

**2017
ANNUAL
REPORT**



Central Bering Sea Fishermen's Association



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Chairman's Letter

Dear CBSFA Members,



I am happy to report that CBSFA continues to be fully invested in helping our community thrive through our programs, by funding assistance to local entities, and actively participating in fisheries management processes and other issues related to our community. Collaborating with local entities continues to be our key approach as we help develop our community and ensure St. Paul Island remains an enjoyable place to live.

Our Scholarship and Training Grant Program offers financial aid to eligible individuals pursuing a college degree and/or training certifications. College tuition and vocational training costs are expensive and our program helps to offset those costs to make this higher education and training attainable. CBSFA provides halibut and crab through our Elders/Community Subsistence Donation Program to our resident elders and various community gatherings and fundraisers. These donations especially help our elders who may be impacted with the rising costs of groceries. Our Elders Residential Assistance Program provides annual financial relief to housing agencies and utility suppliers on behalf of our residents age 55 and older to help with utility and rent expenses. With a small staff, our ability to directly offer numerous programs are limited, so we have given funding to local entities for projects that will offer employment opportunities to our residents.

During 2017 and 2018, CBSFA continued to provide funding assistance to the Pribilof School District, Tanadgusix Corporation (TDX), and Tribal Government of St. Paul (Tribe) that allowed each entity to develop and manage programs that help create jobs within our community. Some of these programs include the Preschool Program, TDX Summer Youth Hire Program, Tribal Court, Unangam Tunuu revitalization, and the Bering Sea Pribilof Islands Science Education Expansion, Workforce Development, and Community Sustainability Program. CBSFA's funding donations to the St. Paul School's 5th

grade class and middle school basketball team have helped our children travel to other places within Alaska and to different states to experience unique opportunities.

Halibut is an important resource to our community and we continue to focus our efforts to ensure we have an annual halibut fishery. CBSFA continues to participate in the North Pacific Fisheries Management Council (NPFMC) process and attend the International Pacific Halibut Commission meetings. We are also supporting additional representation from the City of Saint Paul to attend the NPFMC meetings. Continuous entity representation at these meetings is significant and on behalf of CBSFA I would like to thank the City and the Tribe for attending and participating.

CBSFA has also been working with local entities to help ensure we receive adequate passenger, mail, and freight service to our island. We realize this is a long process and involves many parties, but we are hopeful we work to resolve the airline issues.

We continue to collaborate with the Tribe on various projects that include building on their 2017 and 2018 Property Beautification Projects by paying for the labor wages to have Elder's homes painted, as well as the cost for 24-hour security at the Small Boat Harbor during the halibut fishing season, maintenance and repair costs of the Civic Center where the Unangam Tunuu Revitalization



work occurs, and a cat spay/neuter clinic they scheduled this summer. In 2018, CBSFA extended its agreement with TDX to purchase bandwidth to help them provide the community with faster internet speed. In an effort to support a local small business, Polovina Studios, we helped pay for travel expenses to record the Saint Innocent Cathedral's Pascha service in Anchorage, and fireworks for its Pribilof Art and Music Festival, which was held this summer. When we work together, our entire community benefits.

CBSFA will continue to do our best to help individuals achieve their goals, to ensure we have a halibut fishery for our fleet, and support entities that are developing and managing programs that create stable employment opportunities and benefits for our residents.

Respectfully,

Myron Melovidov

President's Letter

Dear CBSFA Members,



The CBSFA management is glad to report that we have been quite successful in achieving the intent and purpose of the Community Development Quota Program of Western Alaska (CDQ) since it was first created in 1992.

Over the years, CBSFA has made significant investments and contributions that provide economic and social benefits to our community. CBSFA has developed a viable local halibut fleet and commercial fishery that now provides annual employment to a significant number of residents and has become a major contributor to our local economy. A major accomplishment for the CBSFA management, the local fishermen, and community of Saint Paul Island, is the successful construction of the Small Boat Harbor (SBH) in 2010. This infrastructure is providing safe mooring and excellent vessel support services to our local fleet. Complementary to the investment in the SBH to support our local fishery, CBSFA is glad to be working with the Tribal Government of Saint Paul (Tribe) in constructing a jointly owned facility which is near completion after many years of planning. The building will include the CBSFA Vessel Repair Facility (Boat Shop) and space to support the Tribe's business development.

CBSFA has made substantial financial contributions to the Elder Residential Assistance Program since it was first created in 2008 to help elders pay for the higher costs of living out here in the Bering Sea. We also continue to provide our elders with their traditional seafood of halibut and crab through our Elders and Community Seafood Donations Program. CBSFA continues to meet the goals and criteria of the CDQ Program through our efforts in providing numerous social and economic benefits to the residents Saint Paul Island.

When you review the CBSFA 2017 consolidated financial statements, two line items show significant value changes - the decrease in the value of fishing rights and a decrease in the consolidated revenue. I want to take this opportunity to explain these changes. From September 2014 through February 2015, the CBSFA board of directors approved three purchase transactions of crab harvesting and processing quotas, including a significant amount of Bering Sea Snow Crab (BSS). These three purchases caused unprecedented growth for CBSFA, resulting in large increases in fishing rights in 2014 and 2015. Unfortunately, the BSS Total Allowable Catch (TAC) was reduced significantly after these quota purchases. In the 2014/2015 crab season, the TAC for BSS was 67.950 million pounds; in 2015/2016, it was reduced to 40.611 million pounds; in 2016/2017, it reduced again to 21.570 pounds; in 2017/2018, it was further reduced to 18.961 million pounds. This amounts to a substantial reduction of 48.989 million pounds from the 2014/2015 TAC.

Accounting rules require that an intangible asset, such as the fishing rights, be tested yearly by comparing the value of the asset against current market values. During the CBSFA 2017 annual audit, an asset impairment test on CBSFA's fishing rights was conducted. The outcome of the test forced CBSFA to reduce (impair) the market value of the total fishing and processing rights in 2017. In the CBSFA Consolidated Statements of Financial Position, dated December 31, 2017, the market value of the CBSFA fishing and processing rights is \$74,903,385, which is a decrease from the 2016 market value of \$84,307,972. The decrease in value is driven by the reductions in BSS TAC's listed above and reduced TAC's in other crab fisheries. It is important to understand, that the impairment is a so-called "paper loss", i.e., the reduction in

value is a noncash accounting rule adjustment - the impairment loss did not result in CBSFA losing actual money in 2017. Furthermore, the impairment loss does not affect CBSFA's revenue earnings from the fishing and processing rights. A loss in the value of the fishing rights does not result in revenue loss - which is driven by the crab TAC's and markets.

These fishing and processing rights have earned substantial revenue and profits for CBSFA and for our fishing vessel investments, which are owned and managed by Saint Paul Fishing Company (SPFC), a wholly-owned subsidiary of CBSFA. As a result, SPFC has been able to make consistent annual profit distributions to CBSFA that have provided us with the cash to fund many beneficial social and economic development programs and projects here at Saint Paul Island.

The following explains the reason for the substantial decrease in 2017 revenue from 2016 shown in the CBSFA Consolidated Statement of Activities. 2016 was transitional year for CBSFA in the way it marketed and sold its fish products. Prior to 2016, CBSFA marketed and sold its fish products internally. This business plan resulted in slower than expected sales, creating a backlog of inventory, and resulted in poor cash flow. Due to this unacceptable development, CBSFA decided to partner with seafood industry leaders to help us market and sell CBSFA's products. These new partnership arrangements provided increased efficiencies and much improved cash flow. Shortly after these new arrangements were made, CBSFA also began to aggressively sell off the backlog of inventory. As a result, by the end of 2016 the inventory was successfully sold. The combination of selling the inventory, and the benefits of the new partnership arrangements, resulted in an abnormally large increase in annual revenue in 2016. This increase was not considered sustainable in 2017 as it was a direct result of the corrective actions described above. In 2017, CBSFA realized the first full year under the new partnership arrangements. The annual revenue

in 2017 of \$55.24 million is more indicative of a normal year under current market conditions and fishery TAC's.

We are glad to report that CBSFA and other local entities continue to work together to help enhance the lives of our residents and support the development of our community. We would like to assure you that CBSFA is strong and financially stable, and we will continue to do our best to support our community. I wish you all the best, and good luck-good fishing to all the fishermen, now and into the future.

Sincerely,



Phillip Lestenkof



Central Bering Sea Fishermen's Association Board of Directors

Myron Melovidov, Chairman
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Michael Baldwin, Director
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Term expires 2020

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Director
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CBSFA Board and Staff

CBSFA Board of Directors



Myron Melovidov
Chairman
Term expires 2019



Phillip Lestenkof
President
Term expires 2020



Jeffery P. Kauffman
Vice President
Term expires 2018



Rena J. Kudrin
Secretary/Treasurer
Term expires 2020



Roman Fratis, Sr.
Director
Term expires 2018



John R. Merculief, Jr.
Director
Term expires 2019



Amos Philemonoff, Sr.
Director
Term expires 2018



Michael Baldwin
Director
Term expires 2020



Jason Bourdukofsky, Sr.
Director
Term expires 2019

CBSFA Employees



Phillip Lestenkof
President
President since 1999



Rena J. Kudrin
Office Manager
Employee since 1998



Ray Melovidov
Chief Operating
Officer
Employee since 2001



Robert Melovidov, Sr.
Traffic Coordinator
Employee since 2010



Myron Melovidov
Operations
Supervisor
Employee since 2011



Shiona Melovidov
Administrative
Manager
Employee since 2012



Heidi Merculief
Administrative
Assistant
Employee since 2017



Sean Head
Staff Accountant
Employee since 2016



Marisa Mack
Senior Accountant
Employee since 2017



Joe Kashevarof
Chief Financial
Officer
Employee since 2017

SPFC Employees



Jeffery P. Kauffman
Chief Executive
Officer
Employee since 2007



Jennifer L. Hausmann
Administrative Assistant/
Accountant
Employee since 2010



St. Paul Fishing Company, LLC

2017 ended up being an excellent year for St. Paul Fishing Company (SPFC) and its subsidiaries. With ownership interest in seven fishing vessels and access to diversified fishery resources in the Bering Sea and Aleutian Islands, SPFC continues to operate profitably. SPFC was able to disburse \$1.5 million to CBSFA in 2017.

As CBSFA's membership understands, fishery allocations and markets change from year to year. Fortunately, CBSFA has a versatile and productive fleet of vessels that are financially and structurally sound, and able to withstand and adapt to changes in Total Allowable Catch (TAC) and market conditions.

SPFC depends mainly on pollock, Pacific cod, halibut, and most Bering Sea and Aleutian Islands crab species. Pollock allocations have gradually increased for 6 consecutive years. After several years of soft pollock markets, indicators are showing market improvements and generating optimism within the pollock industry. Bering Sea Pacific cod allocations were reduced by 16% in 2017, but markets for Pacific cod are showing signs of improvement and stability. The Bering Sea halibut quotas increased slightly in 2017 and decreased by 5.4% in 2018. Halibut markets softened slightly in 2017 with ex-vessel price averaging out at about \$5.83 per pound. Finally, for the third straight year Bering Sea and Aleutian Island crab allocations have collectively decreased, falling another 5.5% in 2017, but pricing remains consistent. The Aleutian Island Golden King Crab fishery, in spite of the collective crab allocation decrease, has been amazingly stable for more than a decade. CBSFA/SPFC owns 50% of the *FV Early Dawn*, which is one of the very few vessels participating in this fishery. Opilio, Bristol Bay Red King Crab, and the Western Bairdi were fished in the 2017 season. The Eastern Bairdi fishery remained closed. The *Adventure* successfully harvested the R&B Co-op and CBSFA's CDQ Western Bairdi allocations. The St. Matthew Blue King Crab fishery remained closed in 2017. Despite fluctuations in allocations and market conditions, all of CBSFA's vessels continue to operate profitably.

In 2017, SPFC continued its new business venture, Frozen At Sea, LLC, with longtime partners Unisea and Rick and Mary Mezich. Frozen At Sea, currently

a non-operational entity, purchased a Pacific cod catcher/processor Limited License Permit, endorsed for use with pot gear in the Bering Sea. SPFC owns 50% of the permit, and Unisea and Mezich each own 25%. Currently, all of SPFC's vessels deliver product to shore-based plants in Dutch Harbor, Akutan, Adak, and St. Paul. Business planning and financial modeling is currently underway to evaluate the potential of building and operating a 124' purpose-built cod catcher and processing vessel. The business opportunity, at first glance, appears to be promising, and will potentially further diversify CBSFA's portfolio and add additional stability to its operations.

Star Partners, which is 75% owned by SPFC, includes the pollock and cod vessels the *Starward* and *Starlite*. Star Partners was created in 2004 in partnership with Unisea. This was a major investment by CBSFA/SPFC and one that is paying off. This is a strong, successful company with substantial pollock and cod allocations. Rick and Mary Mezich manage the *Starward* and *Starlite*, as well as the *Fierce Allegiance* and *Early Dawn*.

2018 is shaping up to be another good year for SPFC with a board-approved distribution of \$1.7 million to CBSFA. The *Adventure* and *Saint Peter* were both in the shipyard in the fall of 2017. The *Saint Peter* was modified to longline sablefish with pots in the Bering Sea and Aleutian Islands. In addition, 300 new pots were built for targeting CDQ and IFQ sablefish in the Bering Sea beginning in 2018. The *Adventure* received a new paint job, a new cooler system, upgrades to the hydraulics, and some general maintenance. The *Saint Paul* was in the shipyard in the spring of 2018. The *Saint Paul* received all-new paint, a new main engine, two new generators, upgrades to the hydraulics, and some general maintenance.

SPFC is excited about the future and the opportunity to maintain current operations as well as explore growth prospects. Such opportunities allow SPFC to support CBSFA's ability to provide jobs, further develop the community, and continue with its important programs and projects.





Local Halibut Fishery

The local halibut fishery is a major source of employment, income, and subsistence for the community and our members. Compared to CBSFA's other groundfish allocations, halibut can be harvested with small boats and provides an opportunity for income to be earned directly by CBSFA members. In addition to providing harvesting opportunities for the local fleet through its CDQ halibut allocation, CBSFA also provides support services for the fishermen through its Local Fleet Support Program and has worked closely with Trident Seafoods to provide halibut processing services.

In 2003, CBSFA created the CBSFA Halibut Cooperative (CBSFA Co-op) and began purchasing halibut from the local fleet with the goal of providing a competitive ex-vessel price. 2018 marks the 15th year since the CBSFA Co-op was created. Since inception, the CBSFA Co-op has paid out over \$40 million dollars of income to the local fishermen, and the fishermen have landed nearly 8.5 million pounds of halibut!

CBSFA operates the local halibut fishery in conjunction with the local fishermen, Saint Boats LLC (*F/V Saint Paul* and *F/V Saint Peter*), and Trident Seafoods. CBSFA purchases the halibut from the local fleet and partners with Trident Seafoods to process and market the fish. Any CDQ not able to be caught by the local fleet is leased to our own boats, the *F/V Saint Paul* and *F/V Saint Peter*, if they are available at the end of the season.

The Area 4C catch limit for 2017 increased by 2% over 2016. CBSFA's CDQ halibut allocation was 319,600 pounds and locally held IFQ's were around 108,000 pounds. Local landings totaled 419,100 pounds, including 100,332 pounds of locally held IFQ¹ - total landings increased by 35,640 pounds over 2016. The base price was set at \$5.75 and a retroactive price adjustment was paid out following the close of the season, resulting in the final 2017 ex-vessel price of \$5.95. In total, \$2.4 million was paid to the local fishermen. This amount is among the highest the fishermen have been paid in recent years, but is slightly below the long-term average.



The 2018 fishing season began on June 27th with a posted ex-vessel price of \$4.25/lb. CBSFA's CDQ allocation is 311,738 pounds, 2.2% lower than the 2017 allocation. The 2018 base price is notably lower than the 2017 final price, reflecting a softer halibut market, so total income for the local fleet may be lower than last year. A retroactive price adjustment may be paid out depending on halibut market conditions.

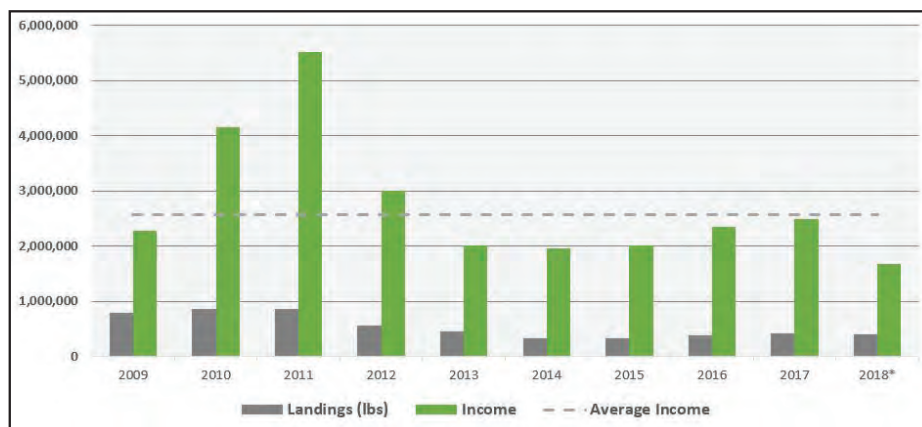
Since 2011, Area 4C catch limits have been reduced by as much as 65% and while we have seen some stabilization in the past couple of years, the cuts have been significant for the local fleet. These cuts are largely attributed to the results of the International Pacific Halibut Commission (IPHC) stock assessment and the impact of halibut bycatch mortality on both the stock and IPHC catch limit accounting. The

most recent IPHC stock assessments have shown a continued decline in the available halibut resource in the Bering Sea and Aleutian Islands (BSAI) and projections of incoming recruits are concerning.

Again, the local halibut fishery is a significant part of our community's economy. CBSFA and other Saint Paul entities have been continuously addressing the halibut concerns and are heavily involved in the IPHC and North Pacific Fishery Management Council (NPFMC) processes. We intend to maintain our efforts toward further reductions in halibut bycatch and will be actively involved in developments to equitably allocate the halibut resource. While there is still uncertainty and much work to be done, we hope that these developments help halibut stocks remain healthy and viable for the future.

¹ Note that CBSFA tracks only those IFQ deliveries purchased by 170 Degrees West – some locally held IFQ may be purchased by Trident or delivered to other ports.

Local Halibut Fleet Landings & Income, 2009-2018



*Note that 2018 landings and income data are preliminary, as of 9/15/18.

Fishery Management Issues

Ad Hoc Crab Committee

CBSFA has been working for two years with harvester and processor representatives as a member of an Ad Hoc Crab Committee to develop agreements with the Alaska Department of Fish and Game (ADFG) and the Alaska Board of Fisheries (BOF) to revise the State's harvest strategy for Bairdi tanner crab. The crab industry has undertaken this effort in order to allow a commercial tanner fishery when the overall biomass is at harvestable levels.

In 2017, the BOF made small changes to the harvest strategy that went part of the way to the goals of the committee, but the industry continues to work together toward a more comprehensive overhaul of the management program. Although crab in the Bering Sea is federally managed, the actual management is delegated to the State of Alaska.

In the fall of 2017, CBSFA attended a workshop sponsored by the Bering Sea Fisheries Research Foundation (BSFRF) that included crab scientists from ADFG, BSFRF, the National Marine Fisheries Service and academia. The results of the workshop were in support of the needed changes to the tanner crab harvest strategy.

CBSFA is currently chairing the Ad Hoc Crab Committee, developing the comprehensive management changes in coordination with ADFG for presentation to the BOF in 2019.

Efforts to Develop New Management Approaches for Halibut

The CBSFA/St. Paul team continues to lead efforts to further reduce halibut bycatch and improve management of the halibut stocks. Since the North Pacific Fishery Management Council (NPFMC) action in 2015 to reduce halibut PSC by 21% the focus has been on developing a system for managing halibut that is based on abundance of the resource and equitable sharing of both the ups and downs in the resource between directed halibut fishermen and bycatch users.

Referred to as Abundance-Based Management (ABM), this management program will take several years to develop, as stakeholders, the International

Pacific Halibut Commission (IPHC) and NPFMC discuss thresholds and caps affecting the allocation of the halibut resource.

At present, the IPHC takes halibut bycatch mortality off the top of the total harvestable halibut numbers, and the remainder goes to directed fisheries, resulting in the inequitable allocations of recent years.

CBSFA has also worked closely with bycatch users in reducing halibut discard mortality and bycatch rates. This involves allocation and regulatory incentives for the groundfish fisheries to improve mortality rates both on board and after discarded, as well as to reduce halibut bycatch through the use of cooperative fishery controls and excluder devices.

The IPHC and the NPFMC have been coordinating efforts to improve the overall framework for halibut management. This includes improved coordination; joint meetings; better methods for receiving stakeholder input; and the development of harmonized scientific standards and stock assessments among the bodies involved in the management of the halibut resource. Since 2015 there have been two joint meetings of the IPHC and NPFMC. CBSFA has been active in providing input before both bodies.

CBSFA has been actively involved in all of these matters to ensure that the NPFMC and the groundfish industry follow through on their commitments and that the halibut management framework responds to concerns of the halibut resource and directed halibut users.

What is clear is that these multipronged efforts have paid off for St. Paul. The IPHC has recommended increases in halibut FCEY for area 4CDE of 1,660,000 lbs. for 2016, and 1.7 million lbs. for 2017, both of which are improvements over 2014 and 2015 levels. These increases were based on improved stock assessments, and reductions in halibut bycatch due to efforts by the groundfish fisheries. However, the situation with halibut will remain a major issue for the foreseeable future and will require concerted and coordinated effort with other St. Paul entities and halibut user groups.



BSAI Halibut in Pots

CBSFA has been the leading sponsor of an action before the NPFMC to allow for retention of halibut in pots in the BSAI if a participant has sufficient halibut IFQ or CDQ for the appropriate regulatory area. The purpose of this action is to reduce predation by killer whales on halibut longline gear, thereby reducing halibut mortality and maximizing the benefits of the resource for the directed fishermen.

Elements of the Council action under consideration are: an exemption to the 9-inch maximum width of tunnel opening; VMS and logbook requirements for all vessels using pot gear to fish IFQ/CDQ; and allowing NMFS to close IFQ fishing for halibut if an overfishing limit for a shellfish or groundfish species is being approached. In addition, the Pribilof Island Habitat Conservation Zone would be closed to all fishing with pot gear.

Final action on this management program is scheduled for the October 2018 Council meeting.

Ecosystem, Community Engagement, and LTK Issues

CBSFA has worked in coordination with the City of Saint Paul and the Aleut Community of St. Paul Tribal Government (the Tribe on a number of issues relating to fur seal management; community engagement; and local & traditional (LTK) knowledge.) Moreover, CBSFA has supported the active participation of the Tribe on committees that the NPFMC is establishing to improve coordination with Bering Sea communities and tribes. In 2016, the NPFMC began to look with increasing concern at the status of fur seal stocks and the potential impacts that further declines might have on the Bering Sea's commercial fisheries.

At the request of the NPFMC, the NMFS is updating the 2007 Northern Fur Seal Conservation Plan. Through the Tribe, Saint Paul is seeking to provide greater input on fur seal management issues and actions that may be taken, including those based on LTK, to prevent further declines in this iconic species for the Pribilofs.

On another related front, the NPFMC has identified increasing its engagement with rural and Alaska Native communities as a priority. The impacts of decision-making by the NPFMC is in many instances unknown or poorly understood by communities that are most impacted by these decisions. In addition, communities may have valuable input, both empirical and LTK that may better guide the NPFMC scientific and policy process. It is unknown how this process will evolve but for now the NPFMC is establishing the channels for communication and the scope of possible interactions. This is a positive development for fisheries-dependent communities such as Saint Paul Island.



Community Outreach



Elders Residential Assistance Program

CBSFA continues to provide annual payments of \$4,000 (per household) to energy suppliers or housing entities on behalf of community elders age 55 and over. The annual payment was increased from \$3,500 to \$4,000 in 2014 to help alleviate the increasing cost of living in rural Alaska.

Elders and Community Subsistence Donations

Our residents continue to be affected by the rising cost of living in many ways. Subsistence resources continue to be increasingly important to offset these rising costs. CBSFA created the Elders and Community Subsistence Donation Program that disburses high quality seafood products to community elders throughout the year. Seafood products are also donated to various community events. The 2018 total in the table reflects the actual costs through September.

Volunteer Tax Program

An annual contribution is made to the Alaska Business Development Center to provide on island tax preparation assistance for community members.

Community Events and Programs

Funds and purchases are contributed to events such as 4th of July, Labor Day celebration, and Sts. Peter and Paul Church Holiday.

Community Internet Service Contribution

This joint venture with the Tanadgusix Corporation increases the local internet speed to our community. The additional satellite bandwidth allows TDX to provide a more reliable internet service to St. Paul.

Bereavement

CBSFA provides contributions to funeral arrangements for families of CBSFA members.

	2017	As of 8.1.2018
Elders Residential Assistance Program	304,000	303,366
Elders & Community Subsistence Donations	75,620	47,547
Volunteer Tax Program	6,850	6,850
Community Events & Programs	6,604	18,121
Travel Assistance	8,917	0
March Madness Sponsorship	7,500	7,500
Community Internet Service Contribution	135,459	80,378
Bereavement	32,240	34,354
City of Saint Paul:		
North Pacific Fisheries Management		
Council Travel/Consultation	33,850	83,850
ETT Training and Volunteer Appreciation	6,676	0
TDX Youth Employment	19,747	0
Tribal Government of St. Paul:		
Tribal Court	53,505	66,789
Unangam Tunuu Revitalization	119,337	227,827
Marine Debris Cleanup	22,500	0
Lunax Support	12,973	7,000
Community Beautification Program	15,000	0
Church Donations	35,000	35,000
Volunteer Fire Department	0	7,775
TOTAL	895,778	918,582



TDX Youth Employment

CBSFA helps create job opportunities, not only within the organization, but also through support of other entities within the community. In 2010, CBSFA began its support with a \$20,000 contribution to the Tanadgusix Corporation's Summer Youth Hire Program – a program that provides youth with opportunities and job-skill development. They also engage in our traditional and cultural ways through participating in the community subsistence fur seal harvests, learning the proper techniques involved with the collection of the subsistence product.

Tribal Government of St. Paul Island

Tribal Court: CBSFA's contributions help with the administration costs associated with the court. The Tribal Court offers services such as probate and child welfare, is undertaking the Office of Justice Programs Tribal Court improvement project, the Txin Kanguux (TK) Court Program, and has agreed to work with the City of Saint Paul, Department of Public Safety by way of a Cross Deputization Agreement.

Unangam Tunuu Revitalization: Contribution allows the youth to further build on their 2014 Unangam Tunuu Speaking, Listening, Teaching project. In 2017 the group continued to immerse participants through a Summer Learning Intensive and continue developing the curriculum to speak, listen to, and teach Unangam Tunuu. Specific tasks our funding helps to accomplish include: advancing on island team's fluency, teaching and project management, being a resource for other communities striving to build their language utilization, and develop immersion abilities with children age 0-3 years old.

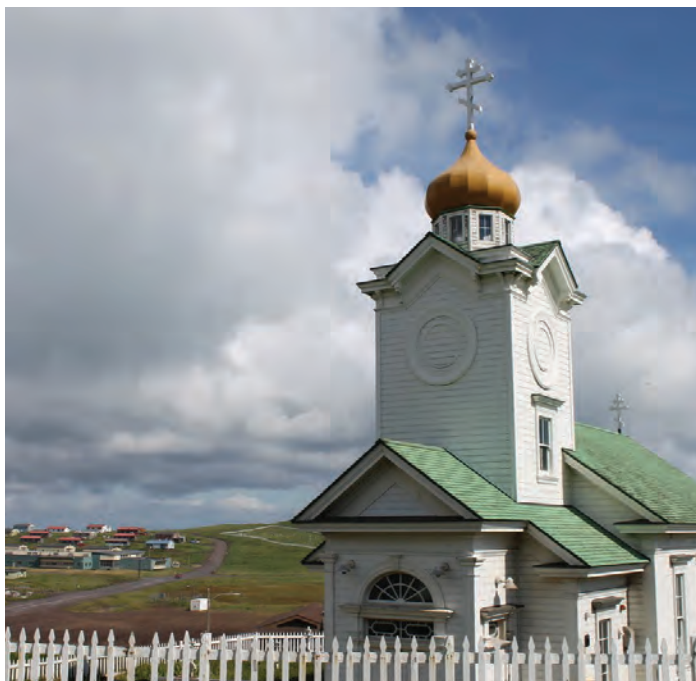


Marine Debris Cleanup: CBSFA's matching funds provided employment for ten residents for this seven-day cleanup. Funds were also used to purchase supplies and cover some of the cost to ship the debris off-island.

Lunax Support: CBSFA covers 50% of the actual costs of insurance, repair and maintenance parts, fuel, and supplies for the quick response vessel.

Church Donation

Our contribution helps the Sts. Peter and Paul Russian Orthodox Church with various costs.



Volunteer Fire Department

Our funding provides updated safety equipment, learning material, and fire truck accessories necessary for the department's new recruits, safety training, and emergency response.

Community Beautification Program

CBSFA paid for the painting of five Elder's homes.

City of Saint Paul

North Pacific Fisheries Management

Council Travel/Consultation:

CBSFA supports additional entity representation at the five North Pacific Fisheries Management Council meetings and is contributing funds for the airfare and hotel costs for two City team members to attend. Additionally, funds will offset the City's consultation costs that involve the halibut fishery.

ETT Training and Volunteer Appreciation:

Our contribution was used towards the ETT trainer fee, airfare, equipment rental, training supplies, and shipping costs. A contribution of \$750 was designated to purchase items and present to ETT volunteers for their dedication.



Education

Preschool

CBSFA began its support for the Montessori Program in the spring 2007 semester and has continued it since. The program provides early education and activities for kids age three to five and is fully funded by CBSFA. Over the years the style of teaching has shifted more towards a preschool curriculum, a structure that provides an advantage to kids as they enter kindergarten by developing social, reading, and communication skills.

Scholarships and Training Grants

Since 1993, CBSFA has been providing scholarship and training grants for post-secondary education and vocational training to eligible individuals. Over the years, 50 individuals who were awarded financial aid have successfully received a certification and/or earned one or multiple degrees. The purpose of this program is to be able to train and educate our people and to provide incentives for them to return to our community to build their careers.

Bering Sea Pribilof Islands Science Education Program

Bering Sea Days: Bering Sea Days promotes science education for Pribilof Island students focusing on Climate Change. The Ecosystem Conservation Office continues to provide a hunter education and safety course for interested students 12 years and older. Students began working with Wild Lens, Inc. to develop an outreach and promotion video of Bering Sea Days.

ECO Summer Camp: The 5-day ECO summer camp teaches Pribilof students age six and older, focuses on marine ecology, effects of climate on prey species of the Bering Sea, and fish biology and ecology.

St. Paul School Fuel Tank

CBSFA's contribution provides the St. Paul School with a new, customized Greer fuel tank. This infrastructure support ensures the safety of our students, staff and school building itself.



	2017	As of 8.1.2018
Preschool	117,849	115,000
St. Paul School Fuel Tank	23,427	0
Scholarships	64,500	25,500
Training Grants	3,872	0
Bering Sea Pribilof Islands Science Education Program		
Bering Sea Days & ECO Summer Camp	46,697	0
BSPISE Expansion, Workforce Development, & Community Sustainability Program	0	113,424
Extracurricular		
5th Grade Class Trip	1,000	5,000
Middle School Basketball	4,000	5,500
12th Grade Graduation	2,500	0
Headstart Graduation	500	500
Graduation Gifts	987	0
TOTAL	265,332	264,924

Extracurricular

Funding helps support the 5th grade class trip, middle school basketball team trip, and the high school graduation.

BSPISE Expansion, Workforce Development, and Community Sustainability Program

Funding for 2018 provides for active management of a Science Technology Engineering Math Program which includes various educational and training opportunities that are offered on island to all age groups. Some of the ongoing projects include Career Resource Centers, Drone Training Program, Pribilof Days, ECO Summer Programming, Bering Sea Days, Youth Leadership Summit, and an Audio/Visual Intensive Training Program.

Central Bering Sea Fishermen's Association & Subsidiaries

Consolidated Statements of Financial Position | December 31, 2017 and 2016

Assets	2017	2016
Current assets:		
Cash and cash equivalents	\$ 25,350,167	26,022,858
Accounts receivable, net	907,665	6,661,472
Due from related party (note 12)	430	16,618
Inventory	369,500	255,160
Prepaid expenses	476,512	606,327
Total current assets	27,104,274	33,562,435
Investments (notes 3 and 4)	896,174	2,420,948
Interest rate swap receivable (notes 4 and 9)	66,970	—
Prepaid expenses and other (note 5)	4,736,281	3,018,921
Loans receivable, net (note 6)	602,430	470,430
Investment in unconsolidated affiliates (note 7)	8,752,483	8,570,340
Property and equipment, net (note 8)	14,431,805	13,199,501
Fishing and processing rights	74,903,385	84,307,972
Total assets	\$ 131,493,802	145,550,547
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,537,377	4,485,788
Current portion of long-term debt (note 9)	5,337,146	7,329,778
Total current liabilities	7,874,523	11,815,566
Long-term debt, less current portion (note 9)	33,649,940	39,118,057
Interest rate swaps (notes 4 and 9)	—	196,998
Total liabilities	41,524,463	51,130,621
Net assets:		
Unrestricted net assets:		
CBSFA:		
Undesignated	84,470,648	87,597,648
Designated for small boat harbor	109,805	109,766
Designated for vessel repair center	786,249	2,311,182
Total net assets attributable to CBSFA	85,366,702	90,018,596
Noncontrolling interest in Star Partners, LLC	4,602,637	4,401,330
Total unrestricted net assets	89,969,339	94,419,926
Commitments and contingencies (notes 7, 9, and 11)		
Total liabilities and net assets	\$ 131,493,802	145,550,547

Extracted from Financial Statements audited by KPMG, LLP.

Central Bering Sea Fishermen's Association & Subsidiaries

Consolidated Statements of Activities | Years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Changes in unrestricted net assets:		
Revenue, gains, and other support:		
Revenue from fishing operations (note 12)	\$ 46,490,409	100,737,540
Program revenue (note 12)	7,661,499	7,928,840
Investment and other income	141,889	266,647
Equity in income of unconsolidated affiliates (note 7)	947,691	1,298,751
Total revenue, gains, and other support	<u>55,241,488</u>	<u>110,231,778</u>
Expenses and other:		
Program:		
Fishing operations	42,167,051	89,948,072
Impairment of fishing rights (note 1(h) and 4)	9,404,587	6,138,546
Education and outreach	1,133,133	896,340
Vehicle and equipment operations	—	797,362
Small boat harbor operations	—	325,438
Community infrastructure support	—	107,211
EFH advocacy and research	223,093	292,474
Investment fund policies and procedures	—	23,795
Vessel launch and retrieval	—	20,605
Total program	<u>52,927,864</u>	<u>98,549,843</u>
Supporting services – general and administrative, including interest expense of \$1,605,561 and \$1,927,996 for 2017 and 2016, respectively	<u>6,903,176</u>	<u>7,264,728</u>
Total expenses	59,831,040	105,814,571
Change in the fair value of interest rate swap (note 9)	<u>263,967</u>	<u>(266,052)</u>
Total expenses and other	<u>59,567,073</u>	<u>105,548,519</u>
Change in unrestricted net assets	<u>\$ (4,325,585)</u>	<u>4,683,259</u>

Extracted from Financial Statements audited by KPMG, LLP.

Central Bering Sea Fishermen's Association & Subsidiaries

Consolidated Statements of Changes in Net Assets | Years ended December 31, 2017 and 2016

	<u>CBSFA</u>	<u>Noncontrolling interest</u>	<u>Total</u>
Net assets, January 1, 2016	\$ 85,693,489	4,293,176	89,986,665
Change in unrestricted net assets	4,325,105	358,154	4,683,259
Distributions to noncontrolling interest	<u>—</u>	<u>(250,000)</u>	<u>(250,000)</u>
Net assets, December 31, 2016	90,018,594	4,401,330	94,419,924
Change in unrestricted net assets	(4,651,892)	326,307	(4,325,585)
Distributions to noncontrolling interest	<u>—</u>	<u>(125,000)</u>	<u>(125,000)</u>
Net assets, December 31, 2017	\$ <u>85,366,702</u>	<u>4,602,637</u>	<u>89,969,339</u>

Extracted from Financial Statements audited by KPMG, LLP.

Central Bering Sea Fishermen's Association & Subsidiaries

Consolidated Statements of Cash Flows | Years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in unrestricted net assets	\$ (4,325,585)	4,683,259
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Impairment of fishing rights	9,404,587	6,138,546
Depreciation	1,504,138	1,696,606
Undistributed earnings of unconsolidated affiliates	(182,143)	(149,652)
Realized and unrealized (gains) losses on investment securities	—	89,728
Change in fair value of interest rate swap	(263,968)	(266,052)
Change in operating assets and liabilities that provided (used) cash:		
Accounts receivable, net	5,760,767	(724,374)
Prepaid expenses	(1,587,545)	(1,940,610)
Inventory	(114,340)	19,325,081
Due to/from related party	28,848	19,693
Accounts payable and accrued expenses	(1,961,069)	(1,717,673)
Net cash provided by operating activities	<u>8,263,690</u>	<u>27,154,552</u>
Cash flows from investing activities:		
Purchase of property and equipment	(2,334,479)	(1,519,225)
Investment in unconsolidated affiliate	—	(228,570)
Issuance of loans receivable	(246,029)	(143,739)
Principal payments received on loans receivable	107,069	151,135
Purchase of investments	(342)	(2,778,081)
Sale of investments	1,525,116	5,029,319
Net cash (used in) provided by investing activities	<u>(948,665)</u>	<u>510,839</u>
Cash flows from financing activities:		
Distributions to noncontrolling interest	(125,000)	(250,000)
Proceeds from advances on line of credit	—	750,000
Proceeds from issuance of long-term debt	—	339,357
Payments on advance of line of credit	—	(12,538,175)
Principal payments on long-term debt	(7,862,716)	(8,016,848)
Net cash used in financing activities	<u>(7,987,716)</u>	<u>(19,715,666)</u>
Net increase in cash and cash equivalents	(672,691)	7,949,725
Cash and cash equivalents at beginning of year	26,022,858	18,073,133
Cash and cash equivalents at end of year	<u>\$ 25,350,167</u>	<u>26,022,858</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 1,590,702	2,203,203
Supplemental schedule of noncash investing and financing activities:		
Equipment obtained through installment purchases payable	\$ 401,967	—

Extracted from Financial Statements audited by KPMG, LLP.

Central Bering Sea Fishermen's Association & Subsidiaries

General and Administrative Expenses | Years ended December 31, 2017 and 2016

	2017	2016
General and administrative expenses:		
Board expenses:		
Travel and per diem	\$ 19,645	47,777
Directors fees	48,850	46,675
Board training	115,159	—
Other	71,438	22,568
Total board expenses	\$ 255,092	117,020
Staff:		
Payroll and taxes	\$ 1,584,388	1,427,849
Benefits - incl. medical, dental, vision	689,353	381,243
Benefits - retirement	120,514	122,256
Total staff	\$ 2,394,255	1,931,348
Travel and per diem:		
Staff	\$ 129,018	135,596
Total travel and per diem	\$ 129,018	135,596
Other:		
Accounting fees	\$ 59,780	58,289
Advertising	—	—
Amortization	2,453	37,265
Audit expense	131,900	119,170
Bad debt	—	—
Bank fees	9,965	19,713
Contributions	10,333	116,466
Copying and printing	1,099	4,259
Depreciation	585,270	675,405
Dues, subscriptions and memberships	89,149	80,038
Fines & Penalties	7,913	55,015
Harvest tracking	6,211	4,738
Insurance	555,114	675,204
Interest	1,605,561	2,194,046
Legal fees	35,595	153,593
Licenses and fees	58,725	11,639
Marketing	—	1,771
Meals and entertainment	941	6,894
Medical	25,938	10,000
Miscellaneous	30,228	6,177
Moorage and storage	94,322	52,478
Office supplies	26,288	27,975
Postage and freight	4,093	3,834
Professional fees	291,538	199,153
Rent and storage	62,491	44,510
Repairs and maintenance	259,014	225,099
Small office equipment	9,160	10,452
Parking & Transportation	—	20,113
Taxes	80	41,441
Telephone and internet fees	145,308	147,447
Training	1,385	5,983
Utilities	14,958	19,439
Loss on discposal of fixed assets	—	53,158
WACDA membership fee	—	—
Total other	\$ 4,124,810	5,080,764
Total general and administrative expenses	\$ 6,903,176	7,264,728

Extracted from Financial Statements audited by KPMG, LLP.

Transparency Disclosures

Section 305(i)(1)(F)(II) of the Magnuson-Stevens Fishery Conservation and Management ACT, as amended by section 416 of Public Law 109-241 (the Coast Guard and Maritime Transportation Act of 2006), requires that each CDQ entity “comply with State of Alaska law requiring annual reports to the entity’s member villages summarizing financial operations for the previous calendar year, including general and administrative costs and compensation levels of the top five highest paid personnel.”

CBSFA remains in compliance with Section 305(i)(1)(F)(II) of the Magnuson-Stevens Act and as the CDQ group for the village of St. Paul, hereby submits the following disclosures for calendar year 2017.

Directors

CBSFA directors receive \$275 for each board meeting of less than two hours duration, \$425 for meetings of two to eight hours, and \$700 for meetings of more than eight hours. In 2017, CBSFA paid \$35,675.00 to CBSFA Directors, \$5,775.00 to CBSFC Directors, and \$5,200.00 to SPFC Directors. In addition to director’s fees, \$43,170.20 was paid for life insurance policies.

Related Party Transactions

CBSFA’s wholly owned subsidiary Central Bering Sea Fishermen’s Corporation operates a vessel and gear loan program for member fishermen. Loan terms range from three years to seven years with interest at 3% annually. Loan payments are withheld from ex-vessel payments. The CBSFC board of directors has appointed

an independent loan committee to review and approve or disapprove loan applications. For 2017, two loans in the amounts of \$100,000 to Myron Melovidov, CBSFA Director, and \$100,000 to John R. Mercurief, Jr., CBSFA Director, were approved. The terms and conditions of the loans are identical to loans made to non-related parties.

Legal Proceedings Involving Directors

There were no legal proceedings involving CBSFA and its directors during the year.

Auditor Relationship

CBSFA has not had any disagreements with its auditors, KPMG, LLP, for either 2017, 2016, or 2015. KPMG performed tax preparation and lobbying services, the fees for which equal 24.15% for 2017 and 22.7% for 2016.

Employee Compensation

Company, position, and salary information for the top five highest paid personnel within entity and majority owned subsidiaries:

Employee	Position	Company	Salary	Bonus	Total
Phillip Lestenkof	President	CBSFA	\$177,815.40	0	\$177,815.40
Jeffery Kauffman	Chief Executive Officer	SPFC	\$148,947.27	0	\$148,947.27
Joe Kashevarof	Chief Financial Officer	CBSFA	\$132,638.61	0	\$132,638.61
Raymond Melovidov	Chief Operating Officer	CBSFA	\$120,966.09	0	\$120,966.09
Jennifer Hausmann	Office Manager	SPFC	\$104,104.60	0	\$104,104.60

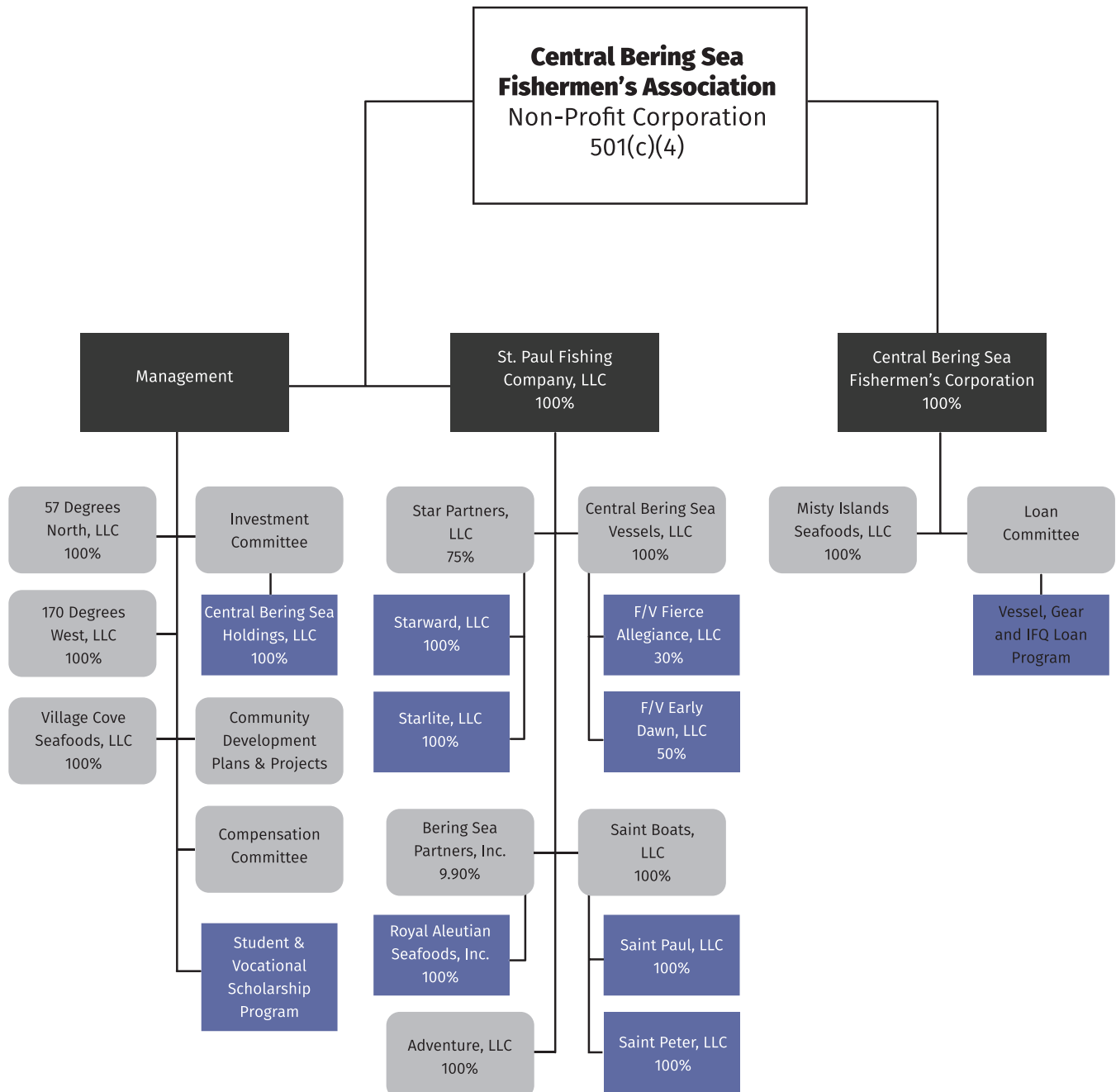
Committees

CBSFA maintains a compensation committee. In 2017, its membership was made up of Amos Philemonoff, Sr., Jason Bourdukofsky, Sr., and Roman Fratis, Sr. The committee’s function is to review employee evaluations and to make determinations regarding employee compensation. The committee did not meet in 2017.

Professional Fees

Legal	\$20,906.50
Consulting	\$211,710.00
Accounting	\$164,988.12
Auditing	\$121,150.00
Tax Prep	\$5,500.00

Organizational Chart







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