



Report of the Independent auditors and Financial Statement (FY2022)

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PURPOSE

To provide the Commission with the Independent External Auditors Report for FY2022, 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

9 October 2022: The existing three (3) year contract with Moss Adams to undertake and complete annual Statement Audits for FY2020, FY2021, and FY2022, was reconfirmed for FY2022 through the signing of an Engagement Letter details the FY2022 professional services to be provide.

Included in the engagement letter are the Audit timings for FY2022:

“We expect to begin our audit on approximately October 31, 2022, and issue our report no later than December 19, 2022.”

In accordance with paragraph 2, Regulation 14, of the IPHC Financial Regulations (2022) (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 FY2022 fiscal year).

(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.”*

12 October 2022: Moss Adams commenced their audit process.

19 December 2022: 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 19 December 2022 (80 days after the end of the FY2022 fiscal year, 10 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.”*

Next steps: As in previous years, the auditors will present their findings to the Commission via weblink in early 2023. The final report will then be provided to the FAC099 in late January 2023 for consideration, and then potential endorsement by the Commission at AM099 as a Rev_1 to this current paper.

The total expected costs for the Statement Audit (FY2022) is US\$29,000.

RECOMMENDATIONS

That the FAC:

- 1) **NOTE** paper IPhC-2023-FAC099-05 which provided the independent external auditors report for FY2022, as per Regulation 14 of the IPhC Financial Regulations (2021).
- 2) **RECOMMEND** that the Commission accept the independent external auditors report for FY2022, as per Regulation 14 of the IPhC Financial Regulations (2021).

APPENDICES

Appendix I: DRAFT Report of the Independent Auditors and Financial Statement (FY2022) – Moss Adams

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REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

INTERNATIONAL PACIFIC HALIBUT COMMISSION

September 30, 2022

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International Pacific Halibut Commission
Statement of Revenues and Expenses (Compared to Budget) and Fund Balances – Regulatory Basis
September 30, 2022

	Annual Budget	10 - General	20 - Research	30 - Statistics	40 - FISS	50 - Reserve	Total	Percent of Budget	Over (Under) Budget
Income									
Contribution from Canada	\$ 900,407	\$ 587,077	\$ 114,279	\$ 199,051	\$ -	\$ -	\$ 900,407	100%	\$ -
Contribution from the USA	4,157,760	2,710,915	527,700	919,145	-	-	4,157,760	100%	-
Headquarters (Lease and Maintenance)	475,000	475,000	-	-	-	-	475,000	100%	-
Fish Sales	4,019,100	-	-	-	3,289,793	-	3,289,793	82%	(729,307)
Grants, Contracts and Agreements	766,560	-	95,865	352,999	32,656	-	481,520	63%	(285,040)
Other Income	-	177,762	-	5,247	25,321	-	208,330	-	208,330
Interest Income	12,300	656	-	-	35	-	691	6%	(11,609)
Foreign Exchange Rates	-	(11,801)	-	(114)	1,463	-	(10,452)	-	(10,452)
Total Income	10,331,127	3,939,609	737,844	1,476,328	3,349,268	-	9,503,049	92%	(828,078)
Carryover General Fund									
		161,561	-	-	-	-	161,561		
Carryover Program Funds									
		-	72,288	108,439	1,147,517	-	1,328,244		
Carryover Reserve Fund									
		-	-	-	-	1,134,338	1,134,338		
Prior Period Adjustments									
		(22,068)	18,540	10,991	8,752	-	16,215		
Transfers Between Funds									
		5,070	(75,813)	5,111	271,052	(205,420)	-		
Total Funds Available	10,331,127	4,084,172	752,859	1,600,869	4,776,589	928,918	12,143,407	118%	1,812,280
General Expenses									
Salaries and Wages	4,507,066	1,343,262	494,675	1,221,099	906,304	-	3,965,340	88%	(541,726)
Payroll Taxes	-	90,525	36,932	80,643	46,667	-	254,767	-	254,767
Benefits	1,244,791	542,325	161,166	353,717	175,043	-	1,232,251	99%	(12,540)
Professional Fees	221,416	310,576	-	-	3,015	-	313,591	142%	92,175
Training and Education	118,600	28,947	183	1,568	36,640	-	67,338	57%	(51,262)
Personnel Related Expenses	51,876	(2,220)	-	13,829	-	-	11,609	22%	(40,267)
General Liability Insurance	13,992	10,239	-	10,395	-	-	20,634	147%	6,642
Other Expenses	65,099	42,083	3,334	172	3,561	-	49,150	76%	(15,949)
Total General Expenses	6,222,840	2,365,737	696,290	1,681,423	1,171,230	-	5,914,680	95%	(308,160)
Operating Expenses									
Meetings and Conferences	170,000	110,097	-	-	-	-	110,097	65%	(59,903)
Travel	237,966	58,000	8,426	57,496	144,296	-	268,218	113%	30,252
Publications	14,000	6,095	8,230	225	420	-	14,970	107%	970
Mailing and Shipping	139,500	4,952	247	4,534	105,945	-	115,678	83%	(23,822)
Technology	137,100	123,431	-	209	18,855	-	142,495	104%	5,395
Vessel Expenses	-	-	-	-	419,721	-	419,721	-	419,721
Customs and Bait storage	15,909	-	-	-	23,461	-	23,461	147%	7,552
Leases and Contracts	2,122,715	46,545	-	15,760	1,922,165	-	1,984,470	93%	(138,245)
Communications	53,500	35,943	-	1,701	1,609	-	39,253	73%	(14,247)
Capital Acquisitions	54,000	6,230	-	2,273	13,541	-	22,044	41%	(31,956)
Supplies	777,600	35,656	48,874	7,121	736,322	-	827,973	106%	50,373
Maintenance and Utilities	122,416	46,249	7,905	-	375	-	54,529	45%	(67,887)
Facility Rentals	469,000	455,721	-	5,460	15,721	-	476,902	102%	7,902
Total Operating Expenses	4,313,706	928,919	73,682	94,779	3,402,431	-	4,499,811	104%	186,105
Total Expense	\$ 10,536,546	\$ 3,294,656	\$ 769,972	\$ 1,776,202	\$ 4,573,661	\$ -	\$ 10,414,491	99%	\$ (122,055)
Excess Revenues over Expenditures		\$ 789,516	\$ (17,113)	\$ (175,333)	\$ 202,928	\$ 928,918	\$ 1,728,916		

International Pacific Halibut Commission

Notes to Financial Statements

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, 2022, are a result of fund balance corrections to prior year payroll liabilities in the amount of -\$1,579 and adjustments to prior year accrued expenses of \$17,794. Carryover general, carryover program funds, carryover reserve funds, and transfers between funds are recognized as income.
2. Pension costs are charged to expense at each pay period as accrued by the employee.
3. Historically, post-retirement health care and life insurance costs were charged to expense when the related premiums were paid. During the fiscal year ended September 30, 2022, the Commission began accruing post-employment benefits at the end of each month based on reports from the third-party benefit administrator.
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 5–7 years for equipment. Depreciation expense for the fiscal year ended September 30, 2022 was \$967.

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 _____, 2022, 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, 2022, are as follows:

	2022					Total
	10 - General	20 - Research	30 - Statistics	40 - FISS	50 - Reserve	
Fund balance, beginning of year	\$ 161,561	\$ 72,288	\$ 108,439	\$ 1,147,517	\$ 1,134,338	\$ 2,624,143
Fund balance, prior period adjustment	(22,068)	18,540	10,991	8,752	-	16,215
Advances, net	3,297,992	641,979	1,118,196	-	-	5,058,167
IPHC headquarter maintenance	475,000	-	-	-	-	475,000
Grants, contracts and agreements	-	95,865	352,999	32,656	-	481,520
Interest	656	-	-	35	-	691
Other income	165,961	-	5,133	3,316,577	-	3,487,671
Commission expense	(3,294,656)	(769,972)	(1,776,202)	(4,573,661)	-	(10,414,491)
Fund transfers	5,070	(75,813)	5,111	271,052	(205,420)	-
Fund balance, end of year	<u>\$ 789,516</u>	<u>\$ (17,113)</u>	<u>\$ (175,333)</u>	<u>\$ 202,928</u>	<u>\$ 928,918</u>	<u>\$ 1,728,916</u>

International Pacific Halibut Commission

Notes to Financial Statements

Note 2 – General and Supplemental Funds (continued)

At year end September 30, 2022, fund balances were comprised of:

	2022					Total
	10 - General	20 - Research	30 - Statistics	40 - FISS	50 - Reserve	
Cash and equivalents	\$ 2,032,251	\$ 103,849	\$ (101,604)	\$ 159,918	\$ 928,918	\$ 3,123,332
Investments	-	-	-	-	-	-
Receivables	1,317	-	-	350,265	-	351,582
Prepaid expenses	10,307	13,689	875	1,017	-	25,888
Fixed assets, net of depreciation	-	-	-	15,283	-	15,283
Payroll liabilities	(1,162,794)	(74,708)	(68,778)	(82,858)	-	(1,389,138)
Payables	(91,565)	(59,943)	(5,826)	(240,697)	-	(398,031)
Fund balance	\$ 789,516	\$ (17,113)	\$ (175,333)	\$ 202,928	\$ 928,918	\$ 1,728,916

Note 3 – Employee Benefits

One current employee of the Commission participates 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, 2022, was \$18,319. 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, 2022, was \$354,779.

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, 2022, were \$57,209.

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 \$1,212,508 for the year ended September 30, 2022.

The Commission also leases office space in Homer and Sitka, Alaska, on a month-to-month basis. The lease in Sitka has been terminated effective December 31, 2022.

Litigation – At times, the Commission may be involved in litigation and contingencies arising in the normal course of business. After consultation with legal counsel, management estimates that no matters exist that could have a significant impact to the Commission's financial position.

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

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.

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