



Report of the Independent auditors and Financial Statement (FY2023)

PREPARED BY: IPHC SECRETARIAT (D. WILSON & A. KEIKKALA; 22 DECEMBER 2023)

PURPOSE

To provide the Commission with the Independent External Auditors Report for FY2023, 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

25 May 2023: In accordance with Regulation 14.1 of the IPHC Financial Regulations (2021), the IPHC Secretariat requested an intersessional recommendation from the IPHC Finance and Administration Committee (FAC), and a subsequent appointment decision by the Commission, of a Statement Auditor for the next three (3) fiscal years (FY2023-FY2025). Ref. [IPHC-2023-CR-009](#).

5 June 2023: [IPHC-2023-CR-010](#): (IPHC-2023-ID003): *The Commission ENDORSED the appointment of the external auditor ‘Clark Nuber’ to audit the accounts of the IPHC for FY2023, FY2024, and FY2025.*

25 July 2023: The IPHC Executive Director signed a three (3) year *Master assurance, accounting and consulting services agreement* (the Agreement) with Clark Number, to undertake and complete annual Statement Audits for FY2023, FY2024, and FY2025.

25 September 2023: The IPHC Secretariat provides initial Trial Balances to Clark Nuber.

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.

(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.”*

23 October 2023: Clark Number commenced their ‘field’ work auditing process.

22 December 2023: 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 22 December 2023 (83 days after the end of the FY2023 fiscal year, 7 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 2024. The final report will then be provided to the FAC100 in late January 2024 for consideration, and then potential endorsement by the Commission at AM100 as a Rev_1 to this current paper.

RECOMMENDATIONS

That the FAC:

- 1) **NOTE** paper IPHC-2024-FAC100-05 which provided the independent external auditors report for FY2023, as per Regulation 14 of the IPHC Financial Regulations (2021).
- 2) **RECOMMEND** that the Commission accept the independent external auditors report for FY2023, as per Regulation 14 of the IPHC Financial Regulations (2021).

APPENDICES

Appendix I: Report of the Independent Auditors and Financial Statement (FY2023) – Clark Nuber.

APPENDIX I

INTERNATIONAL PACIFIC HALIBUT COMMISSION

Financial Statements

For the Year Ended September 30, 2023

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Independent Auditor's Report

**To the Commissioners
International Pacific Halibut Commission
Seattle, Washington**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of International Pacific Halibut Commission (the Commission), which comprise the statement of net position as of September 30, 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as of September 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



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Auditor's Responsibilities 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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the 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 Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of revenues, expenses, and changes in net position by fund is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Clark Nuber P.S.

Certified Public Accountants
December 18, 2023

INTERNATIONAL PACIFIC HALIBUT COMMISSION

Management's Discussion and Analysis For the Year Ended September 30, 2023

Our discussion and analysis of the International Pacific Halibut Commission (the Commission) financial performance provides an overview of the Commission's financial activities for the fiscal year ended 30 September 2023. This Management Discussion and Analysis (MD&A) is designed to assist readers of financial statements in focusing on significant financial activities and issues in the financial statements as a whole.

The Organization

The Commission is a public international organization so designated via Presidential Executive Order 11059 and established by a Convention between Canada and the United States of America (the Convention). The Convention was signed on March 2, 1923, ratified on July 21, 1924, and came into effect on October 21, 1924 upon exchange. The Convention has been revised several times since, to extend the Commission's authority and meet new conditions in the fishery. The most recent change occurred in 1979 and involved an amendment to the 1953 Halibut Convention. The 1979 amendment, termed a "protocol", was precipitated in 1976 by Canada and the United States of America extending their jurisdiction over fisheries resources to 200 miles. The 1979 Protocol along with the U.S. legislation that gave effect to the Protocol (Northern Pacific Halibut Act of 1982) has affected the way the fisheries are conducted and redefined the role of the Commission in the management of the fishery. Canada does not require specific enabling legislation to implement the protocol.

The Commission is a 509(a)(3) not-for-profit organization (determination by the IRS on February 26, 1987), formed to provide for the health and well-being of Pacific halibut in the Convention Area.

Objective: To develop the stocks of Pacific halibut in the Convention waters to those levels which will permit the optimum yield from the fishery and to maintain the stocks at those levels.

Functions and Responsibilities: As detailed in the Convention, the Commission shall:

- Divide the Convention waters into areas;
- Establish one or more open or closed seasons as to each area;
- Limit the size of the fish and the quantity of the catch to be taken from each area within any season during which fishing is allowed;
- During both open and closed seasons, permit, limit, regulate or prohibit the incidental catch of Pacific halibut that may be taken, retained, possessed, or landed from each area or portion of an area, by vessels fishing for other species of fish;
- Fix the size and character of Pacific halibut fishing appliances to be used in any area;
- Make such regulations for the licensing of vessels and for the collection of statistics on the catch of Pacific halibut as it shall find necessary to determine the condition and trend of the Pacific halibut fishery and to carry out the other provisions of this Convention;
- Close to all taking of Pacific halibut any area or portion of an area that the Commission finds to be populated by small, immature Pacific halibut and designates as nursery grounds.

Overview of the Financials

On average, approximately 50% of the Commission's annual income is provided by the two (2) Contracting Parties to the Convention, Canada and the United States of America. A further approximately 50% on average is received through the sale of Pacific halibut and bycatch species caught during our annual Fishery- Independent Setline Survey (FISS), grants, and interest income.

INTERNATIONAL PACIFIC HALIBUT COMMISSION

Management's Discussion and Analysis (Continued) For the Year Ended September 30, 2023

Overview of the Financials (Continued)

The Commission issues financial statements comprising two components: 1) basic financial statements and 2) notes to the financial statements.

The Commission's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). These financial statements cover the year ended September 30, 2023.

The financial statements include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows and Notes to Financial Statements.

The Statement of Net Position provides a record, or snapshot, of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Commission at the close of the year. They provide information about the nature and amounts of assets and obligations to other parties or liabilities.

The Statement of Revenues, Expenses and Changes in Net Position presents the results of the Commission's activities over the course of the year. This information can be used to determine whether the Commission has successfully recovered all its costs through Contracting Party contributions, fish sale revenue, grants, and other charges.

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash resulting from operating, financing, and investing activities over the course of the year. The statement reports cash inflows and disbursements during the year and reconciles to the ending cash balance.

The Notes to Financial Statements provide useful information regarding the Commission's account balances and activities, certain material risks, estimates, obligations, commitments, contingencies, and subsequent events, if applicable.

Financial Highlights for Fiscal Year 2023

At the year ended September 30, 2023, operating expenses for the Commission were \$9,266,311 and operating revenues were \$9,859,922. Operating revenues were overbudget, while operating expenses were under budget. The decreased operating expenses compared to budget can be attributed primarily to reduced spending in most budget areas.

In addition, fish sale income was approximately 4.9% lower than budgeted, primarily due to lower than projected catches and fish prices received.

Total revenues were \$685,660 greater than 2022 due to increases in funding from the National Oceanic and Atmospheric Association (NOAA). Total expenditures were \$386,555 greater than 2022 due to increases in programmatic activity related to NOAA funding.

INTERNATIONAL PACIFIC HALIBUT COMMISSION

Management's Discussion and Analysis (Continued) For the Year Ended September 30, 2023

Financial Highlights for Fiscal Year 2023 (Continued)

Total assets increased \$1,148,718 due to an increase in capital assets of \$876,955, increase overall receivables of \$503,754, and decrease in cash and prepaids of \$231,991. Capital assets increased due to the implementation of a new accounting standard and recognition of \$1,219,097 of lease related right-to-use assets, along with purchases of \$55,929, and offset by depreciation and amortization expense of \$398,071. Receivables increased due to the timing of payments on grants and contracts. The decrease in cash and prepaids is due to the timing of payments.

Total liabilities increased by \$921,507 due to the increase in lease liabilities of \$850,921, an increase in accounts payable and unearned grant revenue of \$230,567, offset by an overall decrease in payroll and compensated absences liabilities of \$159,981.

Financial Analysis

Condensed Financial Statement Statements of Net Position September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Total assets	\$ 6,131,471	\$ 4,982,753
Total liabilities	2,208,869	1,285,839
Total net position	3,922,602	3,696,914

Condensed Financial Statement Statements of Revenues, Expenses and Changes in Net Position September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Total revenues	\$ 11,001,443	\$ 10,315,783
Total expenditures	10,775,755	10,387,677
Total changes in net position	225,688	(71,894)

Requests for Information

Questions concerning any of the information provided in this report or requests for additional information should be addressed to Dr David Wilson, Executive Director, or Ms. Andrea Keikkala, Assistant Director, phone 206-632-2983, email secretariat@iphc.int.

INTERNATIONAL PACIFIC HALIBUT COMMISSION

Statement of Net Position September 30, 2023

Assets:	
Cash	\$ 2,827,913
Accounts receivable	1,456,359
Grants receivable	860,131
Prepaid expenses and other assets	<u>94,830</u>
Total Current Assets	5,239,233
Capital assets, net	<u>892,238</u>
Total Assets	<u>\$ 6,131,471</u>
Liabilities:	
Accounts payable	\$ 541,566
Payroll liabilities	398,827
Compensated absences	331,705
Lease liabilities, current portion	391,448
Unearned grant revenue	<u>72,371</u>
Total Current Liabilities	1,735,917
Compensated absences	13,479
Lease liabilities, net	<u>459,473</u>
Total Liabilities	<u>\$ 2,208,869</u>
Net Position:	
Unrestricted	\$ 3,881,285
Net investment in capital assets	<u>41,317</u>
Total Net Position	<u>\$ 3,922,602</u>

See accompanying notes.

INTERNATIONAL PACIFIC HALIBUT COMMISSION

Statement of Revenues, Expenses and Changes in Net Position For the Year Ended September 30, 2023

Revenue:	
Fish sales	\$ 4,127,214
Contracting party contributions	5,661,417
Grants, contracts and agreements	1,126,576
Interest income	15,315
Other income	71,291
Unrealized losses	(370)
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Total Revenue	11,001,443
Expenses:	
General expenses-	
Personnel expense	4,485,217
Benefits	1,298,980
Training and education	56,627
Personnel related expenses	10,827
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Total general expenses	5,851,651
Operating expenses-	
Publications	5,166
Mailing and shipping	110,619
Travel	198,454
Meetings	163,886
Technology	106,239
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Total operating expenses	584,364
Fees and contract expenses-	
Professional fees	152,150
Vessel expenses	428,329
Other fees and charges	80,139
Leases and contracts	2,116,428
Communications	37,671
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Total fees and contract expenses	2,814,717
Facilities and equipment expenses-	
Equipment expense	26,373
Supplies expense	880,004
Maintenance and utilities	51,819
Facilities rentals	549,725
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Total facilities and equipment expenses	1,507,921
Other expenses	17,102
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Total Expenses	10,775,755
	<hr/>
Change in Net Position	225,688
Net position, beginning of the year	3,696,914
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Net Position, End of Year	\$ 3,922,602

See accompanying notes.

INTERNATIONAL PACIFIC HALIBUT COMMISSION

Statement of Cash Flows For the Year Ended September 30, 2023

Operating Activities:	
Cash received from customers	\$ 10,483,454
Other operating cash receipts	71,291
Cash paid to employees	(5,942,655)
Cash paid to suppliers of goods and services	<u>(4,498,718)</u>
Net Cash Provided by Operating Activities	113,372
Capital and Related Financing Activities:	
Payments on lease liability	(368,176)
Purchases of capital assets	<u>(55,929)</u>
Net Cash Used in Capital and Related Financing Activities	(424,105)
Cash Flows From Investing Activities:	
Receipt of interest	<u>15,315</u>
Net Cash Provided by Investing Activities	15,315
Change in Cash and Cash Equivalents	(295,418)
Cash and Cash Equivalents Balance:	
Beginning of year	<u>3,123,331</u>
End of Year	<u>\$ 2,827,913</u>
Reconciliation of Change in Net Position to Net Cash (Used in) Provided by Operating Activities:	
Net operating income	\$ 225,688
Adjustments to reconcile change in net position to cash flows from operating activities-	
Depreciation and amortization	398,071
Interest income	(15,315)
Changes in assets and liabilities:	
Accounts receivable	(1,104,776)
Grants receivable	673,393
Prepaid expense	(63,427)
Accounts payable	158,196
Payroll liabilities	(137,045)
Compensated absences	<u>(21,413)</u>
Net Cash Provided by Operating Activities	<u>\$ 113,372</u>

See accompanying notes.

INTERNATIONAL PACIFIC HALIBUT COMMISSION

Notes To Financial Statements For the Year Ended September 30, 2023

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 financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to special-purpose governments. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Commission is a government enterprise. Enterprise funds are accounted for on the economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Cash - For purposes of reporting cash flows, cash includes cash on hand and on deposit with financial institutions. The Commission considers all liquid investments with original maturities of less than three months at the date of acquisition and all nonnegotiable certificates of deposit to be cash equivalents. Cash on hand was \$2,827,913 for the year ended September 30, 2023 respectively.

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the Commission would not be able to recover deposits or will not be able to recover collateral securities that at in possession of an outside party. The Commission's cash deposits are mostly covered by the Federal Depository Insurance Corporation (FDIC).

Grants and Accounts Receivables - Receivable consists of amounts from private individuals or organizations for goods and services and earned grant amounts. Management provides for probable uncollectible amounts through a charge to change in net position and a credit to a valuation allowance based on its assessment of current status of individual accounts. Balances outstanding after reasonable collection efforts are written off through a charge to the valuation allowance and a credit to grants or accounts receivable. As of September 30, 2023, an allowance for doubtful accounts was not considered necessary.

Leases - The Commission is a lessee for noncancelable leases. The Commission recognizes a lease liability and an intangible right-to-use lease capital asset in the financial statements.

At the commencement of a lease, the Commission initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line basis over its useful life.

INTERNATIONAL PACIFIC HALIBUT COMMISSION

Notes To Financial Statements For the Year Ended September 30, 2023

Note 1 - Continued

Key estimates and judgements related to lease include how the Commission determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The Commission uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Commission generally uses its incremental borrowing rate as the discount rate for leases. The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Commission is reasonably certain to exercise. The Commission monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Capital Assets - 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 furniture, fixtures and equipment. Amortization of right-to-use assets is recognized on a straight-line basis over the noncancelable term of the lease. Depreciation and amortization expense for the fiscal year ended September 30, 2023 was \$398,223.

Unearned Grant Revenue - Funds received but not yet earned or the conditions of entitlement have not been met under the various research grants or contracts are reported as unearned revenue. As of September 30, 2023 all unearned revenue related to federal contributions.

Payroll Liabilities - These accounts consist of accrued wages and accrued employee benefits.

Compensated Absences - Compensated absences are absences for which employees will be paid, such as vacation and sick leave. Eligible employees are able to accumulate up to 240 hours; however, compensated absences may be accumulated above the maximum allowed between the time 240 hours is accrued and the employee's anniversary date of employment.

The Commission allows unlimited accumulation of sick leave for the period of employment. Accumulated sick leave is paid out upon termination at a rate of 25% of unused sick leave or 15% of annual salary on the date of termination, whichever is less.

Net Position Classification - The difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Sometimes the Commission will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Commission's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Income Taxes - The Commission, is exempt from federal, state and provincial income taxes. Accordingly, no provision for income taxes is necessary.

INTERNATIONAL PACIFIC HALIBUT COMMISSION

Notes To Financial Statements For the Year Ended September 30, 2023

Note 1 - Continued

Use of Estimates - The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events - The Commission has performed an evaluation of subsequent events through December 18, 2023, 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 programs:

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.

35 AK Cost Recovery - International Pacific Halibut Commission Directed Commercial Catch Sampling of Pacific halibut in Alaska.

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.

At year end September 30, 2023, program balances were comprised of:

	10 - General	20 - Research	30 - Statistics	35 - AK Cost Recovery	40 - FISS	50 - Reserve	Total
Cash	\$ 1,218,196	\$ 246,722	\$ 157,604	\$ 859,991	\$ (1,091,844)	\$ 1,437,244	\$ 2,827,913
Accounts receivable	12,858				1,443,501		1,456,359
Grants receivable				860,131			860,131
Prepaid expenses and other assets	58,731	4,015	1,038	25,799	5,247		94,830
Capital assets, net	788,883	23,083		67,311	12,961		892,238
Accounts payable	(98,400)	(50)	943	(61,959)	(382,100)		(541,566)
Payroll liabilities	(191,037)	(61,096)	(58,006)	(62,352)	(26,336)		(398,827)
Compensated absences	(122,865)	(78,427)	(99,099)	(18,650)	(26,143)		(345,184)
Lease liabilities	(782,459)			(68,462)			(850,921)
Unearned grant revenue				(72,371)			(72,371)
Net Position	\$ 883,907	\$ 134,247	\$ 2,480	\$ 1,529,438	\$ (64,714)	\$ 1,437,244	\$ 3,922,602

INTERNATIONAL PACIFIC HALIBUT COMMISSION

Notes To Financial Statements For the Year Ended September 30, 2023

Note 3 - Capital Assets

Capital assets, including furniture, fixtures and equipment and right-to-use assets activity as of and for the year ended September 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, not Being Depreciated:				
Work in progress	\$ -	\$ 31,320	\$ -	\$ 31,320
Capital Assets, Being Depreciated/Amortized:				
Furniture, fixtures and equipment	16,250	24,609		40,859
Intangible right-to-use asset, buildings	1,219,097			1,219,097
Less Accumulated Depreciation/Amortization for:				
Furniture, fixtures and equipment	967	3,848		4,815
Intangible right-to-use asset, buildings		394,223		394,223
Capital Assets, Net	<u>\$ 1,234,380</u>	<u>\$ (342,142)</u>	<u>\$ -</u>	<u>\$ 892,238</u>

Note 4 - 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, 2023, was \$18,740. 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, 2023, was \$384,625.

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, 2023, were \$55,007.

Note 5 - Long-Term Liabilities

Long-term liabilities activity as of and for the year ended September 30, 2023 is as follows:

	Beginning of Year	Additions	Subtractions	End of Year	Amounts Due Within One Year
Long-Term Liabilities:					
Lease liabilities	\$ 1,219,097	\$ -	\$ 368,176	\$ 850,921	\$ 391,448
Compensated absences	366,597	33,271	54,684	345,184	331,705
Total Long-Term Liabilities	<u>\$ 1,585,694</u>	<u>\$ 33,271</u>	<u>\$ 422,860</u>	<u>\$ 1,196,105</u>	<u>\$ 723,153</u>

INTERNATIONAL PACIFIC HALIBUT COMMISSION

Notes To Financial Statements For the Year Ended September 30, 2023

Note 6 - Commitments and Contingencies

Lease - The Commission leases office, lab facility, and living space under noncancelable lease agreements with expiration dates through March 31, 2027. Total lease amounts paid for the year ended September 30, 2023 are \$567,655.

Future minimum payments under noncancelable leases are as follows:

For the Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 391,449	\$ 28,398	\$ 419,847
2025	420,534	11,320	431,854
2026	28,529	1,006	29,535
2027	10,409	128	10,537
Total Minimum Rental Payments	<u>\$ 850,921</u>	<u>\$ 40,852</u>	<u>\$ 891,773</u>

Rent expense for noncancelable leases for the year ended September 30, 2023 are as follows:

Lease Expense:

Amortization expense by class of underlying asset buildings	<u>\$ 394,223</u>
Total amortization expense	394,223
Interest on lease liabilities	43,003
Variable lease expense	<u>129,130</u>
	<u>\$ 566,356</u>

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.

Note 7 - Concentrations

During the year ended September 30, 2023, approximately 52% of the Commission's revenue was from the United States government agencies and approximately 13% was from one customer for fish sales. In addition, at September 30, 2023, all grant receivables were due from the United States government agencies and approximately 80% of accounts receivable was due from 3 customers. Loss of this funding could have a material effect on the Commission; however, management of the Commission does not anticipate a significant loss of such funding.

Note 8 - Related Party Transactions

The Commission has one commissioner that also works for a United States Agency that has provided approximately \$1,050,000 in contribution and grant revenues, respectively, in the year ended September 30, 2023.

SUPPLEMENTARY INFORMATION

INTERNATIONAL PACIFIC HALIBUT COMMISSION

Statement of Revenues, Expenses and Changes in Net Position by Fund For the Year Ended September 30, 2023

	10 - General	20 - Research	30 - Statistics	35 - AK Cost Recovery	40 - FISS	50 - Reserve	Total
Operating Revenue:							
Contracting party contributions	\$ 3,523,605	\$ 887,686	\$ 1,136,126	\$ -	\$ 114,000	\$ -	\$ 5,661,417
Other income	18,980	6,937	17,602	20,535	7,237		71,291
Grants, contracts and agreements		237,545		854,742	34,289		1,126,576
Interest income	15,315						15,315
Fish sales					4,127,214		4,127,214
Unrealized gains/losses	230		(226)		(374)		(370)
Fund transfer	88,745					(88,745)	
Total Income	3,646,875	1,132,168	1,153,502	875,277	4,282,366	(88,745)	11,001,443
Expenses:							
General expenses-							
Personnel expense	1,620,977	620,916	784,474	504,618	954,232		4,485,217
Benefits	504,744	227,220	227,175	184,312	155,529		1,298,980
Training and education	32,221	1,317	4,758	10,011	8,320		56,627
Personnel related expenses	1,527		900	3,100	5,300		10,827
Total general expenses	2,159,469	849,453	1,017,307	702,041	1,123,381		5,851,651
Operating expenses-							
Publications	4,037	561	148	420			5,166
Mailing and shipping	7,445	5,051	1,200	1,334	95,589		110,619
Travel	56,596	15,140	6,653	21,067	98,998		198,454
Meetings	163,705				181		163,886
Technology	98,141	348	1,456		6,294		106,239
Total operating expenses	329,924	21,100	9,457	22,821	201,062		584,364
Fees and contract expenses-							
Professional fees	147,952	543			3,655		152,150
Vessel expenses					428,329		428,329
Other fees and charges	47,753		787	8,651	22,948		80,139
Leases and contracts	13,899	46,000	1,359	14,758	2,040,412		2,116,428
Communications	34,775		384	942	1,570		37,671
Total fees and contract expenses	244,379	46,543	2,530	24,351	2,496,914		2,814,717
Facilities and equipment expenses-							
Equipment expense		4,535	637	11,893	9,308		26,373
Supplies expense	40,249	52,705	691	32,176	754,183		880,004
Maintenance and utilities	47,957	2,229	647		986		51,819
Facilities rentals	499,747			32,653	17,325		549,725
Total facilities and equipment expenses	587,953	59,469	1,975	76,722	781,802		1,507,921
Other expenses	10,358	(4,967)			11,711		17,102
Total Expenses	3,332,083	971,598	1,031,269	825,935	4,614,870		10,775,755
Change in Net Position	314,792	160,570	122,233	49,342	(332,504)	(88,745)	225,688
Net position, beginning of the year	569,115	(26,323)	(119,753)	1,480,096	267,790	1,525,989	3,696,914
Net Position, End of Year	\$ 883,907	\$ 134,247	\$ 2,480	\$ 1,529,438	\$ (64,714)	\$ 1,437,244	\$ 3,922,602

See independent auditor's report.