



45th ANNUAL MEETING – SEPTEMBER 2023

**Review of Accumulated Surplus Fund – For the Year Ending 31 December 2023
(Prepared by the NAFO Secretariat)**

Background Information

In accordance with Rule 4.5 of the *NAFO Financial Regulations*, the Standing Committee on Finance and Administration and the Commission shall review the amount available in the accumulated surplus account during each annual meeting. Rule 4 of the *NAFO Financial Regulations* is attached for your reference.

The Accumulated Surplus is comprised of four funds:

Operating Fund

- Accounts for the Organization's operating activities, unrestricted contributions, and remaining income.

Contingency Fund

- Represents funds to finance operations during the first three months of the year.
plus
- Funds for unforeseen and extraordinary expenses necessary to the good conduct of the business of the Organization, up to a maximum of 10% of the annual budget for the current financial year.

Relocation Fund

- Represents funds for the future recruitment and relocation costs of incoming and outgoing internationally recruited staff. The fund balance shall be kept at a maximum of \$100,000.

Performance Review Fund

- Represents funds for the future costs associated with having an external performance review. The fund balance shall be kept at a maximum of \$100,000.

Accumulated Surplus Fund balance estimates for the Year Ending 31 December 2023

The following table presents the Accumulated Surplus Fund activity estimated for the year ending 31 December 2023. STACFAD shall review the amount required to be maintained in each of the funds and determine if any excess funds are available to reduce annual contributions due from each Contracting Party for the following year.

Statement of Accumulated Surplus Funds
For the Year Ending 31 December 2023
(Estimated)

	Operating Fund	Contingency Fund	Relocation Fund	Performance Review Fund	Total
FUND BALANCES , beginning of year	\$517,343	\$285,000	\$100,000	\$60,000	\$962,343
Appropriated to 2023 Operating Budget	-517,343				-517,343
Appropriated to 2023 Operating Budget			-85,000		-85,000
Balance of 2023 appropriations not expended	43,000		19,000		62,000
Other Revenue					
Staff Income Tax Withholdings					
Federal (Staff Assessment)	225,000				225,000
Provincial (Ex-Gratia Grant)	110,000				110,000
Interest	50,000				50,000
Other	3,000				3,000
FUND BALANCES , before internal transfers	431,000	285,000	34,000	60,000	810,000
<i>Interfund Transfers for 2023 to be recommended by STACFAD for approval by the Commission</i>					
Relocation Fund (Note 1)	-12,000		12,000		0
Performance Review Fund (Note 2)	-15,000			15,000	0
	-27,000	0	12,000	15,000	0
FUND BALANCES , end of year	\$404,000	\$285,000	\$46,000	\$75,000	\$810,000

Note 1: Annual transfer amount assumes approximately 8 years to reach funded status. Equivalent to maximum appointment terms of Executive Secretary.

Note 2: Annual transfer amount assumes approximately 6-7 years to reach funded status. Equivalent to estimated period between external performance reviews.

Based on the previous table, the following recommendation is proposed to set the Accumulated Surplus Fund Balance for 31 December 2023.

STACFAD recommends that:

- **The amount maintained in the accumulated surplus account shall be set at \$285,000 of which \$200,000 would be sufficient to finance operations during the first three months of 2024, and of which \$85,000 would be a contingency fund available to be used for unforeseen and extraordinary expenses.**
- **The recruitment and relocation fund be increased by \$12,000 to \$46,000 for future recruitment and relocation costs of internationally recruited staff.**
- **The performance review fund be increased by \$15,000 to \$75,000 for future costs associated with having an external performance review.**
- **The estimated balance remaining of \$404,000 shall be maintained in the Operating Fund and applied to reduce annual contributions due from each Contracting Party for the following year.**

Rule 4 of the *NAFO Financial Regulations***Rule 4**

- 4.1 There shall be established proper books of account for the purpose of accounting for the receipts and expenditures of the Organization.
- 4.2 Within the books of account, there shall be established an accumulated surplus account to which shall be credited:
 - a) excess of receipts over expenditures at the end of the financial year;
 - b) unexpended balances at the end of the 12-month period specified in Rule 3.2 for prior year obligations, but not disbursed;
 - c) refunds, from any source, of prior year's expenditures of the Organization.
- 4.3 Monies available in the accumulated surplus account may be used temporarily to the extent necessary to finance appropriations pending receipt of annual payments by Contracting Parties.
- 4.4 The Chairperson of the Commission, in consultation with the Chairperson of STACFAD and the members of the Commission, may authorize expenditures from the accumulated surplus account for unforeseen and extraordinary expenses to the good conduct of the business of the Organization.
- 4.5 The Standing Committee on Finance and Administration and the Commission shall review the amount available in the accumulated surplus account during each annual meeting. Insofar as possible, the Commission shall anticipate unforeseen expenditures during the succeeding three years and shall attempt to maintain the accumulated surplus account at a level sufficient to finance operations during the first three months of the year plus an amount up to a maximum of 10% of the annual budget for the current financial year for use in an emergency in accordance with Rule 4.4.

In addition, the Organization shall also maintain a recruitment and relocation fund to pay recruitment and relocation costs for incoming and outgoing internationally recruited staff. The recruitment and relocation fund balance shall be kept at a maximum of \$100,000.

In addition, the Organization shall also maintain a performance review fund to pay costs associated with having an external performance review. The performance review fund balance shall be kept at a maximum of \$100,000.
- 4.6 The Commission shall establish the amount of the annual contribution due from each Contracting Party pursuant to the annual budget based on Article IX.2 of the Convention. The nominal catches for this determination shall be the reported catches of the fishery resources listed in Annex I.

- 4.7 The Executive Secretary shall inform each Contracting Party of the annual contribution due in accordance with Article IX.3 of the Convention as soon as possible after the Commission has adopted the annual budget. In calculating the contributions, the Executive Secretary shall reduce the amount appropriated in the budget by the amount of staff assessments for the preceding year, if any, and by the amount determined by the Commission to be in excess of the needs of the accumulated surplus account.
- 4.8 If a Contracting Party has not submitted its nominal catches according to the stipulations in Article IX.2 of the Convention by the required date, the most recent catch report available from that Contracting Party will be used for the calculation of contributions that are then considered final for that financial year. Subsequent reporting of applicable catches by the Contracting Party will be applied towards the calculation of contributions for the following financial year.
- 4.9 Annual contributions shall be due and payable in full within 30 days of receipt of the information from the Executive Secretary referred to in Rule 4.7 or the first day of the financial year, the unpaid balance shall be considered to be in arrears.
- 4.10 New Contracting Parties for the first year, shall pay their annual contribution within 90 days of depositing an instrument of accession with the Depositary Government for that financial year, in accordance with Article IX.6 of the Convention.