor (25 days after the end of the FY2021 fiscal year and **35 days ahead of the deadline**).

*(para. 2) “The contents identified in the Auditors Provided By Client (PBC) list shall be submitted by the Executive Director to the Auditors appointed by the Commission not later than **sixty (60) days** after the end of a fiscal year.”*

**01 November 2021:** Moss Adams commenced their audit process.

**21 December 2021:** In accordance with paragraph 7, Regulation 14, of the IPHC Financial Regulations (2021) (shown below) the independent external auditors provided the final report to the IPHC Secretariat on 21 December 2021 (81 days after the end of the FY2021 fiscal year, **9 days ahead of the deadline set-forth in the IPHC Financial Regulations**, to ensure adequate review time).

*(para. 7) “The Auditors shall prepare a report on the accounts certified, and shall discuss their report with the Executive Director prior to submission to the FAC and Commission. The Auditors shall submit their report to the Commission, via the FAC, no later than **90 days** following the end of the fiscal year to which the accounts relate.”*

### RECOMMENDATIONS

That the FAC:

- 1) **NOTE** paper IPHC-2022-FAC098-05 which provided the independent external auditors report for FY2021, as per Regulation 14 of the IPHC Financial Regulations (2021).

- 2) **RECOMMEND** that the Commission accept the independent external auditors report for FY2021, as per Regulation 14 of the IPHC Financial Regulations (2021).

**APPENDICES**

**Appendix I:** Report of the Independent Auditors and Financial Statement (FY2021) – Moss Adams



REPORT OF INDEPENDENT AUDITORS  
AND FINANCIAL STATEMENTS

**INTERNATIONAL PACIFIC HALIBUT COMMISSION**

September 30, 2021

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## **Report of Independent Auditors**

To the Commissioners  
International Pacific Halibut Commission

### **Report on the Financial Statements**

We have audited the accompanying special purpose statement of revenues and expenses (compared to budget) and fund balances – regulatory basis, of the International Pacific Halibut Commission (a nonprofit organization), which comprise the statement of revenues and expenses (compared to budget) and fund balances – regulatory basis as of September 30, 2021, and the related notes to the financial statements.

### ***Management’s Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting practices prescribed or permitted by the governments of the United States of America and Canada. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor’s Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the special purpose statement of revenues and expenses (compared to budget) and fund balances – regulatory basis referred to above presents fairly, in all material respects, the statement of revenues and expenses (compared to budget) and fund balances – regulatory basis of International Pacific Halibut Commission as of September 30, 2021, and for the year then ended, in accordance with the financial reporting practices prescribed or permitted by the governments of the United States of America and Canada as described in Note 1.

**Other Matters**

*Basis of Accounting*

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As described in Note 1, these financial statements were prepared in conformity with the financial reporting practices prescribed or permitted by the governments of the United States of America and Canada, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the governments of the United States of America and Canada. Our opinion is not modified with respect to this matter.

**Restriction of Use**

Our report is intended solely for the information and use of the commissioners and management of International Pacific Halibut Commission and is not intended to be and should not be used by anyone other than these specified parties.



Everett, Washington  
December 17, 2021

**International Pacific Halibut Commission**  
**Statement of Revenues and Expenses (Compared to Budget) and Fund Balances – Regulatory Basis**  
**September 30, 2021**

	<b>Annual Budget</b>	<b>10 - General</b>	<b>20 - Research</b>	<b>30 - Statistics</b>	<b>40 - FISS</b>	<b>50 - Reserve</b>	<b>Total</b>	<b>Percent of Budget</b>	<b>Over (Under) Budget</b>
<b>Income</b>									
Contribution from Canada	\$ 900,407	\$ 749,110	\$ 75,465	\$ 75,832	\$ -	\$ -	\$ 900,407	100%	\$ -
Contribution from the USA	4,157,760	3,459,122	348,470	350,168	-	-	4,157,760	100%	-
Headquarters (Lease and Maintenance)	470,717	470,717	-	-	-	-	470,717	100%	-
Fish Sales	4,380,000	3	-	-	5,717,690	-	5,717,693	131%	1,337,693
Grants, Contracts and Agreements	594,727	-	261,064	508,727	31,101	-	800,892	135%	206,165
Other Income	-	101,470	-	-	92,527	-	193,997	-	193,997
Interest Income	-	687	-	-	29	-	716	-	716
Foreign Exchange Rates	-	1,223	-	-	-	-	1,223	-	1,223
<b>Total Income</b>	<b>10,503,611</b>	<b>4,782,332</b>	<b>684,999</b>	<b>934,727</b>	<b>5,841,347</b>	<b>-</b>	<b>12,243,405</b>	<b>117%</b>	<b>1,739,794</b>
Carryover General Fund		275,872	-	-	-	-	275,872		
Carryover Program Funds		-	(5,397)	1,324	535,352	-	531,279		
Carryover Reserve Fund		-	-	-	-	1,134,338	1,134,338		
Prior Period Adjustments		(617,550)	-	-	(1,373)	-	(618,923)		
Transfers Between Funds		(761,130)	425,000	527,000	(190,864)	-	6		
<b>Total Funds Available</b>	<b>10,503,611</b>	<b>3,679,524</b>	<b>1,104,602</b>	<b>1,463,051</b>	<b>6,184,462</b>	<b>1,134,338</b>	<b>13,565,977</b>	<b>129%</b>	<b>3,062,366</b>
<b>General Expenses</b>									
Salaries and Wages	4,074,772	1,558,786	497,351	912,257	990,163	-	3,958,557	97%	(116,215)
Payroll Taxes	-	108,423	38,179	62,795	71,535	-	280,932	-	280,932
Benefits	1,588,229	625,687	136,595	282,549	156,131	-	1,200,962	76%	(387,267)
Professional Fees	134,750	261,169	3,495	1,349	796	-	266,809	198%	132,059
Training and Education	36,000	16,700	-	-	1,468	-	18,168	50%	(17,832)
Personnel Related Expenses	4,604	5,493	-	4,103	962	-	10,558	229%	5,954
General Liability Insurance	-	42,098	-	-	-	-	42,098	-	42,098
Other Expenses	-	22,728	-	-	11,096	-	33,824	-	33,824
<b>Total General Expenses</b>	<b>5,838,355</b>	<b>2,641,084</b>	<b>675,620</b>	<b>1,263,053</b>	<b>1,232,151</b>	<b>-</b>	<b>5,811,908</b>	<b>100%</b>	<b>(26,447)</b>
<b>Operating Expenses</b>									
Meetings and Conferences	104,000	19,877	-	-	-	-	19,877	19%	(84,123)
Travel	152,749	45,961	5,787	19,829	59,570	-	131,147	86%	(21,602)
Publications	15,000	5,467	-	-	-	-	5,467	36%	(9,533)
Mailing and Shipping	117,300	5,781	3,239	4,048	123,451	-	136,519	116%	19,219
Technology	150,000	152,645	2,292	19,519	125	-	174,581	116%	24,581
Vessel Expenses	400,000	-	-	-	693,366	-	693,366	173%	293,366
Customs and Bait storage	-	-	-	-	25,780	-	25,780	-	25,780
Leases and Contracts	2,744,773	17,521	95,033	33,216	2,165,006	-	2,310,776	84%	(433,997)
Communications	17,000	32,044	-	3,424	928	-	36,396	214%	19,396
Capital Acquisitions	86,010	22,309	16,348	3,729	14,981	-	57,367	67%	(28,643)
Supplies	871,083	12,507	231,092	2,612	721,368	-	967,579	111%	96,496
Maintenance and Utilities	161,421	106,502	2,903	2,302	-	-	111,707	69%	(49,714)
Facility Rentals	395,578	456,265	-	2,880	219	-	459,364	116%	63,786
<b>Total Operating Expenses</b>	<b>5,214,914</b>	<b>876,879</b>	<b>356,694</b>	<b>91,559</b>	<b>3,804,794</b>	<b>-</b>	<b>5,129,926</b>	<b>98%</b>	<b>(84,988)</b>
<b>Total Expense</b>	<b>\$ 11,053,269</b>	<b>\$ 3,517,963</b>	<b>\$ 1,032,314</b>	<b>\$ 1,354,612</b>	<b>\$ 5,036,945</b>	<b>\$ -</b>	<b>\$ 10,941,834</b>	<b>99%</b>	<b>\$ (111,435)</b>
<b>Excess Revenues over Expenditures</b>		<b>\$ 161,561</b>	<b>\$ 72,288</b>	<b>\$ 108,439</b>	<b>\$ 1,147,517</b>	<b>\$ 1,134,338</b>	<b>\$ 2,624,143</b>		

# International Pacific Halibut Commission

## Notes to Financial Statements

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### Note 1 – Summary of Significant Accounting Policies

**Nature of the organization** – The International Pacific Halibut Commission (the Commission) is an International Organization (IO) created in 1923 by a convention between the United States of America and Canada to manage the Pacific halibut fishery. Each country appoints three Commissioners who in turn appoint an Executive Director to supervise the Secretariat staff.

The Commission conducts scientific studies on Pacific halibut and, after consultation with the industry, proposes annual regulations to the governments of Canada and the United States of America for the Pacific halibut fishery. Fishermen of both countries must comply with the adopted regulations under the supervision of the Federal enforcement agencies of their respective governments. All financial records are denominated in U.S. dollars.

The Commission has adopted a fiscal year ending September 30.

**Basis of presentation** – The Commission has adopted a basis of accounting agreed to by the governments of Canada and the United States of America. The basis of accounting differs in certain respects from generally accepted accounting principles and is known as “other comprehensive basis of accounting” OCBOA, which is a special purpose framework. The following are the most significant differences that do not include required disclosures under GAAP:

1. Historically, the Commission recorded revenues in the fiscal year when appropriated by the governments of Canada and the United States of America and expenditures were recorded in the fiscal year in which the funds are committed by the Commission. During the fiscal year ended September 30, 2021, the Commission began accruing income in the fiscal year of the activity and expenditures are recorded in the fiscal year in which they are incurred. Fund balance prior period adjustments reflected as of September 30, 2021, are a result of fund balance corrections to prior year grant receivable in the amount of \$450,492 and conversion to accrual basis for certain items in the amount of \$1,032,086, including \$996,688 of accrued leave and sick leave benefits not previously expensed. Carryover general, carryover program funds, and transfers between funds, are recognized as income.
2. Pension costs are charged to expense when funds necessary to fund the employer’s normal pension costs are paid.
3. Post-retirement health care and life insurance costs are charged to expense when the related premiums are paid.
4. Rent expense related to operating leases is expensed when paid and is not recognized on a straight-line basis over the life of the lease. Contributions of free rents are not recognized in the financial statements.

**Equipment** – Equipment is recorded at acquisition cost. Maintenance and repairs are charged to expenditures when incurred. The Commission generally capitalizes assets with a cost greater than \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of 5 years for equipment. The Commission does not currently have capitalized assets. There was no depreciation expense for the fiscal year ended September 30, 2021.



## International Pacific Halibut Commission Notes to Financial Statements

### Note 1 – Summary of Significant Accounting Policies (continued)

**Income taxes** – The Commission is exempt from U. S. Federal income taxes. The Commission files Form 990 annually.

**Subsequent events** – The Commission has performed an evaluation of subsequent events through December 17, 2021, which is the date the financial statements were available to be issued.

### Note 2 – General and Program Funds

The Commission’s operations are funded by the governments of Canada and the United States of America. The Commission receives advances from each government during its fiscal year unless otherwise recommended by the Commission.

The Commission maintains the following funds:

**20 Research** – Research and development to study biological, historical aspects of the Pacific halibut species and the efficiency and conservation practices of fishing and processing industry.

**30 Statistics** – Gathering analysis and compilation of harvest data for fishery management.

**40 FISS** – Fishery-Independent Setline Survey revenues arise from the sale of fish, which are caught during research studies, and from external contracts and grants. The FISS Fund is used for specific scientific programs to assess biological movement and abundance of the Pacific halibut species.

**50 Reserve** – Provides funds to respond to unforeseen contingencies that cannot be met by the General Fund.

Changes in the Funds for the year ended September 30, 2021, are as follows:

	2021					Total
	10 - General	20 - Research	30 - Statistics	40 - FISS	50 - Reserve	
Fund balance, beginning of year	\$ 275,872	\$ (5,397)	\$ 1,324	\$ 535,352	\$ 1,134,338	\$ 1,941,489
Fund balance, prior period adjustment	(617,550)	-	-	(1,373)	-	(618,923)
Advances, net	4,208,232	423,935	426,000	-	-	5,058,167
IPHC headquarter maintenance	470,717	-	-	-	-	470,717
Grants, contracts and agreements	-	261,064	508,727	31,101	-	800,892
Interest	687	-	-	29	-	716
Other income	102,696	-	-	5,810,217	-	5,912,913
Commission expense	(3,517,963)	(1,032,314)	(1,354,612)	(5,036,945)	-	(10,941,834)
Fund transfers	(761,130)	425,000	527,000	(190,864)	-	6
Fund balance, end of year	<u>\$ 161,561</u>	<u>\$ 72,288</u>	<u>\$ 108,439</u>	<u>\$ 1,147,517</u>	<u>\$ 1,134,338</u>	<u>\$ 2,624,143</u>

# International Pacific Halibut Commission

## Notes to Financial Statements

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### Note 2 – General and Supplemental Funds (continued)

At year end September 30, fund balances were comprised of:

	2021					Total
	10 - General	20 - Research	30 - Statistics	40 - FISS	50 - Reserve	
Cash and equivalents	\$ 1,889,390	\$ 69,135	\$ (6,641)	\$ 589,564	\$ 935,829	\$ 3,477,277
Investments	-	-	-	2,867	198,509	201,376
Receivables	1,126	34,098	142,588	931,612	-	1,109,424
Prepaid expenses	9,971	-	1,165	-	-	11,136
Payroll liabilities	(1,625,407)	(599)	(9,545)	(17,227)	-	(1,652,778)
Payables	(113,519)	(30,346)	(19,128)	(359,299)	-	(522,292)
Fund balance	<u>\$ 161,561</u>	<u>\$ 72,288</u>	<u>\$ 108,439</u>	<u>\$ 1,147,517</u>	<u>\$ 1,134,338</u>	<u>\$ 2,624,143</u>

### Note 3 – Employee Benefits

Most employees of the Commission participate in a multi-employer, participatory, defined benefit pension plan (the Plan). All employers participating in the Plan are required to remain fully funded. The contribution for the year ended September 30, 2021, was \$23,658. All new employees participate in an employee sponsored 403 (b) plan. The Commission contributes a base amount of 7% of salary, plus up to 5% additional matching funds. The total amount contributed for the year ended September 30, 2021, was \$364,717.

All employees of the Commission are eligible for post-retirement healthcare benefits, provided they have been continuously employed for the ten years immediately preceding their retirement. Expenses related to these post-retirement healthcare benefits for the year ended September 30, 2021, were \$103,594.

### Note 4 – Commitments and Contingencies

**Lease** – The Commission leases its office and lab facility in Seattle, Washington, with an expiration date of September 30, 2025. Minimum future lease payments due are \$1,482,619 for the year ended September 30, 2021.

The Commission also leases office space in Homer and Sitka, Alaska, on a month-to-month basis.

**Litigation** – The Commission is involved in litigation arising from the normal course of business. In the Commission's management opinion, this litigation is not expected to have a material effect on the Commission's financial statements.

**COVID-19** – In March 2020, the World Health Organization declared the novel coronavirus outbreak a pandemic. As of the date these financial statements were available to be issued, the Commission's operations have not been materially affected. However, the duration and severity of the pandemic could have an adverse impact on the financial position and cash flows of the Commission. The Commission will continue to monitor these events closely, but given the uncertainty, cannot estimate the potential impact to the financial statements.

## International Pacific Halibut Commission Notes to Financial Statements

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### **Note 5 – Concentration of Credit Risk**

The Commission places its cash and cash equivalents with financial institutions. At times, such balances may be in excess of the Federal Deposit Insurance Corporation insured limits. The Commission believes it is not exposed to any significant credit risk on its cash accounts.

