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SB 345 (346): "An Act relating to Fisheries Development Endowment Loans."

SB 345 establishes a new program that allows the department to make loans to establish endowments for support of commercial fisheries development research projects in the state. The loans would be made to nonprofit corporations incorporated for the purpose of promoting the development of commercial fisheries in the state. The loans would be ten-year, zero interest, unsecured loans due in full at maturity. Recipients would be required to provide financial information relating to the endowment and would be subject to audit by the legislative auditor.

SB 346 would appropriate \$5,000,000 to the department for the purpose of making a loan under this program to the Alaska Fisheries Development Foundation.

The department is neutral on this legislation.

  
\_\_\_\_\_  
Glenn A. Olds, Commissioner *for*

Date: 2-3-92



**SENATOR FRED F. ZHAROFF**  
**ALASKA STATE LEGISLATURE**

P. O. BOX 405, KODIAK, ALASKA 99615 (907) 486-5259

DURING SESSION:

P. O. BOX V, JUNEAU, ALASKA 99811 • (907) 465-3473 • 465-3474

DISTRICT N

ALASKA PENINSULA • ALEUTIAN CHAIN • BRISTOL BAY • KODIAK ISLAND • LAKE CLARK/LAKE ILIAMNA • PRIBILOF ISLANDS • SHUMAGIN ISLANDS

**SECTIONAL ANALYSIS**

**Senate Bill No. 345**

"An Act making an appropriation for a loan to the Alaska Fisheries Development Foundation for a commercial fisheries development endowment; and providing for an effective date."

**SECTION 1**

LEGISLATIVE FINDINGS.

Explains the purpose of the bill.

**SECTION 2**

Appropriates \$5 million from the general fund to the Department of Commerce and Economic Development for a commercial fisheries development endowment loan to the Alaska Fisheries Development Foundation. This is contingent on the passage of SB 345 or similar legislation.

**SECTION 3**

Immediate effective date.

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

FISCAL NOTE

BILL NO. SB 345

Revision Date: \_\_\_\_\_

Department Affected: Commerce & Econ. Dev.

Title: An Act relating to Fisheries Development  
Endowment Loans

BRU: Investments

Sponsor: Senators Zharoff, Duncan

Component: \_\_\_\_\_

Requestor: Resources

COMPONENT SERIAL NO. 

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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE FUND RESOURCE:	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER FUND SOURCE:						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: \_\_\_\_\_

**ANALYSIS** (Attach a separate page if necessary.)  
SB 345 creates a new loan program for nonprofit corporations that promote the development of commercial fisheries in the state. Companion bill, SB 346, would appropriate \$5,000,000 for the purpose of making a loan to Alaska Fisheries Development Foundation. It is anticipated that this is the only loan that would be made in the near future and, thus, no new funds would be needed to implement this bill.

Prepared By: Martin J. Richard, Director *[Signature]* Phone: 465-2510

Division: Investments Date: 1/31/92

Approved by Commissioner: Glenn A. Olds *[Signature]* Com.

Agency: Department of Commerce & Economic Development Date: 2-3-92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Lecls. Ofc., and Impacted Agency(ies).

Changes in SSB 345 (RES)  
have no fiscal impact. This  
fiscal note is appropriate.

Page 1 of 1

BC(dg)1-3530-1/013192a

Feb. 10, 1992 Terry Olds *[Signature]*  
date Comte Aide (initial)

SENATE COMMITTEE REPORT  
FIRST COMMITTEE OF REFERRAL

DATE: 1/13/92

FURTHER: Finance

Date of 5-Day Notice: Waived  
(in accordance with Uniform Rule 23)

DATE TURNED  
INTO OFFICE: Feb 11, 1992

Resources Committee considered SENATE BILL NO. 345

"An Act relating to loans for the establishment of commercial fisheries development endowments, and providing for an effective date."

and recommends:

replace with \_\_\_\_\_ CS SB 345 (RES)

same title  
 new title  
 technical title change (HB only)

attaches amendment(s)

adopts \_\_\_\_\_ Letter of Intent

further referral to the \_\_\_\_\_

do pass

do not pass

no recommendation

individual recommendations

NEW FISCAL NOTES: Dept/Date

zero fiscal notes \_\_\_\_\_

fiscal notes \_\_\_\_\_

appropriation--no fiscal note

PREVIOUS FISCAL NOTES: Dept/Date

Governor's bill with fiscal notes:

zero fiscal notes \_\_\_\_\_

fiscal notes \_\_\_\_\_

DO PASS:

[Signatures]

OTHER RECOMMENDATIONS:

\_\_\_\_\_

[Signature]  
Chair: Signature and Recommendation

FISCAL NOTE

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL NO. SB 345 and SB 34

Revision Date: 1/27/92 Department Affected: Fish and Game  
 Title: Commercial Fisheries Development BRU: Commercial Fisheries  
 Endowments \_\_\_\_\_ Component: Commercial Fisheries  
 Sponsor: Senator Zharoff  
 Requestor: Senate Resources Committee COMPONENT SERIAL NO. 

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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0					
TRAVEL	0					
CONTRACTUAL	0					
SUPPLIES	0					
EQUIPMENT	0					
LAND & STRUCTURES	0					
GRANTS, CLAIMS	0					
MISCELLANEOUS	0					
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
FUND SOURCE:						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
FUND SOURCE:						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

Changes in CS SR 345 (RES) have no fiscal impact. This fiscal note is appropriate.

Feb 10, 1992 date T.C.O. Terry Ohms Compt Aide (initial)

Prepared By: Bob Clasby Phone: 465-4210  
 Division: Commercial Fisheries Date: 1/27/92  
 Approved by Commissioner: [Signature]  
 Agency: Dept. of Fish and Game Date: [Signature]

**CS FOR SENATE BILL NO. 345 (RESOURCES)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTEENTH LEGISLATURE - SECOND SESSION**

**BY THE SENATE RESOURCES COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): SENATORS ZHAROFF, Duncan, Sturgulewski**

**A BILL**

**FOR AN ACT ENTITLED**

**1 "An Act relating to loans for the establishment of commercial fisheries development  
2 endowments; and providing for an effective date."**

**3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

**4 \* Section 1. AS 16.10 is amended by adding a new section to read:**

**5 ARTICLE 9A. COMMERCIAL FISHERIES DEVELOPMENT ENDOWMENT LOANS.**

**6 Sec. 16.10.601. COMMERCIAL FISHERIES DEVELOPMENT ENDOWMENT LOANS.**

**7 (a) Subject to the availability of funds appropriated by the legislature for commercial fisheries  
8 endowment loans, the Department of Commerce and Economic Development may make loans  
9 to establish endowments for the support of commercial fisheries development research projects  
10 in the state to nonprofit corporations incorporated for the purpose of promoting the development  
11 of commercial fisheries in the state.**

**12 (b) A loan made under this section is**

**13 (1) for a period of 10 years unless another period is specified by the legislature;**

**14 (2) made without interest;**

1 (3) not subject to repayment until the expiration of the period of the loan;  
 2 however, the principal of the loan shall be repaid in full at the expiration of the period of the  
 3 loan.

4 (c) The recipient of a loan made under this section may invest the principal of the loan  
 5 only in the following financial instruments or investments:

6 (1) United States Treasury securities with a maturity of three years or less;

7 (2) bonds or notes that are issued by a state or political subdivision that are  
 8 graded A or higher by Moody's Investor's Service, Inc., or Standard and Poor's Corporation and  
 9 that have a maturity of three years or less;

10 (3) prime commercial paper that is graded A-1 or higher by Moody's Investor  
 11 Service, Inc., or P-1 or higher by Standard and Poor's Corporation and that has a maturity of 270  
 12 days or less;

13 (4) prime bankers acceptances that are offered by the 50 largest international  
 14 banks and that have a maturity of 180 days or less;

15 (5) money market mutual funds with a portfolio consisting entirely of United  
 16 States government obligations or United States government guaranteed obligations;

17 (6) uncollateralized deposits, with a maturity of three years or less, at banks and  
 18 savings and loan associations to the extent that the deposits are insured by the Federal Deposit  
 19 Insurance Corporation or the Federal Savings and Loan Insurance Corporation; or

20 (7) certificates of deposit and other deposits with a maturity of five years or less  
 21 at banks and savings and loan associations where the entire amount of principal and interest is  
 22 payable upon maturity of the deposit and the deposit is collateralized by one or more of the  
 23 following:

24 (A) insurance issued by the Federal Deposit Insurance Corporation or the  
 25 Federal Savings and Loan Insurance Corporation;

26 (B) United States Treasury securities;

27 (C) obligations guaranteed by the United States government or its agencies  
 28 or instrumentalities;

29 (D) obligations of the State of Alaska or its political subdivisions that are  
 30 secured by the full faith, credit, and taxing power of the state or political subdivision and  
 31 that are rated A or higher by Moody's Investor's Service, Inc., or Standard and Poor's

1 Corporation.

2 (d) The recipient of a loan to establish an endowment under this section shall provide  
3 copies of annual reports and financial audits regarding the endowment, if any, to the  
4 commissioner of commerce and economic development and the legislature by January 15 of each  
5 year.

6 (e) The financial records of an endowment established with a loan made under this  
7 section may be audited by the legislative auditor or by a certified public accountant approved by  
8 the legislative auditor if the audit is requested by the Legislative Budget and Audit Committee.

9 (f) The commissioner of commerce and economic development shall adopt regulations  
10 necessary to implement this section.

11 \* Sec. 2. AS 16.10.601, added by sec. 1 of this Act, is repealed June 30, 2003.


12 \* Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

SB 345 (346): "An Act relating to Fisheries Development  
Endowment Loans."

SB 345 establishes a new program that allows the department to make loans to establish endowments for support of commercial fisheries development research projects in the state. The loans would be made to nonprofit corporations incorporated for the purpose of promoting the development of commercial fisheries in the state. The loans would be ten-year, zero interest, unsecured loans due in full at maturity. Recipients would be required to provide financial information relating to the endowment and would be subject to audit by the legislative auditor.

SB 346 would appropriate \$5,000,000 to the department for the purpose of making a loan under this program to the Alaska Fisheries Development Foundation.

The department is neutral on this legislation.

  
\_\_\_\_\_  
Glenn A. Olds, Commissioner

Date: 2-3-92

GAO/BC/dgl1363D-3  
013192a

Position Paper  
Commerce & Economic Development



SENATOR FRED F. ZHAROFF  
ALASKA STATE LEGISLATURE

P. O. BOX 405, KODIAK, ALASKA 99815 (907) 488-5259

DURING SESSION:

P. O. BOX V, JUNEAU, ALASKA 99811 • (907) 485-3473 • 485-3474

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DISTRICT N

ALASKA PENINSULA • ALEUTIAN CHAIN • BRISTOL BAY • KODIAK ISLAND • LAKE CLARK/LAKE ILIAMNA • PRIBILOF ISLANDS • SHUMAGIN ISLANDS

SECTIONAL ANALYSIS

Senate Bill No. 345

"An Act relating to loans for the establishment of commercial fisheries development endowments; and providing for an effective date."

SECTION 1

COMMERCIAL FISHERIES DEVELOPMENT ENDOWMENT LOANS.

- (a) Gives the Department of Commerce and Economic Development the authority to make loans to establish endowments -- subject to the availability of funds appropriated by the legislature -- to nonprofit corporations for commercial fisheries development research projects. The nonprofit corporation must be incorporated for the purpose of promoting commercial fisheries development in Alaska.
- (b) Establishes the terms of the loan. The loan is for 10 years, made without interest, and the principal is to be repaid in full when due.
- (c) Requires distribution of annual reports and financial audits.
- (d) Makes the financial records of an endowment loan subject to inspection and audit by the Division of Legislative Audit.
- (e) Requires the commissioner of commerce and economic development to adopt regulations to implement this section.

SECTION 2

Sunset clause. The statute is repealed upon the expiration of an endowment loan to the Alaska Fisheries Development Foundation.

SECTION 3

Immediate effective date.

ALASKA FISHERIES DEVELOPMENT FOUNDATION ENDOWMENT

What Is The Foundation And What Is Its Goal?

\* The Alaska Fisheries Development Foundation (AFDF) is a private non-profit corporation formed in 1978 by the Alaska seafood industry to satisfy the research and development needs of Alaska's commercial fishing industry.

\* The Foundation acts as a catalyst for all segments of the seafood industry, including the scientific and research communities, to demonstrate new technologies and ideas for the benefit of Alaskan seafood producers, users, consumers and fishery managers.

What Does The Foundation Do?

\* AFDF conceptualizes and acquires funding for demonstration projects which allow the Alaskan seafood industry to test and apply new technologies in plants or aboard vessels that expand opportunities, increase yields and make better use of Alaska's fish resources. These are projects that few companies could afford or have the ability to conduct on their own.

\* AFDF demonstration projects have helped Alaskan fishermen and processors develop new harvesting and processing techniques, create new markets for seafood products, experiment with new product forms, create economic opportunities for coastal communities, reduce fisheries waste, increase yields and pioneer technologies that return the maximum benefit to Alaskans and the people of the United States.

\* In its first 14 years, AFDF brought over \$13 million in federal Saltonstall-Kennedy research and development funds to Alaska, and conducted hundreds of successful projects--many of which brought multi-million-dollar benefits to the Alaska seafood industry and to seafood-dependent communities.

What Has AFDF Accomplished?

- \* In the past, AFDF projects have:
  - Pioneered surimi and pollock production technology on shore in Alaska, resulting in a \$500 million/year industry in Alaska;
  - Developed a whole new fishery based on Alaskan flatfish species, a bountiful resource that was not commercially used before AFDF'S project. In the first three years since AFDF'S flatfish development project, commercial flatfish fillet production has already brought \$12 million/year into Alaska's economy and has not yet realized its full potential;
  - Led ground-breaking research into surimi production from arrowtooth flounder, a development that could lead to a second raw material source for surimi in Alaska;
  - Spearheaded the development of new, profitable uses for

seafood processing byproducts to help seafood producers turn waste into marketable products;

- AFDF demonstration projects have resulted in over 2,000 full-time year-round jobs, which are a permanent addition to the Alaska economy; and

- Identified and realized hundreds of opportunities for fishermen, processors and secondary processors to make fuller use of the protein from Alaska's fish, to reap more long-term, year-round benefits from Alaska's fisheries, and to return more benefits to the state of Alaska and the public.

#### Why is AFDF Pursuing A State-Funded Endowment?

- \* AFDF has obtained a vast majority of its project funding from the federal Saltonstall-Kennedy program, which was set-up to fund industry conceived and directed development projects.

- \* The Saltonstall-Kennedy program, like many federal programs, has suffered considerable funding cuts. These reductions accurately reflect the fully developed status of commercial fisheries opportunities in most of the United States. But, Alaska has only recently begun to develop its commercial fishing resources beyond traditional species such as salmon and crab, and these federal budget reductions are limiting one of the greatest economic development opportunities in the country.

- \* AFDF is now seeking a fisheries development endowment to ensure that Alaska can continue to reap economic benefit from successful research and development, and to ensure that such development projects remain within the control of Alaskan fishermen and processors, and the citizens of Alaska, and are not controlled by the whims of federal funding and/or national politics.

- \* Fisheries make up Alaska's second most important private industry, and its largest private employer. AFDF has contributed, directly and indirectly, to the growth, stability and competitiveness of this industry. Alaska cannot afford to allow such an effective force to be lost due to a lack of federal fisheries funding priorities.

#### Why Doesn't Industry Pay For The Endowment?

- \* Industry already provides more than \$350,000 dollars each year to the operations and projects of the Foundation.

- \* The Foundation is also soliciting endowment funds from private industry and already has made a deposit to the endowment.

- \* The benefits of high risk industry research and development accrue to all sectors of Alaska and is therefore an investment within the purview of State expenditures.

FISHERIES DEVELOPMENT PROJECTS  
OF THE  
ALASKA FISHERIES DEVELOPMENT FOUNDATION

1. Analysis of Factors That Affect Groundfish Quality

This project produced the first solid baseline of data on the quality characteristics of Alaska groundfish through the entire year. This information allows processors to structure their production to achieve the highest quality product, and to respond with factual information to speculation about how intrinsic characteristics of Alaskan species compare to North Atlantic species. AFDF worked with International Seafoods of Alaska, National Marine Fisheries Service (NMFS), All Alaskan Seafoods and Oregon State University to analyze groundfish product samples for an entire annual cycle. Samples were analyzed for moisture content, yield, taste acceptability, storage stability, and enzyme activity. The resulting data on quality and flesh characteristics is available in both a poster and a full report.

2. Development of Improved Techniques for Bone and Parasite Removal

In a project involving many shore-based cod processors, the Foundation has been working with the University of Alaska Fishery Industrial Technology Center (FITC) to improve current methods of bone and parasite removal, and to develop new, better methods. First, we studied the use of light filters and how variations in light intensity affect candling efficiency. Other studies involved mechanical vision systems, and may include testing bioelectrical methods as well. The goal is to develop a less labor-intensive, more accurate way to remove fish parasites. This may eventually lead to completely automated parasite detection and removal.

3. Development of Surimi Process Quality Assurance

This project has given surimi producers better quality information and expanded market opportunities. It also helped pave the way for U.S. Department of Agriculture approval for HACCP-produced surimi to be used in processed meats--a first for any seafood product. AFDF, Alaska Pacific Seafoods and the FITC together introduced a cutting-edge Hazard Analysis and Critical Control Point (HACCP) program, a quality assurance technique at the food industry forefront. A complete multi-seasonal microbiological analysis of production samples was done, and critical control points in the surimi process were identified. This effort has resulted in much better quality control. USDA approval for HACCP-produced surimi in processed meats, a direct result of this program, has created a

multi-million-dollar opportunity for surimi producers. We are applying the HACCP concept into other Alaska seafood processing lines so that broader microbiological data will be available to industry. This information will help prepare the Alaska seafood industry for the expected mandatory federal seafood inspection program.

#### 4. Flatfish Processing Line Yield Improvements

During the AFDF flatfish project in 1988, we recognized the need to reduce waste and increase profits by improving yields during processing. This project demonstrated a process that would recover the flesh left on filleted flatfish frames. The process used available technology transferred from the poultry deboning industry to the Alaska seafood industry. Results indicate that we can increase recoveries and returns to processors and fishermen. We are also testing a similar process to increase yields from other groundfish, especially gray cod and pollock.

#### 5. Development and Demonstration of Seafood By-Product Hydrolysis

The Foundation, working with North Pacific Processors and Advanced Hydrolyzing Systems, addressed the crucial question of seafood processing by-product utilization. Conventional meal and oil processing, though effective enough in large plants, offered little opportunity for most of Alaska's smaller or seasonal processors because of high capital costs. We tested a prototype 1,000/lb. per hour automated hydrolyzer machine and produced more than 12,000/lbs. of meal from material that would normally be discarded as waste. The hydrolyzed product was analyzed for use in piglet starter feeds at the University of Alaska Fairbanks, salmon fry feeds at the Fort Richardson State Hatchery, and as foliar feeder/insecticide for commercial fruit trees in Oregon. If successful, this hydrolyzing technology will allow processors to use more of the raw material they buy from harvesters, and to minimize problems with effluent regulations. This project has been continued for one more year to further explore the hydrolyzing options available to Alaska processors and the applications for hydrolyzed products.

#### 6. Coordinate an International Seafood By-Product Conference

The Foundation, together with The University of Alaska Sea Grant Program, Icicle Seafoods, and several other members of the seafood industry hosted this international conference in 1990. The conference featured speakers from major fish by-product producers, researchers and buyers, and attendance topped 200 people from 13 countries. The purpose of the conference was to expose the Alaska industry to the worldwide demand and opportunities for seafood by-products, and to expose the international seafood by-products industry to growing opportunities in Alaska. In the past, dominance of Alaska's industry by salmon and crab producers had led to a widely held belief that Alaska had little to offer in the way of high quality whitefish by-products. The fact that our waste

streams had changed and our by-product handling facilities had been upgraded was not widely known. The conference was very successful in achieving these goals.

#### 7. Testing an Automated Vision-Based Flatfish Sorting System

During our recently completed flatfish production demonstration project, we discovered that one obstacle to profitable flatfish filleting was the sorting problem caused by the large size range of flatfish species. Hand sorting is extremely time consuming and expensive, but is necessary to effectively machine fillet the fish. A prototype vision-based sorting machine from Eastern Canada is being tested at All Alaskan Seafoods for its ability to correctly sort Alaska flatfish species. If the machine is successful, as it is with Atlantic flatfish species, we will have solved a major problem for automated flatfish filleting in Alaska.

#### 8. Developing a Flatfish Gutting Machine

A second obstacle to flatfish industry development the presence of rocks and grit in the gut cavity of Alaska flatfish, which damages the blades of automated filleting equipment. To solve this problem, we have begun to develop a prototype machine that would clean the belly cavity before the fish is filleted. If successful, this machine would increase efficiency, profitability, and feasibility of flatfish processing in Alaska.

#### 9. Researching Feasibility of Producing Arrowtooth Flounder Surimi

Working with the National Marine Fisheries Service (NMFS), Eagle Fisheries, Alaska Dragger's Association, Alaska Pacific Seafoods, and All Alaskan Seafoods, the Foundation is attempting to document the feasibility of commercial production of surimi from arrowtooth flounder. Arrowtooth flounder have an intrinsic flesh softening problem that renders them useless for seafood processors. The Gulf of Alaska population is at very high levels, and both harvesters and processors go to considerable trouble to avoid--or, when encountered, discard--this species. Dr. Diana Wasson, a scientist with NMFS, identified an additive which, when applied in the laboratory to arrowtooth flounder flesh, effectively eliminated the flesh softening problem. This incredible breakthrough led to a production test of the additive, which demonstrated successful application. The additive seems to retain its effectiveness through frozen storage. Final results from this project have been released. The next step will be a full-scale demonstration project in 1992 so that the industry will be able to collect the information required to make educated decisions about the feasibility of arrowtooth flounder surimi processing on an industrial scale.

## 10. Modification of Crab Pots to Harvest Pacific Cod

In response to the recent development of modified crab pots for the harvest of gray cod, the Foundation--together with the Alaska Department of Fish and Game, Neptune Trap and Trigger, Gotyas and the M/V Enterprise--completed research into the effectiveness of pot gear in harvesting cod and avoiding halibut. Both processors and harvesters have been hard hit by the closure of groundfish fisheries when halibut limits have been reached. The use of inclusion devices, together with vertical dividers in pot entrances, offers a logical method to continue the harvest of gray cod while eliminating most halibut. This harvesting method could also allow many small crab vessels to enter the groundfish fishery without large capital investments. The field research for this project has been completed and a final report is available. The results give harvesters an objective look at the production possibilities of this new gear type. We are also planning to study various modifications of bottom trawl gear in an effort to identify changes that will reduce trawlers' catches of halibut in 1992.

## 11. Ongoing Program Development

Each year the Foundation's program development committee, board of directors and staff complete an effort to identify and select projects for funding proposals. This year's effort is just beginning and will be completed in late March. At the present time the following ideas are under consideration: expanded arrowtooth flounder surimi studies, continued trawl bycatch reduction studies, pink salmon surimi, mince and secondary processing studies, squid surimi production demonstration, recovery of proteins from surimi wastewater, continued byproduct processing efforts, a bycatch workshop, and automated removal of cod pin bones.

A Proposal  
To Establish an Endowment to Perpetuate  
Industry-Directed Fisheries Development  
In Alaska

Submitted for Consideration to the  
Alaska State Legislature  
January 1992

by

Alaska Fisheries Development Foundation, Inc.  
508 West Second Avenue, Suite 212  
Anchorage, Alaska 99501  
Phone: (907) 276-7315  
Fax (907) 271-3450

## Abstract

The commercial seafood industry of Alaska proposes that the Alaska Legislature establish an endowment for commercial fisheries development in Alaska.

The Alaska Fisheries Development Foundation since 1978 has initiated and led seafood industry development projects that have helped create new fisheries in Alaska, have greatly expanded the state's seafood processing and exporting capacity, and have contributed significantly to Alaska's economic growth and diversification.

Alaska Fisheries development Foundation is the force behind the successful demonstration of large-scale shore-based groundfish processing, the nation's first surimi processing plant, and a full-scale flatfish filleting plant. Over the last 14 years, AFDF has brought nearly one million dollars per year of federal research funds into Alaska.

Now, budget restrictions and priority changes in the federal fisheries industry grants program have caused severe reductions in federal funding for fisheries development projects. These changes have closed at least four of the original seven industry-directed fisheries development foundations in the U.S.

But many of the commercial fisheries of Alaska remain dramatically underdeveloped. It is vitally important that the State of Alaska continue to pursue industry-directed fisheries development research focusing on new species and on new processing technologies. It is also crucial that these development efforts be directed by the seafood industry--and designed with resource concerns in mind--and remain independent of the caprices of the federal budgetary process. An endowment of five million dollars from the State of Alaska, to be matched with industry contributions, is proposed as a means to perpetuate the administration and funding of crucial industry-directed seafood research and development in Alaska.

## I. AFDF: A proven leader in fisheries development for Alaska

Alaska Fisheries Development Foundation (AFDF) opened in March 1978, after Alaskan fishermen and processors joined together to bring federal fisheries development grants to Alaska and apply them toward needed development projects. The Foundation was formed, along with other regional foundations across the U.S., to bring home research funds from the federal Saltonstall-Kennedy (S-K) program, which was set up by Congress to fund domestic seafood industry research and development activities.

The S-K grants program was created to strengthen the U.S. fishing industry in the face of increasing foreign competition and fluctuating resources. S-K funds come from a portion of tariffs on imported seafood and seafood products. These funds have been made available annually via a nationwide competitive process.

When the S-K program began, members of the Alaska seafood industry collectively decided that, to direct these funds toward projects with the broadest benefit and a realistic chance of success, it would be best to maximize the industry's control of the projects and minimize the government's. The Foundation was organized to represent the industry; its members include harvesters, processors, and support industry representatives. Every year AFDF members and the Board of Directors, with input from all levels of the industry, set the Foundation's priorities and the staff designs project proposals for the S-K funding competition based on these priorities. This combination of strong industry participation and the compelling seafood development opportunities in the North Pacific have produced an outstanding record of accomplishment for AFDF.

## II. AFDF's fisheries development approach and accomplishments

Alaska Fisheries Development Foundation's projects, from salt cod to surimi to flatfish filleting to new byproducts processing techniques, laid the groundwork for a good part of Alaska's current groundfish industry. The success of these projects also demonstrates the foresight and efficiency that industry direction provides. The Foundation has pioneered new methods of groundfish processing and harvesting, byproduct utilization, and salmon product development. Nearly all of AFDF's projects have brought significant new opportunities to Alaskan businesses.

AFDF's projects are straightforward and involve private industry to a great degree. Most Foundation projects are technology demonstrations. The most dramatic example of this approach was the Foundation's five-year Surimi Industry Development Project, which began in the early 1980s. Troubled former crab harvesters and struggling shore-based processors began to focus on the bounty of pollock off Alaska's coast, which was not then harvested or processed domestically. Foreign fleets dominated the groundfish fisheries at the time, but much of their finished products--surimi

and pollock fillets--were being marketed successfully in the U.S. and abroad. It was apparent that the Alaska seafood industry was missing out on a huge opportunity, but no information--certainly no assistance--was available to aid the domestic industry in exploring the pollock opportunity. The Foundation stepped in to provide the information, guidance and opportunity for Alaska to prove to world markets that pollock-based surimi could be successfully produced on shore by Alaskan producers. AFDF designed a demonstration project to set up and operate the first U.S. surimi plant, which, after a competitive process, was sited at Alaska Pacific Seafoods in Kodiak. Through our international industry network, we built a surimi processing line and continued to improve it over the course of the project. We even introduced innovations to the Japanese, who invented surimi processing. So much improvement was made that for the first time the Japanese buyers, who previously contended that high-quality surimi could only be produced at sea, admitted that shoreside surimi production in Alaska could indeed be successful.

One of the most crucial elements of the Foundation's work is our production and distributing of usable information that results from our projects. During the surimi project the Alaska Pacific Seafoods plant was open to other processors, buyers and researchers to tour and observe. This gave the whole industry a chance to get first-hand information from the project. The Foundation also produced numerous reports containing hard data on production, yields, quality control, equipment, process improvements, economics and every other aspect related to the processing of surimi. This information was widely applied by the entire industry, and is a prime example of the benefit of the collective ability of the seafood industry when compared to the limited benefits of privately conceived and executed research and development efforts.

AFDF has also conducted other demonstration projects that have resulted in industry innovations now widely accepted. Many of them also have brought widespread benefits to the state of Alaska by improving the industry's year-round stability, employment base, industry profitability and responsible use of fisheries resources. Examples of such projects are:

1. Refrigerated sea water for storing pollock and cod before processing. During the surimi project, studies documented that sea water storage allowed round fish to be held for several days, on board or in the plant, without loss of quality. This knowledge was key to the establishment of the shore-based surimi processing in Alaska, and provided a crucial method to improve product quality and decrease waste.

2. The Baader 182 pollock filleting machine. This then-new technology was demonstrated in a production situation for the first time during the surimi project. Its ability to automatically and quickly handle pollock of varying sizes dramatically enhanced the feasibility of both pollock fillet and surimi production in Alaska. These machines are now used by virtually every pollock producer.

3. Objective surimi quality measurements. The Japanese system of determining surimi quality was based on broad categories such as vessel versus shore-based production and producer experience. AFDF pioneered objective quality and functional measurements that have allowed domestic producers to compete in the worldwide, especially in the large Japanese market.

4. USDA approval for fish in meat products. The microbiology of surimi, data generated in an AFDF study, was documented and incorporated into the first U.S. Department of Agriculture-approved Hazard Analysis and Critical Control Point (HACCP) plan for seafood. This breakthrough resulted in the first USDA-approved processed food product containing a blend of seafood and red meat. The potential of surimi to expand into the processed meat industry represents a tremendous domestic market for Alaska's fish products, especially with the recent focus on reduced fat and cholesterol in the diet. The potential of fish materials to be used in blended meat products represents an unmeasurable opportunity in the future.

5. The first documented demonstration of sole and flounder fillet production in Alaska introduced Alaskan product to a market starving for high-quality product. The Alaska flatfish resource is nearly untouched, and AFDF's project applying North Atlantic processing equipment to Alaskan flatfish has focused worldwide attention on Alaska as a source for quality flatfish. Since the start of AFDF's flatfish demonstration project, Alaska has increased flatfish production fourfold.

6. Innovative uses of fish byproducts. AFDF has demonstrated the use of Alaska's first automated, continuous-flow seafood waste hydrolyzer. The hydrolyzed product is already being tested for food for Alaska's salmon hatcheries, food for livestock, and fertilizer/insecticide on tree fruit crops. If fully successful, this process has the potential to greatly reduce processing wastes and increase industry profitability.

7. Conversion of a small salmon vessel to a cod longliner, and production of salt cod at remote sites. Information from this project has been used by many coastal communities to help expand economic development, and has led to the use of many small salmon vessels as longliners.

8. Spearheaded two efforts to find ways to process arrowtooth flounder, a species known for its flesh softening problems. Both efforts are producing positive results, which may lead to successful processing methods. This is especially important when one considers the size of the resource, which is expected to support annual harvests of nearly 500,000 metric tons.

9. Spearheaded demonstration of poultry deboning technology on pink salmon frames. This demonstration produced usable salmon mince from previously discarded frames, a product that is valuable and in high demand. This mincing technology may someday be applied to recover edible protein from the increasing number of spawned-out

carcasses at our private-non-profit hatcheries.

10. Development and testing of a prototype salmon head splitter to recover salmon flesh from the collars usually discarded with the heads. This high quality salmon "chunk" has an immediate application in salmon canning, and perhaps could be developed into a specialty product with a high value similar to halibut cheeks.

These brief project descriptions give just a small idea of the benefits the State of Alaska has received from Foundation activities. The complete chart of projects is considerably longer and can only be fully appreciated after reviewing the more than seventy-five project-related reports the Foundation distributes.

### III. Why An Endowment?

The Foundation has been able to accomplish these development projects because of the Saltonstall-Kennedy program and its mandate for industry-directed research and development. Although this program is still in effect, its funding and intent have been severely compromised over the past two to three years.

Because of the considerable stress on the federal budget and the funding of vital programs, the industry-directed portion of the Saltonstall-Kennedy program has been steadily reduced. The funding level in 1992 is only \$500,000.00 for the entire country, nearly \$7.0 million below the annual average for the last decade. The rest of the S-K funds have been redirected to fund general government operations. From the Alaska seafood industry's perspective, this reduction in Saltonstall-Kennedy funding reflects the fact that in most other areas of the United States the commercial fishing industry is much more developed--in most cases to the point of diminished resources. Our situation in Alaska is considerably different.

With the relatively recent development of most of our fisheries, opportunities, (especially groundfish) and with the rapid changes in established fisheries, (increasing pink salmon supplies and farmed salmon competition) we have before us dramatic opportunities to turn small investments in research and development into large benefits for the commercial fishing industry and the people of Alaska.

As with many other areas of endeavor, Alaska finds itself in a dramatically different stage than the rest of the country when it comes to fisheries development needs. We cannot afford to lose the opportunities that are now available because of a reduction in the Saltonstall-Kennedy Program. The Alaska Fisheries Development Foundation's Board of Directors has responded to this challenge by initiating an endowment to fund the operations of the organization. This endowment would allow the Foundation to operate independently of the reductions in federal industry grants, and continue to provide the fisheries development breakthroughs that foster

industry success.

The Foundation is pursuing private and public sources of funding for the endowment. The endowment revenues will be applied toward long-term funding of the Foundation so it may continue its integrated, cooperative approach toward fisheries development research. The total amount of funding needed to keep AFDF's efforts going is ten million dollars. Our request for State of Alaska funds is five million dollars. We are seeking matching funds from the food and seafood industry.

This level of endowment funding will allow the Foundation to maintain the optimum organizational structure, and to continue its tradition of gleaning maximum benefits from minimal administrative costs. The return on this investment for the people of Alaska can only be projected based on the past 14 years of accomplishments at the Foundation. These include bringing in more than \$13 million in federal grant funds and initiating demonstration projects that have increased Alaska's fisheries wholesale value by at least \$240 million annually.

The endowment is a small investment when one considers the benefit it will bring to Alaska.

FISCAL NOTE

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL NO. SB 345

Revision Date: \_\_\_\_\_

Department Affected: Commerce & Econ. Dev.

Title: An Act relating to Fisheries Development

BRU: Investments

Endowment Loans

Component: \_\_\_\_\_

Sponsor: Senators Zharoff, Duncan

Requestor: Resources

COMPONENT SERIAL NO. 

0	3	8	4
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND RESOURCE:	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER FUND SOURCE:						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: \_\_\_\_\_

**ANALYSIS** (Attach a separate page if necessary.)  
 SB 345 creates a new loan program for nonprofit corporations that promote the development of commercial fisheries in the state. Companion bill, SB 346, would appropriate \$5,000,000 for the purpose of making a loan to Alaska Fisheries Development Foundation. It is anticipated that this is the only loan that would be made in the near future and, thus, no new funds would be needed to implement this bill.

Prepared By: Martin J. Richard, Director Phone: 465-2510

Division: Investments Date: 1/31/92

Approved by Commissioner: Glenn A. Olds for [Signature] Cont. Comm.

Agency: Department of Commerce & Economic Development Date: 2-3-92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., and Impacted Agency(ies).

Page 1 of 1

**FISCAL NOTE**

**STATE OF ALASKA  
1992 LEGISLATIVE SESSION**

**BILL NO. SB 345 and SB 34**

Revision Date: 1/27/92  
 Title: Commercial Fisheries Development  
 Endowments \_\_\_\_\_  
 Sponsor: Senator Zharoff  
 Requestor: Senate Resources Committee

Department Affected: Fish and Game  
 BRU: Commercial Fisheries  
 Component: Commercial Fisheries  
**COMPONENT SERIAL NO.**

	4	5	9
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**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0					
TRAVEL	0					
CONTRACTUAL	0					
SUPPLIES	0					
EQUIPMENT	0					
LAND & STRUCTURES	0					
GRANTS, CLAIMS	0					
MISCELLANEOUS	0					
<b>TOTAL OPERATING</b>	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER FUND SOURCE:						
<b>TOTAL</b>	0	0	0	0	0	0

**POSITIONS:**

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year impact: None

**ANALYSIS: (Attach a separate page if necessary.)**

Prepared By: Bob Clasby Phone: 465-4210  
 Division: Commercial Fisheries Date: 1/27/92  
 Approved by Commissioner: [Signature]  
 Agency: Dept. of Fish and Game Date: 1/27/92

KODIAK REDUCTION, INC.

911 GIBSON COVE ROAD  
KODIAK, ALASKA 99615  
TELEPHONE (907) 486-3171

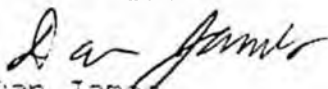
January 31, 1992

Senator Lloyd Jones  
State Capitol  
Juneau, Ak. 99801-1182

Dear Senator:

I am writing to urge you to support Senate Bills 345 & 346 appropriating a loan to the Alaska Fisheries Development Foundation for a commercial fisheries development endowment. The "Foundation" has done alot for the betterment of fisheries throughout Alaska using the Saltonstall-Kennedy federal grant monies they have appropriated. However, with the "drying up" of federal funding in general, the Foundation is in dire straits in regard to funding its research projects. Without help from the State of Alaska in the form of the above loan, this fine Foundation will succumb and future projects parallelling the surimi project in Kodiak (which has resulted in a \$500 million/year industry in Alaska) will never come to fruition. Your support will be greatly appreciated by all of coastal Alaska.

Sincerely,

  
Dan James  
General Manager

## ALASKA FISHERIES DEVELOPMENT FOUNDATION, INC.

## INVESTMENT POLICY

May 10, 1990

## INVESTMENT POLICY AND OBJECTIVES

- A. This policy applies to the investment of all moneys of the Alaska Fisheries Development Foundation, Inc. (AFDF), unless otherwise stated. AFDF moneys accounted for in the following funds shall be invested only in accordance with this policy:

## Unrestricted Funds - Merrill Lynch Cash Management

- B. All persons having responsibility for making decisions regarding the investments of AFDF moneys shall utilize the same judgment and care, under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of capital as well as the probable income to be derived in accordance with the objectives established in subsection C of this policy.
- C. The AFDF investment portfolio shall be managed so that the portfolio, as a whole, meets the objectives set forth in this subsection. All persons selecting investments shall adhere to these objectives, which are listed in order of relative importance.
1. Safety of principal is the most important objective of the AFDF investment program;
  2. Maintaining sufficient liquidity to meet the AFDF cash flow requirements is the second most important objective of the AFDF investment program; and
  3. Achieving a reasonable market rate of return is the final objective of the AFDF investment program.
- D. Notwithstanding the above objectives, no person shall invest AFDF moneys in a manner which violates any provision of this policy.

## PERSONS AUTHORIZED TO INVEST

The Executive Director is authorized to invest AFDF moneys in accordance with this policy, and shall ensure that no person invests AFDF moneys other than in accordance with this policy and the administrative procedures established under this

policy. The Executive Director may delegate daily management authority over the AFDF investment program, in writing, to the Controller. Whenever this policy assigns responsibility or gives authority to the Executive Director, such responsibility or authority may be exercised by any person to whom the Executive Director has delegated the responsibility or authority, unless otherwise provided in this policy.

#### AUTHORIZED INVESTMENTS

- A. AFDF money shall be invested only in the following instruments: all securities purchased, and all other investments, must mature not later than the time indicated below, measured from the date of the investment transaction.
1. U.S. Treasure Securities - three (3) years;
  2. Certificates of Deposit and other deposits at banks and savings and loan associations collateralized as provided in the section "COLLATERALIZATION" of this policy - five (5) years;
  3. Uncollateralized deposits at banks and savings and loan associations, to the extent that the deposits are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation - three (3) years;
  4. Bonds and notes which are issued by any State or subdivision thereof, and which are graded A or higher by Moody's Investor's Service, Inc. or Standard and Poor's Corporation - three (3) years;
  5. Prime commercial paper graded A-1 or higher by Moody's Investor's Service, Inc. or P-1 or higher by Standard and Poor's Corporation - two hundred seventy (270) days;
  6. Prime bankers acceptances offered by the fifty (50) largest international banks - one hundred eighty (180) days;
  7. Money market mutual funds whose portfolios consist entirely of instruments - maturity date not applicable which are U.S. Government, or U.S. Government guaranteed obligations.
- B. No person shall invest any AFDF moneys in any instrument which is not listed in subsection A. of this section. This prohibition includes, but is not limited to: investment of AFDF moneys in any mutual fund, except as otherwise provided in subsection A; common or preferred stock;

precious metal; zero coupon bond; corporate bond; option contract; future contracts or negotiable instruments with a variable interest rate.

- C. The Executive Director may enter into a short term repurchase agreement, certificate of deposit, or other authorized investment with the bank in which the AFDF daily operating moneys are deposited, for the purpose of investing any excess operating moneys which will be needed in the immediate future to fund AFDF operations, but which are not needed for such purpose at the time of investment. This investment may be continuing in nature, such that excess AFDF operating moneys are continually invested. This short term investment shall be governed by the provisions of this policy relating to similar long-term investments of Section "COLLATERALIZATION" with respect to this short-term investment, if it is determined that such action is reasonably necessary to obtain and secure the investment. For purposes of this policy, short term investment means one year or less.
- D. Moneys may be invested with a bank which does not maintain a business office in the United States on a regular and permanent basis, only when investment with an "international bank" is expressly authorized by this policy.

#### COLLATERALIZATION

- A. If AFDF moneys are invested in certificates of deposit or other deposits in a bank or savings and loan association, the entire amount of principal and interest which will be payable to the AFDF upon maturity of the investment must be collateralized by any combination of the following, unless otherwise noted:
1. Insurance issued by the Federal Deposit Insurance Corporation (FDIC) or Federal Savings and Loan Insurance Corporation (FSLIC);
  2. U.S. Treasury Securities;
  3. Obligations guaranteed by the U.S. Government or its agencies and instrumentalities; and
  4. Obligations of the State of Alaska or its political subdivisions which are secured by the full faith, credit and taxing power thereof, and which are rated A or higher by Moody's Investor's Service, Inc., or Standard and Poor's Corporation.

No security pledged as collateral for an AFDF investment

shall mature longer than five years after the date of the investment transaction.

- B. At all times during the term of the investment in a certificate of deposit or other deposit, the bank or savings and loan association with which AFDF moneys are so invested, shall pledge and maintain collateral, in accordance with this policy, which has a then-current market value equal to the following percentage (margin requirement) of the total amount of principal and interest which will be due and owing to the AFDF at the maturity date of such certificate of deposit or other deposit. At all times during the term of such investments the collateral pledged as security, for each investment shall have market value at least equal to the applicable margin requirement, which requirement shall vary with the type of instrument pledged as security, according to the schedule set out in this subsection. The margin requirements contained herein are minimums. The Executive Director may require higher margins if he determines that such action is reasonably necessary to protect the security of investments.

<u>Collateral Type</u>	<u>Margin Requirements</u>
U.S. Treasury Securities Maturity date 1 year or less from the date of investment transaction	102%
Maturity date between 1 and 5 years from the date of AFDF investment transactions	105%
Actively traded U.S. Government agency or instrumentality securities, except mortgage pass-through securities.	
Maturity date 1 year or less from the date of AFDF investment transaction	103%
Maturity date between 1 and 5 years from the date of AFDF investment transaction	107%
Government National Mortgage Association mortgage pass-through securities	120%
All other U.S. Government agency or instrumentality mortgage pass-through	

securities, and U.S. Government agency or instrumentality securities which are not actively traded 125%

Obligations of the State of Alaska and its political subdivisions secured by the full faith, credit and taxing power thereof

Maturity date 1 year or less from the date of AFDF investment transaction 102%

Maturity date between 1 and 5 years from the date of AFDF investment transaction 107%

FDIC, FSLIC and SPIC insurance 100%

#### PORTFOLIO DIVERSIFICATION

- A. AFDF investments shall be diversified to minimize the risk of loss resulting from over concentration of investments in a specific maturity, a specific issuer, a specific class of security or a specific financial institution.
- B. The total amount of principal and accumulated interest which will be paid to the AFDF at maturity of all certificates of deposit, other deposits and/or repurchase agreements invested with any one financial institution shall not at any time exceed twenty percent (20%) of the total net worth of the financial institution, as shown on said financial institution's most current annual financial statement. At no time shall the total value of AFDF moneys invested in repurchase agreements, certificates of deposit and/or other deposit agreements, at any one financial institution, including interest which will be payable to the AFDF at the maturity of each investment, exceed thirty percent (30%) of the total principal value of the entire AFDF investment portfolio. The short-term investments authorized shall not be included in calculating compliance with this thirty percent (30%) limitation.

#### INTERNAL CONTROLS

The Executive Director shall adopt and establish a system of internal controls to provide checks and balances within the process by which AFDF moneys are invested. The internal controls shall be designed to minimize the risk of loss of funds resulting from fraud, employee error, misrepresentation by third parties, anticipated changes in financial markets or imprudent actions by an AFDF employee. The AFDF external auditors shall review and evaluate, at least annually, the system of internal controls to ensure that they are adequate

for accomplishing the purposes in this policy.

#### FINANCE COMMITTEE

The Finance Committee shall review the investment reports annually and make recommendations and suggestions to the Executive Director for the conduct and improvement of the AFDF investment program. The Committee shall report to the board of directors on the status of AFDF's investment program, its compliance with this policy and the outlook for future investments. The Committee may also consult with the Executive Director concerning the adoption of administrative procedures and internal controls to implement this policy.

#### EMERGENCY POWERS

Notwithstanding any other provision of this policy, if the Executive Director determines that a reasonable possibility exists that the principal and interest of an AFDF investment are not adequately secured for any reason, the Executive Director may take any or all of the following actions in order to protect the principal and interest of such AFDF investment.

1. Rescind or otherwise terminate the investment without regard to interest or other penalties which may arise because of such action;
2. Demand from the financial institution additional substitute collateral; or
3. Notify State or Federal regulatory agencies of the nature and reasons for such insecurity and seek assistance in remedying the insecurity.

#### CONFLICT OF INTEREST

- A. No AFDF employee, board member or Finance Committee member shall:
1. Take any action, make any decisions, or exercise his official judgment or discretion with respect to an AFDF investment with the intent to confer a benefit upon, or provide a material advantage to himself, to a member of his immediate family, or to any financial institution in connection with the investment of AFDF moneys.
  2. Accept any gift, gratuity or other inducement offered by any person for the purpose of influencing his opinion, judgment, action, decision or exercise of official discretion in connection with the investment of AFDF moneys. Prohibited gifts and gratuities include, but are not limited to: payment of money, gifts of real or

personal property, reduced commission on investments for the person's own account, reduced interest rate, waiver of penalties and forgiveness of delinquency or default on a loan;

3. Participate in a decision regarding the investment of AFDF money, if the decision concerns or relates to the investment or potential investment of money in, or the purchase or potential purchase of, a security from or offered by any financial institution or other entity of which the person, or a member of the person's immediate family, is an officer, director or employee, or in which the person or family member has a substantial financial interest.

- B. Violation of the prohibitions contained in subsection A of this section shall constitute cause for terminating employment with AFDF.

#### INTERPRETATION AND CONSTRUCTION

This policy represents the maximum amount of authority and discretion which the Executive Director may utilize in investing AFDF moneys. Nothing in this policy shall be construed, however, to prohibit the Executive Director from adopting standards, rules, policies and procedures which are more restrictive than those contained in this policy. The enumeration in this policy of instruments which are authorized for AFDF investment shall not be construed as requiring the Executive Director to invest in all or any particular instrument contained in such list at any given time. The Executive Director may invest in some or all of such instruments as he deems appropriate. Similarly, this policy shall not be construed as requiring the Executive Director to accept all, or any particular, instrument contained in such list at any given time. The Executive Director may accept some of such instruments, and reject others in his discretion.

#### DEFINITIONS IN THIS POLICY

- A. "Actively traded" means securities which are regularly bought and sold on the secondary market on a daily basis for which price information is available on a regular basis in the Wall Street Journal.
- B. "Bank" means an institution which is chartered or otherwise authorized to conduct business as a bank by, and regulated by an agency of the United States government or of any state, which is insured by the Federal Deposit Insurance Corporation, and which maintains a main or branch office within the United States on a regular and permanent basis.

- C. "Financial Institution" means a bank, savings and loan association, international bank, or securities dealer.
- D. "Immediate Family" of a person means the person's wife or husband, son or daughter, mother or father, brother or sister, aunt or uncle, niece or nephew, grandmother, grandfather or grandchild, and anyone residing in the person's household on a regular basis.
- E. "International Bank" means a bank as defined in this policy, and any other institution chartered or otherwise authorized to provide banking services by the government of any foreign country, or political subdivision thereof, whether or not said institution maintains an office within the United States.
- F. "Money Market Mutual Fund" means a mutual fund which maintains a constant share price regardless of market fluctuations and which has an average maturity of its entire portfolio of sixty (60) days or less.
- G. "Savings and Loan Association" means an institution chartered or otherwise authorized to do business as a savings and loan association by, and regulated by an agency of the United States Government or of any state and insured by the Federal Savings and Loan Insurance Corporation, which maintains a main branch of office within the United States on a regular and permanent basis.
- H. "Securities Dealer" means a person, partnership, corporation or other entity licensed by the Securities and Exchange Commission to deal in secondary financial markets, which is a member of the New York Stock Exchange, and which maintains a main or branch office within the United States on a regular and permanent basis.
- I. "U.S. Government Agency or Instrumentality Securities" means securities issued by an Asian Development Bank, District of Columbia Armory Board (D.C. Stadium), Export-Import Bank of the United States, Farmers Home Loan Mortgage Corporation, Federal Housing Administration (FHA), Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA), Interamerican Development Bank, International Bank of Reconstruction and Development (World Bank), Maritime Administration, Small Business Administration (SBA), Student Loan Market Association (SLMA), Tennessee Valley Authority (TVA), United States Postal Service, and Washington Metropolitan Area Transit Authority.

- J. "U.S. Treasury Securities" means bills, notes and bonds issued directly by the United States Treasury through the Federal Reserve System, and guaranteed by the full faith and credit of the United States Government.
- K. "Local Financial Institution" means a financial institution which maintains an office in the state of Alaska on a regular and permanent basis. However, an investment shall not be placed with or through such local institution if the placement would result in any decrease in or impairment of AFDF's ability to meet the objectives of this policy.



Alaska Fisheries Development Foundation, Inc.

February 5, 1992

RECEIVED FEB 6 1992

Senator Fred Zharoff  
Senate Capitol Building  
Room 121  
Juneau, Alaska 99801

Attn: Karl Ohls

Dear Senator Zharoff:

In response to Karl Ohls' request, enclosed are copies of audited financial statements along with letters to management for the Alaska Fisheries Development Foundation for the last three years.

Also enclosed is a copy of the Foundation's investment policy which was sent by facsimile to you yesterday.

Please let us know if we can provide any other information.

Sincerely,

A handwritten signature in cursive script that reads 'Barbara Culver'.

Barbara Culver  
Controller

Enclosures

ALASKA FISHERIES DEVELOPMENT FOUNDATION, INC.

INVESTMENT POLICY

May 10, 1990

INVESTMENT POLICY AND OBJECTIVES

- A. This policy applies to the investment of all moneys of the Alaska Fisheries Development Foundation, Inc. (AFDF), unless otherwise stated. AFDF moneys accounted for in the following funds shall be invested only in accordance with this policy:

Unrestricted Funds - Merrill Lynch Cash Management

- B. All persons having responsibility for making decisions regarding the investments of AFDF moneys shall utilize the same judgment and care, under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of capital as well as the probable income to be derived in accordance with the objectives established in subsection C of this policy.
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  3. Achieving a reasonable market rate of return is the final objective of the AFDF investment program.
- D. Notwithstanding the above objectives, no person shall invest AFDF moneys in a manner which violates any provision of this policy.

PERSONS AUTHORIZED TO INVEST

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policy. The Executive Director may delegate daily management authority over the AFDF investment program, in writing, to the Controller. Whenever this policy assigns responsibility or gives authority to the Executive Director, such responsibility or authority may be exercised by any person to whom the Executive Director has delegated the responsibility or authority, unless otherwise provided in this policy.

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1. U.S. Treasure Securities - three (3) years;
  2. Certificates of Deposit and other deposits at banks and savings and loan associations collateralized as provided in the section "COLLATERALIZATION" of this policy - five (5) years;
  3. Uncollateralized deposits at banks and savings and loan associations, to the extent that the deposits are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation - three (3) years;
  4. Bonds and notes which are issued by any State or subdivision thereof, and which are graded A or higher by Moody's Investor's Service, Inc. or Standard and Poor's Corporation - three (3) years;
  5. Prime commercial paper graded A-1 or higher by Moody's Investor's Service, Inc. or P-1 or higher by Standard and Poor's Corporation - two hundred seventy (270) days;
  6. Prime bankers acceptances offered by the fifty (50) largest international banks - one hundred eighty (180) days;
  7. Money market mutual funds whose portfolios consist entirely of instruments - maturity date not applicable which are U.S. Government, or U.S. Government guaranteed obligations.
- B. No person shall invest any AFDF moneys in any instrument which is not listed in subsection A. of this section. This prohibition includes, but is not limited to: investment of AFDF moneys in any mutual fund, except as otherwise provided in subsection A; common or preferred stock;

precious metal; zero coupon bond; corporate bond; option contract; future contracts or negotiable instruments with a variable interest rate.

- C. The Executive Director may enter into a short term repurchase agreement, certificate of deposit, or other authorized investment with the bank in which the AFDF daily operating moneys are deposited, for the purpose of investing any excess operating moneys which will be needed in the immediate future to fund AFDF operations, but which are not needed for such purpose at the time of investment. This investment may be continuing in nature, such that excess AFDF operating moneys are continually invested. This short term investment shall be governed by the provisions of this policy relating to similar long-term investments of Section "COLLATERALIZATION" with respect to this short-term investment, if it is determined that such action is reasonably necessary to obtain and secure the investment. For purposes of this policy, short term investment means one year or less.
- D. Moneys may be invested with a bank which does not maintain a business office in the United States on a regular and permanent basis, only when investment with an "international bank" is expressly authorized by this policy.

#### COLLATERALIZATION

- A. If AFDF moneys are invested in certificates of deposit or other deposits in a bank or savings and loan association, the entire amount of principal and interest which will be payable to the AFDF upon maturity of the investment must be collateralized by any combination of the following, unless otherwise noted:
1. Insurance issued by the Federal Deposit Insurance Corporation (FDIC) or Federal Savings and Loan Insurance Corporation (FSLIC);
  2. U.S. Treasury Securities;
  3. Obligations guaranteed by the U.S. Government or its agencies and instrumentalities; and
  4. Obligations of the State of Alaska or its political subdivisions which are secured by the full faith, credit and taxing power thereof, and which are rated A or higher by Moody's Investor's Service, Inc., or Standard and Poor's Corporation.

No security pledged as collateral for an AFDF investment

shall mature longer than five years after the date of the investment transaction.

- B. At all times during the term of the investment in a certificate of deposit or other deposit, the bank or savings and loan association with which AFDF moneys are so invested, shall pledge and maintain collateral, in accordance with this policy, which has a then-current market value equal to the following percentage (margin requirement) of the total amount of principal and interest which will be due and owing to the AFDF at the maturity date of such certificate of deposit or other deposit. At all times during the term of such investments the collateral pledged as security, for each investment shall have market value at least equal to the applicable margin requirement, which requirement shall vary with the type of instrument pledged as security, according to the schedule set out in this subsection. The margin requirements contained herein are minimums. The Executive Director may require higher margins if he determines that such action is reasonably necessary to protect the security of investments.

<u>Collateral Type</u>	<u>Margin Requirements</u>
U.S. Treasury Securities	
Maturity date 1 year or less from the date of investment transaction	102%
Maturity date between 1 and 5 years from the date of AFDF investment transactions	105%
Actively traded U.S. Government agency or instrumentality securities, except mortgage pass-through securities.	
Maturity date 1 year or less from the date of AFDF investment transaction	103%
Maturity date between 1 and 5 years from the date of AFDF investment transaction	107%
Government National Mortgage Association mortgage pass-through securities	120%
All other U.S. Government agency or instrumentality mortgage pass-through	

securities, and U.S. Government agency or instrumentality securities which are not actively traded 125%

Obligations of the State of Alaska and its political subdivisions secured by the full faith, credit and taxing power thereof

Maturity date 1 year or less from the date of AFDF investment transaction 102%

Maturity date between 1 and 5 years from the date of AFDF investment transaction 107%

FDIC, FSLIC and SPIC insurance 100%

#### PORTFOLIO DIVERSIFICATION

- A. AFDF investments shall be diversified to minimize the risk of loss resulting from over concentration of investments in a specific maturity, a specific issuer, a specific class of security or a specific financial institution.
- B. The total amount of principal and accumulated interest which will be paid to the AFDF at maturity of all certificates of deposit, other deposits and/or repurchase agreements invested with any one financial institution shall not at any time exceed twenty percent (20%) of the total net worth of the financial institution, as shown on said financial institution's most current annual financial statement. At no time shall the total value of AFDF moneys invested in repurchase agreements, certificates of deposit and/or other deposit agreements, at any one financial institution, including interest which will be payable to the AFDF at the maturity of each investment, exceed thirty percent (30%) of the total principal value of the entire AFDF investment portfolio. The short-term investments authorized shall not be included in calculating compliance with this thirty percent (30%) limitation.

#### INTERNAL CONTROLS

The Executive Director shall adopt and establish a system of internal controls to provide checks and balances within the process by which AFDF moneys are invested. The internal controls shall be designed to minimize the risk of loss of funds resulting from fraud, employee error, misrepresentation by third parties, anticipated changes in financial markets or imprudent actions by an AFDF employee. The AFDF external auditors shall review and evaluate, at least annually, the system of internal controls to ensure that they are adequate

for accomplishing the purposes in this policy.

#### FINANCE COMMITTEE

The Finance Committee shall review the investment reports annually and make recommendations and suggestions to the Executive Director for the conduct and improvement of the AFDF investment program. The Committee shall report to the board of directors on the status of AFDF's investment program, its compliance with this policy and the outlook for future investments. The Committee may also consult with the Executive Director concerning the adoption of administrative procedures and internal controls to implement this policy.

#### EMERGENCY POWERS

Notwithstanding any other provision of this policy, if the Executive Director determines that a reasonable possibility exists that the principal and interest of an AFDF investment are not adequately secured for any reason, the Executive Director may take any or all of the following actions in order to protect the principal and interest of such AFDF investment.

1. Rescind or otherwise terminate the investment without regard to interest or other penalties which may arise because of such action;
2. Demand from the financial institution additional substitute collateral; or
3. Notify State or Federal regulatory agencies of the nature and reasons for such insecurity and seek assistance in remedying the insecurity.

#### CONFLICT OF INTEREST

- A. No AFDF employee, board member or Finance Committee member shall:
1. Take any action, make any decisions, or exercise his official judgment or discretion with respect to an AFDF investment with the intent to confer a benefit upon, or provide a material advantage to himself, to a member of his immediate family, or to any financial institution in connection with the investment of AFDF moneys.
  2. Accept any gift, gratuity or other inducement offered by any person for the purpose of influencing his opinion, judgment, action, decision or exercise of official discretion in connection with the investment of AFDF moneys. Prohibited gifts and gratuities include, but are not limited to: payment of money, gift of real or

personal property, reduced commission on investments for the person's own account, reduced interest rate, waiver of penalties and forgiveness of delinquency or default on a loan;

3. Participate in a decision regarding the investment of AFDF money, if the decision concerns or relates to the investment or potential investment of money in, or the purchase or potential purchase of, a security from or offered by any financial institution or other entity of which the person, or a member of the person's immediate family, is an officer, director or employee, or in which the person or family member has a substantial financial interest.

- B. Violation of the prohibitions contained in subsection A of this section shall constitute cause for terminating employment with AFDF.

#### INTERPRETATION AND CONSTRUCTION

This policy represents the maximum amount of authority and discretion which the Executive Director may utilize in investing AFDF moneys. Nothing in this policy shall be construed, however, to prohibit the Executive Director from adopting standards, rules, policies and procedures which are more restrictive than those contained in this policy. The enumeration in this policy of instruments which are authorized for AFDF investment shall not be construed as requiring the Executive Director to invest in all or any particular instrument contained in such list at any given time. The Executive Director may invest in some or all of such instruments as he deems appropriate. Similarly, this policy shall not be construed as requiring the Executive Director to accept all, or any particular, instrument contained in such list at any given time. The Executive Director may accept some of such instruments, and reject others in his discretion.

#### DEFINITIONS IN THIS POLICY

- A. "Actively traded" means securities which are regularly bought and sold on the secondary market on a daily basis for which price information is available on a regular basis in the Wall Street Journal.
- B. "Bank" means an institution which is chartered or otherwise authorized to conduct business as a bank by, and regulated by an agency of the United States government or of any state, which is insured by the Federal Deposit Insurance Corporation, and which maintains a main or branch office within the United States on a regular and permanent basis.

- C. "Financial Institution" means a bank, savings and loan association, international bank, or securities dealer.
- D. "Immediate Family" of a person means the person's wife or husband, son or daughter, mother or father, brother or sister, aunt or uncle, niece or nephew, grandmother, grandfather or grandchild, and anyone residing in the person's household on a regular basis.
- E. "International Bank" means a bank as defined in this policy, and any other institution chartered or otherwise authorized to provide banking services by the government of any foreign country, or political subdivision thereof, whether or not said institution maintains an office within the United States.
- F. "Money Market Mutual Fund" means a mutual fund which maintains a constant share price regardless of market fluctuations and which has an average maturity of its entire portfolio of sixty (60) days or less.
- G. "Savings and Loan Association" means an institution chartered or otherwise authorized to do business as a savings and loan association by, and regulated by an agency of the United States Government or of any state and insured by the Federal Savings and Loan Insurance Corporation, which maintains a main branch of office within the United States on a regular and permanent basis.
- H. "Securities Dealer" means a person, partnership, corporation or other entity licensed by the Securities and Exchange Commission to deal in secondary financial markets, which is a member of the New York Stock Exchange, and which maintains a main or branch office within the United States on a regular and permanent basis.
- I. "U.S. Government Agency or Instrumentality Securities" means securities issued by an Asian Development Bank, District of Columbia Armory Board (D.C. Stadium), Export-Import Bank of the United States, Farmers Home Loan Mortgage Corporation, Federal Housing Administration (FHA), Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA), Interamerican Development Bank, International Bank of Reconstruction and Development (World Bank), Maritime Administration, Small Business Administration (SBA), Student Loan Market Association (SLMA), Tennessee Valley Authority (TVA), United States Postal Service, and Washington Metropolitan Area Transit Authority.

- J. "U.S. Treasury Securities" means bills, notes and bonds issued directly by the United States Treasury through the Federal Reserve System, and guaranteed by the full faith and credit of the United States Government.
- K. "Local Financial Institution" means a financial institution which maintains an office in the state of Alaska on a regular and permanent basis. However, an investment shall not be placed with or through such local institution if the placement would result in any decrease in or impairment of AFDF's ability to meet the objectives of this policy.



ALASKA FISHERIES DEVELOPMENT

FOUNDATION. INC.

STATEMENT OF ASSETS AND FUND BALANCES

ARISING FROM CASH TRANSACTIONS AND

STATEMENTS OF REVENUE COLLECTED AND

EXPENSES PAID AND

CHANGES IN FUND BALANCES

FOR THE YEAR ENDED SEPTEMBER 30, 1990

WITH REPORTS OF INDEPENDENT ACCOUNTANTS

ALASKA FISHERIES DEVELOPMENT FOUNDATION, INC.

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*Price Waterhouse*



REPORT OF INDEPENDENT ACCOUNTANTS

November 16, 1990

To the Board of Directors of  
Alaska Fisheries Development Foundation, Inc.

We have audited the accompanying statement of assets and fund balances arising from cash transactions of Alaska Fisheries Development Foundation, Inc. (the Foundation) as of September 30, 1990 and the related statements of revenues collected and expenses paid and changes in fund balance for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the financial audit requirements of Governmental Auditing Standards, issued by the Comptroller General of the United States, and the provisions of the Office of Management and Budget Circular A-110. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of revenue collected and expenses paid and are not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the financial statements audited by us present fairly, in all material respects, the assets and fund balances arising from cash transactions of Alaska Fisheries Development Foundation as of September 30, 1990 and its revenues collected and expenses paid and the changes in fund balances during the year then ended, on the basis of accounting described in Note 1.

*Price Waterhouse*

ALASKA FISHERIES DEVELOPMENT FOUNDATION, INC.STATEMENT OF ASSETS AND FUND BALANCESARISING FROM CASH TRANSACTIONSSEPTEMBER 30, 1990

	<u>Restricted Fund</u>	<u>Unrestricted Fund</u>
Assets:		
Cash	\$28,145	\$ 13,078
Investments	<u>          -</u>	<u>104,993</u>
Total Assets	<u>\$28,145</u>	<u>\$118,071</u>
Fund Balance:		
Fund balance	<u>\$28,145</u>	<u>\$118,071</u>

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

ALASKA FISHERIES DEVELOPMENT FOUNDATION, INC.  
STATEMENT OF REVENUES COLLECTED AND EXPENSES PAID  
AND CHANGES IN FUND BALANCE  
RESTRICTED FUND

	Year Ended <u>September 30, 1990</u>
Revenues Collected:	
Federal grants	\$ 666,505
State of Alaska grants	48,868
Publication income	<u>6,320</u>
Total revenues collected	<u>721,693</u>
Expenses Paid - Program:	
Pollock industry development	3,265
Full utilization	140,620
Flatfish I	15,031
Refining Surimi	29,419
Multi species waste utilization	1,926
Flatfish II	60,091
Waste utilization II	90,828
Flatfish III	350
Groundfish quality enhancement	101,015
Arrowtooth surimi demonstration	<u>20,050</u>
Total program expenses paid	<u>462,595</u>
Expenses Paid - Administration:	
Salaries	195,358
Employee benefits	46,714
Business insurance and taxes	8,175
Office expense and maintenance	7,782
Supplies	5,777
Rent	17,776
Phone	6,575
Postage and courier	6,196
Consulting fees	12,327
Staff travel and expenses	11,583
Board travel	12,205
Public information	48,457
Accounting	5,560
Other	<u>10</u>
Total administration expenses paid	<u>384,495</u>
Total expenses paid	<u>847,090</u>
Excess of expenses paid over revenue collected	(125,397)
Fund balance, beginning of year	66,042
Transfer from unrestricted fund	<u>87,500</u>
Fund balance, end of year	<u>\$ 28,145</u>

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

ALASKA FISHERIES DEVELOPMENT FOUNDATION, INC.  
STATEMENT OF REVENUES COLLECTED AND EXPENSES PAID  
AND CHANGES IN FUND BALANCE  
UNRESTRICTED FUND

	Year Ended <u>September 30, 1990</u>
Revenues Collected:	
Membership dues, contributions and other	\$ 21,295
Interest	<u>16,862</u>
Total revenues collected	<u>38,157</u>
Expenses Paid:	
Office expenses	1,491
Bank charges	150
Travel and entertainment	4,822
Professional services	8,924
Office of Inspector General audit settlement	6,809
Video equipment settlement/NOAA	<u>2,132</u>
Total expenses paid	<u>24,328</u>
Excess of revenues collected over expenses paid	13,829
Fund balance, beginning of year	191,742
Transfer to restricted fund	<u>(87,500)</u>
Fund balance, end of year	<u>\$118,071</u>

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

ALASKA FISHERIES DEVELOPMENT FOUNDATION, INC.NOTES TO FINANCIAL STATEMENTSSEPTEMBER 30, 1990NOTE 1 - SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES:Operations -

The Alaska Fisheries Development Foundation, Inc. (AFDF) is an Alaska non-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. AFDF (incorporated March 6, 1978 as Alaska Fisheries Development Corporation) was organized to serve as coordinator with the commercial fishing industry in Alaska for research and development projects aimed at developing under-utilized marine resources. The majority of funding received from these activities comes from the National Marine Fisheries Service (NMFS). Funding is also provided by membership dues and contributions.

Basis of Accounting -

AFDF maintains its accounting records and has prepared its financial statements on the basis of revenues collected and expenses paid (cash basis); consequently, revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when the related obligation is incurred.

For financial statement purposes, AFDF reports proceeds from the sale of products produced by grant funded programs, as program income. Administrative expenses such as telephone, fax use, travel and postage are offset by incidental reimbursements to the Foundation by those outside the Foundation.

Fund Types -

Two basic fund types are maintained by AFDF. They are the Restricted Fund and the Unrestricted Fund. A brief description of each follows:

Restricted Fund -

This fund accounts for certain grants provided by the State of Alaska and amounts received under a letter of credit granted by the National Oceanic and Atmospheric Administration, National Marine Fisheries Service to provide funding for the various research and development activities undertaken by AFDF and to cover administrative costs.

Unrestricted Fund -

This fund accounts for all other revenues and expenses not related to grants or contracts. Revenues consist of membership dues, contributions, interest earnings and other miscellaneous receipts. Disbursements are made at the discretion of the Board of Directors.

**NOTE 2 - INVESTMENTS:**

AFDF maintains an investment account with Merrill Lynch, which provides interest earnings on funds included in the unrestricted account. Total interest received for the year ended September 30, 1990 was \$16,862. At September 30, 1990 the account consisted of \$70,000 of bank certificates of deposit; \$34,993 invested in government bonds through the Metropolitan Life State Street Fund stated at cost, which approximates market; and \$13,078 in money market funds.

**NOTE 3 - REVENUES:**

The following amounts were received under contracts from the National Oceanic and Atmospheric Administration:

86-ABH-00044	\$146,253
87-ABH-SK020	15,281
88-ABH-00007	97,346
89-ABH-00008	341,745
90AA-H-SK165	12,781
90AA-D-SK241	20,456
90AA-D-SK242	<u>32,643</u>
	<u>\$666,505</u>

AFDF must also meet certain cost sharing provisions which require that non-federal funds comprise 31% to 39% of total funds received on each contract. However, non-federal funds may be received in the form of in-kind contributions as well as cash.

**NOTE 4 - RELATED PARTY TRANSACTIONS:**

As part of its normal operations, AFDF enters into various contractual arrangements with companies in the fisheries industry. Certain of these companies are represented by persons related to members of AFDF's Board of Directors. Contracts with these companies during the current year resulted in payments totaling \$63,593.

**NOTE 5 - RESOLUTION OF CONTINGENT LIABILITY:**

The federal government may, at its option, request the Inspector General of the United States to audit AFDF's compliance with federal government contracts. An audit of cooperative agreement 85-ABH-00044 was conducted by the Department of Commerce, Office of Inspector General for the period September 30, 1985 through December 31, 1987. The audit findings were resolved in June, 1990 and resulted in the Foundation returning \$6,809 to the National Oceanic and Atmospheric Administration.

*Price Waterhouse*



REPORT OF INDEPENDENT ACCOUNTANTS

November 16, 1990

To the Board of Directors of  
Alaska Fisheries Development Foundation, Inc.

We have audited the cash basis financial statements of Alaska Fisheries Development Foundation as of and for the year ended September 30, 1990, and have issued our report thereon dated November 16, 1990.

We conducted our audit in accordance with generally accepted auditing standards, the financial audit requirements of Governmental Auditing Standards, issued by the Comptroller General of the United States, and the provisions of the Office of Management and Budget Circular A-110. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the cash basis financial statements are free of material misstatement.

In planning and performing our audit of the cash basis financial statements of Alaska Fisheries Development Foundation as of and for the year ended September 30, 1990, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the cash basis financial statements and not to provide assurance on the internal control structure.

The management of Alaska Fisheries Development Foundation is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objective of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the cash basis of accounting. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future

November 16, 1990  
To the Board of Directors of  
Alaska Fisheries Development Foundation, Inc.  
Page 2



periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal structure policies and procedures in the following categories:

- o Cash receipts
- o Cash disbursements

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the cash basis financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of Alaska Fisheries Development Foundation in a separate communication dated November 16, 1990.

This report is intended for the information of the board of directors, management, and the United States Department of Commerce, National Oceanic and Atmospheric Administration. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

*Price Waterhouse*

**KPMG** Peat Marwick

ALASKA FISHERIES DEVELOPMENT FOUNDATION, INC.

Letter to Management

November 15, 1991



# Peat Marwick

Certified Public Accountants

601 West Fifth Avenue  
Suite 700  
Anchorage, AK 99501-2258

November 15, 1991

CONFIDENTIAL

The Board of Directors  
Alaska Fisheries Development Foundation, Inc.

Dear Members:

We have audited the cash basis financial statements of Alaska Fisheries Development Foundation, Inc. (Foundation) for the year ended September 30, 1991, and have issued our report thereon dated November 15, 1991. In planning and performing our audit of the cash basis financial statements of the Foundation, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the cash basis financial statements and not to provide assurance on the internal control structure. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. However, we noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the Board of Directors, management and others within the Foundation.

Very truly yours,

*KPMG Peat Marwick*



Member Firm of  
KPMG Peat Marwick Goerdeler



ALASKA FISHERIES DEVELOPMENT  
FOUNDATION, INC.  
RECOMMENDATION TO IMPROVE  
ADMINISTRATIVE EFFICIENCY AND  
INTERNAL ACCOUNTING CONTROL  
NOVEMBER 1990

*Price Waterhouse*



November 16, 1990

To the Board of Directors of  
Alaska Fisheries Development  
Foundation, Inc.

We have audited the cash basis financial statements of Alaska Fisheries Development Foundation, Inc. for the year ended September 30, 1990 and have issued our report thereon dated November 16, 1990. In planning and performing our audit we considered the internal control structure to determine our auditing procedures; not to provide assurance on the internal control structure.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our consideration of the entity's internal control structure was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

This report contains a status report on recommendations related to certain matters noted during our previous audits.

This report is intended solely for the information and use of the board of directors and management of Alaska Development Foundation, Inc. and should not be used for any other purpose.

*Price Waterhouse*

ALASKA FISHERIES DEVELOPMENT FOUNDATION, INC.

STATUS OF PRIOR YEAR RECOMMENDATIONS

SEPTEMBER 30, 1990

Recommendations Fully Implemented

The Foundation should continue efforts to obtain an agreement with its bank which would provide collateral security if deposits are in excess of \$100,000.

The Foundation should prepare and document formal investment policies to ensure that investment decisions are made in accordance with the intent of management.

ALASKA FISHERIES DEVELOPMENT FOUNDATION, INC.

STATUS OF PRIOR YEAR RECOMMENDATIONS

SEPTEMBER 30, 1990

Recommendations Partially Implemented

The Foundation should periodically evaluate existing control procedures to determine if additional control procedures should be implemented.

ALASKA FISHERIES DEVELOPMENT  
FOUNDATION, INC.  
STATEMENT OF ASSETS AND FUND BALANCES  
ARISING FROM CASH TRANSACTIONS AND  
STATEMENTS OF REVENUE COLLECTED AND  
EXPENSES PAID AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 1991  
WITH INDEPENDENT AUDITORS' REPORTS

Certified Public Accountants

601 West Fifth Avenue  
Suite 700  
Anchorage, AK 99501-2258

Independent Auditors' Report

The Board of Directors  
Alaska Fisheries Development  
Foundation, Inc.:

We have audited the accompanying statement of assets and fund balances arising from cash transactions of Alaska Fisheries Development Foundation, Inc. (the Foundation) as of September 30, 1991 and the related statements of revenues collected and expenses paid and changes in fund balance for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of revenues collected and expenses paid (cash basis) and are not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and fund balances arising from cash transactions of Alaska Fisheries Development Foundation as of September 30, 1991 and its revenues collected and expenses paid and the changes in fund balances during the year then ended, on the basis of accounting described in Note 1.

*KPMG Peat Marwick*

November 15, 1991



Member Firm of  
KPMG Peat Marwick Coopers

ALASKA FISHERIES DEVELOPMENT FOUNDATION, INC.STATEMENT OF ASSETS AND FUND BALANCESARISING FROM CASH TRANSACTIONSSEPTEMBER 30, 1991

	<u>Restricted Fund</u>	<u>Unrestricted Fund</u>
Assets:		
Cash	\$12,411	\$ 5,238
Investments	<u>          -</u>	<u>54,993</u>
Total Assets	<u>\$12,411</u>	<u>\$60,231</u>
 Fund balance	 <u>\$12,411</u>	 <u>\$60,231</u>

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

ALASKA FISHERIES DEVELOPMENT FOUNDATION, INC.  
STATEMENT OF REVENUES COLLECTED AND EXPENSES PAID  
AND CHANGES IN FUND BALANCE  
RESTRICTED FUND

	Year Ended <u>September 30, 1991</u>
Revenues Collected:	
Federal grants	\$ 1,067,112
State of Alaska grants	103,652
Program income	13
Publication income	<u>6,275</u>
Total revenues collected	<u>1,177,052</u>
Expenses Paid - Program:	
Full utilization	40,150
Refining surimi	49,670
Multi-species waste utilization	200
Flatfish II	17,577
Waste utilization II	124,873
Flatfish III	32,180
Groundfish quality enhancement	51,555
Byproduct utilization of nonfillet flesh	51,000
Waste utilization III	170,620
Flatfish IV - sorting machine	284,200
Arrowtooth surimi demonstration	6,568
Modifying crab pots to harvest cod	<u>95,865</u>
Total program expenses paid	<u>924,458</u>
Expenses Paid - Administration:	
Salaries	181,465
Employee benefits	34,425
Business insurance and taxes	6,427
Office expense and maintenance	8,256
Supplies	4,516
Rent	21,008
Telephone	3,513
Postage and courier	4,193
Consulting fees	3,880
Staff travel and expenses	6,995
Board travel	15,356
Public information	39,511
Accounting	11,157
Furniture and equipment	560
Other	<u>64</u>
Total administration expenses paid	<u>341,328</u>
Total expenses paid	<u>1,265,786</u>
Excess of expenses paid over revenues collected	(88,734)
Fund balance, beginning of year	28,145
Transfer from unrestricted fund	<u>73,000</u>
Fund balance, end of year	<u>\$ 12,411</u>

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

ALASKA FISHERIES DEVELOPMENT FOUNDATION, INC.  
STATEMENT OF REVENUES COLLECTED AND EXPENSES PAID  
AND CHANGES IN FUND BALANCE  
UNRESTRICTED FUND

	Year Ended <u>September 30, 1991</u>
Revenues Collected:	
Membership dues, contributions and other	\$ 31,017
Interest	<u>10,985</u>
Total revenues collected	<u>42,002</u>
Expenses Paid:	
Office expenses	3,086
Bank charges	160
Travel and entertainment	1,105
Professional services	3,750
Salaries	4,687
Equipment purchases	13,554
Contributions	<u>500</u>
Total expenses paid	<u>26,842</u>
Excess of revenues collected over expenses paid	15,160
Fund balance, beginning of year	118,071
Transfer to restricted fund	<u>(73,000)</u>
Fund balance, end of year	<u>\$ 60,231</u>

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

ALASKA FISHERIES DEVELOPMENT FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 1991

NOTE 1 - SUMMARY OF OPERATIONS AND ACCOUNTING POLICIES:

Operations -

The Alaska Fisheries Development Foundation, Inc. (AFDF) is an Alaska non-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. AFDF (incorporated March 6, 1978 as Alaska Fisheries Development Corporation) was organized to serve as coordinator with the commercial fishing industry in Alaska for research and development projects aimed at developing under-utilized marine resources. The majority of funding received for these activities comes from the National Marine Fisheries Service (NMFS). Other funding comes from the Alaska Science and Technology Foundation and membership dues and contributions.

Basis of Accounting -

AFDF maintains its accounting records and has prepared its financial statements on the basis of revenues collected and expenses paid (cash basis); consequently, revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when the related obligation is incurred.

For financial statement purposes, AFDF reports proceeds from the sale of products produced by grant-funded programs as program income. Administrative expenses such as telephone, fax use, travel and postage are offset by incidental reimbursements to AFDF by those outside AFDF.

Fund Types -

Two basic fund types are maintained by AFDF. They are the Restricted Fund and the Unrestricted Fund. A brief description of each follows:

Restricted Fund -

This fund accounts for certain grants provided by the State of Alaska and amounts received under a letter of credit granted by the National Oceanic and Atmospheric Administration, National Marine Fisheries Service to provide funding for the various research and development activities undertaken by AFDF and to cover administrative costs.

Unrestricted Fund -

This fund accounts for all other revenues and expenses not related to grants or contracts. Revenues consist of membership dues, contributions, interest earnings and other miscellaneous receipts. Disbursements are made at the discretion of the Board of Directors.

NOTE 2 - INVESTMENTS:

AFDF maintains an investment account with Merrill Lynch, which provides interest earnings on funds included in the unrestricted account. Total interest received for the year ended September 30, 1991 was \$10,985. At September 30, 1991 the account consisted of \$20,000 of bank certificates of deposit; \$34,993, stated at cost which approximates market, invested in government bonds through the Metropolitan Life State Street Fund; and \$5,238 in money market funds.

NOTE 3 - REVENUES:

The following amounts were received under contracts from the National Oceanic and Atmospheric Administration:

NA86-ABH-00044	\$47,306
NA88-ABH-00007	67,448
NA89-ABH-00008	203,054
NA90AA-H-SK165	103,078
NA90AA-D-SK241	390,783
NA90AA-D-SK242	<u>255,443</u>
	<u>\$1,067,112</u>

AFDF must also meet certain cost sharing provisions which require that non-federal funds comprise 31% to 39% of total funds received on each contract. However, non-federal funds may be received in the form of in-kind contributions as well as cash.

NOTE 4 - RELATED PARTY TRANSACTIONS:

As part of its normal operations, AFDF enters into various contractual arrangements with companies in the fisheries industry. Certain of these companies are represented by persons related to members of AFDF's Board of Directors. Contracts with these companies during the current year resulted in payments totaling \$77,800.

Certified Public Accountants

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601 West Fifth Avenue  
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Report on Supplementary Information  
Schedule of Financial Assistance  
Independent Auditors' Report

The Board of Directors  
Alaska Fisheries Development  
Foundation, Inc.:

We have audited the accompanying statement of assets and fund balances arising from cash transactions as of September 30, 1991 and the related statements of revenues collected and expenses paid and changes in fund balances for the year then ended and have expressed our opinion on these financial statements dated November 15, 1991. These financial statements are the responsibility of Alaska Fisheries Development Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and with 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of Alaska Fisheries Development Foundation, taken as a whole. The accompanying schedule of federal financial assistance for the year ended September 30, 1991 is presented for purposes of additional analysis in accordance with the requirements of Office of Management and Budget Circular A-133, and is not a required part of the financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

*KPMG Peat Marwick*

November 15, 1991

Member Firm of  
KPMG Peat Marwick Gordon

ALASKA FISHERIES DEVELOPMENT FOUNDATION, INC.  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 1991

<u>Federal Grantor</u>	<u>CAFD Number</u>	<u>Grantor's Number</u>	<u>Disbursements</u>
U.S. Department of Commerce National Oceanic & Atmospheric Administration Saltonstall-Kennedy Program			
Full Utilization	11.427	NA86-ABH-00044	\$ 40,150
Optimizing Opportunities	11.427	NA88-ABH-00007	67,448
Alaska Fisheries Development Program	11.427	NA89-ABH-00008	208,608
Byproduct Utilization of Non- Fillet Flesh, Development of Improved Techniques for Bone/ Parasite Removal (III)	11.427	NA90AA-H-SK165	94,630
Multi-species byproduct Utilization	11.427	NA90AA-D-SK241	240,451
Flatfish Utilization IV	11.427	NA90AA-D-SK242	395,637
Development of Quality Control Data in Support of Model Seafood Surveillance Program	11.427	NA17FD0274-01	-
Total federal assistance			<u>\$1,046,924</u>

RECONCILIATION OF FEDERAL FINANCIAL ASSISTANCE  
TO FINANCIAL STATEMENTS

Federal grant expenditures	\$1,046,924
State of Alaska grant expenditures	119,982
Local disbursements for restricted administrative costs	92,605
Program income used to offset expenditures	<u>6,275</u>
Total expenses paid - restricted fund	<u>\$1,265,786</u>



Peat Marwick

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Report on Internal Control Structure in  
Accordance with Government Auditing Standards

The Board of Directors  
Alaska Fisheries Development  
Foundation, Inc.:

We have audited the cash basis financial statements of Alaska Fisheries Development Foundation as of and for the year ended September 30, 1991 and have issued our report thereon dated November 15, 1991.

We conducted our audit in accordance with generally accepted auditing standards and with 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 of material misstatement.

In planning and performing our audit of the cash basis financial statements of Alaska Fisheries Development Foundation for the year ended September 30, 1991, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of Alaska Fisheries Development Foundation is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are recorded properly to permit the preparation of financial statements. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate.



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The Board of Directors  
Alaska Fisheries Development Foundation  
Page 2

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- o Cash receipts
- o Cash disbursements
- o Compliance with laws and regulations

For all the control categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the board of directors, management, and the National Oceanic and Atmospheric Administration. This is not intended to limit the distribution of this report, which is a matter of public record.

*KPMG Peat Marwick*

November 15, 1991

601 West Fifth Avenue  
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Compliance Report Based on an Audit of the  
Cash Basis Financial Statements Performed in  
Accordance With Government Auditing Standards

The Board of Directors  
Alaska Fisheries Development  
Foundation, Inc.:

We have audited the cash basis financial statements of Alaska Fisheries Development Foundation as of and for the year ended September 30, 1991 and have issued our report thereon dated November 15, 1991.

We conducted our audit in accordance with generally accepted auditing standards and with 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 of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Alaska Fisheries Development Foundation is the responsibility of Alaska Fisheries Development Foundation's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Alaska Fisheries Development Foundation's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, Alaska Fisheries Development Foundation complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Alaska Fisheries Development Foundation had not complied, in all material respects, with those provisions.

This report is intended for the information of the board of directors, management and the National Oceanic and Atmospheric Administration. This is not intended to limit the distribution of this report, which is a matter of public record.

November 15, 1991

*KPMG Peat Marwick*



601 West Fifth Avenue  
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Report on Internal Control Structure  
Used in Administering Federal Awards

The Board of Directors  
Alaska Fisheries Development  
Foundation, Inc.:

We have audited the cash basis financial statements of Alaska Fisheries Development Foundation as of and for the year ended September 30, 1991 and have issued our report thereon dated November 15, 1991. We have also audited Alaska Fisheries Development Foundation's compliance with requirements applicable to major federal award programs and have issued our report thereon dated November 15, 1991.

We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, Audits of Institutions of Higher Education and Other Nonprofit Institutions. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether Alaska Fisheries Development Foundation complied with laws and regulations, noncompliance with which would be material to a major federal award program.

In planning and performing our audits for the year ended September 30, 1991, we considered Alaska Fisheries Development Foundation's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and on its compliance with requirements applicable to major programs and not to provide assurance on the internal control structure. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial award programs. We have addressed policies and procedures relevant to our audit of the financial statements in a separate report dated November 15, 1991.

The management of Alaska Fisheries Development Foundation is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures.



The Board of Directors  
Alaska Fisheries Development Foundation  
Page 2

The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements, and that federal award programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For purposes of this report, we have classified the significant internal control structure policies and procedures used in administering federal awards in the following categories:

General Requirements

- o Political activity
- o Davis-Bacon Act
- o Civil rights
- o Cash management
- o Federal financial reports
- o Allowable costs/cost principles
- o Drug-free workplace
- o Administration requirements

Specific Requirements

- o Types of services
- o Eligibility
- o Matching, level of effort, or earmarking
- o Reporting
- o Cost allocation
- o Special conditions
- o Claims for advances and reimbursements
- o Amounts claimed or used for matching

For all the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended September 30, 1991, Alaska Fisheries Development Foundation expended 100% of its total federal awards under major programs.

The Board of Directors  
Alaska Fisheries Development Foundation  
Page 3

We performed tests of controls, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the organization's major programs, which are identified in the accompanying schedule of federal financial assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the board of directors, management, and the National Oceanic and Atmospheric Administration. This is not intended to limit the distribution of this report, which is a matter of public record.

November 15, 1991

*KPMG Peat Marwick*



Certified Public Accountants

601 West Fifth Avenue  
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Report on Compliance with Specific Requirements  
Applicable to Major Programs

The Board of Directors  
Alaska Fisheries Development  
Foundation, Inc.:

We have audited the cash basis financial statements of Alaska Fisheries Development Foundation as of and for the year ended September 30, 1991 and have issued our report thereon dated November 15, 1991.

We have also audited Alaska Fisheries Development Foundation's compliance with the requirements governing types of services; eligibility; matching, level of effort, or earmarking; reporting; cost allocation; and special conditions that are applicable to its major program which is identified in the accompanying schedule of federal financial assistance, for the year ended September 30, 1991. The management of Alaska Fisheries Development Foundation is responsible for its compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Alaska Fisheries Development Foundation's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, Alaska Fisheries Development Foundation, complied, in all material respects, with the requirements governing types of services; eligibility; matching, level of effort, or earmarking; reporting; cost allocation; and special conditions that are applicable to its major program, which is identified in the accompanying schedule of federal financial assistance, for the year ended September 30, 1991.

This report is intended for the information of the board of directors, management, and the National Oceanic and Atmospheric Administration. This is not intended to limit the distribution of this report, which is a matter of public record.

November 15, 1991

*KPMG Peat Marwick*



Certified Public Accountants

601 West Fifth Avenue  
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Anchorage, AK 99501-2258Report on Compliance With General RequirementsThe Board of Directors  
Alaska Fisheries Development  
Foundation, Inc.:

We have applied procedures to test Alaska Fisheries Development Foundation's compliance with the following requirements applicable to its federal program, which is identified in the accompanying schedule of federal financial assistance, for the year ended September 30, 1991.

- o Political activity
- o Davis-Bacon Act
- o Civil rights
- o Cash management
- o Federal financial reports
- o Allowable costs/cost principles
- o Drug-free workplace
- o Administration requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Alaska Fisheries Development Foundation's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the first paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that Alaska Fisheries Development Foundation has not complied, in all material respects, with those requirements.

This report is intended for the information of the board of directors, management, and the National Oceanic and Atmospheric Administration. This is not intended to limit the distribution of this report, which is a matter of public record.

November 15, 1991

*KPMG Peat Marwick*

ALASKA FISHERIES DEVELOPMENT FOUNDATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 1991

Description

Costs  
Questioned

The financial statements of Alaska Fisheries Development Foundation are not presented in accordance with Generally Accepted Accounting Principles.

OMB Circular A-133 requires that the auditor determine whether the financial statements of the entity being audited are presented in accordance with generally accepted accounting principles. Alaska Fisheries Development Foundation's financial statements are presented on the cash basis of accounting.

Management's Response.

The Board of Directors of the Alaska Fisheries Development Foundation has determined that the financial statements will be prepared on a cash basis. Management prepares them accordingly.

Supporting documentation maintained by Alaska Fisheries Development Foundation for cost share donated from third parties does not meet requirements of OMB Circular A-110, Attachment E.

OMB Circular A-110 requires supporting records for donated goods and services to be similar in detail to those maintained by the Foundation for its own expenditures. Presently Alaska Fisheries Development Foundation maintains third party certifications of goods and services donated. Original invoices, payroll records, etc. are maintained by the third parties subject to inspection by the Foundation or other government agencies.

Management's Response.

Systems for documenting third party donated goods and services have been upgraded over the past four years. We now contractually require the donors to substantiate and report their in-kind contributions along with their regular invoices to Alaska Fisheries Development Foundation for goods and services provided under their contracts. However, the required level of documentation for these donations is maintained by the provider. Rather than duplicate all of these records, the Foundation, through its contracts with these providers, maintains the authority and ability to access this information should further documentation be needed.

ALASKA FISHERIES DEVELOPMENT FOUNDATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 1991

DescriptionCosts  
Questioned

Cost sharing expenditures on cooperative agreement NA90AA-H-SK241 were not paid at the same general rate as federal expenditures.

The standard terms and conditions of the Foundation's cooperative agreements require that the cost sharing contributions be paid at the same general rate as the federal share of the costs. As of September 30, 1991, Alaska Fisheries Development Foundation was approximately \$40,000 deficient in its cost share for this agreement. No costs are questioned, however, as the Foundation has the remainder of the grant period to cure the deficiency in the local share on the agreement.

Management's Response.

In-kind contributions are provided by third party contractors in the course of Alaska Fisheries Development Foundation's programs. In-kind contributions are generally provided ratably. However, the third party providers report their contributions periodically as required by their contracts. Under this system, in-kind contribution documentation often lags behind the actual donation of the goods and services. Even though in-kind contributions are provided ratably, the actual reporting is usually delayed one quarter.

Total questioned costs

\$            -



ALASKA FISHERIES DEVELOPMENT

FOUNDATION, INC.

STATEMENT OF ASSETS AND FUND BALANCES

ARISING FROM CASH TRANSACTIONS AND

STATEMENTS OF REVENUE COLLECTED AND

EXPENSES PAID AND

CHANGES IN FUND BALANCES

FOR THE YEAR ENDED SEPTEMBER 30, 1989

WITH REPORTS OF INDEPENDENT ACCOUNTANTS

ALASKA FISHERIES DEVELOPMENT FOUNDATION, INC.

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SEPTEMBER 30, 1989

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*Price Waterhouse*



REPORT OF INDEPENDENT ACCOUNTANTS

November 22, 1989

To the Board of Directors of  
Alaska Fisheries Development Foundation, Inc.

We have audited the accompanying statement of assets and fund balances arising from cash transactions of Alaska Fisheries Development Foundation, Inc. (the Foundation) as of September 30, 1989 and the related statements of cash receipts and disbursements and cash balances, restricted and unrestricted funds, for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the financial audit requirements of Governmental Auditing Standards, issued by the Comptroller General of the United States, and the provisions of the Office of Management and Budget Circular A-110. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Foundation adopted a policy of preparing its financial statements on the basis of cash receipts and cash disbursements; consequently, certain revenue and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

November 22, 1989

Alaska Fisheries Development Foundation, Inc.

Page 2



In our opinion, the financial statements audited by us present fairly, in all material respects, the assets and fund balances arising from cash transactions of Alaska Fisheries Development Foundation, Inc. as of September 30, 1989 and the revenue collected and expenses paid during the year then ended, on the basis of accounting described in Note 1.

As discussed in Note 6, the Department of Commerce, Office of the Inspector General has proposed certain actions which, if implemented, could require that the Foundation return certain cooperative agreement monies. The amount, if any, that may be required to be returned is not presently determinable and, accordingly, the Foundation has made no provision for this contingency in the accompanying financial statements.

*Price Waterhouse*

ALASKA FISHERIES DEVELOPMENT FOUNDATION, INC.STATEMENT OF ASSETS AND FUND BALANCESARISING FROM CASH TRANSACTIONSSEPTEMBER 30, 1989

	<u>Restricted Fund</u>	<u>Unrestricted Fund</u>
Assets:		
Cash	\$66,042	\$ 36,749
Investments	<u>                    </u>	<u>154,993</u>
Liabilities:		
Contingent liabilities	<u>                    </u>	<u>                    </u>
 Fund balance	 <u>\$66,042</u>	 <u>\$191,742</u>

See accompanying notes to financial statements

ALASKA FISHERIES DEVELOPMENT FOUNDATION, INC.  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS AND CASH BALANCES  
RESTRICTED FUND

	<u>Year Ended</u> <u>September 30, 1989</u>
Receipts:	
Federal grants	\$933,599
Publication income	7,923
Program income	<u>6,481</u>
Total Receipts	<u>948,003</u>
Disbursements:	
Program -	
Pollock industry development	21,121
Surimi and beyond	8,449
Pacific pollock protein project	70,803
Full utilization	35,619
Flatfish I	116,639
Multi species waste utilization	101,908
Flatfish II	2,388
Waste utilization II	78,000
Groundfish quality enhancement	<u>91,125</u>
Total program disbursements	<u>526,052</u>
Administration -	
Salaries	192,599
Employee benefits	41,132
Miscellaneous and contract labor	96
Business insurance and taxes	5,840
Office expense and maintenance	12,760
Supplies	5,164
Rent	19,392
Phone	5,739
Postage and courier	4,644
Consulting fees	6,767
Staff travel and expenses	15,601
Board travel	20,125
Public information	40,969
Furniture and fixtures	2,928
Accounting	6,090
Interest and other	<u>6</u>
Total administration disbursements	<u>379,852</u>
Total disbursements	<u>905,904</u>
Excess of receipts over disbursements	42,099
Cash, beginning of year	<u>23,943</u>
Cash, end of year	<u>\$ 66,042</u>

See accompanying notes to financial statements

ALASKA FISHERIES DEVELOPMENT FOUNDATION, INC.  
STATEMENT OF CASH RECEIPTS AND  
DISBURSEMENTS AND CASH AND INVESTMENT BALANCES  
UNRESTRICTED FUND

	Year Ended <u>September 30, 1989</u>
Receipts:	
Membership dues, contributions and other	\$ 24,142
Interest	<u>16,526</u>
Total receipts	<u>40,668</u>
Disbursements:	
Office expenses	5,371
Bank charges	125
Travel and entertainment	1,199
Professional services	14,210
Miscellaneous	<u>575</u>
Total disbursements	<u>21,480</u>
Excess of receipts over disbursements	19,188
Cash and investments, beginning of year	<u>172,554</u>
Cash and investments, end of year	<u>\$191,742</u>

See accompanying notes to financial statements

ALASKA FISHERIES DEVELOPMENT FOUNDATION, INC.NOTES TO FINANCIAL STATEMENTSSEPTEMBER 30, 1989NOTE 1 - DESCRIPTION OF OPERATIONS AND SUMMARY OF ACCOUNTING POLICIES:Operations -

The Alaska Fisheries Development Foundation, Inc. (AFDF) is an Alaska non-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. AFDF (incorporated March 6, 1978 as Alaska Fisheries Development Corporation) was organized to serve as coordinator with the commercial fishing industry in Alaska for research and development projects aimed at developing under-utilized marine resources. The majority of funding received from these activities comes from the National Marine Fisheries Service (NMFS). Funding is also provided by membership dues and contributions.

Basis of Accounting -

AFDF maintains its accounting records and has prepared its financial statements on the basis of cash receipts and disbursements; consequently, certain revenues are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the related obligation is incurred.

For financial statements purposes, AFDF reports proceeds from the sale of products produced by grant funded programs, as program income. Other revenues are reported net of related administrative expenses. These revenues are reimbursements to the Foundation for incidental telephone and FAX use, travel and postage by those outside the Foundation. This method of presentation more clearly reflects the Foundation's income and expenses.

Fund Types -

Two basic fund types are maintained by AFDF. They are the Restricted Fund and the Unrestricted Fund. A brief description of each follows:

Restricted Fund -

This fund accounts for amounts received under a letter of credit granted by the National Oceanic and Atmospheric Administration, National Marine Fisheries Service to provide funding for the various research and development activities undertaken by AFDF and to cover administrative costs.

Unrestricted Fund -

This fund accounts for all other receipts and disbursements not related to grants or contracts. Receipts are made up of membership dues, contributions, interest earnings and other miscellaneous receipts. Disbursements may be made at the discretion of the Board of Directors.

NOTE 2 - INVESTMENTS:

AFDF maintains an investment account with Merrill Lynch, which provides interest earnings on idle funds included in the unrestricted account. Interest earnings of \$16,526 have been reinvested. At September 30, 1989 the account consisted of \$120,000 of bank certificates of deposit and \$34,993 invested in government bonds through the Metropolitan Life State Street Fund which are stated at cost which approximates market, and \$36,749 in money market funds.

NOTE 3 - REVENUES:

Revenues received from the National Oceanic and Atmospheric Administration were received by letter of credit on various grant contracts as follows:

83-ABH-00057	\$ 23,300
84-ABH-00062	11,833
85-ABH-00044	81,919
86-ABH-00044	23,177
87-ABH-00020	128,833
88-ABH-00007	330,213
89-ABH-00008	<u>334,324</u>
	<u>\$933,599</u>

AFDF must also meet certain cost sharing provisions which require that non-federal funds comprise at least 30% of total funds received. However, non-federal funds may be received in the form of in-kind contributions as well as cash.

NOTE 4 - PENSIONS:

In addition to required participation in the Social Security System, all AFDF employees have the option of contributing to individual tax sheltered annuities. Total employee contributions during the year amounted to \$13,977.

NOTE 5 - RELATED PARTY TRANSACTIONS:

As part of its normal operations, AFDF enters into various contractual arrangements with companies in the fisheries industry. Certain of these companies are represented by persons related to members of AFDF's Board of Directors. Contracts with these companies during the current year resulted in payments totaling \$24,944.

NOTE 6 - CONTINGENT LIABILITIES:

In accordance with the provisions of Cooperative Agreement 85-ABH-00044, Alaska Fisheries Development Foundation is subject to audit by the Department of Commerce, Office of the Inspector General. An audit was conducted by Inspector General auditors from the Seattle office on this agreement for the period September 30, 1985 through December 31, 1987. Based on their findings, they have proposed certain actions be taken which, if implemented, could result in the Foundation being liable for \$929,332. Management is of the opinion that the recommendations are in error and is vigorously pursuing a favorable resolution to this matter. Management anticipates that the final resolution will not have a material impact on the financial position of the Foundation.

NOTE 7 - UNRESTRICTED REVENUES:

Certain revenues in the Unrestricted Fund were received from the sale of equipment originally purchased with federal administrative funds. The Foundation has contacted the federal technical monitor for a determination by the National Oceanic and Atmospheric Administration (NOAA) as to whether these revenues should be classified as restricted or unrestricted. Currently \$3,984 plus the accrued interest is being held in the unrestricted fund pending a decision by NOAA.

*Price Waterhouse*



REPORT OF INDEPENDENT ACCOUNTANTS

November 22, 1989

To the Board of Directors of  
Alaska Fisheries Development Foundation, Inc.

We have audited the cash basis financial statements of Alaska Fisheries Development Foundation as of and for the year ended September 30, 1989 and have issued our report thereon dated November 22, 1989.

We conducted our audit in accordance with generally accepted auditing standards, the financial audit requirements of Governmental Auditing Standards, issued by the Comptroller General of the United States, and the provisions of the Office of Management and Budget Circular A-110. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the cash basis financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Alaska Fisheries Development Foundation is the responsibility of the Foundation's management. As a part of obtaining reasonable assurance about whether the cash basis financial statements are free of material misstatement, we performed tests of the Foundation's compliance with certain provisions of laws, regulations, contracts, and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, Alaska Fisheries Development Foundation complied, in all material respects with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Foundation had not complied, in all material respects, with those provisions.

This report is intended for the information of the board of directors, management, the United States Department of Commerce, National Oceanic and Atmospheric Administration. This restriction is not intended to limit the distribution of the is report, which is a matter of public record.

*Price Waterhouse*

*Price Waterhouse*



REPORT OF INDEPENDENT ACCOUNTANTS

November 22, 1989

To the Board of Directors of  
Alaska Fisheries Development Foundation, Inc.

We have audited the cash basis financial statements of Alaska Fisheries Development Foundation as of and for the year ended September 30, 1989, and have issued our report thereon dated November 22, 1989.

We conducted our audit in accordance with generally accepted auditing standards, the financial audit requirements of Governmental Auditing Standards, issued by the Comptroller General of the United States, and the provisions of the Office of Management and Budget Circular A-110. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the cash basis financial statements are free of material misstatement.

In planning and performing our audit of the cash basis financial statements of Alaska Fisheries Development Foundation as of and for the year ended September 30, 1989, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the cash basis financial statements and not to provide assurance on the internal control structure.

The management of Alaska Fisheries Development Foundation is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objective of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the cash basis of accounting. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future



periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal structure policies and procedures in the following categories:

- o Cash receipts
- o Cash disbursements

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relations to the cash basis financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of Alaska Fisheries Development Foundation in a separate communication dated November 22, 1989.

This report is intended for the information of the board of directors, management, and the United States Department of Commerce, National Oceanic and Atmospheric Administration. This restriction is not intended to limit the distribution of the is report, which is a matter of public record.

*Price Waterhouse*



ALASKA FISHERIES DEVELOPMENT  
FOUNDATION, INC.  
RECOMMENDATION TO IMPROVE  
ADMINISTRATIVE EFFICIENCY AND  
INTERNAL ACCOUNTING CONTROL  
NOVEMBER 1989

*Price Waterhouse*



November 22, 1989

To the Board of Directors  
Alaska Fisheries Development  
Foundation, Inc.

We have audited the cash basis financial statements of Alaska Fisheries Development Foundation for the year ended September 30, 1989, and have issued our report thereon dated November 22, 1989. In planning and performing our audit of the financial statements, we considered the internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our consideration of the Foundation's internal control structure was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole. However, such study and evaluation disclosed no condition that we believed to be a material weakness. As discussed in the following recommendations, we did, however, note certain areas where we believe that additional control is desirable to further safeguard assets, ensure the reliability of the financial reports and maximize operational efficiency.

This report is intended solely for the use of management of Alaska Fisheries Development Foundation and should not be used for any other purpose.

*Price Waterhouse*

ALASKA FISHERIES DEVELOPMENT FOUNDATION, INC.  
RECOMMENDATIONS TO IMPROVE ADMINISTRATIVE EFFICIENCY  
AND INTERNAL ACCOUNTING CONTROL

SEPTEMBER 30, 1988

RECOMMENDATION 1:

The Foundation should continue efforts to obtain an agreement with its bank which would provide collateral security if deposits are in excess of \$100,000.

The Foundation has been negotiating with its bank to obtain an agreement to collateralize deposits over \$100,000. Should the Foundation need to draw down an amount on its U.S. Treasury line of credit which would cause the Foundation's bank balance to exceed the \$100,000 federal deposit insurance level the Foundation would be in violation of federal regulation and at financial risk. Efforts should continue in negotiating a collateralization agreement with the bank, so the Foundation can have the maximum flexibility possible in drawing down funds and still meet federal requirements that deposits in excess of federal deposit insurance levels be collaterally secured.

RECOMMENDATION 2:

The Foundation should periodically evaluate control procedures to determine if additional control procedures should be implemented.

Due to the small size of the Foundation and the limited number of employees, it is not possible to adequately segregate the duties of employees to achieve ideal internal control over assets and transactions. This lack of segregation of duties requires that management be involved in daily operations lessen the chance that errors or irregularities may occur and not be detected. Management should periodically evaluate the control procedures being performed, such as reviewing the monthly bank reconciliations, and determining if any additional control procedures are necessary to ensure that the internal control system is as strong as possible under the circumstances.

RECOMMENDATION 3:

The Foundation should prepare and document formal investment policies to ensure that investment decisions are made in accordance with the intent of management.

During our examination we noted that other investment alternatives are being explored by the Foundation to get better returns on its invested funds. Although no unsound investment practices were noted, the management of the Foundation should determine investment policies such as types of allowable investments, officials with authority to make investment decisions, and desired levels of risk and return and document those policies to ensure that investment decisions are made in accordance with the intent of the board of directors.



# Publications List 1991

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Alaska Fisheries Development Foundation, Inc. 508 West Second Avenue Suite 212, Anchorage, Alaska 99501  
(907) 276-7315 Fax: (907) 271-3450

Number of copies	Publications	Cost (US\$)
[ ]	The Lodestar - AFDF's Quarterly Newsletter	(Foreign) \$40.00
	(Calendar year publication)	(US) \$30.00
	<b>General</b>	
[ ]	AFDF Industry Survey, 1989	\$ 5.00
[ ]	Alaska Fisheries Economic Assessment Model, 1989	5.00
[ ]	Alaska Pollock: Is it a Red Herring? Conference Proceedings, 1981	5.00
[ ]	Alternate Pink Salmon Product Forms, 1988	5.00
[ ]	Atka Mackerel: The Invisible Fishery, 1987	5.00
[ ]	Bering Sea Fishermen's Association Marketing Education Project, 1983	5.00
[ ]	Conference on Fisheries Development in Rural Western Alaska: Proceedings, 1983	2.00
[ ]	Demonstration of Parasite Detection Technologies on Alaska Groundfish, 1990	5.00
[ ]	Development of an Alaska Pink/Chum Salmon Product, 1989	3.00
[ ]	Development of Improved Techniques for Bone/Parasite Removal in White Fish Fillet Production, 1991	5.00
[ ]	Five-Year Commercial Fisheries Development Plan for Alaska White Fish & Underutilized Species, 1981	2.00
[ ]	Groundfish Quality Project Final Report, 1991 (Includes Quality Poster and 1990 Progress Report)	15.00
[ ]	[ ] Poster only 5.00 [ ] Report only 10.00	
[ ]	Longlining Information Package, 1983: Includes Automated Longlining in Norway; Conversion of a Crabber to an Auto-Longlining Catcher/Processor (Executive Summary, Trip Reports, Financial Analysis and Final Report); Building Instructions for a Low-Cost Longline Baiting Machine; and Fishing Objectives and Longlining Techniques	17.00
[ ]	Marketing Service Project for Smaller Fisheries in Remote Areas, 1981	2.00
[ ]	Modifying Crab Pots to Harvest Cod, 1991	7.00
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[ ]	Pacific Pollock: Resources, Fisheries, Products and Markets, 1983	5.00
[ ]	Proceedings from Salt Fish Workshop, 1981	5.00
[ ]	Promise of Profits: The Trident Seafoods Experience, 1986	5.00
[ ]	Salt Cod Production Field Manual, 1983	5.00
	<b>Surimi</b>	
[ ]	Surimi: It's American Now! A compendium of the AFDF Surimi Industry Development Project to bring surimi technology to America, 1982-87	\$50.00
[ ]	Application of Surimi Quality Measurements to Least-Cost Linear Programming of Surimi Production Formulations, 1989	3.00
[ ]	Assessment of Industrial Markets for Pollock Surimi (Phase I: Functional Properties) 1985	2.00
[ ]	Availability of Pollock in Relation to Possible Surimi Production Centers, 1984	2.00
[ ]	Customized Surimi: Market Evaluation, Production & Sample Distribution, 1990	5.00
[ ]	Development and Market Evaluation of a Surimi Product (Seattle Sausage), 1990	2.00
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[ ]	Surimi as an Ingredient in a New Salmon Jerky Product, 1985	2.00
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[ ]	Surimi Specifications Summary, 1985	2.00
[ ]	Surimi-Based Foods and Seafood Analogs, Conference Proceedings, 1984	2.00
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[ ]	The Use of Decanter Centrifuges in Surimi Processing, 1988	2.00
[ ]	The Use of Surimi in Restructured Meat Products: Interim and Final Project Reports, 1989	2.00

#### By-Products

[ ]	Alaskan Salmon and White Fish Oil Marketing, 1989 (Includes FDA Meeting Summary and Quality Analyses and Fatty Acid Profiles of Four Samples of Alaska Salmon Oil)	\$10.00
[ ]	Characterization of Alaska Seafood Waste, 1988	5.00
[ ]	Fish Feed Trials Using an Experimental Hydrolysate Diet, 1991	5.00
[ ]	Hydrolyzer Demonstration Project Final Report, 1988-1990	10.00
[ ]	Making Profits Out of Seafood Waste, Conference Proceedings, 1990	10.00
[ ]	Multi-Species By-Product Utilization Final Report (KRI), 1989	5.00
[ ]	No Guts, No Glory: News about Alaska fish meal and oil, April 1989	2.00
[ ]	No Guts, No Glory: News about hydrolyzed fish protein from Alaska, September 1991	2.00
[ ]	Nutritional and Feeding Value of a Salmon Head Protein Hydrolysate in Pig Diets, 1991	5.00
[ ]	U.S. Market Prospects for Alaska Pollock Liver Oil, 1988	5.00
[ ]	Recovery and Evaluation of Marketable Products from Cod Trimmings, 1983	5.00
[ ]	Rendering Profits: Fish Oil Seminar Proceedings, 1987	5.00

#### Flatfish

[ ]	ADF&G Groundfish Observers for AFDF Flatfish Project: Final Report, 1989	\$ 5.00
[ ]	Arrowtooth Flounder Microwave Project: Final Report, 1990	5.00
[ ]	Arrowtooth Flounder Protease Inhibitor Injection Project, 1990	5.00
[ ]	Commercial Utilization of Arrowtooth Flounder, 1991	7.00
[ ]	Flatfish Handling, Processing and Marketing Project, 1990	3.00
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[ ]	Sole Source: Flatfish Project Newsletter, April 1988-March 1990	10.00

#### Video Tapes

[ ]	"The Sole Source" - The Alaska Flatfish Fishery	\$20.00
[ ]	"Surimi: An American Opportunity" - Markets and Uses for Surimi Seafoods	40.00
[ ]	"Surimi: Building Block for Formulated Foods" - How to Use Surimi in Processed Foods	45.00
[ ]	"White Gold: The Surimi Block Blues" - How Surimi is Made in the U.S.	40.00
[ ]	"Blended Seafood: A Video Cookbook" - Creativity in the Kitchen Featuring Chef Eric Benson	15.00

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KODIAK REDUCTION, INC.

911 GIBSON COVE ROAD  
KODIAK, ALASKA 99615  
TELEPHONE (907) 486-3171


January 31, 1990

Senator Lloyd Jones  
State Capitol  
Juneau, AK. 99801-1182

Dear Senator:

I am writing to urge you to support Senate Bills 343 & 348 appropriating a loan to the Alaska Fisheries Development Foundation for a commercial fisheries development endowment. The "Foundation" has done alot for the betterment of fisheries throughout Alaska using the Seibonstall-Kennedy federal grant monies they have appropriated. However, with the "drying up" of federal funding in general, the Foundation is in dire straits in regard to funding its research projects. Without help from the State of Alaska in the form of the above loan, this fine Foundation will succumb and future projects parallelling the surimi project in Kodiak (which has resulted in a \$500 million/year industry in Alaska) will never come to fruition. Your support will be greatly appreciated by all of coastal Alaska.

Sincerely,

  
Dan James  
General Manager