

Atlantic States Marine Fisheries Commission

Executive Committee

October 30, 2019

8:00 – 10:00 a.m.

New Castle, New Hampshire

Draft Agenda

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/Call to Order (*J. Gilmore*)
2. Committee Consent
 - Approval of Agenda
 - Approval of Meeting Summary from August 2019
3. Public Comment
4. Report of the Administrative Oversight Committee (*P. Keliher*)
 - Consider Approval of Fiscal Year 2019 Audit/Financial Statement **Action**
 - Review Draft 2020 Action Plan
5. Consider Allocation of Remaining Plus-Up Funds (*R. Beal*)
 - Striped Bass Tagging Survey
 - Other Uses?
6. Discuss Public Input Processes (*R. Beal*)
 - Advisory Panel Involvement
 - Public Hearing Process
7. Review Policy Addressing Non-payment of State Assessments (*R. Beal*)
8. Future Annual Meetings Update (*L. Leach*)
9. Other Business/Adjourn

Please Note: Breakfast will be served as members arrive; members may arrive as early as 7:30 a.m.

The meeting will be held at Wentworth by the Sea; 588 Wentworth Road, New Castle, NH 03854; 603.422.7322

Sustainable and Cooperative Management of Atlantic Coastal Fisheries

Atlantic States Marine Fisheries Commission

**Financial Statements (Uniform Guidance) and
Supplementary Information**

Years Ended June 30, 2019 and 2018

Table of Contents

Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statement of Expenses by Function	5
Statements of Cash Flows	6
Notes to Financial Statements	7
Compliance Section:	
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 <i>Government Auditing Standards</i>.....	15
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	17
Supplementary Information:	
Schedule of Expenditures of Federal Awards.....	19
Notes to Schedule of Expenditures of Federal Awards	20
Schedule of Findings and Questioned Costs.....	21
Summary Schedule of Prior Audit Findings.....	22

Independent Auditors' Report

Executive Committee
Atlantic States Marine Fisheries Commission
Arlington, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Atlantic States Marine Fisheries Commission (the Commission), which comprise the statement of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, 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.

Auditors' 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 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 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 auditors' 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 auditors consider 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 the audit evidence we had 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 Atlantic States Marine Fisheries Commission as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2019 on our consideration of Atlantic States Marine Fisheries Commission 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 solely 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 effectiveness of Atlantic States Marine Fisheries Commission's 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.

Dixon Hughes Goodman LLP

**Tysons, Virginia
October 10, 2019**

Atlantic States Marine Fisheries Commission
Statements of Financial Position
June 30, 2019 and 2018

	2019	As Adjusted 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 208,992	\$ 512,317
Grants and accounts receivable	2,504,012	2,631,284
Other receivable	5,706	8,060
Prepaid expenses	83,052	83,265
Total current assets	<u>2,801,762</u>	<u>3,234,926</u>
Investments	853,922	842,812
Property and equipment, net	<u>3,293,088</u>	<u>3,424,638</u>
Total assets	<u><u>\$ 6,948,772</u></u>	<u><u>\$ 7,502,376</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 900,390	\$ 897,233
Accrued salaries and vacation	684,630	586,723
Deferred membership dues	175,620	210,748
Contract advances	59,527	91,878
Mortgage note payable, current portion	180,000	180,000
Total current liabilities	<u>2,000,167</u>	<u>1,966,582</u>
Long-term liabilities:		
Mortgage note payable, less current portion	71,152	250,912
Fair value of interest rate swap	1,283	1,696
Total long-term liabilities	<u>72,435</u>	<u>252,608</u>
Total liabilities	<u>2,072,602</u>	<u>2,219,190</u>
Net assets without donor restrictions	<u>4,876,170</u>	<u>5,283,186</u>
Total liabilities and net assets	<u><u>\$ 6,948,772</u></u>	<u><u>\$ 7,502,376</u></u>

See accompanying notes.

Atlantic States Marine Fisheries Commission
Statements of Activities
Years Ended June 30, 2019 and 2018

	2019	As Adjusted 2018
Revenue, support and other changes:		
Grant revenue	\$ 13,709,042	\$ 14,140,269
Membership dues	733,446	698,519
Annual meeting fees	17,851	24,714
Interest and dividends	9,318	7,132
Net realized and unrealized gain (loss) on investments	1,792	(4,325)
Unrealized gain on interest rate swap	413	8,448
	14,471,862	14,874,757
Expenses:		
Program services	13,609,447	13,913,810
General and administrative	1,269,431	403,974
	14,878,878	14,317,784
Change in net assets	(407,016)	556,973
Net assets without donor restrictions, beginning of year	5,283,186	4,726,213
Net assets without donor restrictions, end of year	\$ 4,876,170	\$ 5,283,186

Atlantic States Marine Fisheries Commission
Statement of Expenses by Function
Year Ended June 30, 2019, With Comparative Totals for 2018

	General & Administrative Expenses	Program														2019 Total	2018 Total	
		WB	ACCSP	ACFCMA	APAI	FMSLA II	Fisheries Support	IJF	AWFA Grant	MADMF	MAFMC	FHP	SEAMAP	Groundfish	State Staffing			Misc. States
Expenses:																		
Subcontracts	\$ -	\$ -	\$ 130,799	\$ 32,500	\$ 2,625,743	\$ 968,749	\$ 2,892,477	\$ -	\$ 21,979	\$ -	\$ 12,841	\$ 13,242	\$ -	\$ -	\$ 3,500	\$ 26,690	\$ 6,728,520	\$ 5,502,547
Salaries and accrued leave	1,183,424	121,265	1,035,144	826,509	1,117,966	-	-	80,623	11,214	-	-	31,752	26,756	-	393,140	-	4,827,793	4,680,093
Travel	20,371	15,124	104,512	548,270	154,429	1,889	28,119	139,015	12	-	-	17,693	6,044	-	27,995	728	1,064,201	1,368,771
Interest Expense	15,927	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,927	14,845
Equipment Maintenance	263	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	263	-
Fringe benefits	236,422	36,580	286,004	232,631	335,296	-	-	20,169	2,906	-	-	9,172	7,247	-	119,139	-	1,285,566	1,313,116
Disaster relief fund expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	479,736
Professional services	131,448	-	-	5,506	-	-	-	-	-	-	-	-	-	-	-	-	136,954	201,852
IT support	36,049	-	64,591	-	-	-	-	-	-	-	-	-	-	-	-	-	100,640	180,066
Depreciation	131,550	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	131,550	133,930
Office maintenance	76,211	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	76,211	77,327
Mortgage interest	59,770	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	59,770	57,519
Meeting expense	144,808	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	144,808	71,662
Office operations	30,276	-	8,505	-	11,539	4,978	-	-	-	-	-	-	-	-	-	-	55,465	52,489
Copier postage rental	50,055	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50,055	42,098
Equipment purchases	21,091	-	11,398	12,101	56,061	-	-	-	-	-	-	-	-	-	-	-	100,651	25,614
Training	-	-	-	-	2,205	-	-	-	-	-	-	-	-	-	-	-	2,205	28,411
Fees (bank, payroll, pension)	28,074	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	28,074	26,728
Telephone	8,580	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,580	24,325
Staff development	16,345	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,345	7,432
Unallowable expense	8,677	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,677	6,239
Business expenses	5,108	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,108	5,578
Insurance	14,710	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,710	5,238
Postage	4,055	-	-	-	66	-	-	-	-	-	-	-	-	-	-	-	4,121	4,394
Printing	3,200	-	535	-	1,436	-	-	-	-	-	-	-	-	-	-	-	5,171	3,625
Subscriptions and publications	3,556	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,556	3,152
Marketing and promotional	3,956	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,956	997
Allocated indirect expense	(964,495)	29,294	283,048	283,808	229,204	54,931	(36,396)	40,727	2,620	-	643	3,353	6,941	64,432	1,892	-	-	-
Total expenses	\$ 1,269,431	\$ 202,263	\$ 1,924,536	\$ 1,941,325	\$ 4,533,945	\$ 1,030,547	\$ 2,884,200	\$ 280,534	\$ 38,731	\$ -	\$ 13,484	\$ 75,379	\$ 46,988	\$ -	\$ 608,206	\$ 29,310	\$ 14,878,877	\$ 14,317,784
Expenses	\$ 403,974	\$ 202,999	\$ 2,069,750	\$ 2,141,415	\$ 4,407,640	\$ -	\$ 3,254,708	\$ 206,239	\$ -	\$ 30,165	\$ 319,362	\$ 96,946	\$ 55,693	\$ 479,736	\$ 648,157	\$ -	\$ 14,317,784	

See accompanying notes.

Atlantic States Marine Fisheries Commission
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (407,016)	\$ 556,973
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	131,550	133,930
Net realized and unrealized (gains) losses on investments	(1,792)	4,323
Unrealized gain on interest rate swap	(413)	(8,448)
Change in:		
Grants and accounts receivable	127,272	(381,347)
Other receivables	2,354	2,200
Prepaid expenses	213	(32,977)
Accounts payable	3,157	(24,080)
Accrued salaries and related expenses	97,907	(54,851)
Deferred revenue	(35,128)	115,730
Contract advances	(32,351)	(632,925)
Net cash used in operating activities	<u>(114,247)</u>	<u>(321,472)</u>
Cash flows from investing activities:		
Purchases of investments	<u>(9,318)</u>	<u>(5,808)</u>
Net cash used in investing activities	<u>(9,318)</u>	<u>(5,808)</u>
Cash flows from financing activities:		
Repayment on mortgage payable	<u>(179,760)</u>	<u>(180,000)</u>
Net cash used in financing activities	<u>(179,760)</u>	<u>(180,000)</u>
Net change in cash and cash equivalents	<u>(303,325)</u>	<u>(507,280)</u>
Cash and cash equivalents, beginning of year	<u>512,317</u>	<u>1,019,597</u>
Cash and cash equivalents, end of year	<u>\$ 208,992</u>	<u>\$ 512,317</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 15,927</u>	<u>\$ 14,845</u>

See accompanying notes.

Notes to Financial Statements

1. Organization and Nature of Activities

The Atlantic States Marine Fisheries Commission (the Commission) was authorized in 1942 by an Act of the Congress of the United States of America granting consent and approval to an interstate compact. The Commission is composed of 15 member states: Maine, New Hampshire, Massachusetts, Rhode Island, Connecticut, New York, Pennsylvania, New Jersey, Delaware, Maryland, Virginia, North Carolina, South Carolina, Georgia, and Florida. 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." The Commission's principle office is located in Arlington, Virginia.

2. Significant Accounting Policies

Basis of accounting

The Commission reports on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and cash equivalents

For the purposes of the statements of cash flows, the Commission considers all money market accounts and highly liquid instruments with purchased maturities of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the statements of financial position. Unrealized and realized gains and losses, interest and dividends are included in the change in net assets.

Accounts receivable

Accounts receivable consists primarily of annual state dues and project costs and is presented at the gross, or face, amount due to the Commission. Project cost receivables are related to the grant and contract activity. Management periodically reviews the status of all receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of and relationship with the customer and the age of the receivable balance. At June 30, 2019 and 2018 management's assessment was that all outstanding balances were deemed collectible and no allowance was required.

Property and equipment

Acquisitions of property and equipment are recorded at cost. Expenditures for additions, improvements and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statements of activities.

Depreciation is provided on the straight-line method over the estimated useful lives of the assets, ranging from 5 to 40 years. Leasehold improvements are depreciated over the term of the lease. It is the Commission's policy to capitalize assets purchased with a cost in excess of \$5,000.

Atlantic States Marine Fisheries Commission Notes to Financial Statements

Classification of net assets

The Commission classifies its resources for accounting and reporting purposes into two net asset categories according to the existence or absence of donor-imposed restrictions. A description of the two net asset categories is as follows:

Net Assets without Donor Restrictions: Net assets without donor restrictions include undesignated and designated net assets. Net assets without donor restrictions consist of revenues and expenses associated with the principle mission of the Commission, which are not restricted by donor stipulations.

Net Assets with Donor Restrictions: Net assets with donor restrictions include grants or gifts for which donor imposed restrictions have not been met, include gifts that require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restriction. Net assets with donor restrictions could consist of gifts from various individuals and organizations to provide awards to individuals supporting independent higher education. When such stipulations have been met, the net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets with donor restrictions. The use of these funds is limited to the expenditure of investment earnings. At June 30, 2019 and 2018, the Commission had no net assets with donor restrictions.

Revenue recognition

Revenue is generated from the following services:

Membership dues: Membership dues are recognized ratably over the applicable membership period to which they apply. Revenue received for membership relating to subsequent years has been reflected as deferred revenue.

Grants & contracts: Government and non-government grant and contract revenue are recognized as costs qualified under the grants are incurred. Grant funds received in excess of costs incurred are recorded as refundable advances until expended for the purpose of the grants. Grant costs incurred in excess of funds received are recorded as project costs receivable.

Meetings: Meetings revenues are recognized at the time of the conference or seminar. Amounts received in advance are recorded as deferred revenue.

Deferred revenue

Deferred revenue consists primarily of membership dues received in advance of the period in which they are earned.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services. The majority of the expenses are based on actual cost and relate directly to the program it is benefiting such as salaries, benefits, travel & meeting costs. Expenses that are not directly related to a program are charged to general and administrative.

Estimates

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

Atlantic States Marine Fisheries Commission Notes to Financial Statements

Income tax status

The commission is exempt from federal and state income tax under Section 501(a) of the Internal Revenue Code on income other than unrelated business income; accordingly the accompanying financial statements do not reflect a provision or liability for federal or state income taxes. The Commission is exempt as the IRS defines it as an instrumentality wholly owned by its membered State. The Commission has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2019 and 2018.

Concentrations of credit risk

The Commission maintains its cash in various high credit quality financial institutions, which at times may exceed the federally insured limit. The Commission believes it is not exposed to any significant credit risk on cash and cash equivalents.

Approximately 97% and 88% of the Commission's revenue and 74% and 93% of grants and accounts receivable were provided by U.S. government grants or contracts for fiscal years 2019 and 2018, respectively.

Indirect cost allocation

Indirect costs are allocated to contracts based on an indirect cost rate calculated using the simplified allocation method. Special rates may be utilized for awards that use a significantly different level of indirect costs than the established rate calculated using the simplified allocation method.

New accounting pronouncement

During fiscal year 2019, the Commission adopted ASU No. 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity of available resources, and the lack of consistency in the type of information provided about expenses and investment return. The fiscal year 2018 financial statements have been adjusted to reflect retrospective application of the new accounting guidance, except for the disclosures around liquidity and availability of resources and functional expenses. These disclosures have been presented for fiscal year 2019 as allowed by ASU No. 2016-14.

Recently issued accounting standards

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers (Topic 606)". The core principle of this standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The FASB issued four additional standards that amended and/or clarified certain guidance and provisions in ASU 2014-09, all of which are effective for the Commission on July 1, 2019. The Foundation is currently evaluating the impact on its financial statements as a result of the adoption of these new standards.

Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions (Topic 958)". Under this guidance, it provides clarification for determining whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a contribution is conditional. The FASB issued four additional standards that amended and/or clarified certain guidance and provisions in ASU 2018-08, all of which are effective for the Commission on July 1, 2019. The Commission is currently evaluating the impact on its financial statements as a result of the adoption of these new standards.

Atlantic States Marine Fisheries Commission
Notes to Financial Statements

Leases

In February 2016, the FASB issued ASU 2016-02, "Leases". Under the new standards, lessees will need to recognize a right-of-use asset and a lease liability for virtually all their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. For income statement purposes, the FASB continued the dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied to current lease accounting. Extensive quantitative and qualitative disclosures will be required to provide greater insight into the extent of revenue and expense recognized and expected to be recognized from existing contracts. The new standard will be effective for the Commission on July 1, 2020, and the Commission is currently evaluating the effect this accounting standard may have on its financial statements.

Subsequent events

In preparing these financial statements, the Commission has evaluated events and transaction for potential recognition or disclosure through October 10, 2019, the date the financial statements were available to be issued.

3. Investments

Investments consisted of the following at June 30:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 634,502	\$ 634,502	\$ 629,863	\$ 629,863
Mutual funds	<u>217,671</u>	<u>219,420</u>	<u>217,308</u>	<u>212,949</u>
	<u>\$ 852,173</u>	<u>\$ 853,992</u>	<u>\$ 847,171</u>	<u>\$ 842,812</u>

For 2019 and 2018, the unrealized and realized gain (loss) on these investments reflected in the accompanying financial statements was \$1,792 and \$(4,325), respectively.

Investment income for years ending June 30 consists of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 9,318	\$ 7,132
Unrealized gain (loss) on investments	<u>1,792</u>	<u>(4,325)</u>
	<u>\$ 11,110</u>	<u>\$ 2,807</u>

Atlantic States Marine Fisheries Commission
Notes to Financial Statements

4. Availability and Liquidity

Financial assets available for general expenditure within one year of the statements of financial position consist of the following at June 30, 2019:

Current financial assets:	
Cash and cash equivalents	\$ 208,992
Investments	853,922
Grants and accounts receivable, net	2,504,012
Other receivable	5,706
Prepaid expenses	<u>83,052</u>
Total current financial assets	<u>3,655,684</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,655,684</u>

The Atlantic States Marine Fisheries Commission's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$2 million). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. The Short-Term Fund's goal is to meet expenses as a result of unanticipated activities and will maintain a minimum of one month's and a maximum of three month's operating expenses for the Commission. Additionally, the Commission has a Long-Term Fund with the purpose of maintaining the financial stability of the Commission. The Long-Term fund will contain anything in excess of the needs of the Operating and Short-Term Funds.

5. Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring and reporting financial assets and liabilities at fair value. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The codification establishes a three-level disclosure hierarchy to indicate the level of judgment used to estimate fair value measurements:

- Level 1:** Quoted prices in active markets for identical assets or liabilities as of the reporting date;
- Level 2:** Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices (such as interest rate and yield curves);
- Level 3:** Uses inputs that are unobservable, supported by little or no market activity and reflect significant management judgment.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for asset measurements at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

Atlantic States Marine Fisheries Commission
Notes to Financial Statements

Mutual funds: Valued at the daily closing price as reported by the fund. These funds are registered with the Securities and Exchange Commission and are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds are deemed to be actively traded.

Interest rate swap: Valued on current notional amount at One-Month London Interbank Offered Rate – British Bankers’ Association (LIBOR-BBA).

The tables below summarize investments, by level, for items measured at fair value at June 30, 2019 and 2018:

	Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Mutual fund – fixed income	\$ 219,420	\$ -	\$ -	\$ 219,420
	<u>\$ 219,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 219,420</u>

	Assets at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Mutual fund – fixed income	\$ 212,949	\$ -	\$ -	\$ 212,949
	<u>\$ 212,949</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 212,949</u>

	Liabilities at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Interest rate swap	\$ -	\$ 1,283	\$ -	\$ 1,283
	<u>\$ -</u>	<u>\$ 1,283</u>	<u>\$ -</u>	<u>\$ 1,283</u>

	Liabilities at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Interest rate swap	\$ -	\$ 1,696	\$ -	\$ 1,696
	<u>\$ -</u>	<u>\$ 1,696</u>	<u>\$ -</u>	<u>\$ 1,696</u>

6. Grant and Accounts Receivable

Grants and accounts receivable, net of allowance for doubtful collections, is comprised of the following at June 30:

	2019	2018
Billed receivables	\$ 2,503,552	\$ 2,024,376
Unbilled receivables	460	606,908
	<u>2,504,012</u>	<u>2,631,284</u>
Less, allowance for doubtful collections	-	-
	<u>\$ 2,504,012</u>	<u>\$ 2,631,284</u>

Atlantic States Marine Fisheries Commission
Notes to Financial Statements

7. Notes Payable and Derivative Transactions

On August 1, 2010, the Commission purchased an office condominium in Arlington, Virginia and received a loan in the amount of \$2,700,000 with an interest rate of 3.76%. Branch Banking and Trust Company is the trustee on the loan. 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 449, Title 15.2, Code of Virginia of 1950, as amended. The Authority assigned the related promissory note to a financial institution. The maturity date of the loan is August 11, 2020.

The Commission entered into two interest rate swap agreements. One of the interest rate swap transactions has an initial notional amount of \$1,000,000, which amortizes monthly. The current notional amount as of June 30, 2019 is \$125,500. The fixed interest rate is 3.45% and expires in August 2020. The other interest rate swap transaction has an initial notional amount of \$800,000. The current notional amount as of June 30, 2019 is \$125,500. The fixed interest rate is 4.14% and expires in August 2020. Under both agreements, the Commission is to receive a variable interest rate of 68% of USD-LIBOR-BBA plus 1.7875%. The interest rate swap agreement results in the Commission paying or receiving the difference between the fixed and floating rates at specified intervals calculated based on the notional amounts. The interest rate differential is paid or received monthly as interest rates change and a net amount is recorded as interest expense. The swap transactions are intended to fix the Commission's interest rate on a portion of its debt. The change in fair value of the interest rate swap agreement is reflected in the accompanying statements of activities as unrealized gain or loss on interest rate swap. The Commission is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreements. However, the Commission does not anticipate nonperformance by the counterparties. The Commission received a waiver from its financial institution of its debt covenant requirement related to its loan on the Commission's office space for the year ended June 30, 2019.

The note payable is recorded as current portion of long-term debt and long-term debt-less current portion, on the statements of financial position.

Long-term debt as of June 30, 2019 and 2018 consisted of:

	<u>2019</u>	<u>2018</u>
Note payable, secured by headquarters office Condominium suite, payable in monthly installments of \$15,000 plus interest at 3.86%, due August 2020	\$ 251,152	\$ 430,912
Less current portion	<u>(180,000)</u>	<u>(180,000)</u>
Total long-term debt	<u>\$ 71,152</u>	<u>\$ 250,912</u>

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

2020	\$ 180,000
2021	<u>70,912</u>
	<u>\$ 250,912</u>

Atlantic States Marine Fisheries Commission
Notes to Financial Statements

8. Property and Equipment

Property and equipment and accumulated depreciation at June 30 are as follows:

	<u>2019</u>	<u>2018</u>
Building	\$ 4,122,947	\$ 4,122,947
Furniture and equipment	<u>302,197</u>	<u>302,197</u>
	4,425,144	4,425,144
Less, accumulated depreciation	<u>1,132,056</u>	<u>1,000,506</u>
	<u>\$ 3,293,088</u>	<u>\$ 3,424,638</u>

Depreciation expense on property and equipment was \$131,550 and \$133,930 for 2019 and 2018 respectively.

9. Operating Leases

The Commission leases a copier machine under a 60-month lease, expiring June 2020, requiring monthly lease payments of \$3,257. The Commission also leased equipment under a 36-month lease, expiring in August 2020. Rent expense was \$50,055 and \$42,098 for 2019 and 2018, respectively.

The future minimum lease payments are as follows for the years ending June 30:

2020	<u>\$ 41,041</u>
------	------------------

10. Retirement Plan

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, 2019 and 2018 was \$413,723 and \$421,139, respectively.

11. Commitments and Contingencies

The Commission receives a significant portion of its support under federal grants which are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. These grants and contracts may be audited by the federal government, and the ultimate determination of the allowable costs is determined by such audits.

Compliance Section

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 accompanying financial statements of Atlantic States Marine Fisheries Commission (the Commission), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, expenses by function and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 10, 2019.

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 Atlantic States Marine Fisheries Commission'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Atlantic States Marine Fisheries Commission's financial statements are free from 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.

Dixon Hughes Goodman LLP

**Tysons, Virginia
October 10, 2019**

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

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 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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 types of 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, 2019.

Report on 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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

**Tysons, Virginia
October 10, 2019**

Supplementary Information

**Atlantic States Marine Fisheries Commission
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019**

<u>Federal Granting Agency/ Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Commerce:		
Interjurisdictional Fisheries Act of 1986 (IJF)	11.407	\$ 280,534
Cooperative Fishery Statistics	11.434	4,533,944
Southeast Area Monitoring and Assessment Program (SEAMAP)	11.435	46,988
Atlantic Coastal Fisheries Cooperative Management Act (ACFCMA)	11.474	<u>7,780,587</u>
Total U.S. Department of Commerce		12,642,053
U.S. Department of the Interior:		
Sport Fish Restoration Program	15.605	202,262
Fish and Wildlife Management Assistance	15.608	75,378
Multistate Conservation Grant Program	15.628	<u>38,731</u>
Total U.S. Department of the Interior		<u>316,371</u>
Total awards expended		<u><u>\$ 12,958,424</u></u>

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the Federal award activity of the Commission, under programs of the federal government for the year ended June 30, 2019 in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Commission.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Commission has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Contingency

The grant revenue amounts received and expenses (eligible for reimbursement) are subject to audit adjustment. If any expenses are disallowed by the grantor as a result of such audit, a claim for reimbursement to the grantor would become a liability of Atlantic States Marine Fisheries Commission. In the opinion of management, all grant expenses (eligible for reimbursement) are in compliance with the terms of the grant agreement and applicable federal and state laws and regulations.

**Atlantic States Marine Fisheries Commission
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2019**

There were no findings reported in the prior year that would require comment.