



Report of the Independent auditors and Financial Statements (FY2020)

PREPARED BY: IPHC SECRETARIAT (D. WILSON, K. JERNIGAN; 21 DECEMBER 2020)

PURPOSE

To provide the Commission with the Independent External Auditors Report for FY2020, as per Regulation 14 of the IPHC Financial Regulations (2020).

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

15 October 2020: In accordance with Regulation 14.1 of the IPHC Financial Regulations (2020), the IPHC Secretariat requested an intersessional recommendation from the IPHC Finance and Administration Committee (FAC), and a subsequent appointment decision from the Commission, of a new independent external Statement Auditor for the IPHC. (see [IPHC-Circular 2020-023](#))

18 October 2020: Subsequent to IPHC Circular 2020-23, and in accordance with Rule 11, paragraphs 4-10 ‘*Intersessional decision-making*’ of the IPHC Rules of Procedure (2020), the FAC and subsequently the Commission made the following decision by consensus:

[IPHC-2020-ID015](#) *“The IPHC Finance and Administration Committee (FAC) **RECOMMENDED**, and the Commission **APPOINTED** the external auditor ‘Moss Adams’ to audit the accounts of the Commission for FY2020, FY2021, and FY2022.”*

06 November 2020: Moss Adams was contracted by the IPHC Secretariat to undertake and complete the Statement Audits for FY2020. The contract will be amended to include two options for FY2021 and FY2022.

06 November 2020: In accordance with paragraph 2, Regulation 14, of the IPHC Financial Regulations (2020) (shown below) the IPHC Secretariat provided the independent external auditor with the initial Provided By Client (PBC) list of items on 06 November 2020 (37 days after the end of the FY2020 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.”*

18 December 2020: In accordance with paragraph 7, Regulation 14, of the IPHC Financial Regulations (2020) (shown below) the independent external auditors provided the final report to the IPHC Secretariat on 18 December 2020 (79 days after the end of the FY2020 fiscal year, 11 days ahead of the deadline set-forth in the IPHC Financial Regulations).

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

RECOMMENDATIONS

That the FAC:

- 1) **NOTE** paper IPHC-2021-FAC097-05 which provided the independent external auditors report for FY2020, as per Regulation 14 of the IPHC Financial Regulations (2020).
- 2) **RECOMMEND** that the Commission accept the independent external auditors report for FY2020, as per Regulation 14 of the IPHC Financial Regulations (2020).

APPENDICES

Appendix I: Report of the Independent Auditors and Financial Statements (FY2020) – Moss Adams

APPENDIX I



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

INTERNATIONAL PACIFIC HALIBUT COMMISSION

September 30, 2020 and 2019

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Report of Independent Auditors

To the Commissioners
International Pacific Halibut Commission

Report on the Financial Statements

We have audited the accompanying special purpose statement of revenues and expenses (compared to budget) and fund balances – regulatory basis, of the International Pacific Halibut Commission (a nonprofit organization), which comprise the statement of revenues and expenses (compared to budget) and fund balances – regulatory basis as of September 30, 2020, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the statement of revenues and expenses (compared to budget) and fund balances – regulatory basis of International Pacific Halibut Commission as of September 30, 2020, and for the year then ended, in accordance with the financial reporting practices prescribed or permitted by the governments of the United States of America and Canada as described in Note 1.

Other Matters

2019 Financial Statements

The financial statements as of and for the year ended September 30, 2019, were audited by other accountants, whose report thereon, dated August 6, 2020, stated that in their opinion, those financial statements present fairly, in all material respects, the statements of revenues and expenses (compared to budget) and fund balances – regulatory basis of International Pacific Halibut Commission as of and for the year then ended, in accordance with the financial reporting practices prescribed or permitted by the governments of the United States of America and Canada as described in Note 1.

Basis of Accounting

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

Restriction of Use

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

Mass Adams LLP

Everett, Washington
December 18, 2020

International Pacific Halibut Commission
Statement of Revenues and Expenses (Compared to Budget) and Fund Balances – Regulatory Basis
September 30, 2020

Income	General Budget	Supplem. Fund Budget	Total Budget	General Income & Expense	Supplem. Funds Income & Expense	Total Income / Expense	Percent Of Budget	Over (Under) Budget
CONTRIBUTION FROM CANADA	\$ 985,432	\$ -	\$ 985,432	\$ 985,427	\$ -	\$ 985,427	100.0%	\$ (5)
CONTRIBUTION FROM THE USA	4,532,000	-	4,532,000	4,532,000	-	4,532,000	100.0%	-
INTEREST	-	1,125	1,125	2,205	9,487	11,692	1039.3%	10,567
INTEREST - RESTRICTED ACCOUNTS	-	5,000	5,000	-	-	-	0.0%	(5,000)
OTHER INCOME	449,562	-	449,562	612,395	77,848	690,243	153.5%	240,681
FISH SALES REVENUE	-	4,904,582	4,904,582	49,048	4,294,566	4,343,614	88.6%	(560,968)
TOTAL INCOME	5,966,994	4,910,707	10,877,701	6,181,075	4,381,901	10,562,976	97.1%	(314,725)
CARRYOVER GENERAL	262,186	-	262,186	262,186	-	262,186	100.0%	-
CARRYOVER SUPPLEMENTAL FUNDS	-	558,949	558,949	-	181,664	181,664	32.5%	(377,285)
FUND BALANCE Prior Period Adjustment	-	-	-	356,669	-	356,669	0.0%	356,669
TRANSFER BETWEEN FUNDS	-	-	-	468,342	23,941	492,283	0.0%	492,283
TOTAL FUNDS AVAILABLE	6,229,180	5,469,656	11,698,836	7,268,272	4,587,506	11,855,778	101.3%	156,942
GENERAL EXPENSES								
SALARIES	3,727,384	451,959	4,179,343	3,604,932	727,945	4,332,877	103.7%	153,534
BENEFITS	1,559,413	14,025	1,573,438	1,456,619	175,992	1,632,611	103.8%	59,173
PAYROLL TAXES	-	-	-	-	-	-	-	-
RELOCATION EXPENSES	-	-	-	-	-	-	-	-
EMPLOYEE RELATED EXPENSES	100,580	86,644	187,224	51,411	3,317	54,728	29.2%	(132,496)
RESTRICTED ACCT: MEDICAL ANNUITANTS	-	-	-	-	-	-	0.0%	-
RESTRICTED ACCT: SCHOLARSHIP	-	-	-	-	-	-	0.0%	-
OTHER	87,225	552,202	639,427	112,675	82,056	194,731	30.5%	(444,696)
OCCUPATION INSURANCE	-	-	-	-	-	-	-	-
TOTAL GENERAL EXPENSES	5,474,602	1,104,830	6,579,432	5,225,637	989,310	6,214,947	94.5%	(364,485)
PROGRAM EXPENSES								
MEETINGS/CONFERENCES	154,500	-	154,500	177,528	-	177,528	114.9%	23,028
TRAVEL	197,200	111,920	309,120	81,405	32,933	114,338	37.0%	(194,782)
COMMUNICATIONS	22,265	82,650	104,915	16,510	1,034	17,544	16.7%	(87,371)
PRINTING & BINDING	37,000	-	37,000	31,082	-	31,082	84.0%	(5,918)
MAILING AND SHIPPING	-	-	-	14,875	76,372	91,247	0.0%	91,247
ADMINISTRATION	-	-	-	-	-	-	-	-
BUILDING LEASE AND MAINTENANCE	457,518	60,000	517,518	408,236	-	408,236	78.9%	(109,282)
SUPPLIES	273,487	889,505	1,162,992	64,782	572,567	637,349	54.8%	(525,643)
LEASES AND CONTRACTS	311,762	2,258,194	2,569,956	547,380	2,304,757	2,852,137	111.0%	282,181
PROFESSIONAL FEES	34,750	-	34,750	240,008	156	240,164	691.1%	205,414
TECHNOLOGY	-	-	-	137,808	-	137,808	-	137,808
CAPITAL ACQUISITIONS	141,010	32,400	173,410	47,149	75,025	122,174	70.5%	(51,236)
TOTAL PROGRAM EXPENSES	1,629,492	3,434,669	5,064,161	1,766,763	3,062,844	4,829,607	95.4%	(234,554)
TRANSFERS	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	7,104,094	4,539,499	11,643,593	6,992,400	4,052,154	11,044,554	94.9%	(599,039)
EXCESS REVENUES OVER EXPENDITURES	\$ (874,914)	\$ 930,157	\$ 55,243	\$ 275,872	\$ 535,352	\$ 811,224		

International Pacific Halibut Commission
Statement of Revenues and Expenses (Compared to Budget) and Fund Balances – Regulatory Basis
September 30, 2019

Income	General Budget	Supplem. Fund Budget	Total Budget	General Income & Expense	Supplem. Funds Income & Expense	Total Income / Expense	Percent Of Budget	Over (Under) Budget
CONTRIBUTION FROM CANADA	\$ 959,970	\$ -	\$ 959,970	\$ 848,720	\$ -	\$ 848,720	88.4%	\$ (111,250)
CONTRIBUTION FROM THE USA	4,400,000	-	4,400,000	4,395,000	-	4,395,000	99.9%	(5,000)
INTEREST	5,000	1,125	6,125	2,968	13,476	16,444	268.5%	10,319
INTEREST - RESTRICTED ACCOUNTS	-	-	-	-	16,117	16,117	0.0%	16,117
OTHER INCOME	660,271	56,400	716,671	736,137	84,103	820,240	114.5%	103,569
FISH SALES REVENUE	-	6,167,162	6,167,162	-	4,888,284	4,888,284	79.3%	(1,278,878)
TOTAL INCOME	6,025,241	6,224,687	12,249,928	5,982,825	5,001,980	10,984,805	89.7%	(1,265,123)
CARRYOVER GENERAL	252,436	-	252,436	252,436	-	252,436	100.0%	-
CARRYOVER SUPPLEMENTAL FUNDS	-	2,242,920	2,242,920	-	1,915,609	1,915,609	85.4%	(327,311)
TRANSFER BETWEEN FUNDS	-	-	-	-	127,010	127,010	0.0%	127,010
TOTAL FUNDS AVAILABLE	6,277,677	8,467,607	14,745,284	6,235,261	7,044,599	13,279,860	90.1%	(1,465,424)
GENERAL EXPENSES								
SALARIES	3,395,129	541,819	3,936,948	3,370,299	651,976	4,022,275	102.2%	85,327
BENEFITS	1,541,496	17,696	1,559,192	1,358,424	26,708	1,385,132	88.8%	(174,060)
PAYROLL TAXES	240,073	41,449	281,522	240,548	42,753	283,301	100.6%	1,779
RELOCATION EXPENSES	19,000	-	19,000	5,914	-	5,914	31.1%	(13,086)
EMPLOYEE RELATED EXPENSES	14,530	-	14,530	14,737	-	14,737	101.4%	207
RESTRICTED ACCT: MEDICAL ANNUITANTS	-	-	-	-	137,333	137,333	0.0%	137,333
RESTRICTED ACCT: SCHOLARSHIP	-	-	-	-	175	175	0.0%	175
OTHER	-	36,644	36,644	-	-	-	0.0%	(36,644)
OCCUPATION INSURANCE	25,200	-	25,200	16,686	-	16,686	66.2%	(8,514)
TOTAL GENERAL EXPENSES	5,235,428	637,608	5,873,036	5,006,608	858,945	5,865,553	99.9%	(7,483)
PROGRAM EXPENSES								
MEETINGS/CONFERENCES	154,500	-	154,500	237,596	-	237,596	153.8%	83,096
TRAVEL	209,570	111,920	321,490	128,625	152,101	280,726	87.3%	(40,764)
COMMUNICATIONS	33,265	82,650	115,915	29,145	147,234	176,379	152.2%	60,464
PRINTING & BINDING	32,500	-	32,500	19,685	-	19,685	60.6%	(12,815)
ADMINISTRATION	813,119	4,068,297	4,881,416	478,808	4,005,130	4,483,938	91.9%	(397,478)
BUILDING LEASE AND MAINTENANCE	378,848	-	378,848	398,666	-	398,666	105.2%	19,818
PRIOR YEAR	-	-	-	42,211	11,622	53,833	-	53,833
SUPPLIES	304,281	1,245,231	1,549,512	161,474	973,744	1,135,218	73.3%	(414,294)
PROFESSIONAL SERVICES	-	-	-	-	-	-	-	-
TECHNOLOGY	-	-	-	-	-	-	-	-
CAPITAL ACQUISITIONS	29,329	-	29,329	184,416	-	184,416	628.8%	155,087
TOTAL PROGRAM EXPENSES	1,955,412	5,508,098	7,463,510	1,680,626	5,289,831	6,970,457	93.4%	(493,053)
TRANSFERS	-	-	-	(714,159)	714,159	-	-	-
TOTAL EXPENDITURES	7,190,840	6,145,706	13,336,546	5,973,075	6,862,935	12,836,010	96.2%	\$ (500,536)
EXCESS REVENUES OVER EXPENDITURES	\$ (913,163)	\$ 2,321,901	\$ 1,408,738	\$ 262,186	\$ 181,664	\$ 443,850		

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:

1. Revenues are recorded in the fiscal year when appropriated by the governments of Canada and the United States of America and expenditures are recorded in the fiscal year in which the funds are committed by the Commission. Carryover general, carryover supplemental funds, and transfers between funds, are recognized as income.
2. Fixed assets are charged to expenditures in the current year and are not capitalized.
3. Annual leave and severance pay are charged to expenses when paid.
4. Pension costs are charged to expense when funds necessary to fund the employer’s normal pension costs are paid. Certain disclosures of pension costs required by generally accepted accounting principles are not included in the notes to the financial statements.
5. Post-retirement health care and life insurance costs are charged to expense when the related premiums are paid. Certain disclosures required by generally accepted accounting principles are not included in the notes to the financial statements.
6. 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.

Income taxes – The Commission is exempt from U. S. Federal income taxes. The Commission late filed IRS Form 990 for 2018 and 2017, and paid related penalties and interest totaling \$87,793 during the fiscal year. During the fiscal year, management received an abatement of 2017 penalties and interest totaling \$49,872. This abatement was received by the Commission subsequent to year end.

Subsequent events – The Commission has performed an evaluation of subsequent events through December 18, 2020, which is the date the financial statements were available to be issued.

International Pacific Halibut Commission

Notes to Financial Statements

Note 2 – General and Supplemental 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.

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

	<u>2020</u>
Fund balance, beginning of year	\$ 262,186
Fund balance, prior period adjustment	356,669
Advances, net	5,517,427
IPHC headquarter maintenance	(371,673)
Interest	2,205
Other income	661,443
Commission expense	<u>(6,152,385)</u>
Fund balance, end of year	<u>\$ 275,872</u>
	<u>2019</u>
Fund balance, beginning of year	\$ 252,436
Advances, net	5,243,720
IPHC headquarter maintenance	(412,904)
Interest	2,968
Other income	736,136
Commission expense	<u>(5,560,170)</u>
Fund balance, end of year	<u>\$ 262,186</u>

The Commission also maintains a Supplemental Fund. Revenues for this fund arise from the sale of fish, which are caught during research studies, and from external contracts and grants. The Supplemental Fund is used for specific scientific programs.

Fund balance prior period adjustment reflected as of September 30, 2020, is a result of fund balance corrections to accounts payable balances in the amount of \$356,669 that were accrued in prior years and were identified by management during fiscal year 2020 as erroneous. As such, those liabilities were written off with correction reflected in beginning fund balance.

International Pacific Halibut Commission
Notes to Financial Statements

Note 2 – General and Supplemental Funds (continued)

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

	2020		
	General Fund	Supplemental Fund	Total
Cash checking	\$ 2,322,674	\$ 85,073	\$ 2,407,747
Investments - undesignated	-	2,838	2,838
Investments - designated	-	198,509	198,509
Accounts receivable	111,491	304,827	416,318
Deposits	12,789	-	12,789
Prepaid expenses	34,672	-	34,672
Advance (from)/to supplemental	(1,122,620)	1,122,620	-
Accounts payable	(1,083,134)	(48,250)	(1,131,384)
	<u>\$ 275,872</u>	<u>\$ 1,665,617</u>	<u>\$ 1,941,489</u>
Fund balance			
Fund balance			
Designated	\$ -	\$ 1,130,265	\$ 1,130,265
Undesignated	<u>275,872</u>	<u>535,352</u>	<u>811,224</u>
Fund balance	<u>\$ 275,872</u>	<u>\$ 1,665,617</u>	<u>\$ 1,941,489</u>

International Pacific Halibut Commission

Notes to Financial Statements

Note 2 – General and Supplemental Funds (continued)

	2019		
	General Fund	Supplemental Fund	Total
Cash checking	\$ 581,353	\$ 611,176	\$ 1,192,529
Cash on hand	245	-	245
Investments - undesignated	-	500,369	500,369
Investments - designated	-	1,682,975	1,682,975
Accounts receivable	33,142	243,893	277,035
Deposits	30,558	-	30,558
Prepaid expenses	40,377	-	40,377
Advance (from)/to supplemental	1,173,774	(1,173,774)	-
Advance (from)/to Canada	-	-	-
Accounts payable	(1,597,263)	(54,848)	(1,652,111)
	<u>\$ 262,186</u>	<u>\$ 1,809,791</u>	<u>\$ 2,071,977</u>
Fund balance			
Designated	\$ -	\$ 1,628,127	\$ 1,628,127
Undesignated	262,186	181,664	443,850
	<u>\$ 262,186</u>	<u>\$ 1,809,791</u>	<u>\$ 2,071,977</u>
Fund balance			

The Supplemental Fund designated fund balance at September 30, 2020 and 2019, respectively, is \$1,130,265 and \$1,628,127, and is for the funding of the accumulated vested annual leave liability, severance leave liability, medical annuitants fund, reserve fund and scholarship fund.

Note 3 – Employee Benefits

Most employees of the Commission participate in a multi-employer, participatory, defined benefit pension plan (the Plan). All employers participating in the Plan are required to remain fully funded. The contribution for the years ended September 30, 2020 and 2019, was \$53,248 and \$69,068, respectively. 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 years ended September 30, 2020 and 2019, was \$339,834 and \$294,042, respectively.

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 years ended September 30, 2020 and 2019, were \$98,590 and \$137,333, respectively.

International Pacific Halibut Commission Notes to Financial Statements

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 \$1,826,680 for the year ended September 30, 2020.

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

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

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

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.

