



Report of the Independent auditors and Financial Statement (FY2024)

PREPARED BY: IPHC SECRETARIAT (D. WILSON, D. HAYHURST, K. FAIRBANKS; 20 DECEMBER 2024)

PURPOSE

To provide the Commission with the Independent External Auditors Report for FY2024, as per Regulation 14 of the IPHC Financial Regulations (2024).

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

29 October 2024: The IPHC Secretariat provides initial Trial Balances to Clark Nuber.

In accordance with paragraph 2, Regulation 14, of the IPHC Financial Regulations (2024) (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.”*

4 November 2024: Clark Nuber commenced their ‘field’ work auditing process.

6 November 2024: Clark Nuber provided Drat audit reports for review.

20 December 2024: In accordance with paragraph 7, Regulation 14, of the IPHC Financial Regulations (2024) (shown below) the independent external auditors provided the final report to the IPHC Secretariat on 20 December 2024 (81 days after the end of the FY2024 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.”*

Next steps: As in previous years, the auditors will present their findings to the Commission via video conference in January 2025. The final report will then be provided to the FAC101 for consideration, and then potential endorsement by the Commission at AM101 as a Rev_1 to this current paper.

RECOMMENDATIONS

That the FAC:

- 1) **NOTE** paper IPHC-2025-FAC101-05 that provided the independent external auditors report for FY2024, as per Regulation 14 of the IPHC Financial Regulations (2024).

- 2) **RECOMMEND** that the Commission accept the independent external auditors report for FY2024, as per Regulation 14 of the IPHC Financial Regulations (2024).

APPENDICES

Appendix I: Report of the Independent Auditors and Financial Statement (FY2024) – Clark Nuber.

APPENDIX I

INTERNATIONAL PACIFIC HALIBUT COMMISSION

Financial Statements

For the Year Ended September 30, 2024

Table of Contents

	Page
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 7
Financial Statements:	
Statement of Net Position	8
Statement of Revenues, Expenses and Changes in Net Position	9
Statement of Cash Flows	10
Notes to Financial Statements	11 - 16
Supplementary Information:	
Statement of Revenues, Expenses and Changes in Net Position by Fund	17

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, 2024, 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, 2024, 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.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

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 7 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 19, 2024

INTERNATIONAL PACIFIC HALIBUT COMMISSION

Management's Discussion and Analysis For the Year Ended September 30, 2024

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 September 30, 2024. 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. The remainder 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, 2024

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, 2024.

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 2024

At the year ended September 30, 2024, operating expenses for the Commission were \$8,720,009 and operating revenues were \$8,377,573. 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 1.7% lower than budgeted, primarily due to lower than projected catches and fish prices received as well as a reduced area covered.

During the fiscal year, there were no significant capital purchases and no debt activities.

The Commission is well-positioned to continue successful financial and programmatic operations. The strong cash balance, continued scientific studies, FISS revenues, and established relationships with fishing vessels and fisherman of Canada and the United States of America will enable the Commission continued success. No uncertainties are expected during fiscal year 2025. The Commission expects next fiscal year to compare closely with fiscal year 2024.

INTERNATIONAL PACIFIC HALIBUT COMMISSION

Management's Discussion and Analysis (Continued) For the Year Ended September 30, 2024

Financial Highlights for Fiscal Year 2024 (Continued)

During the year ended September 30, 2024, there was an adjustment needed due to the change in revenue recognition as reported to the Commission from National Oceanic and Atmospheric Administration Grants Management Division (NOAA GMD) versus what had been reported from NOAA Alaska. Because of this, there is an expense of \$1,669,001 which is included in the Statement of Revenues, Expenses, and Changes in Net Position. This expense consists of the following:

- \$820,843 which was the grant receivable accrued at September 30, 2023. This amount is not expected to be collected because the expenses for fiscal year 2023 have already been reimbursed to the Commission according to NOAA GMD.
- \$307,409 which was recognized as revenue for the current year as reimbursement from NOAA for a portion of the Q1 and Q2 expenses during fiscal year 2024. This revenue has been double recorded due to the new revenue recognition period guidance from NOAA GMD as it was previously recognized prior to fiscal year 2023 as well.
- \$540,750 was the total of the cash returned to NOAA GMD during fiscal year 2024 when it was determined that the Commission had received funds at the end of fiscal year 2023 erroneously allocated to other fiscal periods.

Financial Analysis

Condensed Financial Statement Statements of Net Position September 30, 2024 and 2023

Table 1 presents the Commission's condensed consolidated Statements of Net Position as of September 30, 2024 and 2023 as derived from the Statements of Net Position. The increase in total assets is a result of an executed extension on the right of use lease asset for headquarters. Similarly, the increase in total liabilities is a result of the same executed lease. Additionally, liabilities increased as cash was received during fiscal year 2024 for use in fiscal year 2025.

	<u>2024</u>	<u>2023</u>
Total assets	\$ 8,107,053	\$ 6,131,471
Total liabilities	\$ 5,342,967	\$ 2,208,869
Total net position	\$ 2,764,086	\$ 3,922,602

INTERNATIONAL PACIFIC HALIBUT COMMISSION

Management's Discussion and Analysis (Continued) For the Year Ended September 30, 2024

Condensed Financial Statement Statements of Revenues, Expenses and Changes in Net Position September 30, 2024 and 2023

Table 2 presents the Commission's condensed Statements of Activities for the fiscal years ended September 30, 2024 and 2023 as derived from the Statements of Revenues, Expenses, and Changes in Net Position. The decrease in total revenues is a result of decreased fish sales. The decrease in total expenses is attributed to reduced spending in most areas of operations.

	<u>2024</u>	<u>2023</u>
Total revenues	\$ 9,319,336	\$ 11,001,443
Total expenditures	\$ 10,477,852	\$ 10,775,755
Total changes in net position	\$ (1,158,516)	\$ 225,688

Requests for Information

Questions concerning any of the information provided in this report or requests for additional information should be addressed to Dr David T. Wilson, Executive Director, phone 206-634-1838, email secretariat@iphc.int.

INTERNATIONAL PACIFIC HALIBUT COMMISSION

Statement of Net Position September 30, 2024

Assets:	
Cash	\$ 4,597,867
Accounts receivable	4,143
Grants receivable	418,413
Prepaid expenses and other assets	<u>76,667</u>
Total Current Assets	5,097,090
Capital assets, net	<u>3,009,963</u>
Total Assets	<u>\$ 8,107,053</u>
Liabilities:	
Accounts payable	\$ 167,391
Accrued liabilities	24,185
Payroll liabilities	276,057
Compensated absences	315,628
Lease liabilities, current portion	249,427
Unearned revenue	<u>1,357,607</u>
Total Current Liabilities	2,390,295
Compensated absences	173,492
Lease liabilities, net	<u>2,779,180</u>
Total Liabilities	<u>\$ 5,342,967</u>
Net Position:	
Unrestricted	\$ 2,782,730
Net investment in capital assets	<u>(18,644)</u>
Total Net Position	<u>\$ 2,764,086</u>

See accompanying notes.

INTERNATIONAL PACIFIC HALIBUT COMMISSION

Statement of Revenues, Expenses and Changes in Net Position For the Year Ended September 30, 2024

Revenue:	
Fish sales	\$ 2,379,891
Contracting party contributions	5,942,625
Grants, contracts and agreements	837,987
Interest income	103,776
Other income	54,672
Realized gains (losses) on foreign transaction fees	385
Total Revenue	9,319,336
Expenses:	
General expenses-	
Personnel	4,199,230
Benefits	1,157,658
Training and education	83,658
Personnel related expenses	13,238
Total general expenses	5,453,784
Operating expenses-	
Publications	9,347
Mailing and shipping	64,981
Travel	181,551
Meetings	238,920
Technology	135,747
Total operating expenses	630,546
Fees and contract expenses-	
Professional fees	193,769
Vessel expenses	326,109
Other fees and charges	53,605
Leases and contracts	1,098,742
Communications	31,631
Total fees and contract expenses	1,703,856
Facilities and equipment expenses-	
Equipment	57,557
Supplies	350,342
Maintenance and utilities	32,782
Facilities rentals	491,142
Total facilities and equipment expenses	931,823
Grant expense - change in grant revenue period recognition	1,669,001
Other expenses	88,842
Total Expenses	10,477,852
Change in Net Position	(1,158,516)
Net position, beginning of the year	3,922,602
Net Position, End of Year	\$ 2,764,086

See accompanying notes.

INTERNATIONAL PACIFIC HALIBUT COMMISSION

Statement of Cash Flows For the Year Ended September 30, 2024

Operating Activities:	
Cash received from customers	\$ 12,340,058
Other operating cash receipts	54,672
Cash paid to employees	(5,320,655)
Cash paid to suppliers of goods and services	<u>(5,144,404)</u>
Net Cash Provided by Operating Activities	1,929,671
Capital and Related Financing Activities:	
Payments on lease liability	(256,793)
Purchases of capital assets	<u>(6,700)</u>
Net Cash Used in Capital and Related Financing Activities	(263,493)
Cash Flows From Investing Activities:	
Receipt of interest	<u>103,776</u>
Net Cash Provided by Investing Activities	103,776
Change in Cash and Cash Equivalents	1,769,954
Cash and Cash Equivalents Balance:	
Beginning of year	<u>2,827,913</u>
End of Year	<u>\$ 4,597,867</u>
Reconciliation of Change in Net Position to Net Cash Provided by Operating Activities:	
Net operating income	\$ (1,158,516)
Adjustments to reconcile change in net position to cash flows from operating activities-	
Depreciation and amortization	323,454
Interest income	(103,776)
Changes in assets and liabilities:	
Accounts receivable	1,452,216
Grants receivable	1,726,954
Prepaid expenses and other assets	18,163
Accounts payable	(374,175)
Accrued expenses	9,118
Payroll liabilities	(107,703)
Compensated absences	<u>143,936</u>
Net Cash Provided by Operating Activities	<u>\$ 1,929,671</u>

See accompanying notes.

INTERNATIONAL PACIFIC HALIBUT COMMISSION

Notes To Financial Statements For the Year Ended September 30, 2024

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.

Fish Sales Revenue - Revenue from the sale of fish is recorded at the time of sale.

Grants, Contracts and Agreements Revenue - Grants, contracts and agreements revenue is recognized and recorded as the related expenses 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 \$4,597,867 for the year ended September 30, 2024.

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 are 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, 2024, 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.

INTERNATIONAL PACIFIC HALIBUT COMMISSION

Notes To Financial Statements For the Year Ended September 30, 2024

Note 1 - Continued

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.

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, 2024 was \$323,454.

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 50% of unused sick leave or 15% of annual salary on the date of termination, whichever is less.

Unearned Revenue - Funds received but not yet earned or the conditions of entitlement have not been met under the various research grants, contracts, or agreements are reported as unearned revenue. As of September 30, 2024 all unearned revenue related to contracting party payments.

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.

INTERNATIONAL PACIFIC HALIBUT COMMISSION

Notes To Financial Statements For the Year Ended September 30, 2024

Note 1 - Continued

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.

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 19, 2024, 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.

INTERNATIONAL PACIFIC HALIBUT COMMISSION

Notes To Financial Statements For the Year Ended September 30, 2024

Note 2 - Continued

At year end September 30, 2024, program balances were comprised of:

	10 - General	20 - Research	30 - Statistics	35 - AK Cost Recovery	40 - FISS	50 - Reserve	Total
Cash	\$ 2,070,161	\$ 467,636	\$ 137,956	\$ (485,167)	\$ 208,917	\$ 2,198,364	\$ 4,597,867
Accounts receivable					4,143		4,143
Grants receivable		1,975		416,438			418,413
Prepaid expenses and other assets	67,790	4,648			4,229		76,667
Capital assets, net	2,901,623	25,263		49,698	33,379		3,009,963
Accounts payable	(157,392)	(2,267)	(2,755)	(2,065)	(2,912)		(167,391)
Accrued liabilities	(4,575)	(19,201)	(25)		(384)		(24,185)
Payroll liabilities	(115,548)	(67,032)	(44,073)	(35,726)	(13,678)		(276,057)
Compensated absences	(187,816)	(122,883)	(124,553)	(25,602)	(28,266)		(489,120)
Lease liabilities	(2,952,732)			(51,567)	(24,308)		(3,028,607)
Unearned revenue	(970,607)				(387,000)		(1,357,607)
Net Position	\$ 650,904	\$ 288,139	\$ (33,450)	\$ (133,991)	\$ (205,880)	\$ 2,198,364	\$ 2,764,086

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, 2024 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	40,859	38,020		78,879
Intangible right-to-use asset, buildings	1,219,097	2,434,479		3,653,576
Less Accumulated Depreciation/Amortization for:				
Furniture, fixtures and equipment	(4,815)	(15,542)		(20,357)
Intangible right-to-use asset, buildings	(394,223)	(307,912)		(702,135)
Capital Assets, Net	\$ 892,238	\$ 2,149,045	\$ (31,320)	\$ 3,009,963

INTERNATIONAL PACIFIC HALIBUT COMMISSION

Notes To Financial Statements For the Year Ended September 30, 2024

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, 2024, was \$18,630. 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, 2024, was \$378,174.

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, 2024, were \$39,271.

Note 5 - Long-Term Liabilities

Long-term liabilities activity as of and for the year ended September 30, 2024 is as follows:

	Beginning of Year	Additions	Subtractions	End of Year	Amounts Due Within One Year
Long-Term Liabilities:					
Lease liabilities	\$ 850,921	\$ 2,427,478	\$ 249,792	\$ 3,028,607	\$ 249,427
Compensated absences	345,184	171,960	28,024	489,120	315,628
Total Long-Term Liabilities	<u>\$ 1,196,105</u>	<u>\$ 2,599,438</u>	<u>\$ 277,816</u>	<u>\$ 3,517,727</u>	<u>\$ 565,055</u>

Note 6 - Commitments and Contingencies

Lease - The Commission leases office, lab facility, and living space under noncancelable lease agreements with expiration dates through January 31, 2036. Total lease amounts paid for the year ended September 30, 2024 are \$517,599.

Future minimum payments under noncancelable leases are as follows:

For the Year Ending September 30,	Principal	Interest	Total
2025	\$ 249,427	\$ 123,573	\$ 373,000
2026	203,069	113,071	316,140
2027	201,483	104,649	306,132
2028	203,390	96,305	299,695
2029	222,866	87,348	310,214
Thereafter	1,948,372	286,062	2,234,434
Total Minimum Rental Payments	<u>\$ 3,028,607</u>	<u>\$ 811,008</u>	<u>\$ 3,839,615</u>

INTERNATIONAL PACIFIC HALIBUT COMMISSION

Notes To Financial Statements For the Year Ended September 30, 2024

Note 6 - Continued

Rent expense for noncancelable leases for the year ended September 30, 2024 are as follows:

Lease Expense:	
Amortization expense by class of underlying asset vehicles	\$ 1,384
Amortization expense by class of underlying asset buildings	<u>306,528</u>
Total amortization expense	307,912
Interest on lease liabilities	115,093
Variable lease expense	<u>94,594</u>
	<u><u>\$ 517,599</u></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, 2024, approximately 61% of the Commission's revenue was from the United States government agencies and approximately 12% was from Fisheries and Oceans Canada. In addition, at September 30, 2024, all grant receivables were due from the United States government agencies. 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 \$796,000 in contribution and grant revenues in the year ended September 30, 2024.

SUPPLEMENTARY INFORMATION

INTERNATIONAL PACIFIC HALIBUT COMMISSION

Statement of Revenues, Expenses and Changes in Net Position by Fund For the Year Ended September 30, 2024

	10 - General	20 - Research	30 - Statistics	35 - AK Cost Recovery	40 - FISS	50 - Reserve	Total
Operating Revenue:							
Fish sales	\$ -	\$ -	\$ -	\$ -	\$ 2,379,891	\$ -	\$ 2,379,891
Contracting party contributions	3,620,747	1,073,364	1,074,309		174,205		5,942,625
Grants, contracts and agreements		41,769		796,218			837,987
Interest income	103,776						103,776
Other income	25,886	915	4,793	16,507	6,571		54,672
Realized gains on foreign transaction fees	5		172		208		385
Fund transfer	(820,621)	4,073	4,024	74,225	(22,821)	761,120	
Total Income	2,929,793	1,120,121	1,083,298	886,950	2,538,054	761,120	9,319,336
Expenses:							
General expenses-							
Personnel	1,473,789	643,582	817,346	526,677	737,836		4,199,230
Benefits	450,250	189,862	218,137	148,155	151,254		1,157,658
Training and education	47,200	600	3,721	16,617	15,520		83,658
Personnel related expenses	2,271		2,095	3,113	5,759		13,238
Total general expenses	1,973,510	834,044	1,041,299	694,562	910,369		5,453,784
Operating expenses-							
Publications	2,349	6,998					9,347
Mailing and shipping	4,868	298	1,029	1,147	57,639		64,981
Travel	51,163	15,623	16,058	36,831	61,876		181,551
Meetings	238,920						238,920
Technology	116,555		19,192				135,747
Total operating expenses	413,855	22,919	36,279	37,978	119,515		630,546
Fees and contract expenses-							
Professional fees	193,629	140					193,769
Vessel expenses					326,109		326,109
Other fees and charges	27,958		883	8,673	16,091		53,605
Leases and contracts	23,415	1,088	19,762	16,197	1,038,280		1,098,742
Communications	29,138		676	543	1,274		31,631
Total fees and contract expenses	274,140	1,228	21,321	25,413	1,381,754		1,703,856
Facilities and equipment expenses-							
Equipment		21,140	10,236	17,364	8,817		57,557
Supplies	33,603	84,045	3,012	9,402	220,280		350,342
Maintenance and utilities	29,211	1,001	537	1,116	917		32,782
Facilities rentals	443,666	235	6,544	24,198	16,499		491,142
Total facilities and equipment expenses	506,480	106,421	20,329	52,080	246,513		931,823
Grant expense - change in grant revenue period recognition				1,669,001			1,669,001
Other expenses	(5,189)	1,617		71,345	21,069		88,842
Total Expenses	3,162,796	966,229	1,119,228	2,550,379	2,679,220		10,477,852
Change in Net Position	(233,003)	153,892	(35,930)	(1,663,429)	(141,166)	761,120	(1,158,516)
Net position, beginning of the year	883,907	134,247	2,480	1,529,438	(64,714)	1,437,244	3,922,602
Net Position, End of Year	\$ 650,904	\$ 288,139	\$ (33,450)	\$ (133,991)	(205,880)	\$ 2,198,364	\$ 2,764,086

See independent auditor's report.