

# Atlantic States Marine Fisheries Commission

## Executive Committee

*November 3, 2015  
8 – 10 a.m.  
St. Augustine, Florida*

## Draft Agenda

The times listed are approximate; the order in which these items will be taken is subject to change; other items may be added as necessary.

**A portion of this meeting may be a closed session for Committee members and Commissioners only**

1. Welcome/Introductions (*L. Daniel*)
2. Board Consent
  - Approval of Agenda
  - Approval of Meeting Summary from August 2015
3. Public Comment
4. Administrative Oversight Committee Report (*D. Grout*)
  - Presentation of the FY15 Audit **Action**
5. Review Guidance Documents (*R. Beal*)
6. Funding Subcommittee Update (*R. Beal*)
7. Discuss Risk and Uncertainly Policy (*R. Beal*)
8. Discuss ACCSP Governance (*R. Beal*)
9. Future Annual Meetings Update (*L. Leach*)
  - 2016 – Maine
  - 2017 – Virginia
  - 2018 – New York
  - 2019 – New Hampshire
10. Other Business/Adjourn

The meeting will be held at:  
World Golf Village Renaissance St. Augustine Resort, 500 South Legacy Trail, St. Augustine, Florida

**MEETING SUMMARY OF THE  
ATLANTIC STATES MARINE FISHERIES COMMISSION  
EXECUTIVE COMMITTEE**

**The Westin Alexandria  
Alexandria, Virginia  
August 4, 2015**

## INDEX OF MOTIONS

1. **Approval of Agenda by Consent (Page 1)**
2. **Approval of Meeting Summary from May 6, 2015 by Consent (Page 1)**
3. **Motion to recommend removing a state's ability to appeal a non-compliance finding from the Commission guidance documents. (Dr. Pierce/Mr. Keliher) (Page 1)**
4. **Motion to recommend initiating a full review of the use of conservation equivalency by the Commission. (Dr. Pierce/Mr. Keliher) (Page 1)**
5. **Motion to recommend modifying the definition as follows: Final actions would be defined as: setting fishery specifications (including but not limited to, quotas, trip limits, possession limits, size limits, seasons, area closures, gear requirements), allocation, final approval of FMPs/amendments/addenda, emergency actions, conservation equivalency plans, and non-compliance recommendations. (Mr. Grout/Mr. Abbott) (Page 1)**
6. **Motion to recommend applying the same timeline to public information documents and draft FMPs/amendments as described above with the modification of only requiring three public hearings for both PIDs and draft FMPs/amendments. (Mr. Grout/Mr. Abbott) (Page 2)**
7. **Motion to recommend requiring a minimum of 30 days public comment on all draft addenda. (Mr. Grout/Mr. Abbott) (Page 2)**
8. **Motion to recommend using the following three opportunities to solicit Advisory Panel input during FMP/amendment development. (Mr. Grout/Mr. Abbott) (Page 2)**
9. **Motion to recommend that TCs continue to strive to find consensus whenever possible, however a vote should be taken if a consensus can't be reached. The same standard for voting would apply to stock assessment subcommittees (SASC). (Mr. Grout/Mr. Abbott) (Page 2)**
10. **Motion to recommend Science staff is fully involved with conduct of analyses and deliberations of TCs and SASCs. (Mr. Grout/Mr. Abbott) (Page 2)**
11. **Motion to approve option 3 from the staff document with the modification that only abstentions from the federal services would not count. (Dr. Daniel/Mr. Abbott) Motion tabled. (Page 2)**
12. **Motion to recommend that a state's Executive Committee member be notified in the event there are repeated absences of a Commissioner. (Mr. Abbott /Mr. Grout) (Page 3)**
13. **Motion to recommend the current appeal criteria be retained. (Mr. Grout/Mr. Abbott) (Page 3)**
14. **Adjournment by Consent (Page 3)**

## ATTENDANCE

### Committee Members

|                                |                            |
|--------------------------------|----------------------------|
| Pat Keliher, ME (AA)           | John Clark, DE (AA proxy)  |
| Doug Grout, NH (AA)            | Roy Miller, DE (GA Chair)  |
| Dennis Abbott, NH (LA Chair)   | Lynn Fegley, MD (AA proxy) |
| David Pierce, MA (AA)          | John Bull, VA (AA)         |
| Bob Ballou, RI (AA)            | Louis Daniel, NC (AA)      |
| David Simpson, CT (AA)         | Robert Boyles, SC (AA)     |
| Jim Gilmore, NY (AA)           | Jim Estes, FL (AA proxy)   |
| Brandon Muffley, NJ (AA proxy) |                            |
| Leroy Young, PA (AA proxy)     |                            |

**(AA = Administrative Appointee; GA = Governor Appointee; LA = Legislative Appointee)**

### Other Commissioners

|                        |                          |
|------------------------|--------------------------|
| Thad Altman, FL (LA)   | Eric Reid, RI (LA proxy) |
| Ritchie White, NH (GA) |                          |

### Staff

|          |             |
|----------|-------------|
| Bob Beal | Laura Leach |
|----------|-------------|

### Others

|              |             |
|--------------|-------------|
| John Bullard | Derek Orner |
|--------------|-------------|

## **CALL TO ORDER**

The Executive Committee of the Atlantic States Marine Fisheries Commission convened in the Banneker Room of The Westin Alexandria in Alexandria, Virginia on August 4, 2015. It was called to order at 8:00 a.m. by Chairman Louis Daniel.

## **APPROVAL OF AGENDA**

The agenda was approved with one addition;  
1) Discuss budget issues as referenced at the State Directors meeting held Monday.

## **APPROVAL OF PROCEEDINGS**

The summary minutes from the May 6, 2015 meeting were approved as presented.

## **PUBLIC COMMENT**

There was no public comment.

## **CLOSED SESSION**

The Executive Committee went into a closed session to discuss the Executive Director's annual review as conducted by the Chair.

## **REPORT OF THE ADMINISTRATIVE OVERSIGHT COMMITTEE (AOC)**

The AOC met via conference call to discuss their review and recommended changes to the Commission's guidance documents. The Executive Committee discussed the issues raised by the AOC. Recommendations for revisions to the Guidance documents will be considered by the Policy Board or Full Commission.

Non-compliance: The AOC recommended removing a state's ability to appeal a non-compliance finding from the Commission guidance documents. Since a non-compliance finding must be made at multiple levels within the Commission, the AOC felt the states had adequate opportunity to receive all of the relevant information and debate the issue prior

to making a decision. Also, a state found out of compliance by the Commission has the opportunity to present their case to the Secretaries of Commerce and the Interior prior to a final compliance decision.

Move to approve the AOC recommendation. Motion made by Dr. Pierce; seconded by Mr. Keliher; passed unanimously.

Conservation Equivalency Process: The AOC recommended initiating a full review of the use of conservation equivalency by the Commission. The use of conservation equivalency has changed significantly and is being used to accomplish differing goals across the Commission's FMPs. The AOC feels the review should include, but not be limited to, an inventory of all active conservation equivalency programs, a review of submission and approval timelines, and a review of the transparency of the conservation equivalency process.

Move to approve the AOC recommendation. Motion made by Dr. Pierce; seconded by Mr. Keliher; passed unanimously. Dr. Daniel recommended that the Management & Science Committee conduct the review.

Final Action: The AOC recommended modifying the definition as follows: Final actions would be defined as: setting fishery specifications (including but not limited to, quotas, trip limits, possession limits, size limits, seasons, area closures, gear requirements), allocation, final approval of FMPs/amendments/addenda, emergency actions, conservation equivalency plans, and non-compliance recommendations. Move to approve the AOC recommendation. Motion made by Mr. Grout; seconded by Mr. Abbott; passed unanimously.

Advisory Panel Input into Amendment & Addendum Process: The AOC recommended applying the same timeline to public information documents and draft FMPs/amendments as described above with the modification of only requiring three public hearings for both PIDs and draft FMPs/amendments.

Move to approve the AOC recommendation. Motion made by Mr. Grout; seconded by Mr. Abbott; passed unanimously. Mr. Clark asked for clarification between addendum versus amendment. Addendum is for adaptive management as described in each specific FMP; amendment is for bigger issues.

Public Comment on Draft Addenda: The AOC recommended requiring a minimum of 30 days public comment on all draft addenda.

Move to approve the AOC recommendation. Motion made by Mr. Grout; seconded by Mr. Abbott; passed unanimously.

AP Involvement in FMP/Amendment Development: The AOC recommended using the following three opportunities to solicit Advisory Panel input during FMP/amendment development.

1. During the development of the PID. APs provide guidance to the PDT before the Board reviews the document for public comment.
2. During the development of the Draft FMP. After the Board gives the PDT guidance on issues to include in the draft, APs provide feedback to the PDT on those issues.
3. During the public comment of the Draft FMP. APs meet to give recommendations on the public comment draft of the FMP. This meeting should try to be scheduled after the public hearings so the AP can be presented with an overview of the comments received at the hearings.

Move to approve the AOC recommendation. Motion made by Mr. Grout; seconded by Mr. Abbott; passed unanimously.

Technical Committee Decision Making: The AOC recommended that TCs continue to strive to find consensus whenever possible, however a vote should be taken if a consensus can't be reached.

The same standard for voting would apply to stock assessment subcommittees (SASC).

Move to approve the AOC recommendation. Motion made by Mr. Grout; seconded by Mr. Abbott; passed 14-2.

Staff Involvement on Technical Committees: The AOC recommended Science staff is fully involved with conduct of analyses and deliberations of TCs and SASCs. If consensus can't be reached within a TC, then Science staff will not participate in a vote, however Science staff will participate in SASC votes when necessary.

Move to approve the AOC recommendation. Motion made by Mr. Grout; seconded by Mr. Abbott; passed 15-1.

Definition of 2/3 Majority: The AOC did not develop a final recommendation on this issue, but agreed the Executive Committee should continue the discussion. Members of the AOC noted the outcome of votes had been impacted by abstentions and absences and the process should be modified. Other members commented that they support status quo and feel there should be overwhelming support to change previous actions or declare an emergency.

Move to approve option 3 from the staff document with the modification that only abstentions from the federal services would not count. Motion made by Mr. Daniel; seconded by Mr. Abbott.

After a lengthy discussion a motion was made by Mr. Abbott to table. Mr. Clark seconded and the motion to table passed unanimously.

Commissioner Attendance: The AOC agreed Commissioner attendance is important for the Commission's success. The AOC felt that multiple letters going to Governors or other state officials may not be appropriate or constructive. The AOC recommended that a state's Executive Committee member be notified in the event there are repeated absences of a Commissioner. The Executive Committee member could then work with their state

officials to determine what action, if any, should be taken.

Move to approve the AOC recommendation.

Motion made by Mr. Abbott; seconded by Mr. Grout; passed unanimously.

Appeal Criteria: The AOC recommended the current appeal criteria be retained. The wording of the criteria is somewhat vague, but this is intentional to allow for states to bring forward their concerns. The AOC felt it would be difficult to provide a highly detailed list of actions that can and can't be appealed. The discretion of the Chair, Vice-Chair, and immediate past Chair is a key component in interpreting the current appeal criteria. The AOC has confidence the elected leaders will provide a fair review of any appeals brought forward by the states.

The Executive Committee requested that the current language "all of options have been exhausted" be defined in the guidance documents when updated.

Move to approve the AOC recommendation. Motion made by Mr. Grout; seconded by Mr. Abbott; passed 14-2.

Advisory Panel, Law Enforcement Committee and Technical Committee Participation: The AOC did not develop a final recommendation on this issue, however there were a number of consensus ideas. The AOC agreed the TC Chair (or other representative) should be at the table for the entire meeting. This person is often asked questions by Board members. The AOC also agreed there is a perception the Chair of the Advisory Panel has unfair access to the Board if they are allowed to fully interact with the Board during their deliberations. While the AOC did not reach a consensus, many of the members felt that the following option is most appropriate: Chairs should present their report and answer any specific questions relevant to their report. Once the report and Board questions are done, the Chair would move to the public seating, but should only be applied to the Advisory Panel Chair. The Executive Committee did not come to an agreement on how to address this issue.

This issue will be discussed again by the Executive Committee and Policy Board.

## **FUTURE ANNUAL MEETINGS**

The Commission's 75<sup>th</sup> annual meeting will be held in October 2016 in Maine; in 2017 we'll meet in Virginia; and in 2018 we'll meet in New York.

## **OTHER BUSINESS**

The Executive Committee had a follow-up discussion to the previous day's meeting of the state directors and NOAA Fisheries leadership. The Executive Committee formed a subcommittee to work with staff on budget issues. Dr. Daniel noted that Mr. Boyles, Mr. Ballou, Mr. Muffley and Mr. Gilmore will be the members of the subcommittee. The State Directors' meeting identified many issues where NMFS has consolidated line items, making it more difficult to track the budget, so we need to make sure our priorities are covered. The subcommittee is going to survey the states to describe the impacts of current funding levels and what science and management activities are no longer being conducted. The subcommittee will report progress at the next Executive Committee meeting.

## **ADJOURN**

CHAIRMAN LOUIS DANIEL adjourned the Executive Committee meeting at 10:17 a.m.

**REVISED**

ATLANTIC STATES MARINE FISHERIES COMMISSION

OMB CIRCULAR A-133

FINANCIAL REPORTS

JUNE 30, 2015 AND 2014

**DRAFT**



ATLANTIC STATES MARINE FISHERIES COMMISSION

OMB CIRCULAR A-133

FINANCIAL REPORTS

JUNE 30, 2015 AND 2014

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## **Independent Auditors' Report**

To the Executive Committee  
Atlantic States Marine Fisheries Commission  
Arlington, Virginia

We have audited the accompanying financial statements of the Atlantic States Marine Fisheries Commission (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, 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 accounting principles generally accepted in the United States of America; this includes 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 financial position of the Atlantic States Marine Fisheries Commission as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Independent Auditor's Report (Concluded)

### Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of contributions requested and received is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedules of expenditures of federal awards, as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 audits of the basic 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 taken as a whole.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2015 on our consideration of Atlantic States Marine Fisheries Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Atlantic States Marine Fisheries Commission's internal control over financial reporting and compliance.

October 13, 2015

**DRAFT**

**ATLANTIC STATES MARINE FISHERIES COMMISSION**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2015 AND 2014**

| <b>ASSETS</b>                           |                     |                     |
|---|---------------------|---------------------|
|   | 2015                | 2014                |
| <b>CURRENT ASSETS:</b>                  |                     |                     |
| Cash                                    | \$ 326,126          | \$ 212,949          |
| Investments                             | 539,446             | 538,557             |
| Grants and accounts receivable          | 1,375,121           | 450,445             |
| Other receivables                       | 15,389              | 56,452              |
| Prepaid expenses                        | 42,400              | 24,701              |
| <b>Total Current Assets</b>             | <b>\$ 2,298,482</b> | <b>\$ 1,283,104</b> |
| <b>PROPERTY AND EQUIPMENT, AT COST:</b> |                     |                     |
| Office furniture and equipment          | \$ 259,512          | \$ 444,122          |
| Office condominium                      | 4,122,947           | 4,122,947           |
| <b>Total</b>                            | <b>\$ 4,382,459</b> | <b>\$ 4,567,069</b> |
| Less, Accumulated depreciation          | (615,863)           | (633,993)           |
| <b>Property and Equipment, Net</b>      | <b>\$ 3,766,596</b> | <b>\$ 3,933,076</b> |
| <b>TOTAL ASSETS</b>                     | <b>\$ 6,065,078</b> | <b>\$ 5,216,180</b> |
| <b>LIABILITIES AND NET ASSETS</b>       |                     |                     |
| <b>CURRENT LIABILITIES:</b>             |                     |                     |
| Accounts payable                        | \$ 625,315          | \$ 156,218          |
| Accrued salaries and vacation           | 454,650             | 429,429             |
| Deferred revenue                        | 158,257             | 111,881             |
| Contract advances                       | 179,209             | 49,923              |
| Current maturities of long term debt    | 180,636             | 206,532             |
| <b>Total Current Liabilities</b>        | <b>\$ 1,598,067</b> | <b>\$ 953,983</b>   |
| <b>OTHER LIABILITIES;</b>               |                     |                     |
| Long term debt                          | \$ 791,454          | \$ 979,014          |
| Obligation under interest rate swap     | 49,353              | 70,040              |
| <b>Total Other Liabilities</b>          | <b>\$ 840,807</b>   | <b>\$ 1,049,054</b> |
| <b>TOTAL LIABILITES</b>                 | <b>\$ 2,438,874</b> | <b>\$ 2,003,037</b> |
| <b>UNRESTRICTED NET ASSETS</b>          | <b>3,626,204</b>    | <b>3,213,143</b>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b>\$ 6,065,078</b> | <b>\$ 5,216,180</b> |

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The accompanying notes are an integral part of these financial statements.

**ATLANTIC STATES MARINE FISHERIES COMMISSION**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2015**

|   | Total               | ASMFC             | Outside Contracts |                     |                     |                     |
|---|---------------------|-------------------|-------------------|---------------------|---------------------|---------------------|
|   |                     |                   | Wallop/<br>Breaux | Other               | ACCSP               | ACFCMA              |
| <b>REVENUE:</b>                             |                     |                   |                   |                     |                     |                     |
| Contract reimbursements                     | \$ 7,707,989        | \$ -              | \$ 202,700        | \$ 3,241,911        | \$ 2,157,859        | \$ 2,105,519        |
| Contributions from<br>member states         | 665,241             | 665,241           | -                 | -                   | -                   | -                   |
| Annual meeting fees                         | 26,659              | 26,659            | -                 | -                   | -                   | -                   |
| Investment income (loss)                    | 889                 | 889               | -                 | -                   | -                   | -                   |
| <b>Total Revenue</b>                        | <b>\$ 8,400,778</b> | <b>\$ 692,789</b> | <b>\$ 202,700</b> | <b>\$ 3,241,911</b> | <b>\$ 2,157,859</b> | <b>\$ 2,105,519</b> |
| <b>EXPENSES:</b>                            |                     |                   |                   |                     |                     |                     |
| Salaries                                    | \$ 2,883,799        | \$ 780,416        | \$ 102,432        | \$ 367,157          | \$ 963,002          | \$ 670,792          |
| Travel                                      | 986,842             | 20,454            | 27,622            | 146,638             | 120,861             | 671,267             |
| Subcontracts                                | 2,663,955           | 137,666           | -                 | 2,363,315           | 139,565             | 23,409              |
| Fringe benefits                             | 812,070             | 205,396           | 30,745            | 107,850             | 278,543             | 189,536             |
| Professional services                       | 48,109              | 42,109            | -                 | 6,000               | -                   | -                   |
| Maintenance                                 | 195,152             | 100,693           | 1,360             | 823                 | 77,401              | 14,875              |
| Depreciation                                | 148,173             | 148,173           | -                 | -                   | -                   | -                   |
| Office                                      | 52,548              | 39,913            | -                 | -                   | 12,635              | -                   |
| Printing                                    | 5,639               | 5,639             | -                 | -                   | -                   | -                   |
| Meetings                                    | 54,188              | 52,538            | -                 | -                   | 1,650               | -                   |
| Postage                                     | 8,710               | 8,710             | -                 | -                   | -                   | -                   |
| Interest and taxes                          | 80,032              | 80,032            | -                 | -                   | -                   | -                   |
| Other                                       | 37,503              | 19,306            | -                 | 896                 | 16,386              | 915                 |
| Dues and subscriptions                      | 4,507               | 4,507             | -                 | -                   | -                   | -                   |
| Telephone                                   | 11,149              | 11,149            | -                 | -                   | -                   | -                   |
| Equipment                                   | 12,965              | 12,965            | -                 | -                   | -                   | -                   |
| Insurance                                   | 3,063               | 3,063             | -                 | -                   | -                   | -                   |
| Indirect cost allocation                    | -                   | (1,364,523)       | 40,540            | 255,501             | 559,445             | 509,037             |
| <b>Total Expenses</b>                       | <b>\$ 8,008,404</b> | <b>\$ 308,206</b> | <b>\$ 202,699</b> | <b>\$ 3,248,180</b> | <b>\$ 2,169,488</b> | <b>\$ 2,079,831</b> |
| <b>OPERATING NET INCOME</b>                 | <b>\$ 392,374</b>   | <b>\$ 384,583</b> | <b>\$ 1</b>       | <b>\$ (6,269)</b>   | <b>\$ (11,629)</b>  | <b>\$ 25,688</b>    |
| <b>OTHER INCOME ( EXPENSE):</b>             |                     |                   |                   |                     |                     |                     |
| Interest rate swap obligation<br>adjustment | 20,687              |                   |                   |                     |                     |                     |
| <b>CHANGE IN NET ASSETS</b>                 | <b>\$ 413,061</b>   |                   |                   |                     |                     |                     |
| <b>NET ASSETS,<br/>BEGINNING OF YEAR</b>    | <b>3,213,143</b>    |                   |                   |                     |                     |                     |
| <b>NET ASSETS,<br/>END OF YEAR</b>          | <b>\$ 3,626,204</b> |                   |                   |                     |                     |                     |

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The accompanying notes are an integral part of this financial statement.

**ATLANTIC STATES MARINE FISHERIES COMMISSION**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2014**

|   | Total               | ASMFC             | Outside Contracts |                     |                     |                     |
|---|---------------------|-------------------|-------------------|---------------------|---------------------|---------------------|
|   |                     |                   | Wallop/<br>Breaux | Other               | ACCSP               | ACFCMA              |
| <b>REVENUE:</b>                             |                     |                   |                   |                     |                     |                     |
| Contract reimbursements                     | \$ 5,720,578        | \$ -              | \$ 200,821        | \$ 1,757,878        | \$ 1,822,275        | \$ 1,939,604        |
| Contributions from<br>member states         | 633,579             | 633,579           | -                 | -                   | -                   | -                   |
| Annual meeting fees                         | 23,870              | 23,870            | -                 | -                   | -                   | -                   |
| Investment income (loss)                    | 1,714               | 1,714             | -                 | -                   | -                   | -                   |
| <b>Total Revenue</b>                        | <b>\$ 6,379,741</b> | <b>\$ 659,163</b> | <b>\$ 200,821</b> | <b>\$ 1,757,878</b> | <b>\$ 1,822,275</b> | <b>\$ 1,939,604</b> |
| <b>EXPENSES:</b>                            |                     |                   |                   |                     |                     |                     |
| Salaries                                    | \$ 2,607,573        | \$ 707,147        | \$ 111,573        | \$ 271,427          | \$ 861,453          | \$ 655,973          |
| Travel                                      | 921,172             | 13,104            | 18,007            | 295,271             | 75,471              | 519,319             |
| Subcontracts                                | 1,036,827           | 170,993           | -                 | 738,263             | 78,165              | 49,406              |
| Fringe benefits                             | 705,008             | 192,647           | 30,655            | 80,375              | 221,192             | 180,139             |
| Professional services                       | 48,512              | 26,648            | -                 | 17,750              | -                   | 4,114               |
| Maintenance                                 | 253,263             | 131,237           | -                 | 48,191              | 68,040              | 5,795               |
| Depreciation                                | 159,076             | 159,076           | -                 | -                   | -                   | -                   |
| Office                                      | 53,018              | 44,635            | -                 | 455                 | 7,928               | -                   |
| Printing                                    | 7,809               | 7,583             | 226               | -                   | -                   | -                   |
| Meetings                                    | 57,491              | 57,491            | -                 | -                   | -                   | -                   |
| Postage                                     | 9,598               | 9,598             | -                 | -                   | -                   | -                   |
| Interest and taxes                          | 94,197              | 94,197            | -                 | -                   | -                   | -                   |
| Other                                       | 43,194              | 33,843            | -                 | -                   | 9,351               | -                   |
| Dues and subscriptions                      | 2,842               | 2,842             | -                 | -                   | -                   | -                   |
| Telephone                                   | 10,817              | 10,817            | -                 | -                   | -                   | -                   |
| Equipment                                   | 13,991              | 13,991            | -                 | -                   | -                   | -                   |
| Insurance                                   | 11,836              | 11,836            | -                 | -                   | -                   | -                   |
| Indirect cost allocation                    | -                   | (1,354,407)       | 40,315            | 322,364             | 478,867             | 512,861             |
| <b>Total Expenses</b>                       | <b>\$ 6,036,224</b> | <b>\$ 333,278</b> | <b>\$ 200,776</b> | <b>\$ 1,774,096</b> | <b>\$ 1,800,467</b> | <b>\$ 1,927,607</b> |
| <b>OPERATING NET INCOME</b>                 | <b>\$ 343,517</b>   | <b>\$ 325,885</b> | <b>\$ 45</b>      | <b>\$ (16,218)</b>  | <b>\$ 21,808</b>    | <b>\$ 11,997</b>    |
| <b>OTHER INCOME ( EXPENSE):</b>             |                     |                   |                   |                     |                     |                     |
| Interest rate swap obligation<br>adjustment | 24,049              |                   |                   |                     |                     |                     |
| <b>CHANGE IN NET ASSETS</b>                 | <b>\$ 367,566</b>   |                   |                   |                     |                     |                     |
| <b>NET ASSETS,<br/>BEGINNING OF YEAR</b>    | <b>2,845,577</b>    |                   |                   |                     |                     |                     |
| <b>NET ASSETS,<br/>END OF YEAR</b>          | <b>\$ 3,213,143</b> |                   |                   |                     |                     |                     |

**DRAFT**

The accompanying notes are an integral part of this financial statement.

**ATLANTIC STATES MARINE FISHERIES COMMISSION**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

|  | <u>2015</u>              | <u>2014</u>              |
|--|--------------------------|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                          |                          |
| Cash received from members and contracts   | \$ 7,665,279             | \$ 6,458,294             |
| Annual meeting fees  | 26,659                   | 23,870                   |
| Investment income received   | 1,721                    | 2,334                    |
| Cash paid to suppliers and employees   | (7,325,309)              | (6,459,695)              |
| Interest paid  | <u>(46,216)</u>          | <u>(56,498)</u>          |
| Net cash provided by (used in) operating activities  | <u>\$ 322,134</u>        | <u>\$ (31,695)</u>       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                          |                          |
| Purchase of property and equipment   | \$ (5,217)               | \$ (20,664)              |
| Investments  | <u>(1,721)</u>           | <u>(1,775)</u>           |
| Net cash provided by (used in) investing activities  | <u>\$ (6,938)</u>        | <u>\$ (22,439)</u>       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                          |                          |
| Payments on long term debt   | <u>\$ (202,019)</u>      | <u>\$ (408,989)</u>      |
| <b>NET INCREASE (DECREASE) IN CASH</b>   | <b>\$ 113,177</b>        | <b>\$ (463,123)</b>      |
| <b>CASH, BEGINNING OF YEAR</b>   | <u>212,949</u>           | <u>676,072</u>           |
| <b>CASH, END OF YEAR</b>   | <u><u>\$ 326,126</u></u> | <u><u>\$ 212,949</u></u> |
| Reconciliation of change in net assets to net cash provided by operating activities (Note 7) |                          |                          |

**DRAFT**

The accompanying notes are an integral part of these financial statements.

# ATLANTIC STATES MARINE FISHERIES COMMISSION

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

Note 1. **Summary of Significant Accounting Policies**

**Organization:**

The Atlantic States Marine Fisheries Commission (the Commission) (a nonprofit organization) was established in 1942 to represent the interests and needs of the marine fisheries of its member states (Maine, New Hampshire, Massachusetts, Rhode Island, Connecticut, New York, Pennsylvania, New Jersey, Delaware, Maryland, Virginia, North Carolina, South Carolina, Georgia, Florida). Since the Commission is an instrumentality wholly owned by member states, it is exempt from income tax; therefore, an internal revenue code exemption is not required. The purpose of the Commission, as set forth by Congress in Article I of the Commission's Compact, is "to promote the better utilization of the fisheries, marine, shell and anadromous, of the Atlantic seaboard by the development of a joint program for the promotion and protection of such fisheries."

**Basis of Accounting:**

The Commission prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.

Monies received under grants are accounted for separately. Revenue is recognized when funds are expended for the purposes specified in the grant. The Commission funds any excess of expense over revenue incurred in the performance of a grant project.

The accompanying statements of activities reflect expenses summarized on a functional basis. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Fringe benefits and administrative costs of the Commission have been prorated among the programs by various statistical bases.

**Financial Statement Presentation:**

Under FASB ASC 958, the Commission is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Commission has only unrestricted net assets.

**Cash:**

Cash consists of deposits in checking and money market accounts. The Commission's demand deposits with financial institutions may at times exceed federally insured limits. The Commission has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risks.

**Bad Debts:**

The Commission recognizes bad debts when, in the opinion of management, an account becomes uncollectible.



ATLANTIC STATES MARINE FISHERIES COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2015 AND 2014

Note 1. **Summary of Significant Accounting Policies** (Concluded)

**Investments:**

Investments are recorded at fair value, based on quoted market prices.

**Property and Equipment:**

Depreciation of property and equipment has been provided for using the straight-line method over useful lives of five years for computer equipment and ten years for other furniture and equipment. The Commission capitalizes equipment purchases with a unit cost exceeding \$1,500. The office condominium suite is being depreciated over 40 years.

**Indirect Cost Allocation:**

Indirect costs are allocated to contracts based on the Commission's indirect cost allocation rate or the indirect cost allocation allowed by the contract.

**Estimates:**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications:**

Certain 2014 amounts have been reclassified for comparison with the 2015 presentation.

Note 2. **Investments**

At June 30, 2015 and 2014, investments consisted of the following:

|                                     | <u>2015</u>       | <u>2014</u>       |
|-------------------------------------|-------------------|-------------------|
| Cash and money market funds         | \$ 327,483        | \$ 327,450        |
| Fixed income government mutual fund | <u>211,963</u>    | <u>211,107</u>    |
| Total Investments                   | <u>\$ 539,446</u> | <u>\$ 538,557</u> |

Unrealized and realized gains (losses) included in investment income on the Statement of Activities totaled \$(832) and \$(620) for the years ended June 30, 2015 and 2014, respectively.

**ATLANTIC STATES MARINE FISHERIES COMMISSION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2015 AND 2014**

**Note 2. Investments (Concluded)**

FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value into three broad categories: levels 1, 2 and 3. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (level 1), inputs generally available from indirect information, such as quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active (level 2), and lowest priority to unobservable inputs (level 3). In some cases, the inputs used to measure fair value might fall into different levels of the fair value hierarchy. When this happens, the level in the fair value hierarchy that the assets or liability falls under is based on the lowest input level that is significant to the fair value measurement in its entirety. The fair value of the investments noted in the above table is based on quoted prices in active markets (level 1 inputs).

**Note 3. Notes Payable and Derivative Transactions**

At June 30, long-term debt consists of the following:

|   | <u>2015</u>       | <u>2014</u>       |
|---|-------------------|-------------------|
| Note payable, BB&T, secured by headquarters office condominium suite, payable in monthly installments of \$15,000 plus interest at 68% of the one month LIBOR rate plus 1.7875%, due August 2020. | \$ 970,500        | \$ 1,150,500      |
| Capital leases, payable in monthly installments of \$3,378 including interest ranging from 8.89% to 10.88% due November 2013 – December 2017  | <u>1,590</u>      | <u>35,046</u>     |
| Subtotal  | \$ 972,090        | \$ 1,185,546      |
| Less, Current portion   | <u>( 180,636)</u> | <u>( 206,532)</u> |
| Total Long-Term Debt  | <u>\$ 791,454</u> | <u>\$ 979,014</u> |

Maturities on long-term debt for the years ending June 30 are as follows:

|       |                   |
|-------|-------------------|
| 2016  | \$ 180,636        |
| 2017  | 180,636           |
| 2018  | 180,318           |
| 2019  | 180,000           |
| 2020  | 180,000           |
| 2021  | <u>70,500</u>     |
| Total | <u>\$ 972,090</u> |

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**ATLANTIC STATES MARINE FISHERIES COMMISSION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2015 AND 2014**

**Note 3. Notes Payable and Derivative Transactions (Concluded)**

In August 2010 the Commission purchased an office condominium suite in Arlington, Virginia and moved its headquarters there in October 2010. The Industrial Development Authority of Arlington County, Virginia (the Authority) provided financing of \$2,700,000 through the sale of revenue bonds under the Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2, Code of Virginia of 1950, as amended. The Authority assigned the related promissory note to Branch Banking and Trust Company (BB&T).

The Commission makes limited use of derivative instruments for the purpose of managing interest rate risks. The Commission has entered into two interest rate swap agreements to reduce the impact of changes in interest rates on its office condominium suite mortgage note. At June 30, 2015 one of the Commission's interest rate swap agreements had a notional amount of \$521,500 and requires a fixed rate of interest of 3.45%. At June 30, 2015 the second interest rate swap agreement had a notional amount of \$449,000 and requires a fixed rate of interest of 4.14%. Under both agreements the Commission is to receive a variable rate of interest (the one-month LIBOR rate plus 1.7875%) on the notional amount of indebtedness. The Commission pays or receives any difference in interest on a monthly basis. This amount is charged or credited to interest expense in the statement of activities. The interest rate swap agreements expire in August 2020. The Commission is exposed to credit loss in the event of nonperformance by the other party to the interest rate swap agreement. However the Commission does not anticipate nonperformance by the counterparty.

The carrying amount of the swap has been adjusted to its estimated fair value as of June 30, 2015. The inputs used in determining the fair value fall within level 2 of the fair value hierarchy. The liability is classified as noncurrent since the Commission does not intend to settle it during its next fiscal year. The fair value of the obligation under interest rate swap at June 30, 2015 and 2014 is as follows:

| <u>Fair Value</u><br><u>June 30, 2013</u> | <u>FY 2014</u><br><u>Other Income</u> | <u>Fair Value</u><br><u>June 30, 2014</u> | <u>FY 2015</u><br><u>Other income</u> | <u>Fair Value</u><br><u>June 30, 2015</u> |
|---|---------------------------------------|---|---------------------------------------|---|
| <u>\$94,089</u>                           | <u>\$24,049</u>                       | <u>\$70,040</u>                           | <u>\$20,687</u>                       | <u>\$49,353</u>                           |

**Note 4. Obligations Under Capital Leases**

The assets and related obligations for capital leases are recorded at amounts equal to the present value of future minimum lease payments using incremental borrowing rates at the inception of the leases. The assets are amortized over the life of the lease or asset, as appropriate, by the straight-line method. Interest expense is accrued on the basis of the outstanding obligations under capital leases.

The Commission had one capital lease for office equipment and support at June 30, 2015. The gross amount of assets recorded under this capital lease totaled \$3,339. Accumulated depreciation on this asset totaled \$835.

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**ATLANTIC STATES MARINE FISHERIES COMMISSION**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**JUNE 30, 2015 AND 2014**

**Note 4. Obligations Under Capital Leases (Concluded)**

Minimum future lease payments under capital leases are as follows for the years ending June 30,

|                                 |              |                     |
|---------------------------------|--------------|---------------------|
|                                 | <u>Total</u> |                     |
| 2016                            | \$           | 636                 |
| 2017                            |              | 636                 |
| 2018                            |              | <u>318</u>          |
|                                 | \$           | 1,590               |
| Less, executory costs: Interest |              | <u>( --- )</u>      |
| Total                           | \$           | <u><u>1,590</u></u> |

**Note 5. Lease Commitments**

The Commission leases office equipment under a noncancelable operating lease. Minimum lease payments are as follows for the years ending June 30:

|       |    |                       |
|-------|----|-----------------------|
| 2016  | \$ | 43,810                |
| 2017  |    | 36,180                |
| 2018  |    | 36,180                |
| 2019  |    | 36,180                |
| 2020  |    | <u>36,180</u>         |
| Total | \$ | <u><u>188,530</u></u> |

**Note 6. Retirement Plans**

The Commission sponsors a defined contribution pension plan which covers all employees. The Commission contributes 7% of eligible wages to the plan. The Commission also matches employee contributions up to 3% of eligible wages under an eligible Section 457 plan. Pension expense for the years ended June 30, 2015 and 2014 was \$267,548 and \$239,902, respectively.

**Note 7. Corporate Credit Card**

The Commission has a corporate credit card with a total credit line of \$50,000. At June 30, 2015 and 2014 the Commission had an outstanding balance of \$9,679 and \$4,394, respectively, which is included in accounts payable on the statement of financial position.

**Note 8. Concentrations**

The Commission received 66% and 73% of its revenue from the Atlantic Coastal Act Program for the years ended June 30, 2015 and 2014, respectively.

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**ATLANTIC STATES MARINE FISHERIES COMMISSION**

**NOTES TO FINANCIAL STATEMENTS (CONCLUDED)**

**JUNE 30, 2015 AND 2014**

**Note 9. Reconciliation of Change in Net Assets to Net Cash Provided by (Used In) Operating Activities**

|   | <u>2015</u>       | <u>2014</u>         |
|---|-------------------|---------------------|
| Change in Net Assets  | \$ 413,061        | \$ 367,566          |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                   |                     |
| Depreciation  | 148,173           | 159,076             |
| (Gain) Loss on equipment disposition  | 12,087            | ---                 |
| Unrealized and realized (gain) loss on investments  | 832               | 620                 |
| Obligation under interest rate swap   | ( 20,687)         | ( 24,049)           |
| (Increase) decrease in assets:  |                   |                     |
| Grants and accounts receivable  | ( 924,676)        | 114,376             |
| Other receivables   | 41,063            | ---                 |
| Prepaid expenses  | ( 17,699)         | 3,370               |
| Increase (decrease) in liabilities:   |                   |                     |
| Accounts payable  | 469,097           | ( 673,494)          |
| Accrued salaries and vacation   | 25,221            | 31,079              |
| Deferred revenue  | 46,376            | ( 2,582)            |
| Contract advances   | <u>129,286</u>    | <u>( 7,657)</u>     |
| Net cash provided by (used in) operating activities   | <u>\$ 322,134</u> | <u>\$ ( 31,695)</u> |

**Note 10. Risks and Uncertainties**

The Commission invests in various investment securities, which are exposed to risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could have a material effect on the amounts reported in the financial statements.

**Note 11. Subsequent Events**

Management has evaluated subsequent events through October 13, 2015 and has concluded no significant subsequent events meet the criteria of professional accounting standards to be recognized or not recognized, but disclosed, in the financial statements.

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**ATLANTIC STATES MARINE FISHERIES COMMISSION**  
**SCHEDULE OF CONTRIBUTIONS REQUESTED AND RECEIVED**  
**FOR THE YEAR ENDED JUNE 30, 2015**

|                | <u>Requested</u><br>2014-2015 | <u>Received</u><br>7/1/14 -<br>6/30/15 |
|----------------|-------------------------------|--|
| Member States: |                               |  |
| Connecticut    | \$ 29,904                     | \$ 29,904                              |
| Delaware       | 26,480                        | 26,480                                 |
| Florida        | 67,083                        | 67,083                                 |
| Georgia        | 27,364                        | 27,364                                 |
| Maine          | 83,464                        | 83,464                                 |
| Maryland       | 41,812                        | 41,812                                 |
| Massachusetts  | 63,553                        | 63,553                                 |
| New Hampshire  | 25,303                        | 25,303                                 |
| New Jersey     | 63,118                        | 63,118                                 |
| New York       | 44,872                        | 44,872                                 |
| North Carolina | 51,898                        | 51,898                                 |
| Pennsylvania   | 22,176                        | 14,784                                 |
| Rhode Island   | 33,931                        | ---                                    |
| South Carolina | 32,985                        | 32,985                                 |
| Virginia       | <u>51,298</u>                 | <u>51,298</u>                          |
| Totals         | <u>\$ 665,241</u>             | <u>\$ 623,918</u>                      |

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**ATLANTIC STATES MARINE FISHERIES COMMISSION**  
**SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

| <u>Federal Grantor/<br/>Program Description</u>     | <u>Federal<br/>CFDA<br/>Number</u> | <u>Federal Expenditures</u> |                     |
|---|------------------------------------|-----------------------------|---------------------|
|   |                                    | <u>2015</u>                 | <u>2014</u>         |
| Department of Commerce:                             |                                    |                             |                     |
| Interjurisdictional Fisheries Act                   | 11.407                             | \$ 242,043                  | \$ 275,216          |
| Atlantic Coastal Act (ACFCMA)                       | 11.474                             | 2,105,519                   | 1,939,604           |
| Atlantic Coastal Act (ACCSP)                        | 11.474                             | 2,157,859                   | 1,822,275           |
| Atlantic Coastal Act (Fisheries Support)            | 11.474                             | 1,344,375                   | 900,891             |
| Southeast Area Monitoring and<br>Assessment Program | 11.435                             | <u>65,691</u>               | <u>63,630</u>       |
| Total Department of Commerce                        |                                    | <u>\$ 5,915,487</u>         | <u>\$ 5,001,616</u> |
| Department of the Interior:                         |                                    |                             |                     |
| Atlantic Coastal Fish Habitat<br>Partnership        | 15.628                             | \$ 122,992                  | \$ 249,087          |
| Federal Aid in Sport Fish<br>Restoration Act        | 15.605                             | <u>202,700</u>              | <u>200,821</u>      |
| Total Department of the Interior                    |                                    | <u>\$ 325,692</u>           | <u>\$ 449,908</u>   |
| Total Expenditures of Federal Awards                |                                    | <u>\$ 6,241,179</u>         | <u>\$ 5,451,524</u> |

**DRAFT**

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Executive Committee  
Atlantic States Marine Fisheries Commission  
Arlington, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Atlantic States Marine Fisheries Commission (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 13, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Atlantic States Marine Fisheries Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Atlantic States Marine Fisheries Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Atlantic States Marine Fisheries Commissions's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

October 13, 2015

**DRAFT**

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Executive Committee  
Atlantic States Marine Fisheries Commission  
Arlington, Virginia

Report on Compliance for Each Major Federal Program

We have audited Atlantic States Marine Fisheries Commission's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Atlantic States Marine Fisheries Commission's major federal programs for the year ended June 30, 2015. Atlantic States Marine Fisheries Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Atlantic States Marine Fisheries Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Atlantic States Marine Fisheries Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Atlantic States Marine Fisheries Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, Atlantic States Marine Fisheries Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**DRAFT**

## Internal Control Over Compliance

Management of Atlantic States Marine Fisheries Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Atlantic States Marine Fisheries Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Atlantic States Marine Fisheries Commission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

October 13, 2015

**DRAFT**

ATLANTIC STATES MARINE FISHERIES COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

**Summary of Auditors' Results**

1. The auditors' report expresses an unmodified opinion on the financial statements of Atlantic States Marine Fisheries Commission.
2. No significant deficiencies relating to the audit of the financial statements of Atlantic States Marine Fisheries Commission are reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with government auditing standards.
3. No instances of noncompliance material to the financial statements of Atlantic States Marine Fisheries Commission, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the report on compliance with requirements applicable to each major program and on compliance in accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major Federal award programs for Atlantic States Marine Fisheries Commission expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. Major programs tested included:
  - Department of Commerce:
    - Atlantic Coastal Act 11.474 (ACFCMA)
    - Atlantic Coastal Act 11.474 (ACCSP)
    - Atlantic Coastal Act 11.474 (Fisheries Support)
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Atlantic States Marine Fisheries Commission was not determined to be a low-risk auditee.

**DRAFT**